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BEING BETTER AT DOING GOOD: ORGANIZATIONAL ENGAGEMENT AND FOREIGN  
MANAGEMENT PRACTICES IN DPR (NORTH) KOREA

A Thesis

Submitted to the McAnulty Graduate School of Liberal Arts

Duquesne University

In partial fulfillment of the requirements for  
the degree of Master of Arts

By

Rajarshi Sen

December 2014

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Rajarshi Sen

2014

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MANAGEMENT PRACTICES IN DPR (NORTH) KOREA

By

Rajarshi Sen

Approved November 18, 2014

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## ABSTRACT

# BEING BETTER AT DOING GOOD: ORGANIZATIONAL ENGAGEMENT AND FOREIGN MANAGEMENT PRACTICES IN DPR (NORTH) KOREA

By

Rajarshi Sen

December 2014

Dissertation supervised by Dr. Charles Hanna

Foreign organizations work in DPR Korea under multiple external and internal pressures, and these organizations try to respond to their working environment in their own ways. However, it is important that these foreign organizations are able to work effectively, in order for engagement with DPRK to be meaningful. In this research, utilizing the case study method, I explore the questions: How can foreign organizations effectively work in DPR Korea? What can they do to more easily achieve their outputs and outcomes? What are the dynamics of the mutual embeddedness process as foreign organizations become immersed in the context of DPRK? I find that organizations in their efforts to respond to the environment in DPRK end up compromising their effectiveness in avoidable ways. I explore what works and what doesn't for organizational management in DPRK and make some recommendations.

## ACKNOWLEDGEMENT

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While I am thankful for all the guidance, constructive criticism and advice received from various sources, the findings, interpretations and conclusions expressed in this paper are my own and do not necessarily reflect the policies or views of the United Nations or any of its Agencies or Funds; any faults in this paper are mine only.

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## Introduction

DPR Korea (North Korea/ DPRK) has one of the most difficult in-country operating conditions for foreign organizations and managers. Scholars have noted that economic engagement with DPRK has been “used for cross-purposes and that this...is unwittingly helping North Korea achieve aims...” which are unintended (Smith 2005: 22). However, at the same time, there is significant support for engagement with DPR Korea (Asia Society and University of California 2009). Influential sections in many countries such as China, Russia and even the Republic of Korea (South Korea/ROK) feel that it is through constructive economic engagement that DPRK may change from within into a country that can ensure the welfare of all of its people, and hence reduce the tension in the Korean peninsula. But how do we ensure the effectiveness of economic engagement with DPRK?

To answer that question, I study the record of engagement of foreign organizations working in DPRK. I find that there is scope for massive inconsistency between what foreign organizations in DPRK expect to happen (such as, behaviors they expect from their local employees/DPRK nationals), based on how these organizations manage their operations, and how the employees perceive these organizations, based on what *they* expect of such organizations. Foreign organizations’ understanding of existing social drivers and what they can achieve in such an environment is under-studied, especially in a secretive and closed economic system like DPR Korea.

The specific questions that this research explores are: How can foreign organizations effectively work in DPR Korea? What can they do to more easily achieve their outputs and outcomes? To what extent do foreign organizations change due to working in DPR Korea and, in



turn, to what extent do DPRK actors change due to working with foreign organizations; i.e., what are the dynamics of the mutual embeddedness process? These are important questions not only for DPRK but for many other contexts, such as post-socialist transition countries.

Multinational enterprises (MNEs) working in emerging markets worry about the ‘fit’ of their organizations to the local context. ‘A recent Accenture survey shows that 95 percent of senior executives say that they doubt their companies have the right operating model to support their international strategy’ (Girod, Bellin and Thomas 2009: 3). Depending on the alignment of interests between headquarters and the country of operation, the management responses to the problem of local intransigence may range from the need for minor adaptations to overcoming significant hurdles.

For instance, organizations the world over employ various incentives that are designed to retain, motivate and promote their staff. In DPRK, the conditions like restricting interaction between national and foreign workers are such that those incentives lose their edge. To make things worse, there is the overhang of geopolitical crisis that periodically negatively impact operations of organizations in DPRK. It is therefore in the interests of those working and investing in DPRK, and in the interest of effectiveness of official development assistance, to better understand the various ways of embeddedness and spillovers of foreign organization working in that country.

Moreover, much of the literature on economic and organization management in socialist-communist contexts tend to be concentrated on European post-socialist transition countries. This study contributes to comparable literature focusing on the Asian context.

## **Enhancing Organizational Effectiveness in DPRK: Clutching at Straws?**

Enhancing the effectiveness of foreign organizations working in DPRK may sound like wishful thinking. Organizational effectiveness at its simplest is about improving organizational performance externally and internally (Richard et al. 2009). This should be determined through multiple criteria, including productivity, growth, turnover, stability, collaboration and human resource development (Scott 1992: 343).

As the abovementioned criteria *inter alia* determine the embeddedness of an organizational in its context, we examine the process of embedding of foreign organizations working in DPRK. The concept of organizational embeddedness, introduced by Polyani (1944) and expanded by Granovetter (1985) and others is useful for this research as it allows a study of the complexity within which organizations find themselves. Another usefulness of the embeddedness concept is its dual nature: Embeddedness constrains organizations' effectiveness by tying them down in webs of social, political, cultural factors that act as friction against efficient management; embeddedness can also open up opportunities for organizations through, for example, improved network resources, greater trust and lower transactions costs.

Foreign organizations adjust their corporate interests in relation to local conditions existing in host countries. Therefore, the economic, social, cultural, and institutional conditions of host countries are important considerations for organizational embedding processes; particularly, social, micro-level interaction between expat managers of foreign organizations and local actors (Kahancová 2008).

In DPRK, where there is tight control on every facet of life, the drivers and barriers to embeddedness, the relevant variables, should be identifiable. Foreign organizations operate here

based on (i) a broader agreement with local authorities as to their mandate; and (ii) specific permissions for each consequent activity that implementing the broad agreement entails.

Basically, the ‘official line’ is supposed to be followed in every aspect of economic and social exchange. The official line basically prescribes a range of activities and functions that are pre-approved. Any deviation, therefore, stands out.

Accordingly, I study the outcomes of certain activities and attendant friction/transaction costs of those activities under examination, which at different points in their life in DPRK the foreign organizations engage in. Further, the embedding process in DPRK does not generate increasing returns; e.g., giving more incentives to workers does not necessarily engender proportionally increasing levels of trust in them towards management. This is because the system in DPRK is premised on minimizing interaction, reciprocity and dependence between locals and foreigners. For example, DPRK nationals working in foreign organizations are mandatorily removed after relatively short periods of time. Also, there is no scope for contact between former international and national colleagues. Many such micro-level restrictions are in place, designed to effectively bring about a sort of mutual disembeddedness, which act as barriers to positive mutual embeddedness.

Thus, to understand how embedding occurs I follow a three-pronged approach:

- Elicit an understanding of interactions and dynamics from available literature on foreign management practices in DPRK and in the post socialist transition context.
- Empirically explore micro-level management practices of foreign organizations working in DPRK, and the response of relevant local actors/counterparts.

- Apply theoretical logic to the empirical information and to the findings from literature, to determine the variables (i.e., the drivers and barriers) to the mutual embedding process between the foreign organizations operating in DPRK and their local counterparts.

The possible variables of embeddedness/disembeddedness in day-to-day management practices that this research focuses on include: the human resource management practices of international agencies and firms working in DPRK (e.g., what kinds of incentives improves which types of performance of workers?); motivations and ideologies of salient actors (e.g., what kinds of incentives are requested by workers for which kinds of work); and the consequent negotiation/bargaining dynamics between expat managers and their DPRK counterparts.

As this research is essentially exploratory in nature, it utilizes a mix of suitable qualitative research tools, including literature review, participant and non-participant observations, and unstructured interviews. Qualitative methods are appropriate for case studies, and that is the method I adopt in this research for studying the selected cases of the handful of foreign organizations working in DPRK. The aim of this research is not to test hypotheses, as the areas under study in the context of DPRK are still underexplored and hence data and theories will not be readily available. Instead, this research aims to identify salient variables (i.e., drivers and barriers to mutual embeddedness and disembeddedness), study the various conditions of cause and effect of such variables, and generate hypotheses. Qualitative research is also suitable for this kind work to trace the lines of causation.

The consultation includes sources available in the public domain (such as aid agency reports) and, utilizing my current vantage point as resident in DPRK, appropriate observations of salient people and dynamics relevant to organizations in-country.

## **Limitations**

All limitations of case study methods apply.

Limitations of convenience sample apply: i.e., low generalizability and external validity. However, through an extensive survey of the theoretical and case study literature (aid agency documents) and close observation of aid agency practices, we expect to compensate for sample limitations.

Limitations of studying embeddedness: One general vexing question in organizational embeddedness research is how to attribute embeddedness/disembeddedness. Organization research scholars have cautioned, “Not everything is ‘embeddedness’” (Dacin et al. 1999: 321). In the case of DPRK, this problem is somewhat mitigated by the fact that market forces are greatly attenuated, particularly at the meso-level economic sectors which most foreign organizations occupy and work in. In addition, it is the author’s experience in DPRK that reciprocal decisions/actions often occur, to an extent, in a tit-for-tat manner, i.e., the organization takes one step and DPRK counterparts take another corresponding step in relatively quick succession. Such responses make the question of attribution somewhat transparent.

