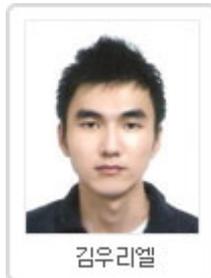


Title:아시아관점에서의 한국경영과관리_3차시

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🔊[0:00]For today would be Korean Management.

🔊[0:06]I think we discussed a little bit on this issue last week when we talked about the labor issues, HRM issues

🔊[0:19]But, we focus on more detail on Management side.

🔊[0:32]Several issues we'd like to cover today.

🔊[0:37]For example, number 1 issue... I want to discuss with you would be 'What other kind of macro social economic factors affecting Korean management style.

🔊[0:57]There must be some macro factors affecting unique Korean management.

🔊[01:00]We will go over those factors first

🔊[01:07]And I am sure some of those factors have been already discussed.

🔊[01:10]So we try to understand those macro factors.

🔊[01:19]And then we can kind of summarize what's been difficult Korean



management style in the past.

🔊**[01:22]**In other words, traditional K-type Management style.

🔊**[01:28]**What are those features of K-type Management style.

🔊**[01:35]**And then of course we go over some sort of institutional change...what they call institutional change or you may say social economic changes which affect traditional K-type management.

🔊**[01:53]**We will go over those key changes and also see how those changes actually affected K –type management style.

🔊**[02:05]**And of course then we could come up new type of Korean management.

🔊**[02:09]**What are those new Korean management style?

🔊**[02:13]**How would it be different from traditional style?

🔊**[02:19]**And those are the things we want to cover here.

🔊**[02:24]**And then perhaps it will be useful to see the perceptions, foreign managers used to have toward new Korean management style.

🔊 **[02:39]**Whether that has been actually significant change in Korean management style or not.

🔊**[02:46]**It may vary depending on which aspect of Korean management you are referring to.

🔊**[02:54]**We will look at the actual change process through the perception of foreign managers.

🔊**[03:02]**And then maybe we can also talk about future.

🔊**[03:08]**How Korean management style today would be evolved in the future?

🔊**[03:18]**Sometime in the future... maybe ten years from now or fifteen years from now in the long run.



🔊[03:24] And then lastly will be useful to look at Korean management style in comparative mode, in comparison with western style or in comparison with Japanese or Chinese style.

🔊[03:43] Hopefully we can better understand to Korean management style.

🔊[03:46] So those are the kind of topics I want to discuss with you today.

🔊[03:53] So, number 1 issue, what are the key macro social economic factors affecting traditional Korean management.

🔊[04:06] There are many. You probably could list a dozen different key factors

🔊[04:12] But I thought probably you don't want to miss those top three factors.

🔊[04:20] As we discussed weeks ago, I think Korean management used to be still heavily influenced by Confucianism tradition.

🔊[04:32] Confucianism is part of Korean culture.

🔊 [04:36] Why? Because Confucianism is the most important philosophical ideology during the Joseon Dynasty about 500 years.

🔊[04:52] Joseon Dynasty, I think was from probably 15th century to 20th centuries, right? So, got affect Korean culture in every aspect of life.

🔊[05:13] Probably, the most important thing in terms of management style would be what aspect of Confucianism affect Korean management.

🔊[05:29] According to Confucius teaching hierarchy is very important.

🔊[05:35] So hierarchy, hierarchical relationship between subordinates and superior is very important part of Korean management style.

🔊[05:50] How about collectivism? Strong collectivism among employees, among managers could be great important feature of Korean management style.

🔊[06:05] We will discuss more those other key aspect.



🔊[06:10]What about strong sense of nationalism?

🔊[06:19]Why do you think Korea they have strong sense of nationalism?

🔊[06:26]Very simple, look at Korea historically is basically one race, one language, nation for long period time

🔊[06:37]So naturally they form strong nationalism still I think very important I would say.

🔊[06:47]Of course, recently north south Korea they had the war.

🔊[06:50]So many people believe South Korea need strong government to compete with North Korea.

🔊[07:05]And of course, the government has been very important, they played very important role in 1970s toward private sectors.

🔊[07:16]So these are kind of some macro factors affecting traditional type of Korean management.

🔊[07:30]What about new social economic factors affecting new management style?

🔊[07:36]Similarly you could list probably more than 10 different factors.

🔊[07:42]But I would say these are pretty much important factors.

🔊[07:48]For example, democratic movement which was started I think in 1960 where there is a very severe student demonstration against government.

🔊[08:08]Another big uprising in Gwangju in 1980.

🔊[08:13]Another big rally demonstration against government in 1987 in Seoul I think those are some of the key movement, democratic movement and that affects I think value system of many Koreans.

🔊[08:32]For example, we used to be very much collectivistic and very much rank



conscious people.

🔊[08:43] But because of the democratic process, we began to have the idea of egalitarianism.

🔊[08:49] Everybody is supposed to be equal, everybody is supposed to be treated fairly.

🔊[08:58] We never thought about this kind of ideology before this democratic movements.

🔊[09:03] And this movement has been very powerful and very consistent in modern Korean history.

🔊[09:11] So, actually you could see a kind of complicit traditional value and new values maybe coexisting.

🔊[09:25] And of course, recent economic success during 1970s, 1980s people asked to economy became more fluent, people became more individualistic.

🔊[09:43] You know, if you look any other country in the world as economic becomes advanced people tend to be more individualistic than before, no exception.

🔊[09:54] So, that's kind of another trends in Korea.

🔊[10:02] If you look at rich people, they are very individualistic in their behavior and their way of thinking.

🔊[10:08] It's kind of natural.

🔊[10:16] And also Korea experienced Asian financial crisis.

🔊[10:18] And that affect the way company was managed

🔊[10:25] The company need... was forced to restructure their business

🔊[10:28] They faced to new challenges right after financial crisis.

