

INTERNET'S VALUE FOR KOREAN COMPANIES

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Characteristics of the Internet Use by Korean Companies

The Internet is being hailed as a panacea for success by many academics and experts. Recently, many large companies in Korea have started to use the Internet for various kinds of managerial operations.

According to a survey¹⁾ conducted by the Korea Chamber of Commerce and Industry, domestic companies regard the main benefits from using the Internet are: faster information gathering (43.2%); better information exchange (37.1%); lower cost of information management

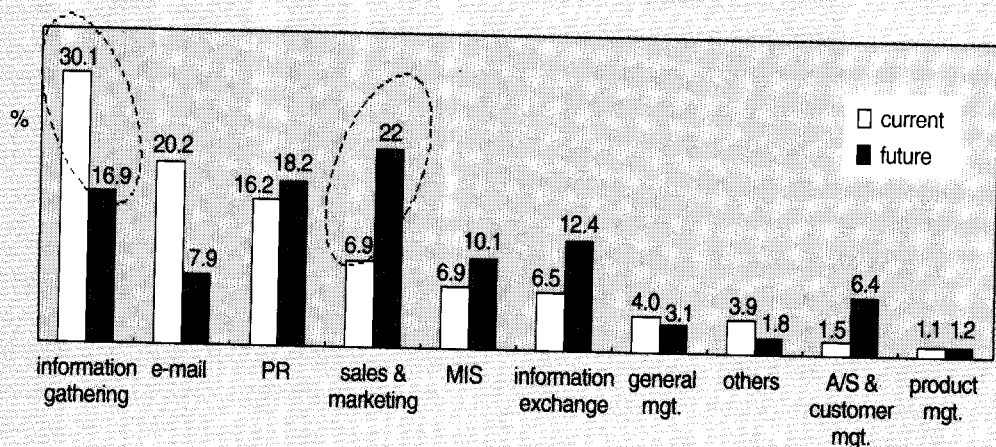
(10.0%); faster decision making (4.8%); and creation of competitive advantage (4.1%).

Other implications from the survey results and various case studies shed some light on the use pattern and future potential values of the Internet in Korean businesses.

First, the Internet is used more on a personal basis than at the corporate level.

The survey results show that the Internet is used in companies for more personal than corporate purposes. For example, information searching and e-mailing are the main reasons for the Internet usage in business firms. PR,

Figure 1. Scope of the Internet Usage in Korean Companies



1) The survey was done by the Korea Chamber of Commerce and Industry (KCCI) in 1998. The respondents were decision-makers in 264 companies in Seoul and 70 companies in other regions. All surveyed companies were listed on the Korea Stock Exchange.

sales & marketing and MIS through intranets make up most of the use at the corporate level. However, future usage of the Internet is expected to be different. It has been estimated that the proportion of both sales & marketing and PR will increase.

Second, Korean companies use the Internet mostly for publicity purposes.

65.4% of the companies operate their own websites, while the remaining companies still do not. The majority (85.9%) addressed publicity work (including corporate PR), advertising and product information communication as key objectives of maintaining their web pages. However, the Internet was not perceived by Korean businesses as a very useful means for practical activities such as sales, after-sales services and customer support (7.1%).

Third, the largest barrier is users' mindset.

About half of the respondents face several barriers in accessing and fully utilizing the Internet in their workplaces. Outdated communication technology is one of the constraints, but the critical problem is that people still do not fully appreciate the value of information obtained from the Net. Many senior managers and employees still have not changed their mindset and manner of operation; a recent report by the Hyundai Research Institute about the comparative analysis of national digitization confirmed this. Korea is lagging behind the U.S. in digitization; according to the survey, Korea's information and communication utilization rate is only one-tenth of that of the U.S. This result reflects that Korean businesses should address the issue of digitization in terms of both facility and utilization of computers and networks including

the Internet.

Fourth, not all companies say they need the Internet.²⁾

55.0% of respondents feel that the Internet is a little helpful, whereas 37.7% responded it is very helpful. Moreover, the percentage of people that will not use the Internet in future is 34.7%. Many respondents do not want to use the Internet because they feel no need for it in their management.

Suggestions for Effective Usage of the Internet

Based on these findings, a couple of points could be made in order for Korean companies to best use the Internet. First, firms should identify the exact need for the Internet in their business. Electronic commerce is a hot topic in corporate management, but the success and the degree of necessity depend on each individual company's situation. Firms differ from each other in what capacity they can benefit from the Internet. Businesses where relationship marketing matters can enjoy the cost-down effect by fulfilling customers' needs. When dealing with anonymous mass customers as in the case of advertisement; on the other hand, one can seize a bigger market accessibility by opening a website.

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2) This is not fully surprising, however. There are many U.S. companies thinking that the Internet is not important at all. According to the survey result of the Yankee Group, 13% of medium to large U.S. companies thought the Internet is not important at all (*The Economist* June 26th-July 2nd, 1999)

support 5,000 of its many large business customers. For Sun Microsystems, which hires 6,000 people every year, the Internet proves to be a very useful tool for recruiting. The website of Cisco Systems, a computer network manufacturer, provides its sales and profits information for visitors. Ford Motor Co., has been using its Intranet to improve intra-firm communication among its 100,000 employees for the last two years. In the case of using its website as the company's Intranet page, however, the confidential information of its top management should be protected by tight security measures.

Another important point is the top managements' initiatives in using the Internet. According to the survey mentioned above, only 69% of top managers encourage their subordinates to use the Internet. This fact reflects that Korean firms greatly lack top managements' initiatives for a wider use of the Internet in their core businesses. The Internet is a method of communication where one can enjoy a "network externality."³⁾ Therefore, how to incorporate the Internet effectively into

Korean firms greatly lack top managements' initiatives for a wider use of the Internet in their core businesses. The Internet is a method of communication where one can enjoy a "network externality."³⁾ Therefore, how to incorporate the Internet effectively into business operation of Korean firms should be addressed in terms of urgent policy agenda, as well as important business strategy.

business operation of Korean firms should be addressed in terms of urgent policy agenda, as well as important business strategy. Fortunately, Korean businesses possess "forerunner" CEOs who could be cited as model cases. The CEO of the Hyundai Corporation, the general trading company of the Hyundai business

1993; he also provided a chat room in the intra-firm communication network. Recently, Hyundai Corp. initiated a strategic alliance with Globalmart, an Internet trading company. This move verifies that his company is leading "Internet-friendliness" among Korean trading companies.

Sailing on the Sea of Opportunities

This year, major general trading firms affiliated with Korea's big business groups such as Hyundai Corp., Samsung Corp., Daewoo Corp. and Hanwha Corp. are racing to expand their business operations through the Internet, launching retail sales as well as exporting and importing. This can be interpreted as appreciation of the Internet's power for business firms in Korea. What should be noted is that small- and medium-sized companies should also turn their eyes to the Internet now. Export and trading via the Net can save cost and time, as the chronological and geographical barriers do not really matter in cyberspace. Small companies can sell themselves more effectively by putting their advertisements and publicity work on their own websites and find trading partners more easily through the Internet. They can also exchange information and consult or negotiate with their partners and potential buyers through e-mail. Various web pages created by trade bodies in Korea can also help small- and medium-sized companies by informing them of export costs and required documents for taking export orders. The Internet, if used wisely and carefully, can become part of a useful survival kit in the age of open competition. **VIP**

³⁾ In economics, it is said that there is a network externality when the more people or companies are connected to the network, the more value and gains are produced.