

## **HUMAN RESOURCE DEVELOPMENT IN EMERGING MARKETS: CASE STUDY OF SOUTH KOREA**

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### **ABSTRACT**

The research referees modern trends and approaches in human resource management in emerging markets. The article considers modern approaches to the development of key competencies of engineering personnel based on electronic applications. The advantages and disadvantages of using such applications in fast and dynamically developing economic systems are analyzed. The case of the use of modern teaching technologies and applications in Korean practice is given.

The author discusses the industrial competence model in South Korea and human resource development methods within the 4<sup>th</sup> Industrial Revolution. Different approaches and concepts are discussed. University-Industry cooperation applications and strategies are discussed; the author analyzes competence assessment, creation and development systems in Korean Universities and high-tech industries.

A special case of competence development in growth economy is discussed; an example is based on Korean companies' experience. Author shows aligning human resource development with labour demand and the Korean model of factory-school-shelter cooperation. Different types of education are discussed, for example, vocational education, lifelong trainings, training consortium for small and medium-size entrepreneurships.

***Keywords: human resource development, South Korea, competence model, emerging economy***

### **INTRODUCTION**

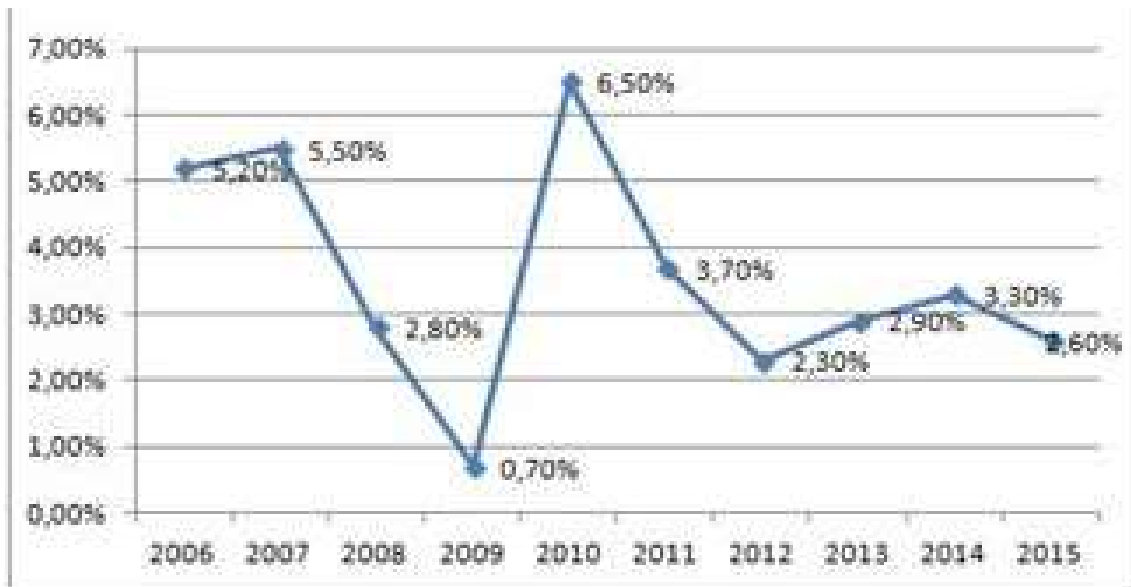
Processes of globalization set for modern accounting entities a task of key positions forming. The most important objectives of global industrial companies are increasing their own resources for the creation of an effective competitive source in global environment. In particular, personnel policy of the company is the instrument of preserving the personnel capacity of the organization, and it shall be reviewed from a line item of competence-based approach. New competitive advantages are based on core competencies and help global industrial companies to improve their economic relations; they also form the information society and integrate industrial companies into world economic space [1].

## **EMERGING MARKETS AND ECONOMIC GROWTH OF SOUTH KOREA**

For the last 20 years, South Korea has built an innovative ecosystem with a high share of high-technology sectors and small enterprises. According to the administration of the small and medium businesses of the Republic of Korea, in 2015 in the country there were about 3 million small and medium-sized companies, 99, 5% of total number of the entities. These companies — the most important source of workplaces, 87% of the active population of the country are engaged in them. In 2015 small and medium businesses provided half of GDP and 43% of South Korean export. And a share of small business in general structure — 97% [1], [2].

