

## HR Practices of IT-Based Companies in Korea

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The research question in this study was to see whether there were similarities and differences in HR practices of IT-based companies in Korea. Interviews with 12 HR executives and a survey of 51 IT-based companies showed that there were IT industry-specific HR practices, but no group differences except one. The only one difference between two groups (small- and medium-sized firms versus multinational corporations) indicated that the latter was better positioned in various HR practices. Four HR themes emerged from analyses of interviews and a survey data: business environment, workforce management, HR practices, and HR for competitive advantage. The fact that none from large companies was found to have female HR executive calls for an in-depth study of what is occurring and what could be done to better the workplace in terms of diversity. A large-scale study using diverse methods in the future will produce more meaningful findings on HR practices in IT-based firms in Korea.

*Keywords : HR practices, IT industry, Korea*

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## **Introduction**

The information technology (IT) industry in Korea has shown tremendous growth in terms of technology and services. The IT industry is defined as the growth power base in Korean economy (SERI, 2006b). Some of the products rank 1st or 2nd in the world market share. Samsung Electronics, selected the 20<sup>th</sup> best global brand company in the world this year, is better known for the world-class quality brand than the nationality (SERI, 2006e).

Korean IT-based companies excel in technology and services; however, this excellence does not necessarily guarantee sustainable successes in the future, for the lack of “soft issues” which would be required for “hard systems.” Insufficient soft issues include lack of core competencies, flexible organization structures, and human resource (HR) practices. Korean IT-based companies, whose talent is a must for their sustainable growth, are too absorbed in developing new technologies and services to pay attention to their core competencies and organization issues. Therefore, it is high time to take a closer look at their HR practices and then suggest implications in order for them to succeed for a long time.

This small-scale survey study focused on what the Korean IT-based companies would be doing with HR and what they should do to stay competitive for the future. This study is composed of three parts: a literature review of HR practices in IT-based companies, in Europe, the United States, and Korea; analyses of interviews and a survey of HR executives on their HR practices; and implications on HR practices of the Korean IT-based companies.

## **Research Question**

The research question in this study was to see whether there were similarities and differences in HR practices of the IT-based companies located in Korea. The IT-

based companies are said to be unique in terms of competitive strategies, continued innovative minds, and flexible organization structures, due to rapid pace, a short life cycle of technology, constantly changing customer needs, and stiff competition. In order to meet these industry-specific requirements, it is presumed that organizational infra such as HR practices, would differ in forms from those of other industries and non-IT-based companies.

## **Theoretical Background**

The fast growth of the IT industry can be witnessed not only in Korea but also globally. Transformation from analog to digital in general, and Internet use in particular, led to whatever businesses would be possible anytime anywhere. The growth of the IT industry, however, does not necessarily guarantee the successful realization of organization culture and HR practices. In this section, the author examines the importance of soft issues of IT-based companies and start-ups in Europe, the United States, and Korea.

### **Key Features of IT-Based Companies**

The IT-based companies can be defined as a mix of IT, methodology and personnel; that mix aims at bringing a valuable solution to customers (Viardot, 2005). These companies label their businesses as “offering value to customers” through services based on “innovative IT” (hardware and software) implemented by “high-knowledge people” (Viardot, 2000).

The best technology available may be useless without the people to utilize it. People, therefore, are a key success factor in the IT-based companies for three reasons (Viardot, 2005): employees have a significant impact on customers because they are meeting face to face; the experience, the motivation and the knowledge of

employees determine the quality of the solution; and the cost of hiring people is so important that it can determine the profitability of a firm. Viardot (2005), in the study on human resources management in ten largest European IT-based services companies, concluded that successful IT-based companies would manage their people very carefully to achieve superior performance. The importance of employee morale and its impact on the service performance has led to a series of studies on IT turnover (Ang & Slaughter, 2004; Ferratt, Agarwal, Brown & Moore, 2005).

