

# A New Perspective on Human Resource Management Research: An Organizational Systematics Approach

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## Abstract

This paper explores a new human resource management (HRM) research perspective for large Korean enterprises at the population level, the foundation of which lies in organizational evolutionary theory, especially organizational systematics. Enterprises are treated as a population subject to environmental pressures. Despite the achievements and development of HRM research, critical issues have been raised continually in relation to the lack of approaches that adopt perspective of one of the higher organizational theories in which HRM systems originate. This paper suggests that research on HRM and practices of Korean conglomerates should be conducted on the basis of the theory of organizational evolution; organizational systematics in particular. This perspective on HRM research provides a comprehensive and influential research framework by engaging the advantages of other major organizational theories.

**Keywords:** Human resource management (HRM), Organizational systematics, Korean conglomerates, *Chaebol*

## 1. Introduction

The practice of HRM research has evolved considerably over the past century and significant innovative changes have taken place in terms of the research framework and functions in the last twenty years. From the initial simplicity of its function as a maintenance tool, where little importance was attached to it, HRM has developed its strategic position in organizations. This shift has arisen from a number of critical changes in organizations, both internal and external, and the extent to which a majority of scholars and practitioners consider HRM to be a fundamental source of sustained competitive advantage in the global economy (Delery & Doty, 1996; Ferris, Hochwarter, Buckley, Harrell-Cook, & Frink, 1999; Ferris & Judge, 1991; Pfeffer, 1995; Tichy, Fombrun, & DeVanna, 1982; Wright & Boswell, 2002; Wright & McMahan, 1992; Wright & Snell, 1991, 1998). Remarkable achievements have been made in the macro research arena in relation to SHRM. However, failure to develop appropriate definitions and develop theory has been identified as a drawback. Consequently, assertions have been made consistently regarding the need to define a common viewpoint for the HRM function at a higher organizational level, the aim of which is to manage a range of HRM issues with greater efficiency. This implies that understanding of the HRM function should be incorporated into the relationship with its higher level system in order to describe and analyze HRM successfully. It is therefore crucial to develop and utilize

theoretical models that can facilitate the prediction and understanding of the influence of HRM on organizational functions (Dyer, 1985; Kochan & Dyer, 1993; Mahoney & Deckop, 1986; Welbourne & Andrews, 1996; Wright & McMahan, 1992; Wright & Snell, 1991; Zedeck & Cascio, 1984). Delery and Doty (1996) refute the criticism relating to the perceived lack of theoretical foundation in SHRM studies by identifying three approaches – universalistic, contingency and configurational – and distinctive theoretical models that drive SHRM research.

Discussions in this paper start from the above mentioned issues and will explore the feasibility and benefits of HRM research at the population level on the basis of evolutionary theory, and in particular organizational systematics. The rationale for this is that evolutionary theory, which encompasses organizational systematics, can be employed for a range of issues in the context of business environments, the extent of which may not be restricted to HRM but can be extended to studies of dynamic transition processes, organizational classification issues, reciprocal interactions to the environment and sources of competitiveness. In the late 1970s, organizational systematics made its presence felt, along with population ecology, by providing a significant theoretical framework that incorporates the evolutionary theory of biology into the social sciences. However, it was not until recently that the theory came into the spotlight again after a period of stagnation from the mid-1980s, due to difficulties in empirical research. Currently, organizational systematics is attracting more attention as a result of expansion in the research domains of population ecology, the range of which stretches from population level to intra-organizational evolution. In particular, Baum and Singh (1994), advocates of the dual hierarchy framework, highlight the need for in depth research of organizational systematics as an axis of organizational evolution. Accordingly, this paper gives weight to a major context, applications and implications of HRM research at population level from the perspective of organizational systematics. The discussion is expected to provide meaningful insights into HRM research of enterprises, building up the population of industries and conglomerates – *chaebols* in the specific Korean context.

The discussion will begin with an outline on organizational systematics, followed by identifying issues in relation to its application in HRM research. The paper will then continue to explore controversies, problems and further implications.