🔊[10:33] I think that affects to Korean management style.



🔊[10:38] And of course, one important trend would be globalization, increasing Globalization of Korean economy

🔊[10:45] That also affect Korean management style.

🔊[10:52] So this is kind of ongoing process, this features, this factors, may affect Korean management style on a continued basis even in the future.

🔊[11:10] To give you just idea what I am talking about today may be we can divide up into different times so for example.

🔊[11:25] What kind of management style was dominant in each pace, in each stage?

🔊[11:36] If you look at perhaps years before 1960, the first stage, I think the dominant management style would be Entrepreneur type management style.

🔊 [11:54] You may see many small or medium size venture capital type companies at that time run by only one or two key persons. So, basically the management style would be entrepreneur type.

🔊[12:11] What are the characteristic of entrepreneur type management style?

🔊[12:20] Decision making process should be very very speedy right? Because decisions are made basically one man or maybe two people co-owners, decision making process are very much quicker than any other type of companies.

🔊[12:41] They tend to take huge risk in decision making.

🔊[12:46] Entrepreneurs they prefer taking risk, they do not avoid risk.

🔊[12:57] They invest new project, new business on and on.

🔊[13:03] What about internal control system?

🔊[13:06] Do they have very sophisticated internal control system?

🔊[13:12] Probably not. That's not important.



🔊[13:18]The key concern of the entrepreneur would be growth.

🔊[13:26]So, internal control is kind of secondary issue for them.

🔊[13:33]The next stage, 1961 to probably most 1970s .

🔊[13:42]What are the kind of management style?

🔊[13:44]Probably I would put traditional Korean management type which again heavily influenced by Confucianism and nationalism, things like that.

🔊[14:08]Plus, there was an increasing trend to adopt Japanese system.

🔊[14:10]Especially Japanese Keiretsu system.

🔊[14:14]So Korean chaebol obviously wanted to emulate Japanese Keiretsu model.

🔊[14:24]They wanted to become diversified conglomerate eventually

🔊[14:29]And the big objectives for them would be growth and diversification.

🔊[14:35]So that's kind of situation during 1970s.

🔊[14:40]How about 1980s and most part of 1990s, they continue to learn more from Japanese corporations especially technology or factory management.

🔊[14:57]Most Korean companies what interested in learning QC circle, Quality control circle.

🔊[15:07]Many large scale factories, they wanted to learn just in time, TOYOTA's just in time production system.

🔊[15:15]So, in terms of technology production system even human resource management, they try to learn many Japanese.

🔊[15:24]It's a period where Koreans were heavily influenced by Japanese

counterpart during this period.

🔊[15:33] And then what happened? As you know in 1997.

🔊[15:38] Asian financial crisis broke up.

🔊[15:41] And then many Korean companies began to realize perhaps traditional Korean style or Japanese style of management may not be effective any longer.

🔊[15:57] We need to find out something new, something different.

🔊[16:03] So they looked at the American style of management.

🔊[16:10] So they partially adopted the western management style or US management style.

🔊[16:20] Example would be more concern for profitability.

🔊[16:25] And some companies, they became short term oriented as supposed to long term oriented right after financial crisis.

🔊[16:34] And they began to hire somebody for executive positions.

🔊[16:42] But that never happened before they relied on outside recruiting supposed internal promotion.

🔊[16:56] So they tried to adopt many western style of management.

🔊[17:00] That's probably up to 2000 or so.

🔊[17:07] And after 2001, of course Korean companies recovered and they pushed globalization here and there.

🔊[17:17] And there was a new challenge.

🔊[17:20] They need to find out their unique management style.

🔊[17:24] What they call new K-type management.



🔊[17:27]What are those?

🔊[17:31]We will discuss later.

🔊[17:32]I will discuss more on this.

🔊[17:35]So, these are kind of natural transition of a time.

🔊[17:39]So depending on which time framework you are referring to, you may see different features, different characteristics of Korean management.

🔊[18:00]Right, so, go back to your reading.

🔊[18:05]You read the first assigned reading.

🔊[18:08]There is a term called institutional economic view.

🔊[18:18]What is it, institutional economic view?

🔊 [18:20]There is one fundamental assumption which would be markets, companies are basically affected by macro social economic factors or firms and markets are socially or institutionally constituted.

🔊[18:40]So we need to know what kind of institutional influence have been affecting Korean business.

🔊[18:53]What are the main institutions they are talking about.

🔊[19:02]Institutions from the economists point of view.

🔊[19:06]What institutions are we referring to here?

🔊[19:10]At least we could think of 3 different types of institutions.

🔊 [19:24]How about informal rules such as traditions, cultures, values, norms those are considered to be informal rules.

🔊[19:43] That's probably one element of institution they are talking about here.

🔊[19:49] Secondly we could also discuss formal rules.

🔊[19:56] What are the formal rules?

🔊 [19:57] Maybe legal system. Maybe admits... bureaucratic admit certain procedures.

🔊[20:06] Or judiciary those kind of things, the formal rules.

🔊[20:12] Plus we may add one more, the corporate governance, rules relating to corporate governance.

🔊[20:27] Those are basically key institutions they are talking about here.

🔊[20:30] So, let's move to the second issue which would be key features of traditional Korean management style.

🔊[20:47] What are the key characteristics of Korean management before?

🔊[20:57] We can discuss it little bit, here.

🔊[21:01] Number one, business goal, business goals.

🔊[21:08] What kind of business goals do they have in their mind?

🔊[21:11] Profit, Market share, Market stability, or growth? What?

🔊[21:20] Look at Korean chaebols.

🔊[21:23] You know what chaebol is about, large Korean businesses.