Activities of the Korean incubators began in 1991 (on the basis of experience of technological incubators of Israel) and were initiated by the Korean institute of technologies. The first private incubator (Jungbu Industrial Consulting Inc.) was created in 1993. At the same time, the first national incubator (Ansan Business Incubator) opened. The majority of incubators were initiated by the government, and, despite the crisis of 1997, promoted the revival of the national economies and the development of the national innovative system. Further for the development of the regional industry and technology and the successful revival of regional economies the Korean Association of science and technology parks as the governing body of innovative processes in operation was created. The main programs became at this time: programs of construction of infrastructure for a start-up of the companies founded on high technologies; special programs for laboratory a start-up of the companies; development programs of the ideas; future development programs of the entrepreneurship based on technologies [3].

According to the report of a research institute of Hyundai rates of potential growth of the economy of Korea over the last 10 years decreased from 3.9% to 3,2%. So potential growth rates national of production decreased to 4, 4% in comparison with 8, 9% in 1991, 7, 9% in 2000 and 5,8% in 2010. Decline in production and rates of a surplus of high technology production from 6.0% in 2006, to 4.3% in 2010 and to 2, 1% in 2016 is noted. Decreases as well performance in service trade from 7, 8% in 1991 to 2, 9% in 2011 [4]. The actual growth rates of SK economy also decreased, according to data of the World Bank in 2015 growth rates of GDP of SK were reduced to 2,6% (figure 1).



*Fig. 1 Growth rates of SK GDP as a percentage*

Source: The World Bank [9]

Today in South Korea many universities departed from the traditional functions to gain only knowledge. Most of them deal with issues of commercialization, intensively developing innovative business. In this sphere also began to show activity and many research institutes. The development of these processes attracted the interest and of various financial organizations and the consulting companies connected to processes of commercialization of results of Research and Development. As a result in South Korea constantly increase both expenses on science and their share of GDP. For example, in 2004 they constituted 2, 64% of GDP that it was higher than in many developed countries. At the same time the share of a public sector constituted 24, 5% of the total amount. Expenses of a private sector and foreign investments – 75, 1% and 0,4% respectively. The share of an external source of the funds allocated to South Korea for Research and Development is a very low level (0,4%) that is much lower, than at France (7,2%), Great Britain (20,5%) having similar sizes of the income on research activities [5].

## **HUMAN RESOURCE DEVELOPMENT TRENDS IN SOUTH KOREA**

It is necessary to take into account the unique feature of Korean management, which is to find the golden mean between two extremes: "a strong collectivism, all for the benefit of society, individuality is nothing" - a principle inherent in the eastern management models, such as Japan. And the other extreme - "absolute individualism, only personal goals, only personal growth," a vivid representative of this principle is America [6], [7]. Korean the management pays great attention to the corporate spirit, encourages loyalty to the company, but at the same time appreciated the professionalism and personal qualities of employees, which allows us to develop within and for the benefit of the organization talent. Most

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human resource development programs are focus on the 4<sup>th</sup> Industrial Revolution, so technical and smart competencies are required.

The adoption of the program "Intellectual (Smart) Korea" was is caused by a wave of rapid spread in South Korea smartphones (smart devices) and smartphones in 2010, the so-called "Smart Fever" ("Smart Fever"). The state strategy of the "smart country" (Smart Country Strategy) implies the development of mobile Internet, creation of "smart" (smart) networks, and building on the basis of these networks of a new intellectual society [8].

One of the components of the South Korean strategy is The Smart Society is a Smart Work, paradise is of great interest to both companies and individuals, young people. Unified temporary construction of the working day in the country from 9:00 to 18:00 ceased to exist along with the spread mobile offices (Mobile Offices) and their conglomerates, work in the is carried out through smart devices. Most A typical form of organization of such work is collective software (software) "Group" (Groupware) [9].

## **COMPETENCE-BASED APPROACH AND GLOBAL COMPETITION OF KOREAN COMPANIES**

Modern researchers distinguish the following classification in considering the professional competence:

- 1) Simple (basic) competence – it is seen in certain types of activity, formed on the basis of knowledge, skills, abilities, easily fixed;
- 2) The core competence – it is extremely difficult to account for it, it is a storage of measurement, it can appear in all activities, and it reflects the attitude of the individual person and meets the global environment [10].

