

“NEW MILLENNIUM MANAGEMENT”: EXECUTIVE SURVEY RESULTS¹⁾

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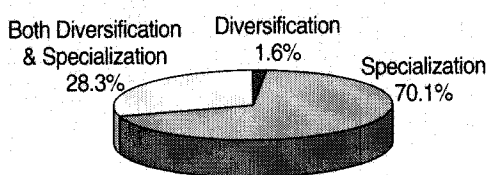
Ushering of the new millennium carries particular significance to many, with no exception to Korean entrepreneurs. Under the title of “Corporate Management in the New Millennium”, executives of planning and management from 128 companies listed on the KSE and KOSDAQ were surveyed from September 29 to October 4 via fax on their outlook on business environment and their management strategies in the second millennium.

Management Strategies

Longtime believers of high sales and external growth, surveyed companies in general chose “specialization” as their management buzzword in the next millennium. Also, as knowledge-based management and globalization trends are here to stay, knowledge management system, strategic partnership, global outsourcing and other methods related to the two trends are expected to become common practice.

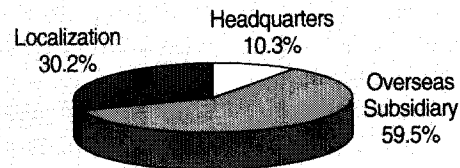
Business Scope: When asked on business scope, 70.1% replied they would pursue specialization. Only 1.6% decided to diversify

Figure 1. Business Scope



business areas and the remaining 28.3% said they would try both strategies equally.

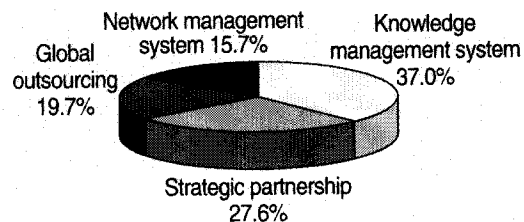
Figure 2. Management Goal



Management Goal: According to the survey results, profitability is the dominant business goal for the respondents. 43.5% chose profitability-oriented management and 54.7% said they would focus on both profitability and sales growth. None of the respondents would set their goal on sales growth only. For core management method, surveyed executives selected knowledge management system (37.0%), strategic partnership (27.6%), global outsourcing (19.7%) and networking (15.7%).

Global Operation: The majority of respondents showed a strong preference for

Figure 3. Global Operation



1) This survey was conducted jointly by Hyundai Research Institute and Korea Economic Daily.

localization as their global operation strategy. Most companies said they would decentralize power from the headquarters (59.5%) or pursue total localization (30.2%). Only 10.3% would maintain the headquarters-centered structure.

Labor, Technology and Marketing Strategies

Most of Korean companies forecast that labor-management relationship would step up to a more equal cooperative one through compromise. Also the current practice of performance-based annual salary system is expected to be reinforced. When asked on the necessity of active introduction of annual salary system, almost 90% were in favor.

Labor-Management Ties: On the issue of labor-management relationship, 61.7% of the surveyed executives expressed desire to form equal cooperative relationship through concession, whereas only a minority of the respondents would carry on labor-management relationship based on imbalance of power such as cooperative relationship with more emphasis on corporate management (29.7%) and cooperative relationship with more emphasis on employees (7.8%).

Technology Acquisition: When it comes to acquiring new technology, companies prefer joint technology development to independent attempts. 25.8% said they would reinforce

their own existing R&D, whereas 30.5% would gain new technology through strategic partnership.

The remaining companies chose joint development

with another company (21.9%), strong ties with universities (18.0%), technology purchase (3.1%) and acquisition of competitive technology firms (0.8%). This is a break from the past when most companies were adamant about acquiring new technology through their own R&D activities. In the years to come, the are expected to further resort to more open

attitude toward technology development by strategic partnership or joint development with other companies.

Marketing: In the new millennium, short-term strategies centering on sales will be replaced continuously by those increasing brand value. Executives responded that they would raise their brand value (37.5%), develop new products (32.0%), employ Web-based marketing (12.5%), strengthen after-sales services (6.3%), make inroad into new markets (6.3%), and improve product design (5.5%).

Information and Knowledge

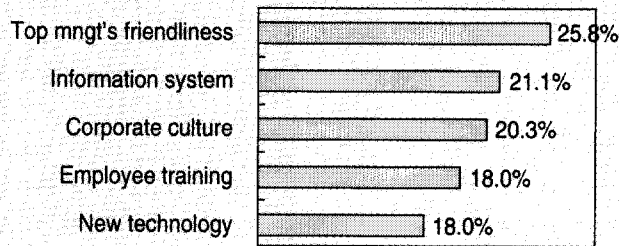
Although companies are fully aware of the importance of information and knowledge, their self-assessment shows that their level of information and knowledge utilization leaves much to be desired. More than 90% of the surveyed executives thought e-business takes up a considerable proportion of corporate management (52.3%) or is to become the general trend (38.3%). Less than 10% of the survey respondents expressed a pessimistic outlook on the importance of e-business.

However, 7 out of 10 companies said that the level of information and knowledge utilization in corporate management by Korean companies is very low. 28.9% thought Korean companies are slightly behind Western companies but less than 1% of the surveyed executives believed Korean companies were shoulder-to-shoulder with advanced companies in using information and knowledge for management.

On the question of ways to elevate the level of information and knowledge utilization, 25.8% of the companies strongly recommended that the top management needs to enhance information friendliness. Other means included integration of information system (21.1%), changing corporate culture (20.3%), enhancing employee training and education (18.0%) and introducing the latest information technology (14.8%).

To elevate the level of information and knowledge utilization . . . they strongly recommended that the top management needs to enhance information friendliness.

Figure 4. Information and Knowledge



What the Government Can Do

Economic Recovery: 62.5% of the survey respondents thought 2 or 3 years are needed for the economy to resume its pre-crisis state. Over 30%, however, answered that the recovery would take a longer time, between 4 and 5 years (25.0%) or more than 5 years (5.5%). The results can be interpreted not as depression of will to overcome the crisis in a short period of time but rather as thorough self-analyses that Korean companies cannot fully overcome the crisis without fundamental reform. Abandoning the past practice of management on loans, adopting global standards, enhancing management transparency and other paradigmatic changes will call for genuine efforts to accurately understand the reality and undergo complete transformation.

Korean companies turned out to have low confidence in the government. According to the survey results, pressing tasks for the government in beefing up corporate competitiveness proved to be deregulation (28.1%), establishing principles of market economy (23.4%),

stabilizing the capital market (20.3%), supporting R&D investment (10.2%), boosting flexibility of the labor market (3.9%), increasing support for small- and medium-sized companies (3.9%) and extending support for promising industries (2.3%). Their foremost hope, however, was to have free corporate activities guaranteed. During the economic crisis, the government's "neo-interventionism" proved to be burdensome to the corporate community. Anti-corporate sentiment forming in some parts of the society also caused doldrums for many entrepreneurs.

Needless to say, all companies are faced with unpredictable business environment in the new millennium. Korean companies, having survived the long and winding road of restructuring, have no choice but to gather their wits and resources to prepare for the coming millennium. New management paradigms call for creative innovations to meet sudden and unfamiliar challenges. The turn of the millennium can serve as a timely cause for Korean companies to cast away past practices that blocked opportunities for constructive growth. **VIP**

Figure 5. Government's Role