### **The High-Tech Start-Ups in the United States and Korea**

The IT boom in 1990s has been accelerated by start-ups which intertwined IT, methodology, and personnel. Representative cases include California's Silicon Valley and Korea's creation of KOSDAQ to boost up continued investment for promising start-ups.

#### **The Stanford Project on Emerging Companies (SPEC)**

The SPEC project tracked nearly 200 high-technology start-ups in California's Silicon Valley over eight year period from 1994 through 2002 (Baron & Hannan, 2002). The researchers' aim was to examine how the founders of those firms approached key organizational and HR challenges in the early days of building their companies, and to learn whether these activities had enduring effects on them.

One initial finding was that founders embraced very different models of the ideal organizational form for a technology start-up, including five models like Star, Engineering, Commitment, Bureaucracy, and Autocracy. The five models entail quite different notions of the urgency of gaining expertise in human resources. Commitment and Star firms, for instance, tended to be the first to bring in HR expertise. As for the Commitment-model company, the key HR practice was fostering a strong organization culture and ensuring that new hires fit that culture.

Results of the SPEC project are the following. First, even in the fast-paced high-

tech start-ups in Silicon Valley, founders' employment models exerted powerful and enduring effects on how their companies evolved and performed. Second, changes in organizational models were in general very detrimental to technology start-ups, adversely affecting employee turnover, bottom-line financial performance, and survival. The most significant lesson from this longitudinal study is that building sustainable organizations with "coherent" HR systems makes a crucial difference.

### **Korean Venture and Electronics Firms**

Bae and Yu (2005), by surveying 464 venture firms, classified five distinctive HR configurations: Cost-Minimizing, Paternalistic, Inducement, Investment, and Transitional types. When compared to the SPEC project, one common finding was that "various" HR configurations appeared within venture firms.

This large-scale study underscored the importance of HR in the venture companies. First, more than 80 percent of Korean venture CEOs, with degrees of science or engineering, had little training in start-up issues before the foundation of their firms. Second, the initial configuration of the HR system during the early stages had a long-term impact on firm effectiveness. The authors indicated that a level of formalization needed as firms grew might eventually inhibit the entrepreneurial spirit and this would be "the dilemma" that venture firms should tackle. Third, the venture firms did not have comprehensive HR systems; instead, they allocated their limited resources to either incentives or training and development.

Kim and Bae (2004; 2005), by analyzing two electronics companies (unionized LG Electronics and non-union Samsung SDI), investigated the impact of union status on workplace innovations and on organizational performance. The major findings included: the adoption of high performance work organizations was highly dependent upon top management and union representatives; union status played a critical role in enabling two firms to adopt different production modes, team and lean production; and alignment of organizational design, work processes, and HR systems produced high organizational performance. The authors explained that because they relied

heavily on process improvements such as Six Sigma, “long-term” success was not guaranteed. They indicated a need to pursue a more forward-looking business strategy. The initial studies on the impact of HR practices on corporate performance were conducted by Huselid (1995) employing 1000 firms and Delaney and Huselid (1996) with 590 firms.

## **Research Methods**

This section describes a procedure of sampling and collecting data, both qualitative and quantitative. The author conducted preliminary interviews with 12 HR executives for qualitative data collection, developed a questionnaire, and then surveyed 51 Korean IT companies for both qualitative and quantitative data collection.

### **Sample**

In this study, the author defined “The IT-based companies” in broader terms, including not only IT consulting and Internet businesses, but also electronics, telecommunications, network services, technology, and media, if they pertain to digital technology. The HR executives she interviewed voiced in unison “the convergence issue” in the IT industry, meaning that due to digital technology, the IT-based companies could conduct any businesses using converged technologies and services.

Diverse types of the IT companies including nine electronics, seven IT consulting, six Internet business, six telecommunications, and four network services, two technology, and a media company were employed, as shown in Table 1.

