

# Korean Style Management

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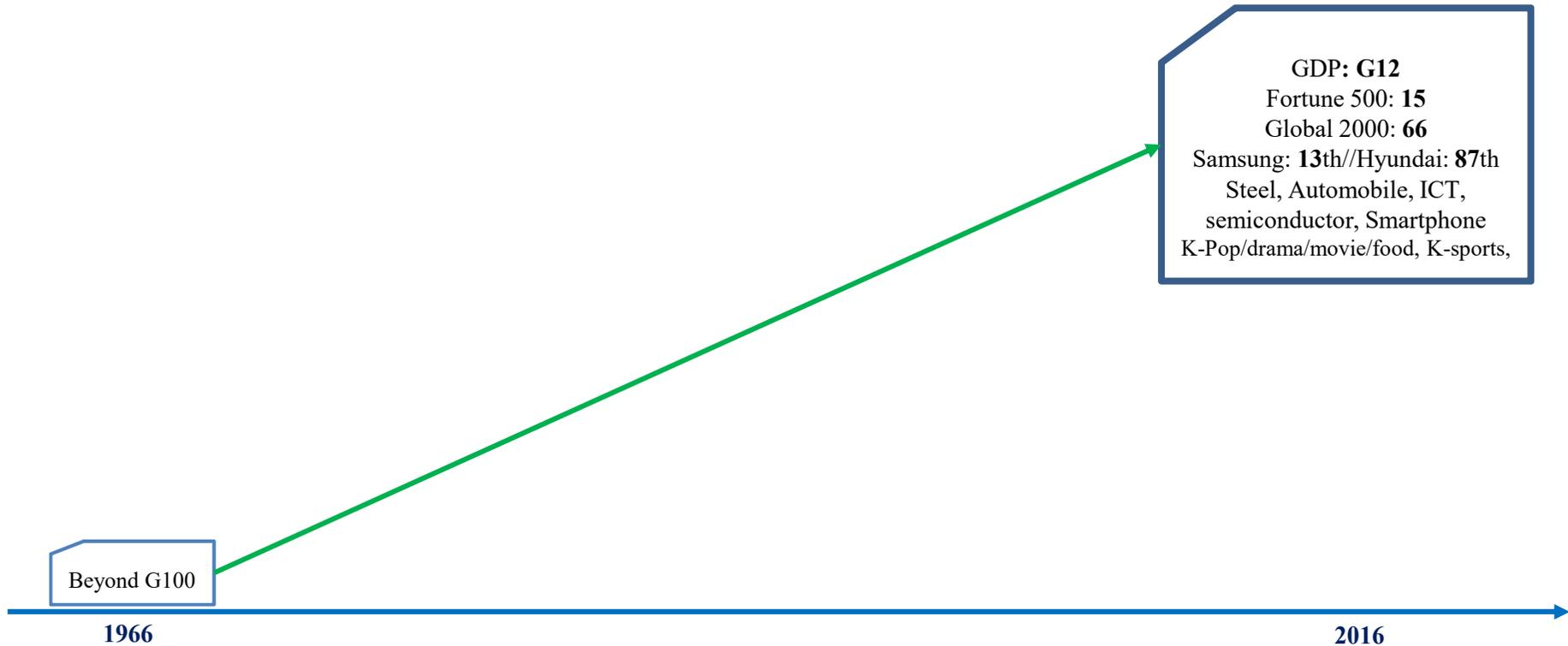
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References:

