

## TOWARD AN EFFICIENT ORGANIZATION AND HUMAN RESOURCE MANAGEMENT SYSTEM

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### *Need For High Efficiency Management Is Proliferating*

A flexible and small organization is better to respond to a new business environment than a rigid and large one. A large corporation with rigid organization structure tends to be bureaucratic and vulnerable to mis-communication. Thus, facing a rapidly changing environment, a business organization ought to be simplified, divided, and loosely interconnected by a network.

Since the current management environment of Korea is rapidly changing, restructuring toward an efficient organization in this manner is much more needed than ever. After the IMF era began, volume-focused growth-driven management revealed its limit while performance-based management which puts top priority on a firm's revenue and profit has become more important in Korea.

Also, it has become increasingly important to reward every employee according to his/her ability and performance. In a recession, or in a crisis, a firm should pursue strategies for enhancing efficiency and reducing cost in order to survive. This "high efficiency management" includes various sub-categories such as horizontal organization, network organization, ability-based reward system, and diverse employment form.

### *Horizontal Organization for Speedy Decision Making*

It is possible to implement speedy decision making, efficient performance, effective communication, and a cooperative culture by cutting down the decision making line and eliminating organizational boundaries. To establish a horizontal organization, first of all, the number of decision-making positions should be cut down and effective empowerment should firmly implemented. This could be accomplished by clearly defining both job characteristics and competency qualifications.

At the same time, a firm should devise mechanisms which will help prevent employees from losing their motivation. An ability-based reward system is another necessary condition. A business organization must reward its employees based on ability and performance appraisal not on seniority standards. Recently, many Korean big businesses have tried to simplify their internal organizations by improving the hierarchical system. However, these changes still remain in the incipient stage.

### *Network Organization for Flexibility*

A Network organization is a structure that endows unit organizations with independent authority. In other words, it means

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establishing a responsible management system and constructing a vital and active network among small-size unit organizations. In order to make such a successful network organization, three core practices are needed.

First, an organization should develop a system which guarantees and enhances the independence of unit organizations. In this system, with an independent budget system, each unit organization has independent business authority and practices autonomous management. The firm must evaluate each unit's performance and further determine its destiny— whether to develop it or eliminate it.

Second, it is naturally necessary to reduce headquarters' authority. Instead of directly controlling each unit's practices, the headquarters ought to support and coordinate its activity. The headquarters should focus on overall strategic planning and evaluating functions as well.

Third, a firm could construct an outside network to respond to a rapidly changing environment. Using outsiders' core competencies, a firm can enhance its competitiveness. In Korea, strategic alliances are being made as the first stage of networking. LG Telecom, by using handsets and beepers supplied by Appeal Telecom, has been able to increase the number of subscriptions. Meanwhile, as a sole supplier to LG Telecom, Appeal Telecom could triple its turnover. Another example is the cooperation between Dong-A Pharmaceutical and Yuhan, where the two companies are developing a new type of medicine.

### *Ability-Based Reward System Promotes Performance*

Many firms try to promote individual's and organizational competitiveness by introducing a wage system that properly rewards able and hard working employees. Thus, an ability-based reward system such as 'Annual Salary System' which determines an employee's rewards by appraising the individual's ability and performance is proliferating.

An ability-based reward system has three core practices. First, a firm must set up an objective criteria. An employee's salary must be determined by well-specified job analysis and evaluation system.

Second, it is important to expand the ability-based reward system step-wise. For example, the new system could be applied to the upper middle class of a hierarchy or to special staff first.

Third, it is necessary to set up and disseminate an objective and fair appraisal system. A firm needs to educate its personnel to objectively evaluate the ability and performance of junior employees. The education should help the members of an organization to understand that the evaluation system is good to enhance competitiveness of each individual. The Doosan Group, for example, adopted a new system in which 10% of annual salary is based on the performance appraisals. To secure fairness, personnel managers as well as general managers have participated in the development of this system.

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*Diverse Employment Forms for Efficient  
Human Resource Management*

In order to improve a firm's overall productivity and flexibility of employment, human resource management using various forms of employment should prevail more than before. A "diverse employment form" system uses regular and non-regular workers properly. By doing so, a firm can develop an optimal human resource portfolio. However, a sensible human resource management system must be accompanied by packages of various management practices that match each employment form. Human resource infrastructure is an example. A diverse employment form system has three core practices. First, a firm may classify all jobs into

a "core" group and a "peripheral" group by criteria composed of revenue contribution and degree of routinization. IBM Korea classifies regular and non-regular workers where the latter consists of "temporary" workers who perform temporary jobs in shorter period of time(3~11 months) and "contracting" workers who make labor contracts via agencies and work only for a period specified in the contract. Second, a firm must arrange a human resource system not only for the regular workers but also for the non-regular workers. This system should comprise recruitment timing, a reward system, and a recall program. Third, a firm should eventually establish human resource infrastructures, such as Human Resource DataBase (HRDB) and Human Resource Information System (HRIS). Using these infrastructures, a firm can link necessary human resources to available positions in the most effective way. **VIP**