## 2. Organizational Systematics

Organizational systematics research starts from the principle that the development of scientific knowledge is essentially driven by the possibility of employing a general and useful classification scheme (Hempel, 1965). Organizational systematics examines the classification of organizations using the metaphor of biological systematics, particularly numerical taxonomy, the focus of which research is organizational diversity or organizational differences. This emphasis on difference is similar to population ecology theory. Accordingly, studies are conducted in the areas of morphological differences in populations, development of classification theories, recognition and categorization of major differences as well as underlying causes and processes of those differences (McKelvey, 1978, 1982). This includes all the studies on organizational types, diversity and relationships – extensive and specific. The school of organizational systematics aims to explain and understand what contributed to current structures and behaviors of organizations.

Regardless of controversial indications, it is explicit that there are massive inter-organizational differences in the real world (Hannan & Freeman, 1989; McKelvey, 1982). If so, provided that current organizational form reflects the cumulative effects of historical variation and selection, explanations are needed to account for the causes of dissimilarities in organizational forms and how the differences are sustained with the passage of time (Hannan & Freeman, 1989; McKelvey, 1982). These explanations provide practical assistance for managers, whose basic principles derive from past learning, to correspond to changing organizational and environmental conditions (Van de Ven & Grazman, 1999).

A general classification organizes a series of diverse facts to form a unity, which can be produced from rules, propositions or theories. This builds up the foundation of the development of organization science and explains why some organizations are identical or distinctive. These clarifications enable nomological nets to promote the establishment of concrete propositions concerning specific forms of organization. An extensive framework for scientific information retrieval on organizations can be provided, in addition to drastic improvements at the level of defining similar sets of organizations and explaining discrepancies among them (Ulrich & McKelvey, 1990).

To date, however, organizational taxonomy research has failed to categorize organizations into scientifically applicable groups, which reveals the need for the current organizational classifications to be adapted in the light of crucial factors. Accordingly, issues have been raised and still remain to be resolved in terms of defining organizations and classifying them into populations, notwithstanding the achievements in the field of organizational science (Astley, 1985; Carper & Snizek, 1980; Dess & Beard, 1984; McKelvey, 1975, 1978, 1982).

McKelvey (1975, 1978, 1982), the representative researcher of organizational systematics, suggests dominant

competences as a standard for classifying organizational species; that is, “as polythetic groups of competence-sharing populations, these are isolated from each other because these dominant competences are not easily learned or transmitted”. McKelvey has defined three terms for standards of classifying organizational species; polythetic, competence-sharing populations, and isolated.

The concept of dominant competence is composed of primary tasks and workplace-management tasks, where a primary task indicates an activity set that is directly involved in transferring an input to an output that is decisively important for the survival of the organizational population. In addition, a workplace-management task is a set of management activities that has a direct influence on workplace operation of primary tasks and promotes sustained organizational survival. The most important activities among these tasks involve measuring effectiveness, adjusting interdependence and alleviating environmental influences. As such, a dominant competence signifies both the workplace (technical) knowledge and function and management knowledge and function that is most important in determining an organization’s survival capacity (McKelvey, 1982).

### 3. Korean *Chaebol* as Organizational Species

#### 3.1 Previous Research on Organizational Populations

Despite the definition of organizational population and species from the perspective of organizational systematics, the fact is that it is still difficult to come to a conclusion as to what can be referred to as a species. Different theoretical propositions give rise to relevant selection decisions of a specific organizational population as well as data collection for analysis purposes regarding levels of organizations or population and environmental variables (Swaminathan, 1996). In other words, an organizational population might have different indications depending on a researcher’s interest. Therefore, the organizational population has flexibility to a certain degree as a useful abstract concept with a theoretical purpose (Hannan & Freeman, 1977, 1989). For example, Warriner (1978) illustrated that the life of individual constituents of organizational species can vary from a few weeks or months up to 2000 years, as can be seen from the Roman Catholic Church, and claimed that the Roman Catholic Church can be regarded as a species with a number of individual organizations that come into existence and become extinct.