It is very interesting to see that the IT-based companies such as NHN, Daum Communications, HUMAX, and NeoWiz in this study had grown into large firms from very small start-ups, whereas ReignCom, SOLiD Technologies, and e-motion

changed to the medium-sized only in the last ten years or so. HUMAX, an electronics company, for instance, started with only seven engineering graduates and the number of employees has now reached approximately 650. These once-start-ups had indeed overcome hard times such as IMF and IT bubble period and all have successfully been listed on KOSDAQ which was comparable to NASDAQ in the United States. It is likely that as these companies matured, their HR practices improved by hiring “experienced” HR executives. Two HR executives and an HR director, for instance, had HR experience in either MNCs or large companies like Samsung. Only NeoWiz, an Internet business company, had an HR team member with only five years of experience, as opposed to the average 13.8 years of HR experience, as shown in Table 2.

Table 1. Types of IT-Based Companies

| Company Type | Electronics | IT Consulting | Internet Business | Telecom | Network Services | Technology | Media |
|--------------|-------------|---------------|-------------------|---------|------------------|------------|-------|
| Frequency    | 9           | 7             | 6                 | 6       | 4                | 2          | 1     |
| Percent      | 25          | 19.4          | 16.7              | 16.7    | 11.1             | 5.6        | 2.8   |

Table 2. Once-Start-Up Companies

| Company Size                     | Company Name           | Company Type       | HR Experience (years) | Established Year |
|----------------------------------|------------------------|--------------------|-----------------------|------------------|
| Large<br>(employing<br>over 300) | NHN Corporation        | Internet business  | 15                    | 1999             |
|                                  | Daum<br>Communications | Internet business  | 10                    | 1995             |
|                                  | HUMAX                  | Electronics        | 21                    | 1989             |
|                                  | NeoWiz                 | Internet business  | 5                     | 1997             |
| Medium-<br>Sized<br>(100-299)    | ReignCom               | Electronics        | 15                    | 1999             |
|                                  | SOLiD<br>Technologies  | Telecommunications | 12                    | 1998             |
|                                  | e-motion               | eBusiness services | 10                    | 1996             |

A majority of respondents were HR executives (77.8%) and also two CEOs, as shown in Table 3. Their average HR experience was 10.9 years, ranging from no experience to 23 years. Only one HR director from a start-up had no experience in HR and his major task was to support management. It seems that the larger the company was, the more HR experience their HR executives had.

Table 3. HR Practitioners in IT-Based Companies

| HR                            | Large (n=20)                                      | S&M (n=7)  | MNCs (n=9)                           |
|-------------------------------|---|--|--------------------------------------|
| Position                      | 9 HR executives<br>6 HR directors<br>4 HR members | 1 HR executive<br>3 HR directors<br>2 HR members | 5 HR executives<br>4 HR directors    |
| Experience<br>(average years) | 12.24   | 9.4  | 9.1                                  |
| Female                        | None  | one HR team<br>member                            | one HR executive<br>two HR directors |

The HR executives' number one role was to head either HRM (47.7%) or HRD (20.5%). Five HR executives responded "everything." A female HR team member from a start-up was to head both HRM and labor relations, while a male HR team member from a medium-sized company, in charge of "everything." In both cases, due to low rank and being a female, there would be a certain limit in implementing HR practices.

Most respondents were males (88.9%). Only four respondents were females including three HR executives from MNCs and an HR team member from a start-up. The fact that no single female HR executive was found in large companies surely reflected the norms of the male-dominated Korean society. This may be the reason why female professionals in Korea would prefer working at either MNCs or start-ups, due to their flexibility and presumably less gender discrimination.



## Interviews

Email interviews with 12 HR executives were carried out in order to brainstorm ideas for survey questions. The 12 HR executives were five (senior) vice presidents of HR, five HR directors, an HR partner for the Asia-Pacific region, and a CEO. They were the HR professionals the author has known in the past ten years of experience, working at a major telecommunications company and currently working as a MBA Director at a business school.