🔊[21:26] I think the most prominent business goals would be two things.

🔊[21:32] Number one, growth, fast growth, and then diversification.

🔊[21:38] Especially, 1960's-70's, diversification, very important goals, and that's why...

🔊[21:50]No, no, one simple question.

🔊[21:52]Why do you think in 1960's, 1970's perhaps 1980's, Korean firms were, kind of, preoccupied with diversification.

🔊[22:05]Because if you look at the literature, diversification, especially, into unrelated business areas would be very risky, right? Yeah?

🔊[22:18]Many Korean firms were interested in diversifying into not only related but also unrelated business areas, why?

🔊[22:35]There must be many reasons and obviously one of reasons would be diversification eventually guarantee growth they hoped, right?

🔊[22:46]They were so much growth-oriented, and diversification is one way to continue to grow.

🔊[22:54]But also, I think there are another important reasons.

🔊[23:00]If you look at the market structure in 1960's, 70's, 80's in Korea, many markets were newly emerged,

🔊[23:11]and they wanted to be the first company in this newly emerging industry.

🔊[23:16]There were no virtual competence out there.

🔊[23:20]So, if you could establish yourself in this new industry, you could make huge profit down the road,

🔊[23:31]and that's why I think there is a strong motivation for them to diversify to, even unrelated areas.

🔊[23:38]Many industries in a starting stage, in the less competition, during the initial stage.

🔊[23:47]Well, that's probably another reason for diversification for many Korean firms.

🔊[23:56]You know that decision making style, top-down decision making.

🔊[24:05]Who would be the key decision makers for Korean firms?

🔊[24:13]It could be owners, one or two family members.

🔊[24:19] You know, those key members are decision makers.

🔊[24:25] So, actually decisions already made, and top-down decision making process is sort of consensus building process.

🔊[24:35] Of all decisions already made by owner,

🔊[24:41] That is difficult decision making process.

🔊[24:50] What would be example of think-tank?

🔊 [24:58] Look at the company, the organization of structure large Korean company.

🔊[25:04] That is some unit which would be considered as think-tank.

🔊[25:11] A unit where, you know, bring the top elite just working together

🔊[25:18] Normally, this think-tank is like a chairman's secretary office.

🔊[25:28] You know what I mean?

🔊 [25:31] Look at organization of structure, under the CEO, Chief Executive Officer, right?

🔊[25:59] They maybe division have, maybe several division have, right?

🔊[26:07] Division A, B, C, D, and E, and each division have is supposed to report formally to CEO, but that is some step function here, usually called chairman secretary office.

🔊[26:30] On this unit, is very powerful, why?

🔊[26:37] Why people working in this unit is so powerful? Yes?

🔊[26:49] [Student Speaking] And because only way to get to the CEOs if you handed in papers, you first need to show them to the secretaries, and then they decide to even comes to the CEO or not.

🔊[27:00] [Student Speaking] It could be even that they say, 'it's not good enough, you would do good job on that. Please do it again or redo it.'

🔊 [27:08] [Student Speaking] So, they, and also that probably say yes to the CEO because probably a lot. They give kind of advising.

🔊 [27:14] [Student Speaking] 'We are fine very good. This wasn't so good. So, maybe you should read this, and this is not so important.'

🔊 [27:22] [Student Speaking] So, they give CEO advises. What is important or not.

🔊 [27:27] Very accurate, very good, the role of this secretary office would be number one to advise CEO.

🔊 [27:38] So, they would be the first people to know, what's going on, on these companies.

🔊 [27:45] What kind of new business these companies would be interested in for next 5 years?

🔊 [27:51] They would be the first people to know that.

🔊 [27:55] So, they can be access to critical information.

🔊 [27:59] That would be really powerful leverage if you have very important information,

🔊 [28:08] and also their role is kind of intermediately between each divisional head and the CEO,

🔊 [28:19] and perhaps some key divisions before they report to CEOs, they divisional head,

🔊 [28:27] mainly to get some sort of consultation with these people.

🔊 [28:34] So, they know the all information inside the companies.

🔊 [28:40] They know the operation of each divisions very well, but I think the most important thing, in terms of role of secretary officer would be advising CEO.

🔊 [28:58] Now, we know that CEO is making decision by himself or by herself.

🔊 [29:03] That is true, but before he or she makes decision.

🔊 [29:11] The CEO relies on advice, provided by secretary office.

🔊[29:18] So, the relationship between these people and CEO would be very, very close, and he or she trusts them a lot.

🔊[29:29] Maybe, many business secrets here, right?

🔊[29:35] That's why they may get the first priority to get promoted.

🔊[29:44] So this is sort of think-tank, very important organization.

🔊[29:51] For example, in case of Samsung, at one point of time, the size of secretary office would be 500 people.

🔊[30:07] So many staffs are inside the secretary office.

🔊[30:10] It is not small office.

🔊[30:12] Actually, it could be another division, very influence of organizations.

🔊[30:21] Who would be working in this think-tank?

🔊[30:27] Somebody CEO could rely on.

🔊[30:32] Somebody CEO could trust, and some of them maybe, may have same hometown with CEO, may have some school tie with CEO.

🔊[30:49] [Student Speaking] in case of Samsung could be also in family members who are in the secretary because the families are even quite big.

🔊[30:57] [Student Speaking] So, it could be if you want to entrance to become CEO in the future because you are family member that you first going to the secretary office because you can rely on family members.

🔊[31:09] Theoretically, that would be quite possible, but I suspect in case of Samsung, they probably would not put family members here.

🔊[31:23] Usually, who the working here very capable professional managers with proven record.

🔊[31:32] They would be working for secretary office, and that's why many people in entire organization,

🔊[31:40] They wanted to work for this secretary office because if they work for this office, in terms of probability, your career pass is pretty much guaranteed up to,

let's say, director's level.

