

Chapter Five. Conclusion

1. Conclusion

The world economy today has been developed into a new age characterized by globalization and localization. Globalization means that commercial activities no longer constrained by geographic, facilitate the free flow of production input as talents, capital, intellectuals. The building and developing of global network in the economic development is emphasized. At the same time localization indicates that all the inputs are gathered and reformed in certain area, such trend is initiated to encourage local innovation. In terms of dimensional measurement, the globalization of manufacturing function did not lead to the decentralization of plants, instead raising the cluster of labor in the producing area.

The investment environment Korean enterprise in has been deteriorated recently. The major problem is labor management; especially the rising in minimal wage which is regulated in the new act of work contract brought great cost pressure to Korean companies. And they become aware of the importance of localizing human resource. Korean companies in Chengyang area of Qingdao are mainly small or median size labor intensive manufacturing companies, thus labor cost is a crucial drive for their investment. In order to improving the competitiveness and the long term sustainable development of companies, the localization of intellectuals serves as a goal must address.

Revealed by research, the Korean companies within the Chengyang area have already attained certain localization considering the ratio of Korean employees and indigenous employees. Personnel engaging in core business and senior management require further improvement in localization.

According to the first assumption of our analysis, since ‘the disparity in hierarchy and salary affect localization of talents, to save cost, most Korean companies employed local people in most positions except for the key position. However there is remarkable difference in salary and hierarchy between the Korean employees and local employees. On average the salary of Korean employees is as many as 2 to 4 times of local employees, and the disparity is even larger in the IT industry where technological skills are needed. There is not much concern regarding the call-back pay. In terms of hierarchy, clear employer-employee relation exists in both companies. The Korean companies in Qingdao employ Korean people in the key position while the other non-key places are filled by local employees. In a word, from the perspective of localization of HR, the Korean companies are still in the transitional stage.

According to the second assumption of our analysis that ‘the trust between companies and work forces differs across industries and scale’, the satisfaction in salary and mutual trust is overall similar. But to some extent, the operating capability influences the degree of trust. And mutual trust is higher in large companies than small companies. The salary and mutual trust are interdependent though it is hard to quantify the influence with experiential data.

According to the third assumption of our analysis that ‘the interaction among Korean companies, Chinese government and work force would draw great influence to the labor management in Korean companies,’ the cultural misunderstanding caused a lot of misapprehend. Chinese Koreans lack of integrated understanding of Korean cultural, raising great side effects, thus limits their contribution in localizing intellectuals.

Korean companies prudentially manage the negotiation and informal relation with local government. They believe proper reciprocal relation is necessary, but

over dependency could cause huge loss, harming the survival of the whole company.

The Chinese government's attitude is not favorable toward manufacturing while high protection against IT industry. Factors as tax issue and labor management influence the attitude of Chinese government. Seemingly all foreign investment is encouraged by Chinese government; companies involving labor management problems or little tax contribution are expected to leave Qingdao. By doing this, land can be reallocated to other foreign companies.

Most Korean companies regarded their influence to government to be limited. It is hard to solve any problem emerging, so the best way is to reduce the occurring probability of such issues. They passively participate in activities organized by local government and folks thus fail to adjust to the change of Chinese government and legislation.

Chinese government attaches great importance to workforce protection. Both Korean and local Chinese people recognize that the promulgation and implementation of the act of work contract issued by Chinese central government tend to protect the rights of labors. However the local government is also eager to foreign investments, the situation also exists when labor rights are ignored. Besides, local government afraid that foreign company would cause problems.

From the opinion of general workforce, they highly trust in government and nationalism conception is strong among them. But they are reluctant to give opinion on the Chinese government and police. Most Chinese workers live away from their home town, value relatives and family. They suffer great pressure from education of their children.

2. Suggestions and Research Limits

Combining our research outcome, some suggestion for Government and Korean companies who plan to invest in China respectively as following:

(a) Improving the localization of personnel in core business

The increasing labor cost lead to lean staff. The positions in core business and senior management are still taken by Korean employees, rather than localization of intellectual in a full scale. These core businesses include two categories, either technical or managerial. Considering that the relatively low level of technology skill, it may not be easy to meliorate. But it can be resolved by proper training. However there is not much difference in the efficiency among management employees of Korean and local. The advantage of Korean employees is their understanding of Korean culture and language. All these factors can be settled in short term.

(b) Cultural disparity between Korea and China, and related countermeasure

Korean culture values solidarity, speed, efficiency and diligence while because of the communist cultural background China values equity. Korean companies employ Korean managers who have oversea working experience and respect employees, evaluating the performance of Chinese employees with legal regulation, engaging in labor management. In daily life, they should communicate more with local employees, and maintain the attitude of keeping learning form Chinese personnel.

Moreover, we should take advantage of Chinese employees who can speak Korean. The Chinese students study in Korean reached 20000 recently; among them various professional talents facilitate the labor management.

(C) Enforcing the legal concept

After the act of work contract brought into effect in 2008, the labor management problem still exists within Korean companies. Our research indicates that almost all the small and medium size companies violate the overtime working regulations. Such deed led to dissatisfaction of local employees toward managers or even legal dispute. A great number of Korean companies did not care too much about the public promotion organized by government and non-government institutions. Finally, Korean companies should build integrated managerial mechanism within the law.

(D) Re-considering positions for ethnic Koreans in China

Ethnic Koreans once played an important role in bridging the investments for Korean enterprises into China. Recently, the number of Chinese overseas students in Korea continues to rise, giving rise to plenty of well-educated, Korean speaking talents. On the contrary, negative impacts done by ethnic Koreans are more and more eye-catching. Consequently, what Korean firms face is to re-consider positions for ethnic Koreans in China.

Ethnic Koreans enjoyed high degree of trust by Korean firms, thanks to belongings of the same ethnicity. Disputes do exist among them though. It's from the view point of Han ethnics that the apparent gap in positions and wages between Han and Korean ethnics result in aversions and in tern leads to dissatisfactions with the labor management system in Korean firms.

Discontent towards ethnic Koreans is serious, in light of their unpopularity as minorities and strangers in Qingdao, among Han Chinese when work under such incapable, under-educated mid-managers.

Topping the agenda of Korean firms is to nurture local Han ethnics with Korean and management skills. Chinese overseas students totaled 60,000 in Korea, leaving enough room for the improvements in labor management system.

These are the research limits. I hope that it is helpful for another researchers to do further researches.

1. Some companies do not cooperate in terms of interview on the excuse of trade secret.
2. No mature theory explains the coherence of localization and the operational performance. In other words, localization successes in some cases while fails on others, and the payoff also differs across industries. Researches are therefore mainly conducted by case studies.
3. China is so special. Both the society and people showing unique characteristics in light of the fast development, so that outmoded human resources management theories might not match the status quo of China.