She asked their opinions using five semi-structured interview questions. The ideas brainstormed had four emergent themes: the economic situation, the company's management environment; workforce management; HR practices (programs), and additional suggestions for competitiveness with HR.

## Survey

Based on the four emergent themes, the author developed a questionnaire, containing 21 questions. Respondents, for instance, were asked to check on five-point Likert-type items ranging from "Strongly Disagree" to "Strongly Agree" to a question like, "Are you satisfied with your company's current HR programs?" or they were asked to select more than an answer from several answer items to a question like, "What HR programs do you value most today in your company?"

The 51 companies were "purposefully" selected. The author has already known several HR executives in Korean IT-based companies. The fact that the majority of IT-based companies were located in Seoul enabled her to collect data in a timely manner and to get in-depth inquiries if needed. She also referred to the list of the 100 largest Korean companies in 2005, recently published by HanKyung Business News (2006). Only eight IT-based companies were selected for this study. Most of the companies selected, therefore, were fairly well-known for their exposure to the public for many years in terms of their size, reputation, and performance. This enabled her

to include diverse IT-based companies, but limited her to random sampling.

The author sent the questionnaire via email to 51 IT-based companies located in Seoul, Korea. She finally received 36 responses (75% response rate) including: The 20 large, 7 small- and medium-sized firms, and 9 MNCs. Given the definition of the Ministry of Labor, “large companies” were defined to employ more than 300 and “small-and medium-sized companies” for 30 to 299.

## **Results**

The research question in this study was to see whether there were any similarities and differences among the Korean IT-based companies in their HR practices. Many questions in the questionnaire required respondents to answer more than one, thus, mostly frequency analysis was done. In order to see if there were any differences between two groups and three groups, t-tests and ANOVA were performed. Two groups included 26 large and 10 small- and medium-sized, whereas three groups were 20 large, 7 small- and medium-sized, and 9 MNCs. Due to the small number in each group, there was no group difference but one. The only group difference between small- and medium-sized firms and MNCs was found in respondents’ view of their HR practices.

### **Business Environment**

This section discusses questions about the most critical challenges that IT-based companies faced. Five-point Likert-type items including from “Strongly Disagree” to “Strongly Agree” were used for the questions number six (the economic situation), eight (the company’s management environment), and thirteen (HR practices).

### Descriptive Statistics

Table 4 shows the means and standard deviations in answers on the economic situation, the management environment, and HR practices. It seems that respondents in this study viewed the economic situation rather negatively, as opposed to seeing the company's management environment, so-so, and their HR practices, in a slightly positive way.

Table 4. Results of Descriptive Statistics

| Question                             | Mean | SD   |
|--------------------------------------|------|------|
| The Economic Situation               | 2.47 | .77  |
| The Company's Management Environment | 3.14 | 1.07 |
| HR Practices                         | 3.5  | 1.06 |

Reasons for their negative responses on the economic situation had to do with stiff competition and downturn in IT industry. Specific reasons were global competition (44.8%), low growth in IT industry (27.6%), and decrease in IT investment (13.8%). Most respondents chose "global competition" as number one reason why the economic situation was felt unfavorable to them.

By contrast, reasons for their so-so responses on the company's management environment were: stiff competition among companies (35.5%), changing customer needs (16.1%), worsened economic situation (12.9%), saturation of new customers (9.7%), and demand of new businesses (9.7%). It seems that the IT-based firms would not view their management environment favorably, due to stiff competition and changing customer needs. A good example of this stiff competition in the IT industry was HP in changing times of then CEO, Carly Fiorina, starting from 1999 to 2003 (Beer, Khurana, & Weber, 2005).

### Group Difference

In order to see group difference, t-tests were performed. The t-tests did not show

any group difference between large (26) and small- and medium-sized (10) firms in answers on the economic situation, the management environment, and HR practices, as shown in Table 5.

