

# The power to shape – or break – Korea

My June column on World Cup fever resulted in a few reader responses. Watching Korean fans cheer their team against France, one reader noted that the country would surely do well if Koreans can tackle reforms with the same enthusiasm. Eager to see for myself, I joined the crowds around the City Hall prior to the showdown against Switzerland. At 11.30 p.m., with kickoff more than four hours away, fans had taken their positions all the way down to Cheonggyecheon. When live performers chanted the well-known warrior songs and slogans, a sea of red erupted in unison.

Once again impressed by Koreans' drive and determination, I remembered how I first experienced the famed "can-do spirit" in the mid-1990s: During a site tour of Samsung Electronics facilities, proud executives proclaimed that the company would leap to the top three rank in its main product segments within five years (which they did).

Standing in front of POSCO's impressive new headquarters in Gangnam, I recalled the description of its launch in 1968: "Armed with a sense of duty not to squander even one penny that came from the sacrifice of our ancestors, all employees were strongly united and devoted to constructing a steelworks for the country, sleeping curled up in the construction site office called 'Rommel House' and eating rice mixed with sand." I was overwhelmed. Clearly, Koreans' energy and passion have proven one of

## An Outsider's Insight

By Tariq Hussain



the country's main competitive weapons over the past decades.

Yet, having worked and lived here for a while, I have also realized the drawbacks of this collective drive. Three seem particularly important. First, the direction has to be the right one. Goals can be ambitious, but they have to be achievable, otherwise they become empty slogans. As the country has become more developed, past growth rates are difficult to maintain. The law of diminishing returns applies to Korea as well; even its best companies such as Samsung and POSCO.

Although the financial crisis has clipped some of the most daring dreams, many businessmen, government officials and politicians still rely too much on the can-do spirit. Even worse, Koreans' energy can become dangerous and self-defeating when set in opposite directions. Korea's World Cup exit coincided with the start of the strike season, a regular display of management and labor unions confronting each other, often with little prospect for an immediate compromise.

Second, drive alone is not enough. Koreans' efforts are admirable, but they have to be

translated into output. At the macro-level, this is what the economist Paul Krugman described as East Asia's input driven phenomenon — where sweat and savings, not productivity, were propelling an inherently limited growth model.

Today, Korea's economy remains unproductive in many key sectors, most notably in services, where its labor productivity is only half of that in manufacturing. The emphasis on sweat and sacrifice is also obvious at the micro-level. Too often, what counts is the number of hours dedicated to an activity, rather than the actual outcome. An all-night, all-out effort to finish a project will elicit a "sugo haeyo" from many Korean bosses — a phrase of appreciation which refers to hard work and contribution, not actual success.

Third, the uniform, unconditional support for the collective has become outdated in a world where companies and economies increasingly depend on diversity and individual talents. Today's most brilliant and capable Koreans can easily find attractive offers in the United States or Europe — in an environment where their individual talents

are fully appreciated. Surveys show that many young graduates would prefer to join global companies as they offer more flexible HR systems where individual contribution counts for more than age and seniority.

Similarly, a Korean style management approach is unlikely to work in other countries. POSCO is finding out just that as it tries to follow up on its planned \$12 billion investment in India. One adviser familiar with the project notes: "This project is the perfect example of top down, uniform Korean management style clashing with the complexities of global management — in this case India's national and local business, politics and activism. POSCO completely underestimated this challenge."

So what is to be done to tap Koreans' unique energy, but overcome its obvious downsides as well? Maybe most importantly, a recognition by leaders across society that traditional drive and determination are not enough. Guus Hiddink and, to a lesser extent, Dick Advocaat, were so successful as Korea's national coaches, because they balanced the Korean team's collective energy with individual talent.

Among large Korean companies, Samsung is trying to combine its traditional strengths (the famed "Samsung Way" of flawless execution and management) with a new way of diversity. One key initiative has been to hire global MBAs as internal consultants and then transfer them into

various business units — thus injecting foreign expertise and fresh ideas. The program has started to bear fruit, but requires chairman Lee's uncompromising support to ensure ongoing implementation.

A balanced approach is critical for political leaders as well. As newly elected regional and local government officials take office this week, they have to push for far-reaching changes. Many countries and regions are in urgent need of economic revitalization.

However, too many officials pursue new visions and grand gestures rather than substantial projects which have a real impact. At the national level, potential presidential candidates are positioning themselves for the election next year. It is hoped that political parties and voters ultimately choose a candidate who not only displays healthy can-do spirit, but can overcome the country's deep divisions — social, regional, political and generational. The power of Koreans is tremendous: strong enough to shape the country into a shining diamond, yet dangerous enough at times to divide and break it.

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