The process of organizational competence formation is an integral part of building a competitive strategy, so it is a basic step in the formation of a core competence model. The main objective in the step of forming the organizational competence is the definition of key organizational competence which forms the main competitive advantages (Porter's Model) [11]. In practice managers find a lot of problems using competence management in innovative companies. These problems are:

- The complexity of specialist involvement in other projects. Usually, the holder of the key competences does not want to share his core skills with other specialists;
- The indispensability of a highly qualified specialist and, therefore, control the complexity of competence is failed;
- A degree of lack of personnel interest is high, because it is a long period to transfer knowledge in the project and format the key competencies.

The most acute problem faced with innovative organization, which performs complex design. One of the features of innovative companies is excessive requirements to the competence profile of key employees. This is due, no doubt, with the uniqueness of the products (and/or services), which are produced in the group projects. It is known fact that the "smart" company has a greater extent than the other players in the market. It depends on the professionalism of its key personnel and the effectiveness of their core (and hidden) competencies. It is possible (with some modifications) to use the special indicator to share the total costs in wage fund with the cost of the project or service, and it can be a criteria of a relationship.

The problem to determine organizational competencies as a source benefit is a compound of core competencies with an individual. With this statement I can agree, because, for example, resource-institutional theory creates competitive advantage of the organization increasing using core competencies, which improve the level of values. Thus, the key competence is a special category of organizational competence. It helps innovative organizations to create and maintain a sustainable strategic competitive advantage. The main property of the key competence is to establish the usefulness of the product which is produced. If

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managers want to treat the core competence, they should provide a set of skills which must meet four criteria:

1. Producing value for internal and external users (customers). The customer for the innovative organization is the chief referee, who determines what a key competence is considered.

2. Skills must be unique and individual. There are differences between forced and distinctive competencies. A key competence is an organizational value, so, to the opinion of managers and key specialists of the company, the resources for its development should be found. For example, the innovative organization can dramatically improve the quality of customer service; make it above its average level in the industry with making its core competence.

3. Core competencies should ensure a competitive advantage during the long period. In defining key competencies process managers need to move away from the outer parameters of the product and consider how you can use the competence to produce innovation in this product.

4. Key competence should be long-term and unique.

To build a competence model of key employees for organization it is necessary to organize an algorithm of a control system, for example, managers can implement role-playing instructions and establish competency cards. Usually, the guide role contains the following sections: a set of core competencies, responsibility (responsible for individual sections of the project and co-executor in any stage of the project), and the project targets (figure 2).



**Fig. 2** Samsung's activity matrix

Source: [www.samsung.com](http://www.samsung.com) [15]

What is designing competence? Managers should find the moment when designing competence comes to the areas in which innovative organization must possess all possible resources or skills and create them from existing.

Strengthening competence is adequately when innovative organization finds additional market segments and it is used with its existing capacities [12].

The change in the ratio of policies directly depends on the macroeconomic environment of organization, as well as it depends on the strategic orientation of the design organizations. Their willingness to sacrifice short-term income in exchange for a higher and more long-term period is important.

It is necessary to identify a number of factors that determine the choice of strategy. These factors are:

1. the level of development and the basic forms of market competition,
2. the ratio of the increase rate in the staff cost,
3. the active part of fixed assets,
4. respectively, replacing living labour,
5. the time factor,
6. the rate of inflation,
7. the structure of the consumer basket,
8. asset portfolio of innovative organizations,
9. government regulation economy and transport industry,
10. the priorities of industrial policy,
11. the provision of cross-sectorial ne-redistribution of capital and labour,
12. the development of innovative activities.

G. Hamel and Prahalad A. introduced new term "strategic architecture" to denote a competitive strategy [13]. Using the strategic architecture company can find the opportunities that it should increase immediately, for example, new channels, which you need to study today, new development priorities to be pursued at the moment. It will help managers to seize the future and market initiative. Thus, the strategic organizational architecture addresses issues that need to be taken today; it will help to prepare for the mastery of a significant share of future earnings in the arena of emerging opportunities. As a result, this approach is called "the concept of a market space" [13].