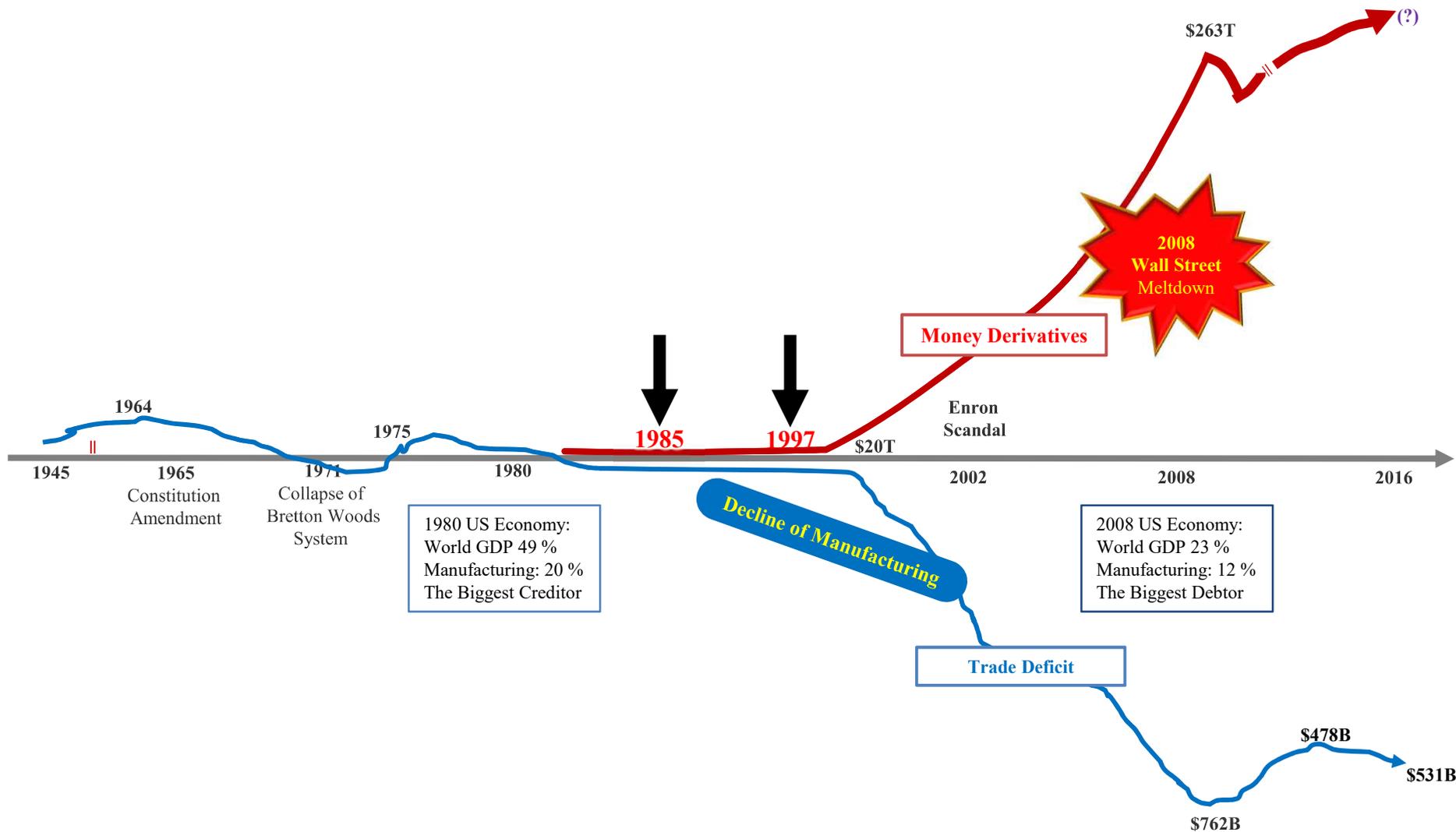
- Kim I.H.S. 2016. Dynamic Management View: Logic of Profit Seeking based on the Adaptation to Technological Change and Needs Evolution through Needs-focused Innovation, *Technology Analysis & Strategic Management* ( SSCI, forthcoming).
- Kim I.H.S. 2015. Chaebol Structure, *Wiley Encyclopedia of Management* (3<sup>rd</sup> ed.) 1-12.