Another way to address the attribution question is to study processes that unfold at the boundaries of the official sphere, in less formal contexts, where relevant actors and actions can

be relatively unstructured and unencumbered. Accordingly, this research will focus on “margins and overlaps ...pay close attention to processes that unfold at the peripheries, interstices, and overlaps of institutional fields... In these social locations, authority structures may be attenuated, roles and boundaries are often blurred or ambiguous, and participants are exposed to multiple models or logics, creating opportunities and resources for actors to experiment with new, multiple, or hybrid forms” (Schneiberg and Clemens 2006: 218-219).

Furthermore, in keeping with the best recommendations in embeddedness research methods, this research studies the rich empirical context in which organizations work in DPRK. This study looks at the various repetitive actions and processes that foreign organizations in DPRK do over time, and the corresponding responses to and outcomes of such actions and processes.

Limitations of studying effectiveness: this research studies mostly public organizations in non-market conditions. This can be a limitation as effectiveness of an organization functioning in properly functioning markets can be more easily measured by standard metrics such as income, profits and/or surveys of customer satisfaction. Measuring effectiveness of the work of public organizations, operating in non-market conditions, is unfortunately not so straightforward. Controls over these organizations emphasize control over process rather than over outcome, and it is harder to measure the effectiveness of processes (Scott 1992). However, some have argued that markets, like all structures, are socially constructed and vary over time and space, so that conceptions of efficiency or effectiveness also vary (Fligstein 1993).

## **Literature review**

The field of economic and organization management in socialist-communist countries is informed by many studies on post-socialist transition and comparatively fewer studies (at least the recent ones that are in English) on the management of ‘classical’ socialist organizations, not in transition. The scarcity of the latter type of studies is due to information control and restrictions on scholarship in ‘classical’ socialist-communist countries and disinterest of contemporary scholars on classical socialism (Frank and Burghart 2010). As to the former body of work—on post socialist transition—this is often colored by Western and neoclassical economic precepts. (There is also an interesting body of literature on the lessons to be learned from socialist transition, mostly by World Bank economists and others from similar background, of which the two notable scholars are Joe Stiglitz; and Justin Lin, who have greatly illuminated China’s transition. However, these works deal with macro level issues such as initial conditions and path dependencies and not so much with the meso and micro level issues that is the remit of this research.) At any rate, much of this abovementioned literature is on European socialist-communist systems. The applicability of this Eurocentric knowledge is limited to DPR Korea as European socialism-communism and the Asian variety, particularly, DPRK’s system, differ in important ways. There is nevertheless some comparable literature on DPR Korea and some committed scholars. Much of the Korean scholarship on this subject usually focuses on international relations, unification or regime collapse. A general issue, however, with this growing body of work is the lack of the respective researchers’ direct and sustained physical access inside the country. Hence, these scholars are limited in their direct observation of internal workings of organizations and human dynamics in situ in DPRK.

Perhaps the first serious study of pre-reform, ‘classical’ socialist economy is by the celebrated Hungarian economist, János Kornai (1928- ). Kornai’s analyses were based on real world observations of socialism, his approach systems-wide, and his research method inductive rather than deductive. Kornai examined economic organization of centrally planned economies and identified several systemic failures of the centrally planned economy. In one of his most influential books, *Economics of Shortage* (Kornai 1980), Kornai argued that the chronic shortages seen throughout Eastern Europe during the years of socialist planning were not the consequences of planners’ errors or the wrong prices, but rather systemic flaws. Kornai argued that the command economy based on the control by a Marxist-Leninist communist party leads to a predominance of bureaucratic administration of state firms, through centralized planning and management, and the use of administrative pricing to eliminate the effects of the market. This leads to individual responses to the incentives of this system, ultimately causing the ‘shortage economy’. This shortage ‘mentality’ has broader impact on the level of institutions also, that becomes evident in managerial practices, as noted in the following paragraph, with relevance to the variables being studied in this research -- human resource management practices; motivations of relevant actors; ideologies; and negotiation dynamics.

Comparative management studies identify and explain similarities and differences among business strategies, management systems and social behavior in different work contexts (e.g., geographic areas, cultures or industries). Historically, the study of comparative management assumed salience in the context of post-socialist transition, as the recognition dawned ‘that post-socialism has proven to be more complex, convoluted and diverse than was first thought by the transition economists’ (Clark and Geppert 2006: 3). It became clear in post socialist institution building that the influence of foreign actors was actively constrained by local actors in a variety



of everyday micro-social interactions. The literature on the study of small and medium enterprise management in post-socialist transition draws from the rich empirical evidence of eastern European firms, a region which became “a tremendously interesting research laboratory for scholars interested in organizational and management issues” (Michailova and Liutho 2001). The relevant discernible strands of investigation by various scholars in this research include (Dragomirescu 2012):

- Institutional fragility – institutional fragility results from socialist organizations’ vulnerability to the chaos and randomness of post-socialist conditions and from their attempts to imperfectly adjust to such conditions of high uncertainty.
- Adjustment and formation of new managerial practices – this strand reveals that in post socialist enterprises, new management practices are developed by the managers themselves, through reflection and actual experimentation, rather than through theory and foreign influence only.
- Human Resource Management (HRM) – HRM is an important strand in post-socialist organization management, as socialist countries had precious few capital intensive resources but ready access to human resources. In DPRK organizations, too, HR management is a contested area between expat managers and extra mural organizational influences. It has been seen that post-socialist evolution of HRM practices is often not an imitation of purely Western models. Rather, there is the interweaving of various influences: drivers of path dependence -- i.e., national culture; domestic managerial culture and practices; and drivers of change—i.e., international business ideologies; and new lessons from engagement with the new market and technological opportunities.

The relevant and recent literature specifically on DPRK is by a handful of scholars with long commitments to Korean studies. Hazel Smith is a scholar who was also a practitioner, having worked with UN and humanitarian agencies in DPRK. In *Hungry for Peace* (Smith 2005), she deals with famine in the 1990s in DPRK. She explains that the famine and the humanitarian response have subtly transformed DPRK's economy, society, and political thinking, as the country accepted some international norms and allowed markets to function. Rüdiger Frank and Sabine Burghart among others have done interesting work on socialist transformation in DPRK. Their approach is to study the history and transition of socialist institutions, and illuminate the 'stickiness' of the institutions in the context of change (Frank 2010: 54). In a 2006 (54) paper, Frank notes:

Though not making headlines in the Western press, the societal relations in North Korea have changed dramatically. It is virtually impossible to undo what the monetization of the economy has done to individual's outlook on their own life and their place in society. In addition to loyalty to the state, there now exists an alternative way of advancing. The politically enforced uniformity of living conditions that applied to most North Koreans has been rapidly replaced by social stratification according to material wealth on a large scale. In a monetized economy, political power is closely related to economic power. Unless the top leadership decides to start a massive purge and to expropriate the new rich - a step that would be politically risky and therefore must be considered unlikely - these winners could become the nucleus of a middle class that would exhibit the same characteristic as elsewhere: a strong distaste for extremes.

Noland (2014) in a recent paper examines labor standards and employment practices in Kaesong special economic zone in DPRK, where Republic of Korea (South Korean) firms operate. This paper examines whether ROK firms' employment practices are likely to encourage DPRK's transition. Utilizing survey data, Noland shows that the DPRK government has successfully circumscribed exposure of its citizens who are the workers in these ROK firms to market-oriented economic practices. Noland finds no evidence of the sort of broader spillovers that proponents of engagement sometimes assert. The paper then also explores the possibility of using voluntary labor codes to promote transformation.

The work of the above scholars, cumulatively, has significant breadth, but there is a paucity of in situ studies. The source material for most of these works is second hand—either interviews of defectors, mirror statistics or other proxies. There is a troublesome limitation of primary and reliable information on DPRK, and hence there is a speculative quality pervading much of the literature. This problem is so widespread that the authoritative macroeconomic modeling paper on DPRK by Noland et al (1999) is titled: “Rigorous Speculation.” In this paper, Noland and others contend that the economic returns to DPRK from systemic reform will be much higher than strategies narrowly aimed at agriculture or sectoral recovery.

### **The Institutional Situation in DPRK**

Formally, DPRK has an overarching socialist, command-type political economy, which is impacted by ‘dramatic internal and external pressures’ (Ducruet 2008: 17). The state owns and controls all economic units, a small leadership group exerts monopoly power, a strong political

ideology is pervasive, and the Party or military bureaucracy dominates all institutions of governance (Frank and Burghart 2010).

In the early 1990s, following the collapse of the communist states of the Eastern Bloc, the DPRK lost its privileged access to capital goods, petroleum, spare parts, and machinery. Import prices of its vital inputs rose dramatically, driving an equally dramatic reduction in industrial production and export earnings. The DPRK's economy started to shrink in 1990, and over the four-year period from 1990 to 1993, it declined an average of four percent a year. In the mid-1990s the DPRK then endured a series of natural disasters. These events eroded the agricultural base of the country, and the economy continued to decline at about three percent a year from 1994–1998, its GNP decreasing by roughly 35 percent from \$23.2 billion USD in 1990 to \$12.6 billion USD in 1998. Per capita GNP fell by 50 percent from \$1,146 USD to \$573 USD in the same period, and estimate of GDP for the same period dropped by 50 percent from 1992 to 1998 (UN 2008).

In 1995, the DPRK made a request for humanitarian assistance to the international community. In addition to multilateral aid, DPRK receives bilateral aid from individual countries, particularly China and, formerly, the Republic of Korea (South Korea).