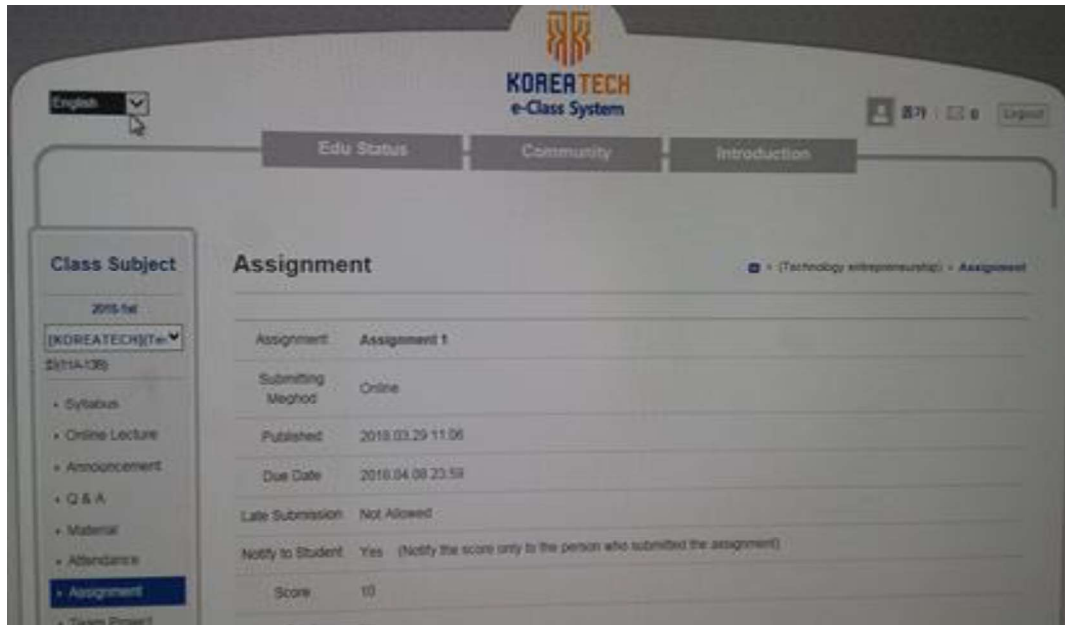
## **E-TRAINING SYSTEMS IN KOREAN UNIVERSITY-INDUSTRY COOPERATION**

Today, South Korea is a country of high technology; therefore automation of the distance education process is at a high level here. The experience of South Korea's educational system is classical. Currently, South Korea stands at one of the first places in the world in terms of the number of students among the population. South Korea uses an e-learning system in 80% of universities [14].

In South Korea, a country in which every second has a smartphone with access to the Internet, actively creates and develops various new disciplines. Starting from cybersport and ending with real cyber-universities. Every year, students in cyber-universities are more and more. And this is understandable, writing off everything for accessibility. For example, so people from a remote Jeju island can receive assignments, lessons and comments from skilled workers from the capital



of Seoul. And if you move away from the beautiful "cyber-universities" sounding, you can turn to special companies, of which there are more than seven hundred in South Korea. The government actively supports e-learning, so the Ministry of Economy supports the development of the industry, and the Ministry of Education supports the e-learning program in regular education (Figure 3).



*Fig. 3 Example of the electronic system of training (KOREATECH University, South Korea).*

Source: author

Advantages of using electronic applications in South Korean universities:

1. Adaptability to rapid changes in industries;
  2. High dynamism of competences;
  3. Independence from territories and regions;
  4. High demand from listeners and students.
- Disadvantages of using electronic resources:
5. High development costs;
  6. Threats to cyber-attacks;
  7. High requirements for the professional competence of teachers.

Such opportunities are usually attributed to: the implementation of immediate feedback (interactive learning), visualization of educational information, the possibility of processing information using modern information technology, the possibility of organizing virtual laboratories, the ability to model complex, expensive or dangerous real experiments, the possibility of using a computer modelling (analytical and simulation), the ability to present training content with varying degrees of detail and different levels of cognitive complexity, depending on the current level of mental development of the student, the choice of the individual pace of work, the choice of the way information is reproduced depending on the type of dominant perceptual modality of the learner, the



possibility of self-diagnosis of educational achievements and self-control and others.

## CONCLUSION

Rapid economic growth and effective investments in education and human resource development help Korea to found a unique style of management and personnel development.

The profile of the key competencies in industrial organizations endorses the program of training and develops the key staff. The company must provide the trainees with necessary handouts and an opportunity to try out the standards of behaviour which are required in the development process. This means that development activities should provide the opportunity to apply the techniques which are studied in a variety of work situations. According to this task, the development activity should include a range of techniques, such as workplace training and special courses with the assistance of mentors.

Electronic applications allow dynamically development of missing competencies and meet industry standards, but they require considerable skills and costs in the development and operation.

It is thanks to state support and huge investments that South Korea is the absolute leader in the development of e-learning.

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