**Korea Economy Upheaval accomplished by Korean Conglomerate *Chaebol Structure*  
During the last 5 decades (1966-2016), while World/US economy have been evolving,**

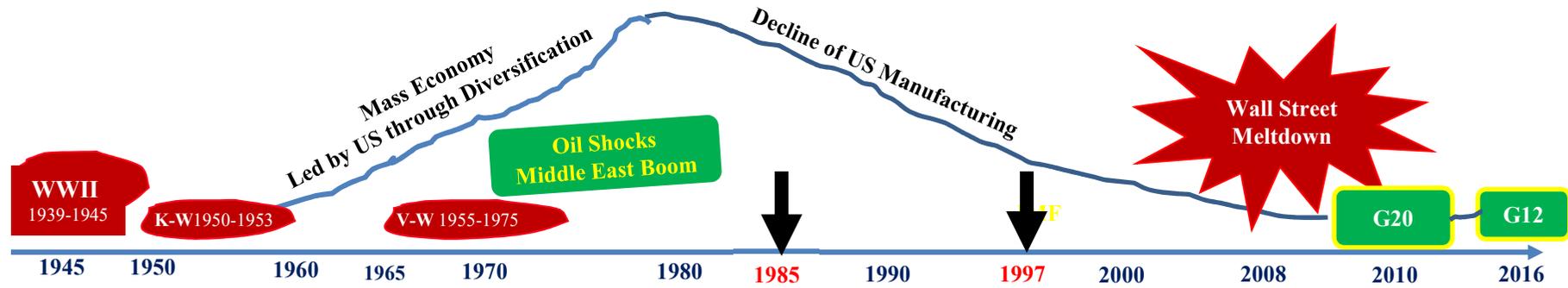


# Overview of World/US economy in the last 5 decades (1966-2016)

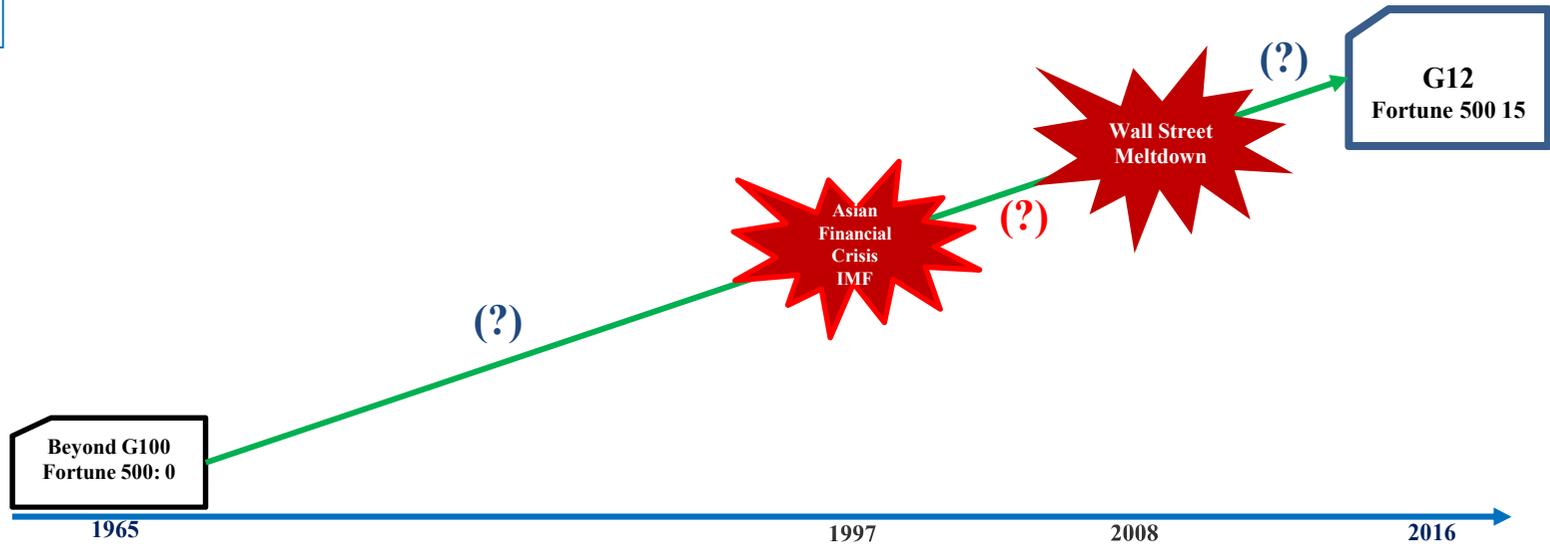
*US Economy has been turning from the biggest creditor to the biggest debtor since **1985** due to Decline of Manufacturing and Uprising of Money Derivatives especially since **1997**. Eventually Wall Street meltdown broke out and gave rise to Global Economic Crisis that keeps still going on*