The United Nations agencies, embassies, and international NGOs (INGOs) constitute a relatively sizeable presence of foreign organizations in DPRK.

#### United Nations Country Team

The UN Country Team (UNCT) in DPRK has six resident agencies. The UNCT is made up of the top leadership of these six agencies, and its job is inter-agency coordination to ensure

the overall development approach is coherent, cohesive, non-duplicative and supports the development agenda of the Government (UN DPRK 2014).

The United Nations Strategic Framework (UNSF) is the planning framework for the programmes and operational activities of the United Nations system in the DPRK, in effect normally for a fixed period, currently for four years, ending in 2015. The overall objective of the UNSF is to support the Government to improve the quality of life of the people, ensure sustainable development and achieve progress towards the Millennium Development Goals. The various United Nations agencies have different comparative advantages. At a strategic level, the UNSF tries to assign areas of activity/responsibility for the agencies based on their respective mandates and advantages, and to ensure that agencies achieve synergies by working together. There are four priority areas: Social Development; Partnerships for Knowledge and Development Management; Nutrition; and, Climate Change and the Environment, all of which are interlinked. Coordination among resident UN agencies on all common issues relating to the implementation of the UNSF is through the Office of the UN Resident Coordinator (UN DPRK 2014).

#### Non-UN actors in DPRK

Resident non-UN actors in the humanitarian/development space in DPRK are six European INGOs (known in DPRK as European Union Programme Support units or EUPS, with numerical suffixes, as EUPS1, EUPS2,...), Red Cross organizations (IFRC and ICRC) and three bilateral/government missions (French, Italian and Swiss) (UN DPRK 2014). It is noteworthy that these well-known INGOs cannot operate in DPRK under their own names.

In addition, there are 24 embassies in Pyongyang. Then, there are resident commercial/joint venture organizations: such as a Polish shipping organization; a Swedish-Korean joint venture mining and a Swedish-Korean JV pharmaceutical organization; many Chinese joint ventures, mostly in trading; Czech breweries; Philipino cigarettes manufacturers; and, of course, possibly the largest joint venture in DPRK, the Egyptian-DPRK Koryolink telecommunication company. Expat managers and foreign personnel of these commercial organizations mostly reside in and around the Munsudong diplomatic area in Pyongyang, with all the other diplomats, UN and aid workers.

DPRK, like China and other socialist countries, has begun experimenting in enclave capitalism, and has set up Special Economic Zones (SEZ) in far flung areas of the country. The Rason Special Economic Zone was established in the far northeast of the country in 1991. The two Koreas have established two joint economic zones, the Kaesong Industrial Complex (KIC) and the Mount Kumgang Tourist Region (where operations are now suspended). DPRK's SEZs have attracted investment and foreign currency, without spurring greater/general economic growth in the rest of the country through the establishment of linkages or through "demonstration effect" leading to more effective economic activities. Recent developments indicate that the government is increasingly promoting SEZs. DPRK recently announced that new SEZs would be established in each province of the country. The expat managers and staff of the SEZs are restricted to living within the SEZs. How do the various agencies and organizations differ in terms of motivations, ideology, and negotiation styles—i.e., the relevant variables being studied in this research? In the discussion below, we examine the general varieties of organizing and managing in socialist systems, and within that discussion will situate our DPRK case study.

[Details of the agencies in Appendix]

#### DPRK's Coordinating Agencies

DPRK government has coordinating bodies for the foreign agencies working in the country; these agencies are generally part of some of the ministries, like the Ministry of Foreign Affairs. The coordinating bodies are: KECCA (the Korean Europe Cooperation Coordination Agency) for INGOs and NCC (the National Coordinating Agency) for UN Agencies.

For foreign commercial organizations operating the Special Economic Zones, the government coordinating agencies are the State Economic Development Commission (SEDC) and the Korea Economic Development Association (KEDA). These oversee the development and promotion of DPRK SEZs. The Kaesong Industrial Complex has a dedicated coordinating body, the Kaesong Industrial District Management Committee (KIDMAC). There are recent reports that the Ministry of External Economic Affairs (formerly the Ministry of Foreign Trade) has been reorganized in June 2014 to subsume DPRK's Joint Venture and Investment Commission (JVIC), SEDC and possibly all other separate agencies, and thus all matters related to foreign economic enterprises has been streamlined into a single body now (IFES 2014).

These coordinating agencies' explicit role is to collaborate and coordinate the working of respective foreign organizations; they also exert parallel control on DPRK staff working in foreign organizations.

In each office, particularly for the embassies, INGOs and UN agencies, there are one or two national colleagues who are responsible for keeping the other national colleagues in that unit in line. Hence, it is often the case that there are intersecting parallel lines of management, explicit, and implicit, in any foreign organization in DPRK.

Thus, foreign managers face many challenges in managing organizations in DPRK. Yet, there is growing evidence of interdependent interaction between DPRK entities and foreign organizations working in DPRK. There are reports, for example, that minimum operating conditions of humanitarian agencies were gradually improving<sup>1</sup>. Private commercial firms were employing innovative methods to reward and incentivize DPRK workers, such as through

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<sup>1</sup> Aid agencies in DPRK regularly put out various reports of their cooperation on the ground and scanning any of those can lead one to easily conclude that working environment is tentatively improving.



chocolate pies at the Kaesong Industrial Complex (which is a longstanding example of inter-Korean cooperation, and most recently affected in the wake of the 2013 Korean crisis<sup>2</sup>) (Kim 2012).

## **Organizations and Management in Socialist Systems**

There is not much existing literature in the public domain on actual organizational level management and human resource practices prevalent in DPRK. This is to a large extent due to the lack of access of researchers to organizations in DPRK. There are (1) only a handful of case studies of the Kaesong Industrial Complex (KIC)—the joint DPRK-ROK Special Economic Zone (SEZ)—which is perhaps the only industrial area where organization researchers have access. Then, there are some organizational audit-type reports (mostly of the United Nations' organizations) available in the public domain. And, my own empirical observations based on three years of living and working (as an international development consultant) in DPRK. Hence, this is the body of knowledge from which I draw inferences for this research.

As a starting point, for general purposes/ macro-perspective, it may be valid to assume that DPRK having a socialistic and command economy type, there should be broad similarities with systems and practices prevalent in such socialist countries elsewhere. Socialist management systems have been noted for the following essential characteristics (Kozminski 1993: 8-9):

- The managers serve political priorities directly as opposed to maximization of economic surplus

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<sup>2</sup> The latest crisis in 2013 included an escalation of tensions between North and South Korea (Republic of Korea, ROK), the United States, and Japan. The trigger was the North's launch of its Kwangmyŏngsŏng-3 Unit 2 satellite on December 12, 2012, and its nuclear test on February 12, 2013.

- Socialist enterprises bear the burden of providing for social needs of employees, in addition to salaries
- Socialist managers execute plan targets decided at level of central planning
- Socialist enterprises practice input optimization (i.e., how to produce more from relatively fixed inputs), leading to poor quality of products.

Moreover, in socialist State Owned Enterprises (SOEs), managers do not see their roles as entrepreneurs, interested in expanding future incomes for the organization, but rather primarily as custodians on behalf of the state of past investments and resources. Thus, in socialist economies, SOE managers adopt a bookkeeping management style; as profits/surplus if any is generally turned over to state or used per directions from the state (Boisot 1996: 923).

Socialist socio-economic systems usually operate as rigidly hierarchical and rule-bound, and are marked by several important disconnections. Business organizations are intersected with multiple lines of authority (this, for instance, is evident in the foreign organizations working in DPRK, e.g., as noted in the DPRK Coordinating Agencies section above); the management style in use is a combination of participation, ideological propaganda, and coercion. The enterprises are deeply dependent on the state for structural and political-ideological reasons; such dependence leads to disconnect of the actions of economic units from their financial consequences (e.g., soft budget constraints<sup>3</sup>). Managers of socialist enterprises must demonstrate submission to the official ideology, and hence must conspicuously display their obedience; such conformity may even lead to the disconnect between the formal organizational system from actual organizational practices (Tsoukas 1994: 23).

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<sup>3</sup> This phrase, credited to the Hungarian economist János Kornai, is the description of an institutional practice in centrally planned, socialist economies in which production units form expectations of always being bailed out by central authorities and not be held accountable for performance (Wikipedia).

As for organizational culture—i.e., the system of values and meanings practiced in and promoted by a specific organization and which it uses to motivate its employees—for capitalist firms it is generally locally-defined (i.e., related to the firm's immediate social environment), loose and implicit. Organization culture of firms in socialist economies on the other hand is centrally-ordained; employee motivation in socialist firms is therefore traced to state/external sources and is much more heavily imposed than in capitalist firms. Of course, the specifics of how organizational cultures were practiced differed from country to country. For instance, organizational culture in the former Soviet Union involved obtrusive party and government propaganda, press campaigns, and party control into employee inducements and motivations; in other words, staying in the good books of the party leaders, who may or may not have the best economic interests of the organization at heart, would be a *sine qua non* for any employee's career (Tsoukas 1994: 33).