🔊**[32:01]** So, there's strong internal competitions among employees to get there.

🔊**[32:08]** So, in a way, this is an informal hierarchy between secretary office and the regular divisions.

🔊**[32:18]** They are in higher positions.

🔊**[32:24]** Anyway, basically top-down decision making style, and of course tall structure, tall organization structure.

🔊**[32:34]** You know what that means.

🔊**[32:36]** Tall structure, tall opposite term for tall structure would be flat.

🔊**[32:43]** The most Korean firms used to have tall organization structure where there are many organization on layers between CEOs and bottom level employees.

🔊**[32:56]** Sometimes, there are 10 different layers.

🔊**[33:00]** That's why the management style intensively very much hierarchical, and formalize with strong functional control.

🔊**[33:14]** Now, if you look at the control mechanism in business, basically there are two types of control mechanism.

🔊**[33:24]** The first one would be job related control or task related control.

🔊**[33:33]** You can control through some sort of formal job procedures.

🔊**[33:39]** That's one important control mechanism, but there's another important control mechanism which would be personal control.

🔊**[33:51]** So, you may say, the former as system control and the latter as personal control.

🔊**[34:00]** So, Korean firms, traditionally, they use to rely on personal control as oppose to system control.

🔊**[34:12]** Now, what are the advantages?

🔊**[34:14]** This advantages, personal control.

🔊[34:18]What do their advantages of personal control?

🔊[34:23]Instead of relying on, you know, lengthy job descriptions.

🔊[34:29]You could ask your subordinate verbally do this, do that by when?

🔊[34:40]That would be very efficient way of doing business, personal control, very effective.

🔊[34:48]But what would be kind of disadvantage of personal control?

🔊[35:01]In the regular organization of hierarchy, but then think of CEO, right?

🔊[35:09]CEO, second layer of organizations, third layer of organizations, on and on.

🔊[35:28]If you rely on basically personal control, the coverage of your control has to be pretty much limited.

🔊[35:39]You may able to control up to this level assuming you are CEO because you interact with these people every day, maybe ten times a day.

🔊[35:49]So, you can make verbal comment every day, and job would be implemented right away.

🔊[35:55]But, there's no guarantee that you could have effective control over people could be some in the lower level.

🔊[36:05]That's another one limitation of personal control.

🔊[36:12]Another I think disadvantage for personal control to be effective.

🔊[36:21]The relationship between you and your subordinate should be stable.

🔊[36:30]I mean, if you know each other for the last 10 year period, the personal control, you can do many things.

🔊[36:38]But, what if this subordinate would be somebody from other cultures, foreigners for example,

🔊[36:49]or somebody who just started working in this organizations, and then that's the relationship between you and your subordinate.

🔊[37:00] They not be that reliable, and then personal control maybe limited to that extent.

🔊[37:07] So, I think, there is some pros. and cons., relying on personal control.

🔊[37:13] In case of Korean firms, they use to rely on personal control for long periodtime.

🔊[37:22] Next issue, next issue would be how to motivate employees in Korean organization.

🔊[37:33] What are the typical tools to motivate workers and employees?

🔊[37:40] If you look at business text books, there are maybe two basic ways to motivate employees.

🔊[37:49] Through, either through extrinsic rewards, or intrinsic rewards, extrinsic versus intrinsic.

🔊[38:01] So, what would be examples for extrinsic rewards?

🔊[38:08] Something external like wages, a pay, working conditions, job security, providing good job security, providing high wages could be a good motivator.

🔊[38:27] If you feel satisfy through the jobs, I mean, job satisfaction.

🔊[38:35] That could be one example of intrinsic rewards.

🔊[38:40] If you do some work which you like, you are likely to feel satisfy, ok?

🔊[38:49] If you feel that your work is contributing to the company, to other people, or even to the society, you feel motivated to work harder and harder.

🔊[39:03] If you think the job is interesting, job is really rewarding to you personally.

🔊[39:11] That would be a good example, for intrinsic rewards.

🔊[39:19] In case of Korean firms, they tend to rely on extrinsic rewards.

🔊[39:26] So, if you look at this, job security, working conditions, wages.

🔊[39:32] So, normally, those extrinsic rewards would be kind of group specific as

oppose to individual specific.

🔊**[39:42]** Everybody would enjoy same level of working conditions, similar level of job security, the wage levels are pretty much homogeneous, right?

🔊**[39:55]** So, usually, Korean companies are providing group specific, extrinsic rewards to motivate workers.

🔊 **[40:09]** The leadership style, who would be effective leader in Korean organizations?

🔊**[40:15]** There are maybe different types of leaders if you look at business text books, democratic leaders, autocratic leaders, leaders who would like to talk with subordinate.

🔊**[40:29]** Now, who would be the most effective leader in Korea?

🔊**[40:33]** Traditionally, most ideal leader would be somebody who may have some charisma, right?

🔊**[40:42]** Autocratic and also, paternalistic, so in other words, good fatherly figure.

🔊**[40:51]** That is the image of good leader, good fatherly figure.

🔊**[40:56]** Somebody who can provide some emotional supports whenever you feel distressed.

🔊**[41:00]** whenever you feel distressed, right?

🔊**[41:04]** Those are the good leaders.

🔊**[41:07]** 'And persists on moral superiority', moral superiority over technical superiority.

🔊**[41:16]** What that means? Moral Superiority?

🔊**[41:21]** Leaders in Korea are supposed to be right in their judgment.

🔊[41:28] So it's not a good idea to challenge your leaders.

🔊[41:32] Because we, as employees or subordinates, we probably have to believe in our leaders, their ability.

🔊[41:42] And of course, sometimes leaders could be quite wrong in their judgment but people would like to believe they are good enough.