Table 5. Results of t-tests

| Question                                   | Group | N  | Mean | SD    | t      | p    |
|--|-------|----|------|-------|--------|------|
| Economic Situation                         | Large | 26 | 2.38 | .697  | -1.098 | .280 |
|  | S&M   | 10 | 2.70 | .949  | -.957  | .356 |
| The Company's<br>Management<br>Environment | Large | 26 | 3.08 | .935  | -.553  | .584 |
|  | S&M   | 10 | 3.30 | 1.418 | -.460  | .653 |
| HR Practices                               | Large | 26 | 3.69 | .970  | 1.820  | .078 |
|  | S&M   | 10 | 3.00 | 1.155 | 1.681  | .115 |

Given the economic situation and the company's management environment, what would be the most critical challenges that each company faced? New business development (34.2%), global competitiveness (21.5%), and business model innovation (19.0%) were selected the most critical challenges that IT-based companies faced.

An example of a new business model pertains to be "e-business" that IBM coined and made real at times of then CEO, Lou Gerstner (Weeks, 2004). Because of this new business model and transformation, IBM could be turned around after a long recession. Organization issues such as work culture innovation, individual competency-based strategy, and talent development were also chosen as challenges for the future of the IT-based firms.

## Workforce Management

This section discusses questions about what employees of the IT-based firms had and what they would need to support their challenging businesses. What were the

characteristics of their current workforce? Answers included: job-based (26.7%), technology-based (18.3%), competency-based (16.7%), R&D-based (15.0%), and talent recruiting (13.3%). Current workforce portfolio reflected the IT-based firms' unique characteristics which would be technology-based, R&D-based, and talent.

As for R&D, Booz Allen Hamilton's annual study of the world's 1000 largest corporate R&D budgets uncovered 94 high-leverage innovators who outperformed their industries (Jaruzelski, Dehoff & Bordia, 2006). In this study, R&D spending by industry showed that the IT industry accounted for 40% of the total amount spent. There was no significant statistical relationship between R&D spending and corporate performance. The authors indicated that success required a cross-functional strategic approach to innovation; that was building a value chain integrating R&D more effectively with marketing, sales, operations, and cost management.

How would you define workforce for the future? The most sought-after answers were creative talent (21.4%), global talent (20.2%), and new business competency (16.7). Microsoft, for instance, is well-known for its talent management (Bartlett, 2001). In recent years, competence management has gained much interest in terms of aligning strategy and IT-supported competencies. Representative cases include Ericsson (Hustand & Munkvold, 2005) and the Brazilian telecommunications industry (Fleury & Fleury, 2005).

Strategy consulting, new technology, marketing and software competency, and contents expert were also chosen for the future workforce. These diverse responses on future workforce reflected the IT-based firms' changing needs in workforce. One point missing in the survey, though, was that there was no question about how to build up the workforce for the future.

## HR Practices

This section describes questions about HR programs they valued most and new

HR roles/programs for the future. Respondents thought that their HR function was okay (3.5/5.0), as opposed to their unfavorable view of the economic situation and their so-so view of the company's management environment.

### **Frequencies**

The HR programs they valued most today in their company included: performance-based compensation (17.8%), well-designed HRM (11.1%), favorable labor relations, competency development, leadership program, and employee welfare programs (7.8% each). Performance-based compensation, along with employee welfare programs, reflected the very characteristics of IT-based firms which would value talent, employee's capability and performance and their link with rewards and welfare programs.

In contrast, the HR programs that either did not function well or were nonexistent were: HR competency development for business support (36.8%), retention of core competency and job-based career development (21.1% each). Current HR programs seem to lack business-oriented competency, thus, there is a strong need for core competency and innovative organization culture.

The new HR roles included change leader, strategy partner, business partner, talent management, and performance management. This is exactly what Ulrich emphasized as "new HR mandates" for the future (1998). It, therefore, seems timely to see "change leader" as number one new HR role at times of stiff competition prevalent in the IT-based firms.