In current day DPRK, an idea of organization culture can be had from a reading of the precepts of economic management being implemented in the country, the so-called Economic Management in Our Style policy. According to this policy, DPRK is a socialist society where:

...the means of production are socially owned and where the economy develops according to the guiding plans of the country .... With relation to means of production, socialist ownership is the foundation of a socialist economy, and a socialist economy is developed through collective labor.... Adhering to socialist principles in an economic enterprise means to support and hold fast to socialist ownership and to thoroughly realize the principles of collectivism. .... In terms of economic leadership and management, we must adhere to and support socialist ownership, put national and societal gains above all else while also securing as much profit as possible for

producers. .... The entire process of production and management must become one which fosters the spirit of collectivism in workers and laborers and which elevates the public's willpower and creativity so that they may fulfill their roles and feel ownership responsibility. .... Economic guidance and management must coincide with objective economic laws and scientific logic in order to guarantee the highest amount of real economic profit. .... Objective economic laws affect a socialist economy, and the process of satisfying those demands is equal to 'economic construction' or an 'economic development process'. .... In order to guarantee real economic profits, economic laws and related economic spaces must be put to use effectively. Such economic laws include the law of value, the law of distribution through labor, and the law of planned, balanced development of the people's economy through economic leadership, management, production and economic activities. .... In terms of economic guidance and company management, efforts first must be made to advance scientific technology, and all processes and factors relating to production and management must be made scientific. All businesses should actively pursue research and development in new technology and progress towards becoming a company where scientific technology and production are integrated – a technology-intensive business. (IFES 2014b)

In November 2002, the agreement between the two Koreas on the Kaesong Industrial Complex allowed, for the first time, large volumes of investments from ROK firms in industrial units that would employ DPRK labor under ROK management. KIC had attractive benefits that created potential competitive advantages for southern small and medium enterprises (SMEs) to locate in the Kaesong Industrial Complex. The KIC is located only 60 km from Seoul, and is also close to the Incheon Free Enterprise Zone (IFEZ), the main logistics hub of ROK.

Case studies of the Kaesong Industrial Complex note that southern managers have stated that they are impressed with the intensity with which northern workers take their jobs. In return, due to the relative improvement of working conditions for workers in KIC under ROK management standards, DPRK worker health and appearance, anecdotally, showed some improvement. There are also preliminary signs of effectiveness of knowledge management, as there were *gradual relaxation of controls on social interaction between management and workers* (emphasis mine). Preliminary findings are that, cumulatively, these measures have led to a higher level of skill assimilation, and thus a greater degree of productivity improvement (Gower 2011).

### **Organizational Change in Socialist Systems**

The immediate post socialist transition period was an exceedingly fraught environment, exerting significant pressures on organizations to transform rapidly. Such an environment has led to counter-intuitive outcomes in socialist organizations. Organization managers, caught between the pressures to maintain continuity and the pressures of change induced by external, transformative forces have often resorted reflexively to the comfort and certainty of known routines.

Post socialist managers have, thus, continued to see through old lenses, reproduce old practices, and in this way have somehow coped at a time of great flux and achieved some degree of organizational continuity. However, many similar organizations and their managers have also opted for a significant break from old routines and embraced organizational change to cope with the fast changing environment (Clark & Soulsby 1998).

It seems that what has happened in the complex reality in post socialist contexts is that during the times of transition managers have rationalized their decisions in extreme conditions of incomplete and conflicting information, utilizing rough and ready justifications, rather than established dogma. It has been a process of learning by doing for the post socialist managers. This has led to several typical outcomes:

- (i) During early periods of transition, organizations have resisted change and tried to cling to some degree of continuity.
- (ii) During the mid-phase of transition, post socialist organizations have begun to try to copy management practices of foreign organizations.
- (iii) During the late stages of transition, organizations have learned to combine elements of continuity and elements of change, which has in effect resulted in restructuring of post socialist organizations, with some residual elements of the old organization (Clark & Soulsby 2007).

## **Implications of Socialist Socio-economic Systems for Organizational Management**

Scholars have described the management of organizations in socialist systems as ‘politically induced isomorphism’ (Tsoukas 1994: 33-4), in which socialist organization managers enforce conformance on their organizations to the party line as an attempt to enhance their and their organizations’ legitimacy. In return, the state allocates resources for these organizations’ functioning and propagation.

However, dependence on the state for precious resources and management approach to enforce submission to political priorities leaves the question of the organization's response to real economic forces uncertain. Tsoukas, for example, writes (1994: 36):

Thus, a socialist economic system causes two fundamental dissociations: vertically, the dissociation of the formal organizational structure and culture from actual practices and behaviors and, horizontally, the dissociation of the actions of an economic unit from their consequences. Both these disjunctions generate vicious circles: the more actual behavior is different from that intended, the more central authorities respond with more indicators, regulations and restrictions which, in turn, produce more of the initial non-conforming behavior. Similarly, the softer the budget constraints, the greater the appeal of economic units to the usually receptive state, to rid them of their difficulties.

Some interesting insights may be drawn from the discussion in the above sections on organization, management and change in socialist systems, relevant to the variable we are studying in this research—HR practices; employee motivations; ideologies; and negotiation dynamics. It appears that in stable circumstances, as socialist organizations become increasingly dependent on the state, the dependence becomes somewhat habit forming for the managers. HR practices, motivations, ideologies and negotiation dynamics must therefore be adjusted to justify dependency. This implies deeper path dependency and organizational inertia. In times of change, it is difficult to shake off those dependencies and inertia, at least in the initial phases of transition. It is only during the later phase of transition, after much hard learning, that post socialist organizations and managers inculcated in the values and practices of socialist systems are able to adjust to some form of hybrid management combining old forms and new pressures.

## Case Study

With the above theoretical discussion of socialist organizations and management practices in perspective, let us now turn to some actual instances and management practices in DPRK. Specifically, among foreign organizations working in DPRK, the example of one agency stands out (DISCLAIMER: There are various real and high risks to researchers, organizations and persons for any case study involving DPRK. Accordingly, for reasons of anonymity and confidentiality, the actual agency that is the subject of this research will not be named here but referred to only as United Nations Agency (UNA). To maintain anonymity and confidentiality, I may have changed identifying details. To avoid the risk of deductive disclosure, certain information sources may be available only upon request and clarification of the intent and purpose of the request. Any resemblance to any actual persons, living or dead, or actual organization or events is purely coincidental. The findings, interpretations and conclusions expressed in this paper are mine only and do not necessarily reflect the policies or views of the United Nations, or any of its funds, programmes or specialized agencies.).

UNA is probably the only foreign agency working in DPRK which has by agreement with the host government tried to implement management and human resource principles of international standard. Therefore, this agency is an interesting case to study the effects of human resource practices on organizational effectiveness within the contextual limitations of DPRK.

### UNA Programs in the DPRK

UNA is one of the oldest foreign aid agencies working for the last three to four decades in DPRK in areas of humanitarian aid, responding to humanitarian crises in DPRK, and in economic development pillars. Like any other aid agency in the country, UNA works jointly with



the DPRK government to develop the country program, which is approved by UNA's governing Executive Board, constituted as it is in UN multilateral agencies of various Member States.

Sometime in the past decade, due to some allegations of mismanagement and wrong doing that had surfaced against UNA in DPRK, the UNA Executive Board imposed a number of conditions in regard to human resource management, financial management, audit and oversight matters on UNA's programs in DPRK. For the purposes of this research, we shall concentrate on the HRM related conditions:

In the area of Human Resource Management, DPRK national staff were removed from core organizational duties. DPRK colleagues were no longer to be seconded to UNA from DPRK government but instead DPRK nationals were to be directly given UNA contracts. National staff salaries would be paid directly to them instead of the previous practice of paying the government. The idea behind these changes was to align UNA national staff to standard practices prevalent for UNA national staff in other countries, and thereby have greater control and loyalty from UNA national staff and embed them more deeply in UNA organizational culture, weaning them away from government influence and dependence.

UNA's revised management practices and conditions caused consternation for the government of DPRK. The government viewed the situation as being motivated by political pressure on UNA from hostile donor countries on the governing Executive Board of UNA.

#### Role of the DPRK Government in UNA Programs

As a UN agency, the legal framework for UNA's operations in a country lays out the parameters of the relationship between it and the host government. This legal framework signed

with DPRK was a standard agreement, and hence it addressed only in broad terms the obligations of UNA and DPRK government on UNA's operations in the country.

But the devil lay in the details. The UNA-DPRK legal framework, for instance, did not address such issues as HR management practices, financial management practices, or anything about the nitty-gritty of daily UNA operations in DPRK, where there were grounds for micro level manipulation and pressure by the government. There were reportedly unintended use of UNA funding that was meant to support government ministries and departments with whom UNA worked closely as program counterparts.

#### UNA's DPRK Country Office Profile

As in other countries, the government of DPRK and UNA worked together closely on strategies and goals that would address the needs on the ground and also support the government's national priorities for DPRK. Based on the broader strategies and goals, UNA-DPRK in collaboration with the government would approve projects for implementation in the country. In other countries where UNA works, the Country Office and UNA country leadership have a lot of influence in shaping these projects.

However, for the UNA-DPRK Country Office, the Regional Headquarters of UNA withdrew a lot of the authority for project formulation, approval and implementation, which are otherwise vested in the Country Office. This was done due to the sensitivity of the geopolitical situation and the donor countries. The UA Regional HQ also provided a higher than normal amount of oversight on UNA-DPRK's daily activities.