🔊[42:03] I think probably we need some break.

🔊[42:07] So who would be an ideal manager in Korea?

🔊[42:10] We talked about few things.

🔊[42:13] Somebody who would be very charismatic, but I think another important traits or aspect of good leader in Korea would be people who could understand subordinates very well.

🔊[42:33] In other words, who would be very considerate, who would be very patient, right?

🔊[42:41] Those are...I think considered to be good leaders respected by their subordinates rather than somebody who could answer any questions, who could answer any technical questions.

🔊[42:56] It will be better if you have a good personality and also good knowledge on the job, but I think traditionally good leaders are supposed to have a good personality.



🔊[43:12] Somebody who would be very considerate of others, right?

🔊[43:18] Anyway, um, see, so we can move to one more thing here.

🔊[43:28] Now, formal institutions, remember, we talked about three types of institutions.

🔊[43:35] Number one would be informal institution such as culture, customs.

🔊[43:41] And the second would be formal institution such as legal system, administrative, bureaucratic administrative system, those kind of things or it could be written down corporate governance rules and regulation in the company.

🔊[43:57] So those are, formal institutions would be written down corporate governance or clear-cut legal system.

🔊[44:07] Unfortunately, in case of Korea, those formal institutions were not well developed.

🔊[44:16] That's why the subordinates have to rely on superior's personal control, which means, subordinates, you have to show loyalty, loyalty toward superiors.

🔊[44:48] Right, one more thing, one more thing.

🔊[44:54] One thing which had been stressed a lot in Korean organization would be this.

🔊[45:02] Ui-yok, or will, ambition.



🔊[45:08] If you want to be good employees, you should show high level of will, high level of ui-yok, or willingness to do something.

🔊[45:19] If you don't have willingness, you may not be a good employee.

🔊[45:26] Do you understand what I am talking about?

🔊[45:29] So most superior is expecting you as a subordinate to have a certain level of will, ui-yok.

🔊[45:42] Now, question to you.

🔊[45:43] What makes subordinate to have higher level of will?

🔊[45:50] Higher level of willingness to work harder and harder?

🔊[45:56] Under what circumstances, people may have high level of will?

🔊[46:03] (student speaking) If their work can be recognized and their works are appreciated?

🔊[46:10] Okay, their work is well appreciated by the managers, recognized, maybe their work results in some visible outcome, right, and then, people would have strong will.

🔊[46:28] For example, if the company is growing and keep growing and everybody knew the company is growing fast, and chances are high that all the employees would have very high level of will; willingness to work harder and harder.

🔊[46:49] Because their effort pays off, and they saw the evidence.

🔊[46:55] Sales volume is becoming bigger and bigger year by year, maybe profitability would improve, and naturally, people can have a high level of will.

🔊[47:08] But if the company is not growing, maybe nobody recognize you, and it's hard to get a very high level of will or ui-yok.

🔊[47:22] But traditionally, I think this one has been very much emphasized to employees.

🔊 [47:32] One more thing characterizing the traditional type of K-type management would be this, 'Aggressive globalization strategies.

🔊[47:43] Most Korean Chaebols are very much interested in going abroad.

🔊[47:49] They wanted to make big money outside Korea.

🔊[47:53] And they want to globalize fast, they wanted to become aggressive followers.

🔊[48:02] Aggressive followers.

🔊[48:05] They are not, most Korean firms are not first comers in the international market, I would say most of them are followers, but they want to be fast followers or aggressive followers.

🔊[48:19] If you look at their global strategies.



🔊**[48:23]** So, for example, many companies would be very quick in entering certain market, certain strategic market, and they try to emulate Japanese companies or American companies abroad.

🔊**[48:40]** And as we will see shortly, sometimes they came up very clever local marketing strategy or localized marketing strategies or localized HRM strategies to be competitive in regional markets.

🔊**[49:04]** I think that is part of globalization strategy for many Korean Chaebols.

🔊**[49:13]** So, let me kind of summarize what I have been discussing so far.

🔊**[49:19]** Look at this figure, right?

🔊**[49:23]** Traditional K-type management could be characterized as many things, right?

🔊**[49:31]** We already discussed most of them.

🔊**[49:34]** Seniority-oriented personnel system.

🔊**[49:37]** We discussed it last week a lot.

🔊**[49:39]** Seniority-oriented HRM system is kind of a cornerstone of Korean management.

🔊**[49:48]** Respect for authority and focus on harmony among employees.

🔊**[49:54]** So group harmony is one of their most important virtues for Korean organizations.

🔊**[50:03]** So they don't want to avoid anything to destabilize group harmony.

🔊**[50:09]** Group harmony would be very important because most employees would be working there for 20 years, 15 years, for long period of time.

🔊**[50:21]** And you don't want to upset many existing employees by promoting one capable person fast, right?

🔊**[50:35]** Formation of human networks would be a very important part of Korean management internally and externally.

🔊**[50:46]** So if you suppose you are hired to a Korean company for the first time, one of the things you want to know would be what kind of group power struggles there are in the organizations; who belongs to whom.

🔊**[51:04]** It is useful to know that kind of group dynamics.

🔊**[51:08]** What kind of human network structures there are in the organizations.

🔊**[51:18]** Centralized decision making, we talked about it.

🔊**[51:23]** Patriarchal Familism.

🔊**[51:26]** Hierarchical collectivism.

🔊**[51:30]** Ambiguity in a sense of responsibility, in other words, less formalization.

🔊**[51:37]** They don't have fixed job manuals, right?

🔊**[51:43]** Rather, they rely on personal control, verbal command to subordinates.

🔊**[51:51]** So those are kind of general features of K-type management, I would say.

🔊**[51:58]** Now, as we saw in the chart in the first session, there were at least three important events which affected traditional Korean management, and these are two out of those three.