The new HR programs were: talent recruiting, retention and development (35.9%), global talent recruiting (17.9%), performance-based organization culture (15.4%), and job-based career development (11.5%). Recruiting of (global) talent and organization culture for innovation would be a necessity for IT-based firms in the near future.

### **Group difference**

In order to see any difference between three groups, including large (20), small-

and medium-sized (7) firms, and MNCs (9), ANOVA tests were performed, as shown in Table 6.

The only one group difference between small- and medium-sized firms and MNCs was found in responses on HR practices. The Scheffé Test (a post hoc test that is used for unequal no's) showed a group difference, as shown in Table 7.

Table 6. Results of ANOVA Tests

| Question                             | Source         | Sum of Squares | df | Mean Square | F     | p    |
|--------------------------------------|----------------|----------------|----|-------------|-------|------|
| Economic Situation                   | Between Groups | 2.169          | 2  | 1.085       | 1.903 | .165 |
|                                      | Within Groups  | 18.803         | 33 | .570        |       |      |
|                                      | Total          | 20.972         | 35 |             |       |      |
| The Company's Management Environment | Between Groups | 2.276          | 2  | 1.138       | .988  | .383 |
|                                      | Within Groups  | 38.029         | 33 | 1.152       |       |      |
|                                      | Total          | 40.306         | 35 |             |       |      |
| HR Practices                         | Between Groups | 10.730         | 2  | 5.365       | 6.263 | .005 |
|                                      | Within Groups  | 28.270         | 33 | .857        |       |      |
|                                      | Total          | 39.000         | 35 |             |       |      |

Table 7. Results of the Scheffé Test

| Question                    | Large (n=20) | S&M (n=7) | MNCs (n=9) | Difference |
|-----------------------------|--------------|-----------|------------|------------|
| No.6 Economic Situation     | 2.30         | 2.43      | 2.89       | NA         |
| No.8 Management Environment | 2.95         | 3.14      | 3.56       | NA         |
| No.13 HR Practices          | 3.50         | 2.57      | 4.22       | S&M < MNCs |

Respondents in the MNCs had positive views on their HR practices, while those in the small- and medium-sized firms were negative about their HR practices. MNCs, due to the well-established HR systems and programs in their headquarters, were presumably better positioned than small- and medium-sized companies. An HR Partner for the Asia-Pacific region from an MNC, for instance, said that the most

valuable HR programs were more strategic than operational.

The most valuable HR programs are the employee morale management and the career development programs including their skills/knowledge development, and probably the executive resources management or top talent management. In order to focus on more strategic HR functions, we are now outsourcing the operational and administrative HR functions such as payroll, employee reimbursement, and HR IT.

In contrast, a CEO from a medium-sized company said that due to lack of the company's own training programs, they had difficulty in evaluating the training effectiveness. Because of that, he called for an HR Forum to share information and know-how.

We believe in training for the future and yet, there are limits in developing a variety of HR programs in small- and medium-sized companies. So, we rely heavily on the programs provided by external training institutions. The most difficult thing is how to evaluate effectiveness of the training employees received from outside and give them better incentives for continued learning.

## **HR for Competitive Advantage**

This section summarizes information on how HR could help their company to be more competitive. Respondents selected "strategic business partner" (14.8%) as number one competency needed for the future, just like Ulrich and Brockbeck (2005) indicated. Resource allocation based on employee's capability and performance (12.2%) was followed by strategic business partner. Strategic partner, performance, and understanding business were chosen to be the most significant HR suggestions for competitive advantage.

### **IT Industry-Specific HR**

The IT industry-specific HR practices, based on HR executives' additional suggestions, were summarized, as shown in Table 8. Emergent HR themes included:



(global) talent management, R&D workforce, performance-based HR, field experience, diverse employees, proactive industry change, government-led HR strategy, growth strategy for small- and medium-sized firms, and career development.