UNA DPRK also faced issues from the DPRK government counterparts on access to project sites for monitoring and project management. I have written elsewhere on these and related difficulties that UN and aid agencies face in operating in DPRK:

Aid agencies in DPR Korea often complain (mostly informally) that they are not allowed by the government to conduct the kind of in-depth analyses needed for more ambitious programming; and the donors stymie many attempts at increased scope and scale of activities. Aid agencies in DPR Korea are already known to impose their own form of conditionality. Named the “no access-no aid” principle (literally, DPR Korea authorities are reluctant to grant aid agency and their resident expatriate workers physical access to areas and populations for which/whom they request aid from agencies), aid agencies use this for trust-building and negotiations with national counterparts for improved access to affected populations. In response, the government sometimes makes access dependent on the financial scope of the engagement (to maximize the amount of aid money available, they employ a reverse principle, known in Pyongyang circles as, “no aid-no access”!). The DPR Korea government imposes other conditions: for many aid agencies, independent project monitoring is not allowed and all monitoring is required through ministries and/or national counterparts. Then there is the “7-day notification rule”—under which every project visit has to be requested from and approved by the government with a minimum seven days notice. Although many such conditions vary and are relaxed from time to time, on the whole the operating environment facing aid agencies in DPR Korea remain challenging (Sen 2012: 12).

## UNA DPRK Staffing Arrangements

### International Staff

The UNA DPRK Country Office international staff were primarily with two types of contracts, based on two different sources of funding for their salaries and emoluments. One type, usually for higher country level managers, were funded by “core” funds; as core funding is more continuous, these staff therefore had more permanency to their contractual status with UNA. The other type was funded through various combinations of project funds; as funds for projects are more intermittent, dependent on the vagaries of donor funding, the contracts of project staff were more temporary, such as of annual or bi-annual duration. It has been a continuing issue that core staff positions in UNA DPRK Country Office were so few, yet the sensitivity of the work in DPRK required more core staff. There is some allegation that the light core funding was at least partly due to the geopolitical environment, which should not have been the case given neutrality of UN organizations. I have written elsewhere that this lack of job security for expat staff potentially compromises their actions and decisions (Sen 2012).

### National Staff

In DPRK’s socialist economy, the lack of a labor market requires foreign organizations to request the government counterparts and be dependent on them for recruitment of national personnel. There are many issues with this practice: limited opportunity to interview government-referred candidates; limited opportunity to assess their suitability for proposed work; limited opportunities to manage, motivate, guide, and/or discipline such personnel (as they are not technically the agency’s employee); limitations to retain such personnel for a length of time

considered desirable for the organization. Due to the short tenures and high rotation of national personnel, UNA's investment in their training and capacity-building was often compromised.

Salaries of local personnel were negotiated with the government and paid by UNA directly to the DPRK government. In addition to the salary, a monthly meal allowance was paid directly to one designated national colleague, who would then distribute the allowance amongst the local staff. This was the usual practice of foreign missions and international NGOs in DPRK.

. UNA-DPRK had only a few national officers who had been with the Country Office for a long time and had acquired the necessary skills gained from long periods of service. Such capable, long term national employees, however, were the exception; generally, there was no standard period of assignment for Korean national staff. Local staff was assigned on an annual rotational basis and there was the perception that the government used the UNA rotation as a training office. UNA-DPRK had therefore requested the government to increase the length of rotation of national staff, and there was some evidence that this request was granted.

The hiring of national staff for the UNA office was not a practice unique to the DPRK, but rather was one used by all international agencies and embassies in the DPRK, and said to be modeled after the U.S. Embassy in China. What was unique to the DPRK was the level of choice, or lack thereof, that the Country Office had in selecting its local personnel.

In terms of location and overall functioning of the UNA-DPRK office, all international organizations and offices, including embassies, were physically isolated in a diplomats' compound. All local personnel arrived and left together by transportation that UNA arranged, working from 8:00 a.m. to 5:00 p.m. Because local personnel left at 5:00 p.m., the international staff were usually the ones to close the office.

## **Analysis**

Given the above theoretical discussion of socialist organizations and socialist management practices, followed by the account of actual organizational actions and management practices of the foreign organization working in DPRK, we now consider how those actions and practices fare in terms of enhancing organizational effectiveness, in the table below:

Table 1.

Category of actions/ practices	Organizational Action/ Practices	Sources	Reasons	Possible Impacts on Organizational Effectiveness
Human Resource Management (HRM)	Local personnel removed from core staff duties	UN/ Author's observation	Risk reduction/ mitigation measure by UNA management	<p>The resulting mistrust between Korean colleagues and expat managers, as agents of the organization, should hamper psychological contract<sup>4</sup> between managers and local employees</p> <p>Removal of local staff from core duties restricts them to lower duties only; hence, exchanges between such staff and managers will remain merely transactional, as opposed to something deeper...which too would hamper strong psychological contract</p>
HRM	In lieu of the current agreement between the government and UNA for local personnel, individual service agreements between Korean nationals and UNA were to be created, to then be converted into regular UNA contracts, with salaries	UN	Donor pressure on UNA to improve HRM in DPRK	Attempts by UNA managers to win over some extent of control on local staff through contractual and financial remuneration means

<sup>4</sup> Psychological contract is a complex concept formed by an individual's perception of mutual obligations that exist between herself and her employer. These obligations arise out of the belief that a promise has been made either explicitly or implicitly and the fulfillment of promissory obligations by one party is contingent upon the fulfillment of obligations by the other. The mutual obligations are thus sustained through the norm of reciprocity. (Coyle-Shapiro & Parzefall 2008: 8)

Category of actions/ practices	Organizational Action/ Practices	Sources	Reasons	Possible Impacts on Organizational Effectiveness
	paid directly to the local personnel			
Institutional arrangement/ environment	Government structure included a number of Ministries, bureaus, commissions, and institutes which interfaced with UNA on many fronts including in project implementation. In their capacity as implementing agencies or government partners, these myriad entities received financial support from UNA for their work with UNA projects.	UN/ Author's observation		Opens up possibilities for exerting political pressure on UNA, leading to political isomorphism
HRM	There was no standard period of assignment for Korean national staff. Local staff were assigned on an annual rotational basis and there was the perception that the government used the UNA rotation as a training office	UN/ Author's observation	Manipulation of human resources by government	Short stints predisposed exchanges between Korean local staff and expat managers to remain merely transactional...and hence precluded formation of strong psychological contracts
HRM	The DPRK was unable to guarantee the length of time that local personnel were posted to a position, diminishing the effect of UNA's	UN	Manipulation of human resources by government	Exchanges between Korean local staff and expat managers to remain merely transactional...and hence precluded formation of strong psychological contracts



Category of actions/ practices	Organizational Action/ Practices	Sources	Reasons	Possible Impacts on Organizational Effectiveness
	investment in training and capacity-building for staff			
HRM	UNA-DPRK requested that local personnel be assigned to the UNA office for a longer period of time, and there was some evidence that this request was granted.	UN	Manipulation of human resources by government; and doling out small concessions to impress upon UNA/its expat managers	Evidence of extracting some concessions from the government by UNA-DPRK
HRM	The lack of a functioning labor market in the DPRK meant that the government assigned local personnel required by UNA for its program operations. UNA had only limited opportunity to interview government-referred candidates and determine their appropriateness for the role. There were no mechanisms in place for staff performance reviews and appraisals to evaluate the work of national staff	UN	Manipulation of human resources by government	Essentially, this meant that expat managers had very little effective management control over their Korean national colleagues
HRM	Periodically, the DPRK government would reassign local staff. When reassignments	UN	Manipulation of human resources by government;	Evidence of extracting some concessions from the government by UNA-DPRK

Category of actions/practices	Organizational Action/Practices	Sources	Reasons	Possible Impacts on Organizational Effectiveness
	occurred, the government would inform UNA-DPRK of the reassignment and send replacement candidates. It seems that the government usually only sent one such candidate, limiting the Country Office's choice. UNA-DPRK later persuaded their DPRK government counterparts to send two candidates from which to choose.		and doling out small concessions for influence	
Institutional arrangement/relationship with government	No aid no access-no access no aid practice	Author's observation	Government-aid agency negotiation for ready access to project sites in exchange for aid	Evidence of extracting some concessions from the government by UNA-DPRK
Physical/infrastructural environment	In terms of location and overall functioning of the UNA-DPRK office, all international organizations and offices, including embassies, were physically isolated in a diplomats' compound. All local personnel arrived and left together by transportation that	UN/ Author's observation	Government attempt to minimize contact between resident expat staff and local population/political	Minimal personal/after hours interaction between expat managers and national colleagues inhibits formation of team spirit, loyalties and strong psychological contract

Category of actions/practices	Organizational Action/Practices	Sources	Reasons	Possible Impacts on Organizational Effectiveness
	UNA arranged, working from 8:00 a.m. to 5:00 p.m. Because local personnel left at 5:00 p.m., the international staff were usually the ones to close the office.			
Physical/infrastructural environment	Separate telecommunication systems between nationals and internationals in DPRK; national colleagues cannot call international colleagues and vice versa	Author's observation	Government attempt to minimize contact between resident expat staff and local population/political	Minimal personal/after hours interaction between expat managers and national colleagues inhibits formation of team spirit, loyalties and strong psychological contract
Principal-Agent relations	Regional HQ withdrew project approval authority from the head of UNA office in DPRK and retained such authority for itself. This was done in part to allow for higher level decision-making on projects, which were subject to scrutiny by donor countries, and to assist the head of UNA DPRK office in his relationship with the government. Thus, while the role of UNA-DPRK included project	UN	Donor pressure on UNA	This situation essentially created confusion and mistrust between UNA's HQ- and Country-based managers

Category of actions/ practices	Organizational Action/ Practices	Sources	Reasons	Possible Impacts on Organizational Effectiveness
	oversight, a significant amount of project oversight and decision-making authority rested with the UNA Regional HQ.			
Funding resources	Core funding in the DPRK was very light, meaning that there were fewer core positions than in other Country Offices, despite repeated requests from the field, detailed expression of short staffing at the country office, and explicit recommendation for an increase in core-funded positions. The light core funding was in great part due to the geopolitical environment in which the UNA-DPRK office existed and tension between UNA Headquarters management and the Country Office over increasing funding and core staff for the DPRK.	UN	Donor pressure on UNA; funding scarcity	This created contractual uncertainty for UNA expat staff on the ground, which resulted in them not 'rocking the boat'
Interpersonal relation	Expatriate managers giving small gifts on their own volition to national colleagues engendered	Author's observation		Building relational coordination, i.e., coordination carried out through emergent relationships of shared goals,

Category of actions/ practices	Organizational Action/ Practices	Sources	Reasons	Possible Impacts on Organizational Effectiveness
	some small levels of loyalty and team spirit			knowledge, and mutual respect. Strong relationships enable employees to embrace their connections with one another and to more effectively coordinate the work in which they are engaged (Peltokorpi 2014: 449).

