Key success factor in Korean Management

Dr. Nei Hei Park
October 2, 2014
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1. Achievements of Korea economy
2. Driving force behind the Hallyu (Korean Wave)
3. Key success factor in Korean Management
### Republic of Korea

#### Economic Situation

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>49,039,986 People (2014.07)</td>
<td>26th most population in the world</td>
</tr>
<tr>
<td>PPP GDP (Purchasing Power Parity)</td>
<td>1,666 US$ billion (2013)</td>
<td>12th largest economy in the world</td>
</tr>
<tr>
<td>Trade Volume</td>
<td>1,068 US$ billion (2013)</td>
<td>8th highest total trade volume</td>
</tr>
<tr>
<td>Employment to population ratio</td>
<td>63.8% (2011)</td>
<td>22th highest in the OECD</td>
</tr>
<tr>
<td>Sovereign credit ratings by S&amp;P</td>
<td>A+ (2014.09)</td>
<td>Positive</td>
</tr>
</tbody>
</table>
2010’s kangnam(South of the river)
1980’s kangnam (South of the river)
1960’s kangnam(South of the river)
Korea’s Economic Growth

Annual Growth rates (five year average values)

Source: Bank of Korea
Korea’s Export

Million US$


13 33 835 17,504 65,015 172,267 466,383 547,870

Source: Bank of Korea
Korea’s Export/GDP Ratio

Source: Bank of Korea
Korea’s Outward FDI

Million US$

Source: Bank of Korea
Korean Companies’ Global Market Share

Percent

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Automobiles</td>
<td>4.3%</td>
<td>7.7%</td>
</tr>
<tr>
<td>Semiconductors</td>
<td>6.4%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Mobile Phones</td>
<td>15.5%</td>
<td>24.7%</td>
</tr>
<tr>
<td>Shipbuilding</td>
<td>32.0%</td>
<td>32.9%</td>
</tr>
</tbody>
</table>

Source: various industry associations
Achievements of Korea economy

GDP Growth
(Unit: US$ billion)

Where Korea stands in the world
- 13th largest economy in the world
- 11th highest total trade volume
- 6th largest foreign reserve
- Donor country as a UN member

Korea is World's Major Exporter of

Shipbuilding
(Unit US$ billion)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>No.1 market share</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>(40% of all orders worldwide)</td>
</tr>
</tbody>
</table>

Handset

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>No.2 market share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(25% - Samsung:16.2%, LG:8.8%)</td>
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</table>

Automobile

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>No.5 market share</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>(5.6% share)</td>
</tr>
</tbody>
</table>

Semi-conductor

<table>
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<tr>
<th></th>
<th></th>
<th>No.1 market share in DRAM</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(50% share)</td>
</tr>
</tbody>
</table>

Display

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>No.1 market share in LCD(46%), PDP(52%) and OLED(45%) displays</th>
</tr>
</thead>
</table>

Where Korea is World's Major Exporter of...
Hallyu: Korean Fever
Exhibición de baile K-music

Lugar: Salón del Manga
Fecha: 01-11-2010
Hora: 13:00h-14:00h

GRUPOS: B/yul SSTY SUPuu
The trend of hallyu

- Korean Wave' of pop culture sweeps across Asia – CNN
- K-music sweeps South West Music Festival – korea.net

On May 29, hundreds of fans, mostly young Chinese women, began lining up for tickets. By the next morning, that number had swelled to nearly 10,000, resulting in a scene so chaotic that police could barely control what turned into a stampede of thousands of girls clamoring for a chance to see one of the most famous boy bands in Asia, arguably even the world. - CNN

Super Junior
The trend of hallyu

- last 10 years, “Dae Jang Guem” exported 87 country
- “Dae Jang Guem” income about 120 billion
- thesedays, many drama include “You Who Came From the Stars” export abroad

source: CCTV 2013, wikipedia, nksc
The trend of hallyu

- Gangnam style parodies hot in world
- As of May 31, 2014, the music video has been viewed over two billion times on YouTube, and it is the site's most watched video

source: CNN 2013, CCTV 2012, wikipedia
Hallyu Seen through Search Results

- Increasing Searches for Korean Pop culture in world

Source: Google Trends, LGERI
Note: The number of clicks for hallyu is the total for K-pop and dramas (quarterly trends).

source: Google trends, LGERI
The hallyu effect in economics

- Increasing hallyu effect in Korea economics
- World people want to buy Korea cosmetic, fashion, visit Korea, food etc...

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cosmetic, fashion</td>
<td>75.40%</td>
</tr>
<tr>
<td>Visit Korea</td>
<td>33.30%</td>
</tr>
<tr>
<td>Food</td>
<td>31.80%</td>
</tr>
</tbody>
</table>

Source: Kocca
The reason of hallyu population

1. **Eye candy!**
   - The stars of dramas, k-pop are very attractive.

2. **Cultural appeal**
   - It's educational and performance.

3. **Squeaky clean**
   - The majority of K-Dramas are G-rated and very clean compared to American movies and television.