Research on organizational populations from an ecological perspectives, on organizational extinction in particular, tend to neglect how existing organizations originate in the social network in terms of relationships. Board interlocks blend corporate management into a business network (Pfeffer & Salancik, 1978), while a company can be linked to others through strategic coalitions and joint ventures. Related research is about whether the network centrality promotes autonomy and provides advantages for survival of the organization. However, as Granovetter (1985) pointed out, structural embeddedness does not always promote social order, and can lead to disorder. Social ties can be used as a path in delivering hostile influences, which may accelerate extinction.

In such cases as Granovetter’s (1994) economic groups and Japan’s so-called ‘Big Six keirets’, studies on organizational population ecology suggests that it would be more appropriate to have the network as the unit of analysis rather than individual organizations. It is also significant that *grupos economicos* in several Latin American countries exercise considerable influence, albeit less explicit than Japan’s keirets (Davis, 1996). Discoveries from many research studies reveal that membership within these groups invariably affects the performance of the majority of its constituents (Lincoln, Gerlach, & Ahmadjian, 1996). Khanna and Palepu (1999) argued that corporate groups whose services include a market agency role can create higher value compared to those without it. This is exemplified in the study of Indian corporate groups in the mid-1990s, where half of the diversified corporate groups demonstrated improved performance against the other corporate groups without affiliates operating in the same industry.

Organizations are part of the corporate network and resemble the Japanese keiretsu, which is controlled by one business family, as well as Korean *chaebol* or Taiwanese *jituanqiye*. Unlike individual organizations that disappear through liquidation or amalgamation, corporate groups cannot continue to exist when the link between core units and constituent organizations are dissolved (Amburgey & Rao, 1996). Comparative ecology on the topic of deterioration of distinct corporate groups will provide explanations for boundary conditions that produce the extinction of network organizations. For example, a comparison can be made between the failures of the Kaiser Group in the USA and the Suzuki family organizations in Japan. The fate of constituent organizations after the demolition of the central organization within the corporate network is also of interest. Some options for constituent organizations involve reorganizing themselves to develop into a new group, becoming part of another corporate group by force or agreement, or perishing.

#### 3.2 Characteristics of Korean *Chaebol* Groups

It is extremely important to consider a conglomerate group as an organizational species in the context of Korean corporate management. Korean conglomerate groups or *chaebols* groups are entrepreneurial groups composed of

companies in diverse business areas, owned and operated by family members or relatives. A *chaebol* group is a type of financial faction made up of various enterprises in pursuit of diversified business operation, where its major feature is the possession and control of either one or two interrelated family groups (Steers, Shin & Ungson, 1989).

In order to be characterized as an organizational species in organizational population ecology, not only should organizations be identical in some aspect but the organizational constituents should also have a single common attribute (Hannan & Freeman, 1977, 1989). The ecological approach consequently emphasizes shared destiny correlated to environmental changes. Even from the perspective of organizational systematic, which categorizes organizations that share dominant competences into an organizational species, each conglomerate group has unique competences that clearly distinguish it from others. It can be concluded that while *chaebol* groups share with their subsidiaries the technology, brand, management know-how and human resources, they also demonstrate management features and behavior patterns peculiar to them (Chang, 2003; Steers et al., 1989).

The key attributes common to most Korean conglomerate groups – *chaebol* – are the ownership structure built around the founder's family and relatives, in addition to centralized management. Conglomerate groups have operated organizations that have similar functions to those of a General Staff or Headquarter, called the Planning and Coordinating Office, Executive Secretary Office or Restructuring Office. The supremacy and control of these conglomerate groups is such that various government policies and restructuring efforts of some *chaebols* since the 1990s have failed to produce substantial changes in the centralized managerial structure. Likewise, Steers et al. (1989) also suggest six attributes of Korean *chaebols*, and identify control and management by family members, patriarchal command system, centralized planning and coordination, innovative entrepreneurial spirit, a close link between business and government, and the importance of educational background connection in recruitment.