Table 8. IT Industry-Specific HR Practices

| Themes  | HR Executives' Suggestions  |
|---|---|
| (Global) Talent Management                        | <ul style="list-style-type: none"> <li>▪ How to recruit and retain (global) talent (core competency) is a primary interest in IT industry.</li> <li>▪ HR should focus on recruiting talent from outside and developing talent from inside.</li> <li>▪ IT industry' turnover rate is very high and an analysis of why they leave is very important.</li> </ul>   |
| R&D workforce                                     | <ul style="list-style-type: none"> <li>▪ Alignment of corporate, university, government, and R&amp;D for future competency is required.</li> <li>▪ Seek for ways to create a synergy of domestic and international R&amp;D workforce.</li> </ul>  |
| Performance-based HR                              | <ul style="list-style-type: none"> <li>▪ Resource allocation should be done based on employee capability and performance and then link them to reward and development.</li> </ul>   |
| Field Experience                                  | <ul style="list-style-type: none"> <li>▪ New hires should have at least two years of field experience to learn customers and services.</li> </ul>   |
| Diverse Employees                                 | <ul style="list-style-type: none"> <li>▪ The characteristics of telecommunications industry (such as privatization, rapid growth, and influx of experienced workforce) caused "career plateau," thus, diverse employees are required for diverse customers.</li> <li>▪ Due to rapid growth, the workforce has diversified and necessitated a consideration of organization culture.</li> </ul>                  |
| Proactive Industry Change                         | <ul style="list-style-type: none"> <li>▪ Proactive responses are required for the IT industry change (such as convergence of broadcasting and telecommunications): Companies' participation in the process of policy making; government-supported workforce development; and cooperation between companies and universities for the company-specific training.</li> </ul>                                       |
| Government-led HR Strategy                        | <ul style="list-style-type: none"> <li>▪ There is government-led strategy for IT but no for HR strategy.</li> <li>▪ No clear direction and development programs for IT workforce resulted in unnecessary workforce.</li> </ul>  |
| Growth Strategy for small- and medium-sized firms | <ul style="list-style-type: none"> <li>▪ In the process of growing from small- to medium-sized, IT-based companies are obligated to recruit, retain, and develop talent, and change organization culture.</li> <li>▪ Young generation's preference to working in large companies should be changed to more appreciate small- and medium-sized companies through media and the society's recognition.</li> </ul> |
| Career Development                                | <ul style="list-style-type: none"> <li>▪ MNCs have difficulty in developing engineers into managers, for they recruit them based on their specific jobs for the following five to six years.</li> </ul>   |

## Implications

This small-scale survey study examined what Korean IT-based companies would be doing with HR and what they should do to stay competitive for the future. The research question was to see whether there were similarities and differences in their HR practices of the IT-based companies.

Table 9. Four Themes of HR Practices in IT-Based Firms

| Business Environment  | Workforce Management  | HR Practices   | HR for Competitiveness   |
|---|---|--|--|
| <ul style="list-style-type: none"> <li>▪ Economic Situation: Global competition, low growth in IT industry</li> </ul>                       | <ul style="list-style-type: none"> <li>▪ Current: Job-based, technology-based, competency-based, R&amp;D-based, talent</li> </ul> | <ul style="list-style-type: none"> <li>▪ Most Valued: Performance-based compensation, well-designed HRM</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Strategic business partner, resource allocation based on employee's capability and performance</li> </ul>   |
| <ul style="list-style-type: none"> <li>▪ Management Environment: Domestic competition, changing customer needs</li> </ul>                   |   | <ul style="list-style-type: none"> <li>▪ Underdeveloped: HR competency development for business support, retention of core competency</li> </ul>   |  |
| <ul style="list-style-type: none"> <li>▪ Challenges: New business development, global competitiveness, business model innovation</li> </ul> | <ul style="list-style-type: none"> <li>▪ Future: Creative talent, global talent, new business competency</li> </ul>               | <ul style="list-style-type: none"> <li>▪ New HR Roles: Change leader, strategy partner, business partner, talent management, performance management</li> <li>▪ New HR Programs: (Global) talent recruiting, retention and development, and performance-based organization culture</li> </ul> | <ul style="list-style-type: none"> <li>▪ IT Industry-Specific HR: (Global) talent management, R&amp;D workforce, performance-based HR, field experience, diverse employees, proactive industry change, and government-led HR strategy</li> </ul> |