🔊**[52:18]** The first one would be the fast economic development.

🔊**[52:23]** Fast economic development, right?

🔊**[52:26]** And that leads to some change in Korean management style from morality and humaneness to materialism and individualism and more concerned for quality of life.

🔊**[52:44]** And what that means?

🔊**[52:45]** Especially what do we mean by 'quality of life'?

🔊**[52:52]** As an individual, Korean, they would like to express themselves freely.

🔊**[53:00]** They would like to involve in politics openly.

🔊**[53:07]** So that would be part of a concern for a higher quality of life.

🔊**[53:18]** They are more interested in maybe social issues as well, right?

🔊**[53:24]** So people are changing.

🔊**[53:26]** People may have somewhat different value system than before.

🔊**[53:33]** Another important event would be of course Asian financial crisis, right?

🔊**[53:39]** And people became more individualistic and the company operation has been changed.

🔊 **[53:48]** Traditionally, company was basically interested in growth and diversification but after the financial crisis they were forced to be interested in profitability, short term profitability.

🔊**[54:04]** That would be one example.

🔊**[54:06]** Of course they wanted to develop more sophisticated in a former governor's control system inside.

🔊**[54:17]** For example, Korean law requires the republic listed company to have some independent outside executives, at least 25% percent of board of directors should be from outside, independent, you know, from outside source.

🔊**[54:38]** So it's just one example of more clear governor's control system.

🔊**[54:49]** So, and of course one more thing which is not discussed here is the impact of globalization, increasing globalization that affect Korean business.



🔊**[55:05]** So, as a result, Korean firms, they need to be more competitive in international market.

🔊**[55:16]** They are more interested in competitiveness rather than just growth or diversification.

🔊**[55:32]** Now, maybe I could ask Kyung-an, you can probably explain how this would change after the financial crisis, one by one.

🔊**[55:53]** Try.

🔊**[55:55]** (student speaking) Um, in terms of strategic goals,

🔊**[55:59]** Okay.

🔊**[56:01]** (student speaking) Before financial crisis, it was diversification and growth.

🔊**[56:08]** (student speaking) After crisis, it became to the focus on corp competences.

🔊**[56:15]** Corp competences and profitability, right?

🔊**[56:19]** So that is some change in strategic goals.

🔊**[56:24]** How about decision making style?

🔊**[56:30]** (student speaking) Before crisis, it was mainly top-down decision, but

recently flat organization and bottom-up decision making is getting more popular and popular.

🔊**[56:46]** Traditionally, top-down decision making by owners or a group of family members, but nowadays, some strategic decisions are made by professional managers, the professional executives, right?

🔊**[57:02]** That is some change.

🔊**[57:06]** How about this, organizational structure?

🔊**[57:13]** (student speaking) Organizational structure became more flat and small layers.

🔊**[57:19]** Okay, became flatter than before, less hierarchy-oriented.

🔊**[57:25]** And for example, some Korean companies adopt team-based system.

🔊**[57:43]** Team-based job performance.

🔊**[57:45]** What that means would be the team could consist of, in a traditional structure, this structure is pretty much fixed under the team-based structure.

🔊**[58:15]** You can create different team structure.

🔊**[58:20]** For example, team leader, this person could be team leader.

🔊**[58:25]** This would be team leader, right?

🔊**[58:28]** And team member could be this person and this person.

🔊**[58:33]** So they could be one team for certain issues, for certain project.

🔊**[58:39]** For another project, team leader could be this person, team leader.

🔊**[58:47]** And team member could be this person and this person.

🔊**[58:51]** So it's very flexible organization for forming certain project.

🔊**[58:58]** So they are actually mixing traditional structure with team-based structure.

🔊**[59:09]** So this is the evidence of becoming more flexible organizational structures.

🔊**[59:21]** Alright, how about this?

🔊**[59:25]** (student speaking) Um, before the crisis, generalists were usually preferred but these days, specialists are preferred.

🔊**[59:35]** A specialist, somebody who gets MBAs are hired.

🔊**[59:41]** Somebody who would be finance specialist would be preferred, accounting skills would be preferred, right?

🔊**[59:51]** In the past, everybody would take over jobs on a rotating basis but probably that trend becomes less significant these days.

🔊**[60:13]** (student speaking) Um, before the crisis, personal relationship was very important, but nowadays, it's still important but it's becoming more merit-based system.

🔊**[60:27]** Okay, the loyalty is very important between subordinate and superior, the personal relationship between these two people are very important, but today perhaps the system control could also be important part of job...in conducting jobs.

🔊**[61:00]** System control as well as personal control.

🔊**[61:03]** Motivating skill.

🔊**[61:12]** We talked about extrinsic rewards such as wages, working conditions, right? But nowadays, some employees would like to have interesting jobs, they would like to have personally rewarding jobs.

🔊**[61:35]** Evaluation criteria.

🔊**[61:41]** We already mentioned.

🔊**[61:43]** In the past, evaluation is based on seniority, right?

🔊**[61:48]** Now, more organization would also look at the merit, the performance, the performance based evaluation rather than purely seniority based evaluation.

🔊**[62:03]** And I'm sure that they are using both. Both seniority and merit at the same time.

🔊**[62:09]** But way for merit is increasing.

🔊**[62:17]** We already discussed personal verse system.

🔊**[62:19]** So, there has been some changes for each aspect.

🔊**[62:29]** So, the next question would be whether the actual change process from traditional to new.



🔊[62:42] We can maybe look at that change process based on perception of foreign managers in Korea.

🔊[62:51] And as we can see for some aspects, the change process spin very speedy.

🔊[62:58] But for most aspects, the change process would be much much slower than we would expect.

🔊[63:10] Now which one was changing very fast among these?