In general, Korean conglomerate groups operate businesses in various fields, rather than specializing in a particular industry, with the authority to make decisions on management issues placed on the highest management level, including the founder or the group head. The diversified business structure of the conglomerate groups can be described as a naturally constructed corporate strategy in response to a number of restrictions: the limited size of the local market and short industrial cycles that prohibit the conglomerates from specializing in a particular field, and the weak technological foundation and global network that make it difficult to pursue globalization as a specialist. The centralized decision making structure can also be regarded as an inevitable choice made owing to the centralized government power, where it is often the case that the adjustments of governmental policies have a huge influence on a company's business direction. As a result, Korean conglomerate groups have grown to become what they are today, pursuing economies of both scale and scope. Khanna and Palepu (1999) explained that conglomerate groups like Korean *chaebol*, Indian Tata Group and Turkish Koç Group had to cover massive trading expenses for economic activities due to the absence of an efficient market mechanism in the countries where they operate. They added that these companies consequently have become the conglomerates that they are today from the process of complementing the market place with internal affiliates.

From the above discussion, Korean conglomerate groups (*chaebols*) can each be considered as a separate organizational species. These groups share environmental influences such as governmental counter-*chaebol* policies, are composed of polythetic groups who share some competences, while their dominant competences are isolated from other conglomerate groups. Although the conglomerate groups have not been described as an organizational species so far, research examining the managerial attributes of the conglomerate groups as a whole have frequently been conducted by academic researchers (Amburgey & Rao, 1996; Davis, 1996; Granovetter, 1994; Khanna & Palepu, 1999; McKelvey, 1978, 1982; Warriner, 1978).

### 3.3 Empirical Research on Korean Chaebol Groups

In Korea, research has been conducted studying the common managerial attributes of the affiliates of *chaebol* groups, the results of which provide the foundation for considering a conglomerate group as a species. The focus of this research is the fact that corporate groups have exclusive characteristics unique to them. The research has attempted to find out why unique attributes and behavior patterns exist in the corporate groups, as well as the reasons for characteristic differences between those groups, if they exist.

Korean researchers carried out research on managerial attributes of Korean companies with a focus on the management characteristics and adaptation style, the results of which demonstrated that Korean *chaebol* groups have organizational attributes (adaptation styles) that are distinctive. This outcome consequently provided support for the hypothesis that the differences in the founder's values, establishment motivation and entrepreneurial capability with each *chaebol* group would lead to the distinctive characteristics in strategies and organizational structures. It has also been found that both strategic and structural attributes of *chaebol* groups reflect their individuality.

As stated by the research on managerial features and practices of the five symbolic conglomerate groups, Samsung, Hyundai, LG, Daewoo and SK, each group has exceptional characteristics. These five groups have similarities as well as differences in the attributes of macro administration and corporate strategy, business strategies, administrative organizations, human resource management and corporate culture. They also exhibit significant differences (Shin, Han, Kim, Kwon, Park, & Cho, 1995).

One piece of research studied the association between corporate group traits and founder traits for the Samsung group and Hyundai group (Lee, 2002). The affiliates of the same parent *chaebol* group had similarities despite industrial differences. Three notable characteristics can consistently be observed from both Samsung group and Hyundai group: strategic risk oriented tendency, organizational system attributes and founder's traits. The influence of the founder is greater than the industrial influence, to a surprising extent. It has also been discovered that past organizational inertia is sustained for a considerable period of time after management change because of the residual influence of the initial founder (Lee, 2002; Lee, 2005).

Noh (2003) carried out a research on the developmental and transitional process of the industrial relations (IR) system in Hyundai Heavy Industries, Samsung Heavy Industries, and Daewoo Shipbuilding and Marine Engineering (DSME) that are in the same industry with different parent conglomerate groups. He particularly examined the source of distinction in IR systems among these three companies despite the identical environmental conditions including market and technology, government policies and labor market apart from managerial conditions. He subsequently clarified that internal factors within the company such as strategic choices of the management, the developmental level of the internal labor market, along with the labor control function, are key influences. In the light of these findings, corporate groups can be considered as a species when they share the genetic code of identical vision, core competences, culture and traditions.