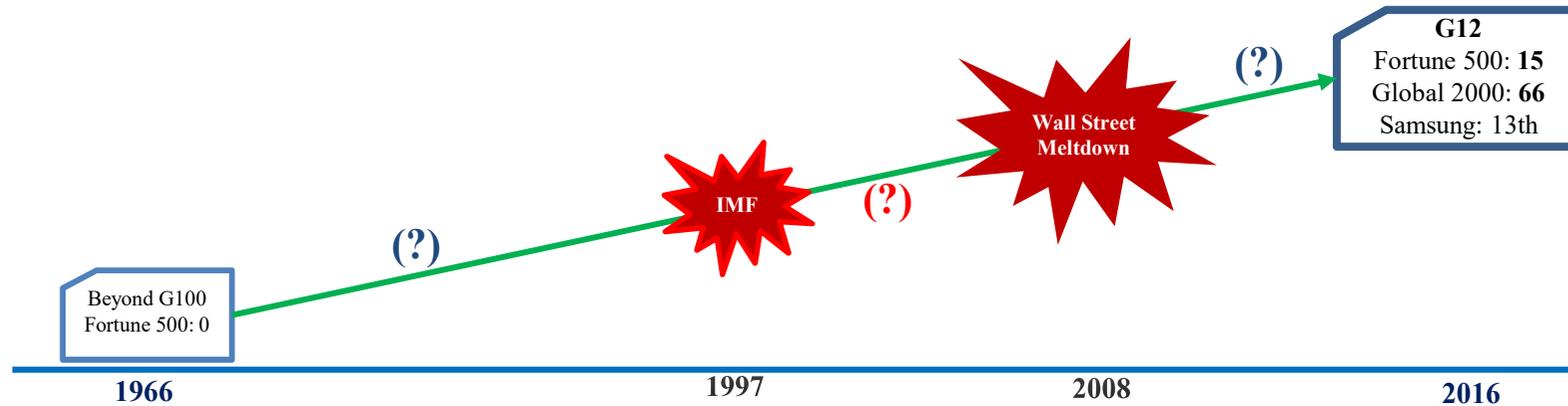
# US/World Economy Trend and the Korea Economy Upheaval (1966-66)



- Drivers of Mass Economy
- Manufacturing-based industries
  - Technologies used in WWII
  - From Coal to Oil
  - Diversification



## There are remarkable three Facts in the Trajectory of Korea Economy



**Fact 1:** Korea economy has made a rapid growth by *Chaebol Structure* before 1997 Asian financial crisis.

**Fact 2:** Just after 1997 Asian Financial crisis, 13 *Chaebol Structure* among 30 have become bankrupt.

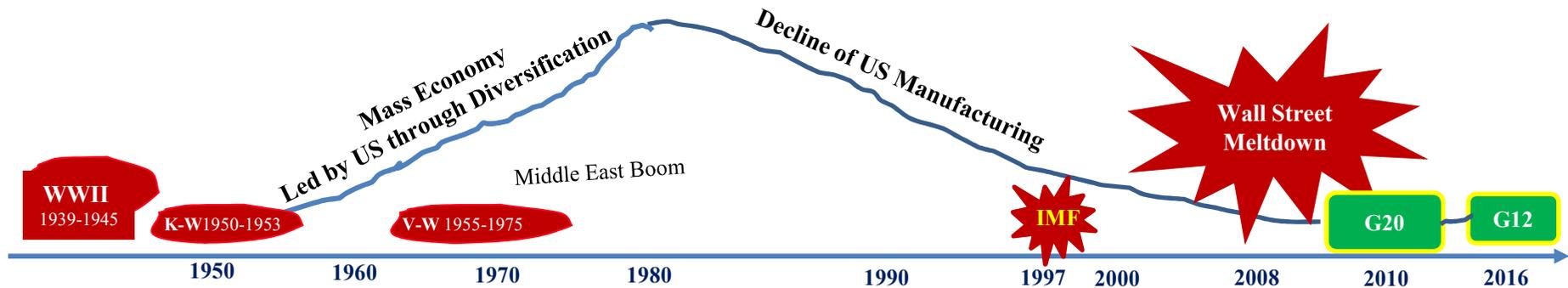
**Fact 3:** The surviving *Chaebol structure* have led Korea to G12 in 2016 even in the global economic crisis due to Wall Street meltdown 2008.