Interviews with 12 HR executives and a survey of 51 IT-based companies showed that there were certain IT industry-specific HR practices but no group differences except one. The only one difference between the two groups (small- and medium-sized firms vs. MNCs) indicated that MNCs were in a better position in terms of various HR practices. Table 9 shows a summary of four HR themes emerged from analyses of interviews and survey data.

The IT industry-specific HR practices included: strong emphasis of (global) talent management; performance-based HR and incentives; alignment of corporate, university, and government for R&D workforce; diverse employees for diverse customers; field experience requirement for customer services; and government-led HR strategy for the IT industry to be the one national power base. These IT industry-specific HR emphasize the importance of HR practices which is unique for IT-based companies to stay competitive for the future. A key driver of the Cisco Systems turnaround in recent years, for instance, was their “human capital strategy” (Chatman, O’Reilly, & Chang, 2005). The key to the strategy was the Cisco University’s ability to develop and promote fundamental organizational capabilities.

By comparison, there are general HR practices prevalent in the IT-based firms. First, the role of HR, as IT-based companies in this study responded, should be more strategic than operational. Ulrich and Brockbeck (2005), through a series of surveys of HR professionals for the past two decades, indicated that new HR competencies should have more strategic contribution which had been underperformed, but whose impact would explain more than 40% of business performance. For the future HR competencies, HR should keep developing to become strategic business partners. Knowledge of external business issues, the market that companies serve, and the internal and external stakeholders, is needed. An HR Forum, as a CEO from a medium-sized firm suggested, is necessary for sharing information and know-how with other HR professionals from large firms. Another related issue has to do with HR outsourcing. More than ever, in order to be more strategic, HR is entitled to outsource repetitive, fixed, and administrative programs, so that it can focus on more

value-added and strategic business consulting.

Second, the role of HR is to impact its business. Human resources work begins not with HR but with business (Ulrich & Brockbeck, 2005). As a country HR manager from an MNC explained, HR eventually leads to “service level agreement (SLA),” meaning that understanding business is a must for business-related and result-oriented HR. Delegating roles and responsibilities from HR to line management or business units are needed in order to do that. The general principle must be that line management recruits, develops and manages employees and HR helps where appropriate (Plompen, 2005). HR can support its business units through motivation, conflict management, and competence development. Employee training and developing at Motorola, for instance, given the challenge of producing technologically advanced products on a continuous basis, certainly provide employees with chances to be more knowledgeable and efficient (Aparna, 2005).

Finally, as an HR executive from an MNC stressed, it is important to have better HRM or HRD systems, but equally important to know that only “people” can make a difference. The systems thinking of process and people, therefore, is a necessity for better alternatives. This is a relevant way of thinking, especially for the IT-based firm, whose major focus has almost always been technology and services.

This study had certain limitations in terms of scale and methods. Due to the small number of respondents and the purposeful sampling, the author was not able to see significant differences between two groups and three groups. The group difference may present varied information on HR practices in IT-based firms. Another concern is related to data collection methods. Methods other than email interviews and survey the author mainly utilized in this study are required to see in-depth inquires and triangulated effects.

One interesting research topic that can emerge from this study is gender issue. Three female executives were found only in MNCs. The fact that none from large companies was found to have female executive, calls for an in-depth study of what is going on and what could be done for the better workplace in terms of diversity. Both

a survey and case studies of female HR executives in IT-based companies in Korea will entail their aspirations and frustrations so that meaningful insights can be acquired. This small-scale survey study gives a glimpse of what is going on with HR practices in IT-based companies in Korea. Future in-depth case studies and rigorous quantitative pieces will result in more meaningful findings.

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