On the basis of this previous research, each conglomerate group in Korea can be categorized as a species. The need thereby arises for profound research to be conducted into the phenomenon at the organizational population level centered on the conglomerate groups. Provided that the extent of the differences in conglomerate groups makes them sufficiently separate, it would be similarly meaningful for HRM research, the key subordinate arena, to analyze the creation and evolutionary processes of HRM attributes by species (conglomerate groups) grounded on the past research. Given that extensive HRM research has been carried out regarding factors of market, technology and institutional aspects, additional studies on attributes of conglomerate groups and efforts to explain their interrelations will provide reliable guidance in producing theories and practical implications that reflect reality.

#### **4. HRM Research from a Perspective of Organizational Systematics**

While there have been few research studies in HRM based on organizational systematics, McKelvey (1978, 1982) suggests a critical aspect of human resources through the organizational framework. He explains that a number of competences that construct an organization are held by the constituents. As these competences build up dominant competences in the organization, they facilitate the categorization of an organization into a population. The assumption of this theory is that organizational competences decide the fate of an organization in the same way that genetic combination can bring about the survival or extinction of a species. This organizational systematics model of McKelvey's can be applied to human resource systems because the elements that develop an organization's dominant competences are likely to be found in individuals who construct the organization. Accordingly, McKelvey's view interprets the organization as a combination of knowledge and skills held by its constituents, the indications of which involve the linkage of environmental strains with organizational forms and functions (Wright & Snell, 1991). Cook and Ferris (1986) relied on the perspective of organizational systematics to study human resource practices in declining industries. By focusing on competences in an organizational system, they were able to avoid being restricted to activities in subordinate sectors. Wright and Snell (1991) also insisted on the effectiveness of studying human resource functions through organization theories, namely open system theory (Katz & Kahn, 1978) and organizational systematics theory.

Yet, limitations are evident in this early HRM research to the extent that they borrowed notions from organizational systematics and applied them only partially to the study of a theoretical framework of greater sophistication. This led to stagnation in the field of organizational systematics at the organizational level. It is more necessary than ever to revitalize research in related fields. The present state of organizational systematics implies the possibility of a substantial contribution in the HRM field in the following studies: HRM at population level, the typology of HRM systems, specific Korean competences and process of evolution.

##### *4.1 HRM Research at Population Level*

Earlier HRM research did not take account of units of analysis, where decisions on the measures were not addressed as

an issue but unintentionally managed at individual corporate levels (Hannan & Freeman, 1977, 1984, 1989). As the major contribution of organizational ecology has been the enlargement of the unit of analysis from organization into population, HRM research should correspondingly consider units of analysis in various ways. The selection of an analysis unit involves complex issues due to its extensive influence on research activities. In this aspect, organizational systematics, major topics of which include the classification of organizational populations (species), is expected to produce distinguished HRM research achievements.

An organizational species is a group of organizations that share dominant competences (McKelvey, 1978, 1982), technological or managerial competences, or cultural constituents. From this perspective, scholars of organizational systematics conduct comprehensive analyses on these generic elements that are common to existing individual organizations, with the aim of studying organizational aspects of general classification and reasons behind distinctions between species through tracing their interconnections. Evolutionary economists, such as Nelson and Winter (1982), did not make much effort to examine issues of organizational classification. However, they did stress importance of routines as organizational genes and insisted that those routines should be the unit of analysis. When routines are put in the center of the analysis, pragmatic explanations of organizations and changes in populations can be provided without the need to satisfy strict and unrealistic prerequisites – overall objective function, well defined choice sets, and maximized decisions that justify corporate behavior – that mainstream economists use as assumptions.

On the other hand, organizational species are defined in population ecology as either organizations that face a common fate associated with environmental changes (Hannan & Freeman, 1977, 1989) or organizations with common core attributes that generate ecological similarities (Hannan & Carroll, 1995). Whereas these two separate perspectives on organizational species have been developed independently in their respective fields so far, recent research has demonstrated efforts to integrate the notions for more profound understandings of organizational evolution phenomena (Aldrich, 1999; Aldrich & Ruef, 2006; Baum & Singh, 1994; Ingram & Roberts, 1999; Van de Ven & Grazman, 1999).