🔊[63:17] These are based on 1 to 5 Likert Scale, right?

🔊[63:22] So, the higher number indicates fast change.

🔊[63:27] If you look at this average scores, I think the highest number would be 3.349, right?

🔊[63:38] So becoming more profit-oriented management.

🔊[63:41] So, many foreigner's view Korean companies are becoming more profit-oriented as opposed to growth-oriented.

🔊[63:49] So, that is changing quite significantly.

🔊[63:54] How about this?

🔊[63:57] Disappearing lifetime employment practices.

🔊[64:01] So, many foreigner's view see the lifetime employment practices are not existing anymore for Korean firms.

🔊[64:13] Same as this Increases in the lay-off of workers.

🔊[64:19] But other than those three as you can see, the actual change process would be very slow.

🔊[64:26] The average would be 2.7. 2.7.



🔊[64:32] So, I would say this change process would be...still on going. Still on the way, right?

🔊[64:42] There are maybe more changes in the futures.

🔊[64:53] So, this maybe another way to look at a new K-Type Management.

🔊[65:06] What are the message here?

🔊[65:12] If you look at the new K-Type Management, it's a combination of many things.

🔊[65:18] It's a combination of traditional Korean style management and Japanese style of management and maybe some element of American system... is part of new Korean management style.

🔊[65:34] So for example, what would be important features of Korean style affecting the new management style?

🔊[65:47] I would say number 1 would be hurry hurry culture.

🔊[65:54] Koreans are always hurry, right? You know that.

🔊[65:57] They eat lunch in five minutes.

🔊[66:00] They eat dinner in 10 minutes.

🔊[66:03] The hurry hurry culture.

🔊[66:04] That still I think is very important part of Korean management style.

🔊[66:10] Quick decision making.

🔊[66:12] Quick decision. Why do you think Koreans were so obsessed with being hurry hurry? Why?

🔊[66:20] (student speaking) After the Korean War, there was nothing on the



Korean peninsula.

🔊**[66:23]**(student speaking) So, they try to make and build of everything from nothing and they try hard and they thought a diligence is one of the most important virtue.

🔊**[66:37]**(student speaking) And their life from that moment...I think before then they actually enjoy slow life like yang-ban that kind of culture was...sun-bi spirit was important at then.

🔊**[66:47]**(student speaking) But after that they try to maximize their time consumption in every moment and every point I guess.

🔊**[66:57]**Okay, I think fast economic developments. Korea experience has to do with hurry hurry culture.

🔊**[67:07]**Many Korean are business man, maybe even government official, so we need to catch up advanced countries.

🔊**[67:17]**Such as Japan. Our neighbor. Right?

🔊**[67:19]**They are under tremendous pressure to catch up Japan as fast as they could.

🔊**[67:27]**So, that kind of psychologies is kind of universal for many Korean business man, Korean government officials.

🔊**[67:37]**So from the foreigner's perspective, Korean style of economic developments would be kind of compressed pattern.

🔊**[67:51]**Korea try to achieve similar level of economic developments in a short period time.

🔊**[67:59]**Japan achieve the economic developments over more 100 years from 1868 when Meiji Restoration happened.

🔊**[68:10]**The Meiji Restoration was the precise moment for the beginning of economic development in case of Japan.

🔊**[68:19]**So, it took almost 100, 120 years for Japan to reach the advanced

country standing.

🔊**[68:32]**In case of Korea, they want to achieve same process within 40 years, maybe 50 years.

🔊**[68:39]**That's why they had to hurry hurry. I would say, right?

🔊**[68:48]**But I'm sure that this culture may decline over the next period as Korean economy become more fluent,as people become more individualistic, I don't think Koreans would be following this pattern.

🔊**[69:05]**But so far, I think hurry hurry culture is very important.

🔊**[69:10]**Risk taking, Yes. Especially if you look at Korean chaebols, they are very much risk taking... are oriented.

🔊**[69:19]**They jumped in big projects right away without having very detail analysis.

🔊**[69:27]**Globalization, fast globalization's?.

🔊**[69:31]**It's part of Korean culture I think.

🔊**[69:34]**But at the same time, they try to learn a lot from Japanese corporations.

🔊**[69:40]**And one thing would be detail, accuracy in production management.

🔊**[69:49]**They wanted to... you know benchmark JIT, QC, kaisen which means improvement system at the factory.

🔊**[70:00]**So, if you look at Korean factory, their production technique originally came from Japanese factories.

🔊**[70:12]**Another thing...if you look at Samsung corporations which would be heavily influenced by Japanese management style.

🔊**[70:22]**They are very good at detail like Japanese corporations.

🔊**[70:29]**How about US? What aspect of US management affecting Korean

Management today?

🔊**[70:39]** For example, Short-term performance evaluation for higher Management levels.

🔊**[70:49]** Korean companies are making performance evaluation very frequently.

🔊**[70:55]** Especially if you are in the higher level of position.

🔊**[71:02]** For middle level managers, for lower level managers it would be either mid-term or long-term evaluation.

🔊**[71:10]** Maybe evaluation are maybe two years, evaluation in every three years.

🔊**[71:16]** But if you happened to be in director's position, you know very higher levels, you maybe evaluate twice every year. Maybe four times a year.

🔊**[71:28]** This is something quite different from Japanese corporations.

🔊**[71:33]** Japan's executives are not evaluated that frequently.

🔊 **[71:38]** Basely, Japanese corporation is still holding that traditional slow evaluation process.

🔊**[71:47]** If you look at LG, Samsung Electronics, Hyundai Motors, the directors are under constant pressure for making performance because they knew that they are evaluated regularly.

🔊**[72:05]** So, as a result, what happen?

