

NEW MANAGEMENT STRATEGY IN YEAR 2000

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Today, changes in economic and business environment are occurring at the speed of light both at home and abroad, mainly due to fast-growing information technology (IT). The trend in these changes, which will accelerate in the new century, can be summarized into the following four key words: globalization, network, speed and flexibility. As the whole world is merging into a single market, efforts to establish global standards in various fields (such as New Round moves regarding competition, environment and technology) are increasingly facilitating "globalization". With growing emphasis on sharing information and knowledge in the era of co-opetition and co-existence, "networking" will better connect Korea to the world and vice versa. Also, because lesser time is involved in development of new technology and diversification of consumer needs, "speed" in management will be accentuated. Finally, to meet the challenges in the information economy, "flexibility" in business fields will be greatly needed.

With the advent of such changes in the year 2000, companies will seek new management strategies to survive the cutthroat competition. Such strategies include Focus Management, Networking Management, Settlement of New Corporate Governance, Expansion of Six Sigma Movement and Establishment of Advanced Corporate Financial Management.

1. Focus Management

Focus management can be processed

largely in three directions. First, companies are expected to reorganize and simplify their business portfolio by selection and concentration, so that companies can concentrate on business areas with high growth potential and high value added. Second, the core of business portfolio will shift from traditional business areas such as manufacturing to business via the Internet. It will spur on the digitization of existing businesses. Considering that fast growth of the Internet has resulted in lower transaction cost, broader trade scope, and diversified trade contents, the shift will rush toward new Internet-based businesses. Third, the current value-creation system would be restructured in order to respond to many changes in business, e.g., modification of business models due to IT, the shift of profit source from manufacturing to service industry and increase in outsourcing and strategic alliance.

2. Networking Management

In pursuit of establishing a framework for global digital management system, networking management can be practiced according to

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the following three tactics. First, formation of global strategic alliance with advanced foreign firms should be so as to construct horizontal networks among companies. For successful strategic alliances, companies must continuously develop competitive and unique core competences. In particular, alliance with Internet-related firms will be desirable in the maturing age of e-commerce. Second, more companies would resort to global outsourcing system to make the best use of corporate resources and increase their global competitive advantage. While the past outsourcing deals have been sought mostly with domestic firms, outsourcing in the Digital Age will be pursued in many modes with overseas firms, thanks to IT. Third, more companies will build customer networks to foster long-term loyalty and confidence in the company. For example, customer relationship management (CRM) may be applied to retain loyal customers.

3. Settlement of New Corporate Governance

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process, reinforced laws on corporate governance, which were enacted last year, need to firmly take root. For this purpose, public enterprises and companies whose total assets are over one trillion won plan to increase the number of outside directors by more than 50% of all board members by year

2001, which would improve Korea's credit and reputation abroad. Second, selecting professionals from various fields, for instance lawyers, accountants and bankers, as directors will make the best use of outside director system. Furthermore, the role of board system may be enhanced through establishing several committees within the board, like audit, finance, compensation, nomination, and outside directors committee. Although the current law requires both audit and nominating committees, it is worthwhile to implement many committees by function.

4. Expansion of Six Sigma Movement

The Six Sigma Movement is going to spread among more companies that aim to adopt an advanced management style. Originally, the movement was focused on quality improvement in the manufacturing process. However, its scope has broadened recently to cover from the beginning and to the end of the entire business process, serving the original objective in three aspects. First, as a remedy for high-cost and low-efficiency system which is one of typical characteristics of the Korean economy, it can be used to improve quality in overall business fields. Also, it will enhance corporate competitiveness by increasing customer satisfaction in services as well as reducing errors throughout each production stage. Finally, this movement can be applied to various corporate functions such as human resources, corporate finance and marketing in order to encourage innovative efforts from employees.

5. Establishment of Advanced Financial Management System

Advance management of corporate finance is essential to obtaining competitiveness in financial management and accomplishing profit-generating management based on value

creation. For this purpose, three main directions can be mentioned. First, profit-oriented management may be observed to increase shareholders' value. In the past, quantitative growth (such as total sales or total asset) was the primary goal rather than qualitative growth (such as profitability or value increase) for Korean companies in general. This practice has caused avoidable operation of unprofitable business. Together with re-designing business goals in qualitative terms, performance measurement and compensation systems based on value creation are needed. Second, global accounting standards will continue to be actively introduced so as to enhance transparency in reporting a company's financial performance. Finally, both enterprise-wide risk management (ERM) and advanced financing methods would be employed in order to gain competitiveness in financial management. Due to teeming uncertainties in business environment, all risks related to business management will be managed at an integrated level. Furthermore,

traditional corporate financing methods like share and bond issue would be replaced progressively by structure financing methods such as asset-based security (ABS) and total return swap.

Conclusion

The two-year economic crisis proved to be more beneficial than harmful for Korea. Without proper response to many challenges, companies cannot survive in the intense competition. In order to take off as global advanced companies in the 21st century, companies have no other choice but to cope with many difficulties creatively and aggressively. Both establishment of advanced system and pursuit of high-performing business strategies are the only ways for Korean companies to survive in the world of unlimited competition. **VIP**

Table 1. Five Main Strategies in 2000

Main Strategies	Intended Goals
Focus Management	<ul style="list-style-type: none"> • Selection and concentration • Shift of core business on to the Internet • Restructuring of value-creation system
Networking Management	<ul style="list-style-type: none"> • Global strategic alliance • Development of global outsourcing • Build-up of customer network
Settlement of New Corporate Governance	<ul style="list-style-type: none"> • Early implementation of outside director system • Efficient use of outside directors • Active function of board committees
Expansion of Six Sigma Movement	<ul style="list-style-type: none"> • Low-cost and high-efficiency structure • Enhancement of customer satisfaction
Establishment of Advanced Corporate Financial Management	<ul style="list-style-type: none"> • Profit-oriented management based on shareholders • Introduction of global accounting standards • Increase in financial competence