In the instance where an organizational species is defined as conglomerate groups, based on these discussions, HRM research can identify more interesting subjects to study. These subjects include issues with Korean conglomerate groups that are accompanied by affiliates in diverse industries, and whether there may exist unique systems and practices for human resources or greater diversity with a reflection of industrial features. The factors that influence HRM are often explained by technological and economic elements such as competition strategies (Cappelli, Bassi, Katz, Knoke, Osterman, & Useem, 1997; Osterman, 1994; Wood, 1996), information technology (Kern & Schuman, 1992; Piore & Sable, 1984) and institutional elements including institutional resemblance (Baron, Dobbin, & Jennings, 1986; DiMaggio & Powell, 1983; Dobbin, Sutton, Meyer, & Scott, 1993; Edelman, 1990; Meyer & Rowan, 1977; Scott & Meyer, 1994; Strang & Soule, 1998; Sutton, Dobbin, Meyer, & Scott, 1994). These studies, however, fail to provide satisfactory explanations on special realities where individual characteristics of *chaebol* or conglomerate groups are strongly present. The major reason for this limitation is the presence of additional factors that influence HRM, such as management values and organizational culture, that are common in conglomerate groups (Deal & Kennedy, 2000; Osterman, 1994; Ouchi, 1981; Peters & Waterman, 1982; Schein, 1985). These additional factors are no less significant than market (technology) or institutional elements in constructing the distinctive HRM characteristics of each conglomerate group.

If a conglomerate group is defined as an organizational species, there should be more similarities among its affiliates than diversity, with HRM the organizational subordinate system of the organization. Former research on conglomerate groups discussed topics involving differences of culture, managerial decision making and corporate strategies, but with insufficient study of differences and aims (Shin et al., 1995). When HRM research at population level is conducted from a perspective of organizational systematics, however, various events from conglomerate groups can be analyzed in a new way, which in turn will provide further insight into HRM through a combination of achievements from earlier studies.

*Proposition 1:* Since corporate affiliates of each *chaebol* share their own distinctive values, culture and decision making styles, the differences in HRM between Korean *chaebol* groups are greater than those between industries.

#### 4.2 The Classification of HRM Systems

The extensive research on the classification of HRM systems in SHRM tacitly imply the HRM species (Arthur, 1992, 1994; Bae, 1997; Delery & Doty, 1996; Kochan & Katz, 1988; MacDuffie, 1995; Miles & Snow, 1984; Osterman, 1987; Schuler, 1989; Walton, 1985; Wright & Snell, 1991; Yang, 2002, 2003; Youndt, Snell, Dean, & Lepak, 1996; Yu, 1996; Yu & Kim, 2003). This can be explained by the fact that theories of classification basically deal with similarities and differences, where species concepts are invariably included either implicitly or explicitly, particularly in theories of differences. This allows the species concept to be a measure of scientific observation for differences and similarities among the events for categorization (McKelvey, 1982).

However, this research generally attempts species classification benchmarked against several major variables that explain high performance HR practices, so that the outcomes of HRM classification by researchers bear little resemblance and are severely limited. Furthermore, this research employs assumptions or models of organizations, which are usually mutually incompatible and independent, which again only makes it possible for studies to classify organizations which have similar HRM systems. Since the relationships between organizations that come under similar HRM categories were not considered as subject of study, limitations are apparent in the application of notions of biological species to HRM based on HRM research.

When HRM research on conglomerate groups applies organizational systematics, it increases the depth of the study to understand organizations with similar or different systems and the underlying causes. In the world of organizations, assertions have been made that distinctions between organizations are such that they cannot be linked (Hannan & Freeman, 1989; McKelvey, 1982), which provides grounds to deny that organizational studies can be founded on the heredity system of biological definition such as DNA inheritance. However, if the current HRM forms of diversity are recognized as the reflection of the “accumulated effects of variation and selection over numerous histories” (Hannan & Freeman, 1989), it is necessary to explain how distinctive one HRM form is from another as well as how these differences are sustained (Hannan & Freeman, 1989; McKelvey, 1982).