How to explain these facts in a common manner

**Dynamic Management View:** Logic of adaptation to technological change and needs evolution through needs-focused innovation

## Dynamic Management View:

Logic of Profit Seeking based on the Adaptation to Technological Change and Needs Evolution through Needs-focused Innovation



Key Factors for Mass economy  
 - Manufacturing-based industries  
 - Technologies used in WWII  
 - From Coal to Oil  
 - Diversification

### Chaebol Structure formed in 1960s-1970s

by 1<sup>st</sup> generation of founder with unyielding character, hurry-hurry mind & hungry spirit at first following 'from Import substitution to Export' policies through borrowed technologies and later Catch-Up strategy based on 'from Imitation to Innovation' with full support from Government in taking advantage of Vietnam War & Middle East Boom

### While US manufacturing kept waning since 1980,

Chaebol Structure expanded in 1980s-1990s through **Diversification** focusing on **Manufacturing for export-orientation based on Radical Innovation as well as Incremental Innovation** with self-sustaining financial capability by the **leadership of the 2<sup>nd</sup> generation** who seeks for '**Centralized Decision-making & Decentralized Execution**' to make the most of ownership & management in dealing with diversified businesses

After 1997 Asian financial crisis **13 Chaebol Structure among 30 bankrupted** who had no innovation capability in **adapting to technological change and needs evolution** globally/locally

The survivors have been able to make the most of the global financial crisis as an opportunity through '**more intensified radical innovation**' strategy thanks to the **manufacturing-oriented business domain**, contributing to make Korea become **G20** in 2010 even in the global economic crisis due to Wall Street meltdown

Korea  
**G12**

## What is Korean Style Management

**Management Style** formed by the Korean conglomerate *Chaebol Structure* who have led the Korean Economic Upheaval during the last 5 decades (1965-2015) through **Dynamic Management View** as the logic of profit seeking based on '**Harmony of Ownership and Management**' as Korean corporate governance.

### Dynamic Management View

**Dynamic Management View: The Logic of Profit Seeking based on the Adaptation to Technological Change and Needs Evolution through Needs-Focused Innovation**

### Korean Corporate Governance

**Korean specific Corporate Governance** was initiated and formed by self-made CEOs of the Korean Conglomerate, **Chaebol Structure** in 1960s-1970s to accomplish **Export-driven industrialization policy** with the **Government support** during the burgeoning of the world **mass economy age** since WWII ended.