## **Discussion**

In the 1990s, as many socialist economies disintegrated, the respective countries experienced major economic shocks of high inflation, precipitous falls in GDP, etc. In such circumstances, the establishment of macroeconomic stability became a natural focus and policy approach. However, subsequent experience showed us that the preoccupation with macroeconomic issues and macro stabilization programs would tend to fail in the absence of or with inadequate micro adjustment (Svejnar 1991: 123). This was because socialist systems created microeconomic distortions (such as, lack of incentives for workers of an organization to respond to economic forces and fundamentals that affect the organization) that impacted the macro picture; hence, the micro-macro links are consequential.

Similarly, a disconnect between structures of incentives facing expat managers and DPRK national workers is becoming evident from the operations of foreign organizations in DPRK. The above analysis has highlighted that manager-national interaction in foreign organizations operating in DPRK remain largely transactional, devoid of the possibility of deep bonding and loyalties. Such limited interaction, and the extant social and political controls in DPRK as well as the foreign organizations' own practices to mitigate their risks (which collectively constitute the operating environment that foreign organizations in DPRK find themselves in), pose significant barriers to the formation of psychological contracts between DPRK national workers and expat managers. Psychological contracts, good team relationships, etc., are constructs and practices in organizational dynamics that lead, through the formation of

cognitive mechanisms such as transactive memory systems (TMS)<sup>5</sup>, to improved task coordination and enhanced team performance.

Although, to be sure, there is some evidence from the above case study of UNA that limited formation of interpersonal relations is possible, which can build relational coordination. Other such examples, as the initial lack of interaction between expat managers and DPRK worker, followed by tentative growing interaction, correlated with preliminary signs of improving knowledge management skills come from case studies of Kaesong Industrial Complex. It was noted that management-to-worker face-to-face interactions were limited at the initial opening of KIC factories. At first, ROK management was not allowed to eat lunch with workers. Gradually, the DPRK government allowed ROK/South Korean management to remain in Kaesong on a semi-permanent basis. The resultant growing familiarity with ROK managers and their interaction with DPRK national staff (such as DPRK workers bringing home-cooked food for the expat managers, possibly as reciprocity for ‘choco pies’) potentially led to ‘tacit knowledge to be exchanged between management and workers knowledge in settings other than the job site’ (Gower 2011: 20-21).

Overall, however, the analysis of foreign organizations working in DPRK described significant difficulties in formation of strong team dynamics between expatriate managers and DPRK nationals. As a result, these organizations’ operating environment is structurally indisposed for the accomplishment of complex, interdependent tasks, which in turn affect their effectiveness.

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<sup>5</sup> Transactive memory systems (TMS) (Wegner 1986) are cognitive processes and outcomes in knowledge-intensive teams (Peltokorpi 2008), such that team members collectively develop to encode, store, and retrieve information in different domains. This is possible as team members are aware who knows what, are able to specialize in different but compatible information domains, and use each other as external cognitive aids (Lewis 2003; Peltokorpi 2014: 445).

The conditions preventing deeper connection between expat managers and their national colleagues assume significance also when seen in light of our above theoretical discussion of socialist and post socialist organization management and change. We have seen that personnel inculcated in socialist values and management practices have a tendency to cling to old habits. Only serious and sustained change pressures can eventually lead them to embrace some hybrid form of old and new management practice. In the case of UNA, according to this author, the organization has exerted more known pressure than any other organization working in DPRK on the national counterparts and on UNA's national colleagues (through their organizational socialization process) for change towards international standards. However, the capacity for exerting pressure for any one organization such as UNA is obviously limited. The embeddedness of national colleagues outside of UNA is much stronger than their embeddedness within UNA's organizational culture. Hard pressure needs to be supplemented/ balanced with soft measures—reflected through HR management practices; employee motivations; ideologies and negotiation dynamics. Both hard and soft approaches are necessary and neither alone will be sufficient.

## **Recommendations**

While detailed recommendations should be organization specific and, thus, outside the scope of this research, some general directions follow:

Clearly, encouraging interpersonal interaction between expat managers and DPRK workers is expected to be impactful. The problem in this strategy, of course, would be how to prevent free riding and related manipulation (e.g., what if some national colleagues put up a show of loyalty and others have subversive intentions behind the scenes?); adverse selection



(how to distinguish between ‘sincere stand-offs’ vs. sycophants?); the dangers of punitive action by DPRK authorities against DPRK workers and expat managers (DPRK has social controls in place and discourages intermingling of foreigners and its nationals). In this effort, lessons may be drawn from actual cases of expat managers, for example, of UNA who have practiced many small gestures of informal relationship building at the personal level with their national colleagues, as noted above. Another example is of relationship building between managers and staff at Kaesong. Such cases have generally yielded uptick of positive returns (e.g., relational coordination) from the relationships. It seems the underlying psycho-social mechanism is that national staff have become at least to some extent bound to reciprocity by the unanticipated goodwill shown towards them. Such quotidian reciprocity, at least to some extent has begun to mitigate the inherent ideological differences and related divisions that may exist between national and international colleagues.

Another option would be for the foreign organizations to provide DPRK based expat managers with incentives to move away from business-as-usual and experiment with new forms of business and engagement. Expat managers working in DPRK are torn between, on the one hand, significant pressure and propaganda from DPRK designed to persuade the managers to satisfy DPRK’s agenda, and on the other hand, pressures from their respective ‘headquarters’ to accomplish corporate mandates; the two are often at odds. Hence, creative middle paths or alternative ways need to be found. Incentives, therefore, could include, e.g., assurances of job security if managers’ experimentation leads to unsuccessful results. Such measures should provide expat managers the incentive to remain tough in the face of domestic pressures or, perhaps, to rock the boat if they feel the prevailing environment is not conducive to efficiency gains, and thus change the dynamics of negotiation between DPRK and foreign organizations.

This accords with the reality as we have seen in the case study above, where strong positions by expat managers have yielded concessions from DPRK in the area of Human Resource Management, as in the case of UNA-DPRK persuading their DPRK government counterparts to send more than one candidate, thus expanding the pool or choice of candidates from which international managers can hire new national staff.

Of course none of the abovementioned measures is standalone, and indeed must be implemented in a package of measures that looks at the entirety of the foreign organization-DPRK counterpart relationship comprehensively. At the end of the day, DPRK counterparts to foreign organizations need to be convinced of the benefits from any change process.

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## **APPENDIX**

### **Non-UN actors in DPRK<sup>6</sup>**

EUPS 1 (Première Urgence – Aide Médicale Internationale)

Health: physical rehabilitation of Operating Theatre and Delivery Room in 2 hospitals in Hamhung city/hygiene, waste management and sterilization/provision of medical equipments/midwifery training/Ambulance service setup/First Aid training for 5 factories health workers.

Food Security: project to improve the nutritional status of rural and urban South Hwangae children by strengthening the production, processing and distribution of goat and soybean milk.

EUPS 2 (Save the Children International)

Save the Children is the largest international voluntary agency working for the rights and welfare of Children in over fifty developing countries of the world. Save the Children works as EUPS Unit 2 in DPRK which opened its office in DPRK in August 2003 and implemented a small project rehabilitating thirty-one nurseries and kindergartens. Since then EUPS Unit 2 has been implementing Integrated Environmental Health (IEH) Projects and Food Security (FS) Projects in South Hamgyong Province.

Integrated Environmental Health Project:

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<sup>6</sup> United Nations in DPRK 2014.



The IEH Project consists of five main components:

1. provision of clean water to households and in key community facilities;
2. provision of hygienic sanitation and solid waste management and the promotion of twin-pit VIP latrines through a community partnership approach;
3. rehabilitation of community health facilities and provision of equipment;
4. local capacity building through the training of village technicians and the formation of mothers groups with training in health promotion;
5. training for health staff in partnership with the Medical Science Information Centre (MSIC), affiliated with the Ministry of Health with a focus on essential maternal and newborn care.

Approximately 49,000 households have been connected to improved water supply systems and hygiene education conducted among the communities.

### Food Security

The Food Security programme implements two approaches that address food security in the DPRK and integrates this with water sanitation and health to increase the overall reach of the projects and to more effectively make stakeholders aware of the link between nutrition, overall sanitation and health.