The HRM systems in the groups of conglomerate organizations, the basic units of species, have resulted in similar forms not by accident nor from some critical situational elements, but rather due to the existence of fundamental and sustainable elements, the genealogical influence of which consistently affected HR institutions and practices. The essential elements that shape HR institutions and practices can be significantly different due to environmental factors. However, it is likely that they will strong resemblance with one another when they belong to the same species. This can lead to further conclusions about the inadequacy of classifying and characterizing the attributes of HRM in conglomerate groups by the criteria used in Western HR institutions, such as job analysis, annual salary, and individual incentive system. It can therefore be restated that categorizing HRM activities simply by institution has its limitations, and therefore more attention should be paid to understanding the uniqueness of practices and attributes in operation. Consequently, HR institutions are the physical presentation of a genotype of a superior system, as they become embodied in individual organizations in the population. In accordance with this aspect, Yang (2002, 2003) also points out that, by listing practices used in previous studies to categorize HRM systems, these studies are limited by the inclusion of high performance HRM institutions in the universalistic approach. He also notes that the introduction of the same high performance HRM institutions can lead to changes in the system attributes and to the degree of its influence on organizational performance, depending on how it is operated in reality.

*Proposition 2:* HRM typologies of Korean *chaebol* groups can be developed through general classification based on organizational systematics. The various HRM typologies have useful implications for researchers and practitioners.

#### 4.3 Specific Korean Competences and Process of Evolution

The approaches to HRM from the perspective of organizational systematics will make a significant contribution to identifying Korean management styles in the long term by producing research results on distinctive and similar attributes of conglomerate groups that represent the country. In Korean society, HRM practices that had a focus on long service became invalid after the foreign exchange crisis, followed by the adoption of Western HR institutions as global standards. During the process, Korean HRM methods that had facilitated industrial growth were viewed as undesirable, and many companies consequently introduced Western systems one-sidedly, without reflecting on their particular situations. The prevailing globalization required global standards in various aspects of society, leaving the corporate HRM field with fewer options. As a result, it appears that many Korean companies have implemented Western HRM from internal and external sources. Many researchers point out the monumental change in the quality of Korean HRM since the financial crisis of 1997.

Despite the urgent need for Korean companies to innovate or restructure service length focused HRM so that they can sustain competitiveness, radical introduction and proliferation of Western HRM models from the late 1990s have introduced a number of negative effects in addition to advantages. With the introduction of the HRM system centered on individual competition, Korean companies were able to develop competitive HRM systems with directions for enhanced transparency and performance that supported organizational survival and development. On the other hand, numerous problems have emerged with original Korean assets, the valuable traditions that have recently attracted attention to their importance, such as organizational commitment, devotion, loyalty, and teamwork. Considering that HR systems and practices are built with a huge influence from a country's culture, system and company values, in addition to business traits including the environment and technology, individual competition and performance based Western HRM may not be appropriate for the corporate reality of Korea.

It can be further noted that any change in an HRM system is invariably accompanied by resistance elements (inertia) owing to the nature of HRM having to deal with human resources (people) within the organization. Corporate HRM reflects diverse institutional and practical elements, including the owner's viewpoint, corporate culture, and internal labor type. Therefore, it is not easy for a new system to be introduced and incorporated instantly. There are frequent examples of failure, including biased transplants without thorough consideration of these factors, the consequences of which involve increased trading costs and the development of an uncontrollable system. Without a stable structure, it is not possible for the organization to have the basis for a revolutionary structure (Levinthal, 1991a, 1991b). Simple mimicry of successful systems from globally renowned companies will not help Korean companies to reduce the gap or leave other countries behind. Instead, it is imperative to develop a new model, that is, a Korean HRM model, by incorporating local attributes of the economy, technology, society and culture, within the performance based market model which emphasizes capabilities and achievements (Choi, 2000, 2003).

Organizational systematics, which studies classification of the population and the evolutionary process, with particular attention on endogenous force, competences and routines of the organizations, can be employed as the appropriate framework of analysis to resolve the previously mentioned problems. This approach is expected to provide an analytic tool with greater sophistication to study innate HRM attributes of organizations (populations) and how they influence corporate competitiveness, as well as which variations were selected or discarded according to environmental changes.