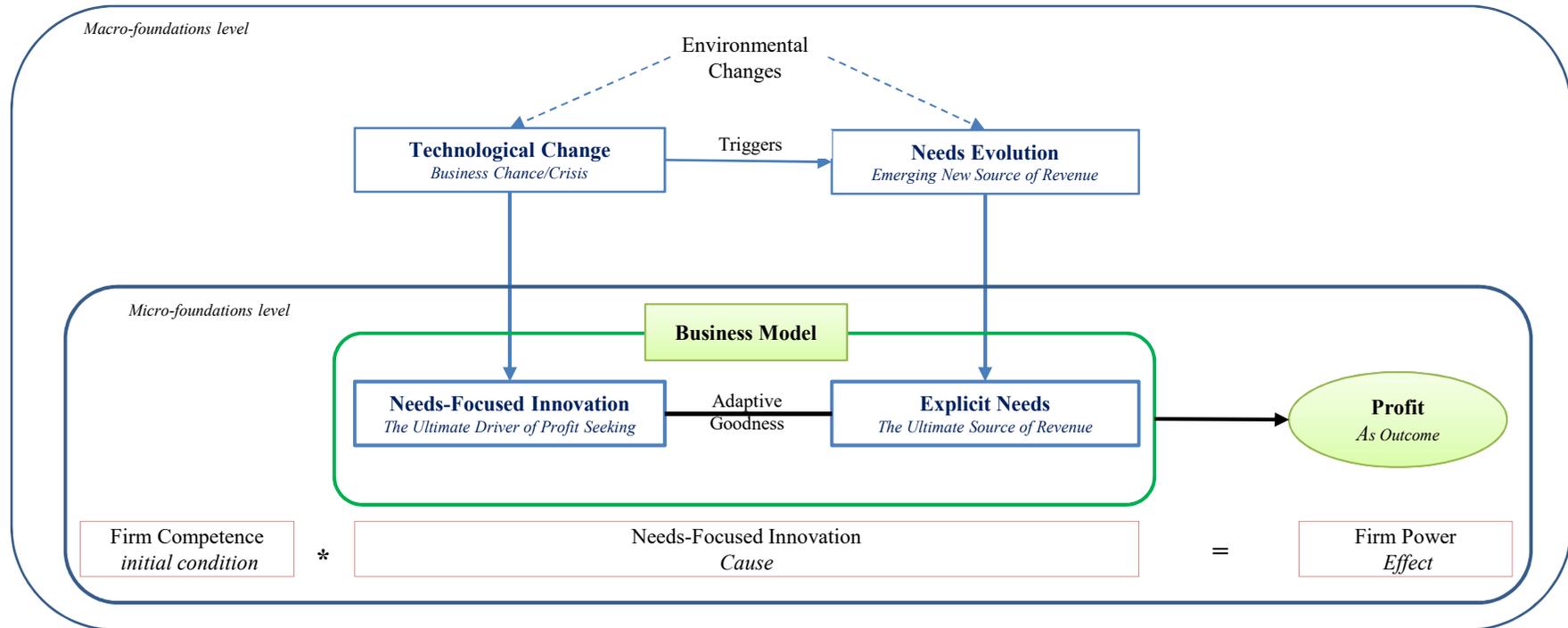
At government level: **Decision making** by Strong Leader **Park Chung-Hee** (born 1917), President of ROK and **Execution** by **self-made CEOs**

At Chaebol Group level: **Decision making** by Self-made CEOs: **Lee Byung-Chul** (born 1910) founder of Samsung; **Chung Joo-Young** (born 1912) of Hyundai; **Goo In-Hyae** of LG; **Park Tae-Joon** of POSCO (military-CEO)  
**Execution** by **professional managers** educated in US and field-oriented engineers accustomed to Japanese style management

## Similarities and Differences between Korean Style Management and the Existent Ones

Korean Style Management	The Existent Ones
Profit Seeking together with Value Creation	Purpose of the Firm
Adaptive Goodness <i>an absolute indicator in adapting to technological change and needs evolution through needs-focused innovation works as the determinant of profit</i>	Evaluator of Profit Seeking/Firm Performance
Needs-Focused Innovation	Driver of Profit Seeking
Explicit Needs with WTP as well as Purchasing Power	Source of Revenue/Profit
Centralized Decision-Making by Owner & Decentralized Execution by Professional Manager	Decision-Making and Execution
Harmony of Ownership and Management	Corporate Governance
	Value Creation and Profit Seeking Used interchangeably
	Competitive Advantage <i>a relative indicator by comparing with the competitor(s) works as a mediating variable just taking profit seeking as black box</i>
	Innovation
	Actual Needs with Purchasing Power
	Top-Down Planning & Bottom-Up Execution
	Separation of Ownership and Management

# Dynamic Management View



**Dynamic Management View: Logic of Profit Seeking based on the Adaptation to Technological Change and Needs Evolution through Needs-focused Innovation, *Technology Analysis and Strategic Management* (SSCI) (accepted)**