The first is addressing the nutritional food security shortfall that vulnerable groups are exposed to during the winter months. Since vegetable supply during the winter is minimal and results in vitamin and micronutrient deficiencies by spring.

A total of 36 green houses have been constructed to produce sufficient vegetables for the winter period for the Institutions of Care in Hamhung City which includes in addition to crèches, kindergartens, orphanages, primary schools facilities that cater to the elderly, the disabled, several TB and hepatitis sanatoria, and the paediatric and maternity hospitals. It is estimated by the stakeholders in the project that the general population of Hamhung with an estimated 800,000 population, but especially its children will be able to eat more varied diet of vegetables during the winter.

We work closely with the Pyongyang Vegetable Research Institute to facilitate the introduction of vegetables with high protein (pulses), essential nutrient and micronutrient content; and the mentoring of farm technicians to strengthen greenhouse operational and production expertise and skills.

Other projects address the need to protect agricultural land from inundation damage and environmental degradation. An integrated watershed management project in Yonggwang, Jongpyong and Sinpo counties has the objective of protecting and rehabilitating agricultural land for sustainable crop production. This includes the rehabilitation of irrigation headwork infrastructure to increase the area available for irrigated rice, corn, and vegetable cropping from spring to summer; the augmentation of facilities to provide increased reforestation material; and the stabilisation of slope land through soil and water conservation structures. Thus the project, through its activities has increased the calorific and nutritional food security for stakeholders and beneficiaries.

EUPS 2 is also working on providing better access to dietary diversification through a project that targets children in schools by supporting local capacities.

EUPS 2 is working to provide lasting benefits to children and will reach 500,000 beneficiaries through its current programme over the next 3 years.

EUPS 2 also worked in the field of children's nutrition during the end of 2011 and through to 2012. The organization hopes to pursue activities in this sector further in the future.

EUPS 2 considers that Disaster Preparedness and response is an integral part to every programme, according we actively seek funds for pre-positioning of emergency stock. EUPS 2 has been working in the field of emergency response and pre-positioned non-food items in South Hamgyong Province for upcoming emergency.

EUPS 3 (Concern Worldwide) EUPS Unit 3 (Concern Worldwide)

Programme Overview

History of the Country Programme

Concern arrived in 1998 to assist in the aftermath of extensive flood damage in the country. There was initial involvement in relief but this evolved into rehabilitation and is now shifting towards development. Concern has worked since 2005 under the umbrella of the 'European Union Programme Support' (EUPS) and is now locally recognised as EUPS Unit 3. Concern is one of only six INGOs in DPRK. Development actions have been addressing immediate, medium-term and long-term needs (in order inter alia to improve returns to assets and to reduce the risk of malnutrition and water/sanitation-related disease) of the most vulnerable population.

Concern has also helped to identify policy and strategy concerning the simultaneous protection and development of natural/environmental resources.

The key problems in DPRK are complex and chronic (structural). Concern's approaches of pioneering work have demonstrated ways to sustainably improve household food security, nutrition and access to clean water and sanitation. Our approaches have been recognized and replicated by government and non government institutions. We continue therefore to build our programme based on past experience and emerging new opportunity.

#### Coverage

We have been working in South Pyongan and North Hwanghae Provinces and recently in Kangwon Province which is considered to be one of the poorest areas in DPRK.

We also started work on a trial farm in Ryongsong district in Pyongyang. The current strategic plan is expected to spread actions to 7 counties in North/South-East Provinces which are considered to be amongst the poorest. Annual beneficiaries would number about 150,000 to 200,000.

#### Core Funding

Core funding comes from EU (AIDCO) (40%), Irish Aid (IA) (30%) and SIDA (20%).

Additional funding (10%) comes from Concern, UNICEF, WHO, Bank of Ireland, Irish Gas and UK Embassy.

Our work in the DPR Korea

We support the extreme poor in disadvantaged areas in order to contribute to sustainable improvement in their lives through programmes focusing on: (i) improvement in household and community assets and (ii) reduction in risk, vulnerability and inequality. Programmes aim to be replicable without ongoing support from Concern.

#### Our Projects

Our main Water, Environment and Health (WEH) and Food, Income & Market Programme (FIM) programmes comprise several projects. These include:

Kumchon Water and Environmental Health Project (SIDA)-2011-2013

Multi-Sector Nutrition & Food Security (MSNFS) Project – (EU) – 2012-2014

Singye Water and Sanitation Project (CUSA)-2012

Community-Based Urban Nutrition and Food Security Project (EU)-2009-2012

Conservation Agriculture for Sustainable Food Security in Agro-climatic Zones (Irish Aid)-  
2012-2015

#### EUPS 4 (Deutsche Welthungerhilfe)

Welthungerhilfe has been working in the DPRK since 1997, shortly after the country had been hit by a severe hunger catastrophe. During the first years, Welthungerhilfe distributed mainly emergency items: food, coal and winter clothes. At the end of the 1990s we started to implement

in cooperation with our Korean partners and stakeholders agricultural projects in South Hwanghae and North Pyong'an Provinces to support people and cooperatives to produce food by themselves. The agricultural cooperatives were supported to improve their seeds, to diversify and intensify agricultural production and to maintain their agricultural machinery in a more efficient way.

After 2000, the field and sectors of operations were expanded. Integrated rural development projects were carried out. Renewable energy approaches were introduced. Hundreds of greenhouses were built, mainly in the neighborhood of social institutions, like kindergartens and nursery homes, providing them with fresh vegetables all year round. Villages and towns have been supplied with clean drinking water systems and have now safe and clean water throughout the day. A large maize seed processing factory has been built which contributes essentially to the food production in DPRK. Barren hills and mountains are reforested in order to prevent future disasters like landslides and floods. Sloping land user groups were introduced to agro-forestry approaches in order to produce in a sustainable way food as well on sloping lands.

In our work we follow principles of mutual respect and understanding, openness and transparency.

#### EUPS 5 (Triangle Génération Humanitaire)

Triangle Génération Humanitaire provides concrete solutions to alleviate the suffering of populations living in unacceptable circumstances. It fights poverty and defends social integration. It offers support to victims of conflict, natural catastrophes and other events causing

precarious living conditions. Triangle GH's action, integrating emergency and development, is characterized by a global, comprehensive approach to humanitarian assistance.

In DPRK, since its initial survey in August 1998, and the subsequent installation of the mission in December 2000, Triangle GH has performed some 27 programs ranging from agricultural development which included rehabilitation of 11.000 hectares of tideland dedicated to rice production, to rehabilitation of drinking water networks and sanitation infrastructures, thermal insulation of schools and medical facilities, emergency supplies after the Ryongchon rail catastrophe in 2004, and social assistance to elderly in partnership with the Korean Federation for the Care of the Aged People (KFCA).

#### Food Security Programme

One of the elements of the food crisis presently striking the DPRK is the lack of proteins and micronutrient in the food. This nutritional deficiency particularly affects young children between 0 and 6 years old (11% of the population) whose specific nutritional needs can't be covered. The taking care of young children being normally assumed by the social institutions, the improvement and sustainable diversification of their food goes through the support to the communitarian farm units producing for these institutions.

Triangle GH's project teams are now involved in supporting 2 inland fish farms of South Hamgyong Province (in Sinhung and Yonggwang Counties) and 2 dairy farms in Sariwon city (South Hwanghae Province) and Daeane city (Nampo District), with integrated activities in relevant food processing, conservation and distribution sectors. The main activities undertaken from January 2010 to August 2013 in the framework of the program are the following:

- Inception phase, baseline survey and stakeholders' capacities assessment.
- Design of integrated fish farming production model.
- Design of cropping systems and livestock management models.
- Design of logistic model for preservation and distribution of the fish production.
- Design of logistic model for transportation and distribution of the milk and dairy products.
- Purchase of equipment and materials to support fish – crop – livestock productions.
- Construction/rehabilitation works to support fish – crop – livestock productions.
- Purchase of equipment and materials to support milk – livestock productions and milk processing.
- Construction/rehabilitation works to support livestock – milk productions.
- Purchase of equipment and materials to support new logistic models.
- Purchase of equipment and materials to support improved feeding practices in child institutions.
- Setting up of pilot activities in Jung Ak farm and replication of outputs in dairy farms.
- Setting-up of networks with cooperative farms for knowledge and inputs exchanges.
- Trainings on integrated fish farming practices, fish farm management, fish preservation methods and income generating activities related with fish sector.



- Trainings on farming practices, animal husbandry, livestock management.
- Trainings on nutrition education and hygiene practices for the staff of child welfare institutions.

The Food Security Programme will benefit to 90 000 persons in South Hamgyong Province and 65,000 persons in South Hwanghae and Nampo District.

#### Water Sanitation and Hygiene Programme

The overwhelming needs in terms of water and sanitation led Triangle GH to carry out projects to rehabilitate and to improve water supplies, especially in urban areas, where an estimated 60% of DPRK population live. These urban populations, such as Munchon inhabitants, are bound to be considerably more vulnerable to water-borne diseases than the rural populations.

The town of Munchon, 42 500 inhabitants, is located on the eastern coast of DPRK. Like many cities of the country, its public water system was built in the 1960's and owing to the lack of maintenance the system became obsolete and had multiple breakdowns. Previous projects run by Triangle GH led rehabilitated a major portion of the water system. However, one district out of the town's four districts still lacks access to potable water. The current program aims to tackle this lack of access to potable water and to improve the environmental sanitation in Munchon town.