🔊**[72:09]** Korean companies are making some progress, making some progress in terms of market share profitability because they are pressured to do so.

🔊**[72:27]** If you meet that guideline for performance criteria, what happens?

🔊**[72:33]** You maybe laid off. Your desk will be taken away next day, right?

🔊**[72:44]** So that would be bad side of Korean management as a very short term oriented especially for higher level positions.

🔊[72:53] So, I know that some high level Korean executives, they put letter of resignation in their pocket every day which is not good.

🔊[73:07] But that's the reality, part of reality.

🔊[73:10] How about employment practice?

🔊[73:16] I think for these large Korean companies they tend to have long term employment which is different from lifetime employment.

🔊[73:23] They don't guarantee lifetime employment.

🔊[73:27] Probably, they are willing to provide long term employment.

🔊[73:30] How long? Somewhere between 10 years to 15 years.

🔊[73:40] So, if you graduate from Korea University and lucky enough to be get into Samsung electronics, probably you should be able to work for Samsung for 15 years.

🔊[73:52] What happens after 15 years? You have to show performance every year.

🔊[74:00] Otherwise, you maybe laid off silently, right?

🔊[74:10] (student speaking) I hear that recently the suicide rate among the middle-life, aged men is raising because they are digged at laid off when they are 40 or 45 and they have hard time getting in other job and so the suicide rate has risen in the last few years.

🔊[74:25] Right. That's very unfortunate part of Korean social life.

🔊[74:33] So...in their career, only a few would be promoted very to high level positions.

🔊[74:42] Probably majority of them, may have to be laid off around late 50s. Sorry, late 40s or early 50s, right?

🔊**[74:53]** And of course, at that stage, at home, you have probably a couple of kids would be in college, so you have to financially support your kids.

🔊**[75:07]** Whereas, you don't have good job anymore.

🔊**[75:10]** So you have a lot of pressure from home as well as from work.

🔊**[75:17]** And that's why some middle aged Korean managers could not handle that psychological burden on him or her.

🔊**[75:26]** That's why they chose extreme things. Very unfortunate...

🔊**[75:38]** So, what kind of implications would you get?

🔊**[75:46]** I'm sure Korean students... you are thinking about being employed after graduation.

🔊**[75:58]** What kind of personal implication can you get out of it?

🔊**[76:05]** Unless you have some special skills, you may not be able to survive for until the retirement age in Korean organizations.

🔊**[76:20]** What would be special skills for student who major in business administrations?

🔊**[76:31]** GPA? High GPA? High GPA may work for the first year.

🔊**[76:40]** You may get the good job interview, if you have a high GPA, but that's all.

🔊**[76:48]** I think one important weapon for Korean student should show would be foreign language capabilities.

🔊**[76:59]** Foreign, cultural capabilities.

🔊**[77:03]** I have lived in...let's say in Egypt for 10 years.

🔊**[77:10]** Company manager would admire you. Nobody...not many Korean students could speak Arabic, right?

🔊**[77:16]** From now you have cultural experience in Egypt for 10 years, that's very important asset.

🔊**[77:24]** You don't have to live there for 10 years before you get a job, but if you spend just one semester or one year that would be big asset.

🔊**[77:37]** That's why KUBS student, you need to go out as exchange student for one semester or one full year before you graduate.

🔊**[77:52]** And of course, it will be helpful if you get MBA down the road, that would be rewarding for your career.

🔊**[78:04]** I don't know much about... Chinese case, but I would think like to... like Korean student, if you speak foreign language, 2 different foreign languages that would be big asset when you work for private company after graduation.

🔊 **[78:25]** Korean management style today. What about future of Korean management?

🔊**[78:34]** Would Korean management style be quite similar to American style of management or Japanese style of management eventually?

🔊**[78:44]** One may ask this kind of questions.

🔊**[78:47]** We don't have any clear cut answer here, but I think this is what's going to happen.

🔊**[78:57]** Now, there are maybe 2 different alternatives.

🔊 **[79:00]** One would be Convergence, Convergence with the Western management style.

🔊**[79:09]** And the other alternative would be Divergence which would mean Korean style of management would remain unique as they have been so far, right?

🔊**[79:22]** So, there are maybe 2 different alternative theories, Divergence Theory versus Convergence Theory.

🔊**[79:30]** Perhaps depending on which level of management you're referring to



either divergence or convergence...may happen.

🔊**[79:43]** For example, if you refer to...let's say practice level management like a performance evaluation or pay structure.

🔊**[79:57]** For those kind of practice level, you may see increasing convergence. Increasing convergence.

🔊**[80:03]** Not worth though, phase scheme for Korean companies would be becoming similar to phase scheme of American companies or European companies over time.

🔊**[80:19]** So, you may expect more convergence.

🔊**[80:25]** What about management philosophy? Management values?

🔊**[80:33]** I think it may take really long time before we see convergence of management philosophy.

🔊**[80:44]** There are maybe still divergence in that particular level.

🔊**[80:51]** Management value. What would be examples of management value?

🔊**[81:00]** Group oriented mentality is one example.

🔊**[81:06]** So, 20 years from now I would expect Korean companies still very much group oriented.

🔊**[81:17]** That's part of their...I think philosophy because Korea is basically collectivistic society.

🔊**[81:25]** If Korea becomes individualistic country like the United States, it may change.

🔊**[81:34]** But that's not likely to happen even in the long term.

🔊**[81:40]** But if you look at, let's say Policy Level or Strategy Level.

🔊**[81:44]** For example, marketing strategy or the financial strategy.



🔊**[81:51]**At the strategy level, there are maybe both convergence and divergence.

🔊**[81:57]**So again, depending on which level we are referring to, we could see either divergence or convergence.

🔊**[82:13]**Alright. It's 6:50. I think I should let the Chinese student to go.