

Ten years after financial crisis

A few weeks ago, I was asked by a Korean magazine to contribute to a series of articles about the 10th “anniversary” of the financial crisis. The editor had a special role in mind for me: I would be the “reform guy,” urging Koreans to change. I agreed to provide my perspective, and my storyline was quickly put to paper: for all the past successes, the financial crisis had revealed serious flaws in Korea’s economic model; some reform tasks (e.g. financial sector reform) had been addressed but others remained incomplete (esp. government, corporate, labor market reform); reforms in these areas would be essential for Korea to achieve its full potential. In addition, I highlighted two other real concerns among Koreans: the perceived loss of the “Korean way,” and worries about uncertain economic prospects for many ordinary Koreans.

Losing the ‘Korean way’?

Many Koreans worry whether the end of Korean-style economic development would force them to give up the “Korean way” altogether. I recalled my discussion with a former senior manager at Daewoo Motor who suggested that his company could have become a major global player today had it remained independent. He also lamented that many of the established practices at Daewoo Motor had been lost following its acquisition by GM. I countered that GM Daewoo today is selling

An Outsider’s Insight

By Tariq Hussain



more cars than Daewoo Motor ever had in the past. This had been possible by combining GM’s global reach with Daewoo Motor’s manufacturing skills and flexibility. Granted, the integration process had not been easy and the company has become part of a multinational corporation, but Daewoo Motor and the Korean economy are clearly better off today. Losing independence would not mean losing the Korean way.

During another discussion, a Korean sociologist and management trainer wondered whether my suggestion to overcome rigid hierarchies would not ignore the inherent strength of Korea’s management approach. She had initially tried to create more dynamic and open corporate cultures in her client organizations, but gave up when she saw that she was “running into an organizational wall.” I disagreed, and provided an example from my own experience as a consultant. Before concluding a project to advise the change management team of a major organization, I conducted a “Western style” performance evaluation. We agreed on a template with competency

areas and a clearly defined process for conducting the appraisal. Team members would evaluate each other based on interviews and feedback from colleagues. One junior manager had to assess the General Manager who was 15 years his senior. He was scared to voice any criticism, but I reminded him of the rules — balanced, frank feedback, based on sound evidence and facts. We spent around three hours to deliver the appraisals.

Afterwards, all four team members told me how much they had benefited from the experience. Open appraisals had not been part of their traditional top-down hierarchy, so it helped all of them understand their strengths and development needs. They went off to study more about the power of such performance evaluation programs, eager to tailor them to their company and use them as an important tool to develop their own staff in the future. Koreans cannot and should not simply adopt a U.S. style management approach. Yet injecting proven Western management practices into Korean corporate culture can create a powerful combination: Korean drive,

ambition and knowledge, unhampered by suffocating hierarchies and bureaucracies.

‘Worse than ever’

Of course, new management techniques are not a major concern for ordinary Koreans. While writing my article, I asked a few taxi drivers about the financial crisis and its impact on Korea. One of them had been laid off during the crisis, and did not have too positive memories. Another one, a taxi driver for 36 years, told me that the situation today is worse than at any time since he has been in the business: “People don’t spend any money for taxis any more — it’s very different from before the crisis. I work 20 days per month, typically from 6 in the morning to 8 p.m. at night, and all I bring home every month are 1.6 million won. I am lucky that my kids are already grown up, and that I bought some property in the 1990s — otherwise I could not support my family.”

Indeed, economic growth has slowed down, and is expected to fall further next year; and income inequality has increased since the financial crisis. Many ordinary Koreans argue that they swallowed a big part of the pain to ensure that the country would recover and repay its loans. They are right. Policymakers need to further strengthen the public social safety net, as the financial crisis put an end to the con-

cept of life-time employment. And they need to be bold enough to demand sacrifices not only from ordinary Koreans, but also established and entrenched interests.

Tired of reforms — but hungry for change

After completing a draft of my article, I shared it with a Korean friend. He suggested I not use the word “reform,” as Koreans had become tired of so-called “reforms” and “innovation” in recent years. Indeed, the two taxi drivers had made similar comments. (for lack of a better expression, I kept the word reform, but added “true” as an adjective) At the same time, they had also noted how keen Koreans were on things to improve, and a clear direction out of the current slump. Koreans are willing to change, as long as it provides the basis for sustainable growth and improved job opportunities. The energy and constant desire to improve remains a key aspect of the “Korean way.” Let’s hope this energy can be channeled in the right direction in 2007. After all, year 10 after the financial crisis is also a year of presidential elections.

This column appears monthly. Tariq Hussain is the author of “Diamond Dilemma — Shaping Korea for the 21st Century” and Country Representative of Maxmakers Korea. He can be contacted at tariq@diamond-dilemma.com. — Ed.