The main activities undertaken from October 2009 to November 2011 in the framework of the program include conducting baseline surveys, drafting technical designs and engineering specifications, construction and rehabilitation for latrines, DEWATS units, wastewater channels network, and water supply network extensions. It also included testing of the rehabilitated

facilities, trainings of Munchon technical staff and focal points, and publishing awareness tools on hygiene promotion and water use. The Programme will benefit to 42 500 persons in Kangwon Province.

#### Psychosocial and Social Assistance Programme

Due to the lack of funding, this program has been suspended since 2008. However, in 2012 renewed access to the Korean Federation for the Care of the Aged (KFCA) allowed to submit a concept note to the European Commission (DevCo) to support the federation in strengthening its advocacy and fund raising capacities and provide direct support to several provincial Old People Homes (infrastructural & water and sanitation intervention, provision of drugs and support to in-house vegetable and agricultural production)

#### Comprehensive list of donors

DEVCO – EuropeAid Cooperation Office; for the Food Security and WASH programs

SIDA – Swedish Cooperation; for the WASH program

Aide Alimentaire Programmé (French Government inter-ministries humanitarian fund); for the Food Security program

#### EUPS 7 (Handicap International)

Disability profile of DPRK - According to the analysis of the data from the 2008 DPRK Census conducted by the Central Statistical Bureau, people with disabilities constitute 6.3% of the population aged 5 years and above. There is no data available on children with disabilities in the

age group of 0-5 years and the overall prevalence could be much higher if disabilities in this age group are also taken into consideration. There is a higher prevalence of disability among the female population. Between urban and rural populations, the rural population has higher prevalence in all forms of disability. Disability increases as age progresses in DPRK making it crucial to address disability issues among older persons and also among women in DPRK.

#### About Handicap International (HI)

HI which is referred to as European Union Programme Support Unit 07 (EUPS 7) in DPRK has been implementing projects and programmes for persons with disabilities since 2001. The activities are jointly implemented with its national partner, the Korean Federation for the Protection of Disabled People (KFPD). The key thematic areas of involvement are;

Physical Rehabilitation, Institutional Capacity-Building, Advocacy, Education, Livelihoods and Inclusive Sports, Arts and Culture

Physical Rehabilitation; HI has been supporting 2 physical rehabilitation centres in the form of technical skill building, supply of raw materials and in production of orthotic and prosthetic devices.

Advocacy; Along with the KFPD, HI has been advocating for the inclusion of disabled people in the national humanitarian and development agenda of the government, UN ,Donors and INGOs that are working in DPRK. Mainstreaming disability within the policies and programmes of the government and the UN has been a key activity since 2009. Raising awareness about issues confronting people with disabilities is one of the major advocacy works of HI and KFPD in DPRK.

Livelihood; Along with KFPD, programmes for income generation and improvement in the livelihoods of people with disabilities has been implemented in select provinces of DPRK. KFPD has also been providing vocational training through its centres in Pyongyang and Wansong.

Institutional Capacity-Building; HI has been involved in building the capacity of the KFPD Head Office and its branches in all the provinces in key areas such as project cycle management, finance management, implementation of DPRK disability legislation and in advocating for inclusion of disabled people in the national policies and programmes.

Education: HI in partnership with KFPD has been supporting 11 special schools for children with sensory disabilities in the form of infrastructure renovation, teachers training and integrating education with health and nutrition by constructing Green Houses.

Inclusive Sports, Arts and Culture; With a view to promote inclusive communities for persons with disabilities, HI and KFPD have been promoting inclusive sports, arts and cultural events. These initiatives have led to increase in awareness about issues confronting disabled people and are paving way for their inclusion within the communities.

## Red Cross Movement

IFRC -- The programmes supported by the IFRC in the Democratic People's Republic of Korea (DPRK) are all streamlined with the strategic aims of IFRC's Strategy 2020:

Strategic aim 1: Save lives, protect livelihoods, and strengthen recovery from disasters

Strategic aim 2: Enable healthy and safe living

Strategic aim 3: Promote social inclusion and a culture of non-violence and peace

The IFRC supports the DPRK Red Cross in four areas: health and care, water and sanitation, disaster management, and organizational development. The provision of essential medicines to 2,030 clinics remains the largest component of Federation support. At the same time, the health and care programme has successfully piloted the community-based health and first aid (CBHFA) programme in two counties and expanding the activities in new areas. The main focus of CBHFA is to empower communities through activities related to health promotion, health in emergencies, first aid and behavior change communication. Within the water and sanitation programme, the ongoing construction of 19 water and sanitation systems will bring the total number of people supplied with clean drinking water in the past ten years to over 600,000. The disaster management programme is strongly focusing on community-based disaster risk reduction (CDRR) including strengthening community-based mechanisms for disaster preparedness, awareness generation, early warning system, mitigation measures (like river dykes, culverts, irrigation channels etc.) , tree planting as a long-term mitigation measure, as well as on livelihood-improvement for the reduction of vulnerability. Also, road safety is becoming increasingly important with the rapidly growing number of cars, especially in Pyongyang. Along with this, strengthening DPRK Red Cross for emergency response is also a priority area of work.

The DPRK Red Cross works in the framework of a three-year cooperation agreement strategy (CAS) with nine partner national societies: Australian Red Cross, Canadian Red Cross, Danish Red Cross, Finnish Red Cross, German Red Cross, Netherlands Red Cross, Norwegian Red Cross, Spanish Red Cross, and Swedish Red Cross. The current CAS agreement up to 2012 was signed in October 2009. The DPRK country plan and budget is supported by Danish Red

Cross/Danish government, Finnish Red Cross/Finnish government, German Red Cross/German government, Japanese Red Cross, Netherlands government, Norwegian Red Cross/Norwegian government, Spanish Red Cross, British Red Cross and Swedish Red Cross/Swedish government. In addition, three Europe Aid-funded projects are being implemented through the Danish Red Cross; Swedish Red Cross; and Finnish Red Cross.

In a significant new development, Red Cross Red Crescent support to the DPRK has been boosted by a 500,000 Euro grant from the European Commission, made through the Swedish Red Cross, for a three-year project to enhance resilience in face of disasters and food security. The project will assist 25,000 people in the Pukchang and Unsan districts of South Phyongan Province. It will be implemented in cooperation with the DPRK Red Cross, IFRC, Danish Red Cross, Finnish Red Cross, Norwegian Red Cross and Swedish Red Cross, along with contributions from other partners.

At county, provincial, and national level, the ministries of public health, city management, people's security, and land and environmental protection contribute with technical advice and material support to the Red Cross programmes. Collaboration with UN agencies consists of information exchange as well as the agreement on the contents of the medical kits, the role division in disaster response situations, and training initiatives in different areas. The Red Cross also benefits from specialized expertise of non-governmental organizations (NGOs) active in the DPRK, where they are called European Union project support (EUPS) units.

ICRC:

Assists three Provincial hospitals in the DPRK with on-site training, rehabilitation, material and drugs donations.

Supports physical a rehabilitation centre in providing services to an increasing number of beneficiaries, notably with construction material donations to extend the centre capacity in Pyongyang.

Strengthens dialogue with the DPRK authorities and National Society

### **Resident Bilateral/Governmental Missions**

Swiss Agency for Development and Corporation (SDC) -- The Swiss Agency for Development and Cooperation (SDC) is supporting the DPR of Korea in its efforts to cultivate sloping lands for agricultural purposes and to protect them against erosion. It promotes the health of the population by providing better access to safe drinking water and adequate sanitation facilities. It also distributes milk powder through the United Nations World Food Programme (WFP).

#### **Sloping Land Management**

Agricultural use of sloping land and protection against erosion.

Food shortages have forced farmers to make use of very steep sloping land. This has led to deforestation and erosion, thus increasing the risk of natural disasters. Since 2005 the SDC, in cooperation with local partners, has promoted the sustainable production of rice, potatoes, wheat and other crops on sloping land. Moreover this land has been protected against erosion by planting fruit trees and grass ledges on the slopes.

## Water, Sanitation and Hygiene

Improved health thanks to safe drinking water and adequate sanitation facilities.

Poorly maintained water supplies and the lack of sanitary installations are the causes of many diseases. Diarrhoea and related illnesses are widespread in the DPRK. Those affected suffer from the loss of valuable vitamins and calories.

Clean drinking water improves food security, reduces child mortality, combats poverty and contributes generally to better health for people in the DPRK.

## Food Security

Swiss milk powder for mothers and children.

Switzerland delivers milk powder to WFP in DPRK since 1995. Local production units process the milk powder together with rice, maize, cereals and soya to create food that is rich in proteins and vitamins. Through the structures of WFP and the DPRK Government, annually 1.3 million children as well as pregnant and lactating mothers are guaranteed one balanced meal a day.

- Italian Development Cooperation Office
- French Cooperation Bureau

## Non-Resident International NGOs

- American Friends Service Committee (AFSC)
- Agape International
- Chosun Exchange



- Christian Friends of Korea (CFK)
- Gesellschaft für Nachhaltige Entwicklung (Association for Sustainable Development)  
(GNE)
- Global Resource Services (GRS)
- Korea Maranatha Foundation (KMF)
- Mennonite Central Committee (MCC)
- Mercy Corps
- Mission East
- Samaritan's Purse
- World Vision

Non-Resident Inter-governmental

- Centre for Agricultural Bioscience International (CABI)

## BIOGRAPHICAL NOTE

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