*Proposition 3:* We need to find our own HRM gene or core competence by explaining similarities and differences in HRM of *chaebols*. Specifically, we may have to pay attention to pursuing our own management style by examining how to evolve and by investigating what not to change for many years to come.

## 5. Conclusion and Discussion

This paper has its foundations on the assertions of earlier research that suggested it is desirable to approach HRM from the perspective of higher level organizational theories. This would support efforts to study HRM in a species (conglomerate groups) from the perspective of organizational theories (organizational systematics). Regardless of the strong theoretical support from organizational systematics, the current phase of research on organizational theories and HRM is only beginning, with more than a few issues that require imminent resolution. For example, it is necessary to arrive at agreement on key concepts of organizational species, organizational genes and species differentiation, as well as to continue precise scientific research on diverse elements that impact HRM.

For general classification of HRM, major issues involve selecting HRM attributes and deciding how they should be measured. The question relates to how competences and routines should be handled in HRM and what methods should be selected to measure formal HR systems and actual practices. Whereas HR systems are considered as the stated intentions of a company or business in relation to HR programmes, processes and methodologies that should operate within an organization, HR practices are composed of actual programmes, processes and methodologies that operate within those units. For example, Gerhart, Wright, McMahan and Snell (2000), and Huselid and Becker (2000) define the former as HR policy and the latter as HR practices. According to this division, it can be estimated that each company would have significantly distinct operational contexts and procedures, even if they were to introduce an identical system (e.g. annual salary, performance based rewards). As the HR policy and practices are divided by applying the likeness of the relationship between organizational genes and expressed forms, long term change in the practices would result in reflecting the stated system while discrepancies may exist to the extent they become decoupled at a particular point of time.

The rationale of separating HR systems and practices is to highlight the appropriateness for research objectives to focus on the evaluation practices in operation instead of externally stated systems or policies (Huselid & Becker, 2000). It is more reasonable to choose actual practices over intentional policies for evaluation in research that aims to explain HRM and corporate performance, mainly due to the fact the employees respond to practical HR activities. Consequently, it can be said that making enquiries of employees is more sensible than asking HR staff, managers or executives in order to achieve an understanding of corporate HRM. If the situation only allows enquiries to be made of HR staff, managers or executives, due to the real limitations on research resources, the provision of guidance to distinguish systems from practices is vital, and respondents should be asked to demonstrate not HR systems but HR practices (Wright & Boswell, 2002).

Another important issue, after the finalizing the selection of subjects for measurement, is the extent of the detail that should be measured in HRM. It is generally recommended in organizational systematics to exclude subjective opinions of the researchers in classifying organizational species and consider as many attributes (characteristics) as possible. The identified limitations from earlier studies in implementing HRM systems were the attempt to classify on a small number of HR practices, based on their importance or particular researchers, and failing to take into account a range of HRM



practices. Each researcher produced different results and contexts of implementation as a result. Accordingly, deeper research should be conducted on essential traits with diversity that can be employed in HRM classification by establishing agreements among scholars on the scope.

HRM research from an organizational systematics perspective is expected to make significant contributions to theory and practice and consolidate the achievements of earlier research. As previously stated, HRM involves human resources (people) within organizations, where changes are followed by huge resistance elements (inertia). In conclusion, corporate HRM reflects institutional and practical elements such as the owner's viewpoint, corporate culture, and internal labor type. This indicates the improbability of the rapid introduction and incorporation of a new system, the consequence of which could involve high trading costs in case of a biased transplant that does not consider these elements. This provides intuitive and theoretical explanations for the thesis that a new type of HRM is needed that embodies new environmental changes by valuing genetic elements (traditions, customs and inertia) at the level of individual organizations or populations. The thesis can be restated as the need to adapt to environmental (ecological) influences based on linear competences peculiar to an organization (population). The implications that will become clear in the process of pursuing this goal include the importance of strategic selections and roles of the operator who harmonizes the organizational genes with the environment.

Like all studies, our study has some limitations. Although our study suggests a new HRM research perspective based on organizational systematics, our conceptual argument does not provide empirical outcomes or case studies. In future research, these shortcomings will need to be addressed.

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