4. **Fresh factor**
   - Many people from the Western world watch Korean dramas and pop just because they are different from the programming they are used to.

5. **Cool clothes**
   - The fashion in dramas and k-pop star clothes has definite trend appeal.

source: hubpage
Management point of view, hallyu

1. Korea entertainment firm target Asia market first and extend the world because of Asia market have similarly culture

2. Korea entertainment firm effort to understand to other country culture for infiltration
Management point of view, hallyu

3. Leader of entertainment have a clear vision and action plan for success

4. Goal setting, the firm Setting ambitious, concrete and exciting goals
Management point of view, hallyu

5. The entertainment firm dispatch scouts for the talent, trainee for star selected after exhaustive verify a talent.

6. The entertainment firm management their star so exhaustive. Example: food, exercise, time etc…
Management point of view, hallyu

- No1. 2 → Business Strategy
- No3. 4 → Leadership
- No5. 6 → Human resource management
Key success factor in Korean Management
Cornerstones of Korean Management

- Business Strategy
- Leadership
- Human Resource Management
Basic Orientation

- New products and services: aggressive diversification into new industries
  1) Related diversification
  2) Unrelated diversification
- New technologies: strong investment into and rapid exploration of new technological fields
- New market: rapid entry into new countries and regions

Overall: very aggressive, risk-taking business strategies
Implementation

- Speed: ‘palli, palli’
  1) Set very ambitious time schedules
  2) Meet deadlines under any circumstances

- External flexibility
  1) Flexibility regarding partner selection
  2) Flexibility regarding collaboration mode

- Internal flexibility: rapid re-allocation of financial and human resources to priority activities

Overall: focus on speed, supported by high flexibility
Leadership Features(1)

• Charisma
  1) Capability to motivate and excite employees and stakeholders
  2) Lead by good example

• Corporate value
  1) Business leaders installing personal values on their organizations through company mottos
  2) Supports alignment between strategic preferences and organizational behavior
# Core values of Korea’s ten largest business groups, 2011

<table>
<thead>
<tr>
<th>Company</th>
<th>Core Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung</td>
<td>People first, striving for excellence, leading change, integrity management, co-prosperity</td>
</tr>
<tr>
<td>Hyundai Motor</td>
<td>Challenging action, communication and collaboration, customer first, global mindset, respect for people</td>
</tr>
<tr>
<td>SK</td>
<td>Passion, love, challenge, innovation, integrity, responsibility</td>
</tr>
<tr>
<td>LG</td>
<td>Creating value for customers, respecting people</td>
</tr>
<tr>
<td>Lotte</td>
<td>Customer orientation, originality, collaboration, responsibility, passion</td>
</tr>
<tr>
<td>POSCO</td>
<td>Customer orientation, pursuit of challenges, implementation focus, respecting people, moral integrity</td>
</tr>
<tr>
<td>Hyundai Heavy industries</td>
<td>Imagination without limit, search for challenges, value creation, keeping promises, respecting people</td>
</tr>
<tr>
<td>GS</td>
<td>Dreaming of tomorrow together with customers, creating new values in life</td>
</tr>
<tr>
<td>Hanjin</td>
<td>Value innovation, relationship innovation, system innovation, capability innovation</td>
</tr>
<tr>
<td>Hanwha</td>
<td>Challenge, integrity, dedication</td>
</tr>
</tbody>
</table>
Leadership Features(2)

- Goal setting
  1) Setting highly ambitious, concrete and exciting goals
  2) Apply comprehensively from corporate to individual level

- Crisis creation
  1) Creating a sense of crisis (or a real crisis) from inside
  2) Maintaining organizational tension and motivation
Leadership : Supporting Factors

• Centralization of authority
  1) Senior leadership widely accepted
  2) Following Confucian culture tradition

• Chairmen’s planning offices
  1) Efficient group level intelligence units
  2) Reporting directly to chairmen

• Strong intra-organizational coherence
  1) Korean style collectivism
  2) Inwha and Jeong
Human Resource Management

- Recruiting
  1) Highly selective/competitive
  2) Based on comprehensive evaluation of applicants

- HR development
  1) Extensive and continuous training
  2) High profile corporate training centers and programs

- Compensation and promotion
  1) Traditionally seniority based
  2) Increasingly performance based
HRM : Supporting Factors

• National hunger for economic success
  1) History of poverty and suppression
  2) Motivation through new social and economic mobility

• National education zeal
  1) Confucian tradition
  2) Competition based on education merits
Summary: Key Features of Management

- Entrepreneurial ambition with a long term perspective
- Aggressive, risk-taking and persistent business strategies
- Fast implementation
- Flexibility regarding implementation methods
- Strong executive leadership
- Creating a strong team spirit
- Emphasis on human skill formation
- Providing strong motivational incentives
Korean Companies’ Dynamic Capabilities

- Dynamic Capability: Ability to change or re-configure existing capabilities according to business needs (“meta capabilities”)

1) Ability to seize opportunities
2) Ability to learn from past experiences
3) Ability to learn from others
4) Ability to act quickly
5) Ability to change procedures flexibly
Thank you~!