



KOREA

MANAGEMENT PERSPECTIVES: A STUDY OF CEOS IN ASIA

by Korn/Ferry International

INTRODUCTION

What follows are key findings from a survey of 185 CEO-level executives throughout Asia that senior partners of Korn/Ferry International's offices around the region concluded earlier this year in response to some changes in the business environment that were impacting on our operations here. Working together with A/C Nielsen, we distilled the results which reaffirm much of what has been discussed in recent months in the global business press and at industry events around the world.

While many of observations are indeed mere "reaffirmations" of what is easily observed and reported on already, it is notable that respondents from Korea went "against the grain" in some key areas.

SUMMARY OF BUSINESS OUTLOOK & CHALLENGES: ENTHUSIASM WANING IN NORTH ASIA?

Overall, CEOs across Asia view their current business environments very positively, with 70% rating them "very good" or "good." Perhaps obviously, in Greater China, the figure was 90%, with 41% saying the environment was "very good" and 48% saying it was "good." Korean executives, though, were by far the most pessimistic, with only 42% rating the business environment as "good," 21% saying it is "fair," and 37% saying the situation is "poor" or "very poor." It is notable that they were the only group to select the "very poor" descriptor. Even executives from Japan, where only 36% of respondents rated the environment as either "good," not one ranked it as "very poor."

Perhaps even more interestingly, when asked what they envisioned for the next 12 months, only 21% of Korean execs saw improvement, with almost 30% expecting a downturn. Whereas in every other country or sub-region an average of half of those polled held optimism that the economy would improve further, half of those from Korea expected things to "stay the

same." Regardless of where the CEOs reside, China and India were deemed the markets with the best growth potential.

These positive forecasts cued increased investments for more than 90% of the CEOs, who said they plan moderate to aggressive investment over the next two years. Again not surprisingly, in Greater China and India, the fever runs even hotter – with 72% and 61% of executives saying they plan "aggressive" spending, respectively. Only 29% of Korean respondents were bullish, with 17% saying they had "conservative" plans.

With aggressive investment plans in the pipeline and a keen focus on expanding markets, 71% of the companies represented foresee an increase in the rate of their executive hiring in the next two years. In Korea, 55% said they would hire more.

THE FOCUS IN ASIA IS ON GOOD PEOPLE: FINDING, KEEPING THEM IS THE TOP CHALLENGE

When asked what main challenges the leaders would have to address in the next two years, “gaining and retaining talent” was the significant number one answer for every country except Korea, where only 48% said it was the top issue they face. Rather, more than half of them said they are more concerned about facing the competition in the short run.

The tactics used to gain and retain the best executive talent varied from country to country. Execs from China and Southeast Asia put the heaviest emphasis on wooing talent with money. In Japan,

“maintaining communication channels” and “conveying a company’s vision” are believed to improve the retention rate, while in India, half also look towards giving “autonomy and freedom” to team members. (See Figure 2.)

A separate question revealed the significance placed on inspiration and motivation by the Korean CEOs, 61% of whom cited these as the ideal leadership characteristics they would need to demonstrate to succeed in the short term. (See Figure 3.) In fact, region-wide, a CEO’s “industry knowledge” and general “management skills” were deemed less important than leadership ability.

	SE ASIA	GREATER CHINA	JAPAN	KOREA	INDIA
GAIN/RETAIN PEOPLE	80%	60%	73%	48%	72%
COMPETITION	60%	47%	50%	52%	57%
GAIN/RETAIN CUSTOMERS	63%	35%	47%	42%	45%
RECOVER/MAINTAIN GROWTH	46%	33%	30%	29%	43%
PRICING	26%	33%	40%	26%	34%

Figure 1: In your opinion, what are the main challenges your company will have to address in the next 2 years?

	SE ASIA	GREATER CHINA	JAPAN	KOREA	INDIA
OFFER CONSTANT MOTIVATION/CHALLENGE	58%	50%	67%	47%	63%
OFFER ADEQUATE / COMPETITIVE COMPENSATION	61%	68%	47%	50%	50%
STIMULATE PROFESSIONAL GROWTH AND DEVELOPMENT	58%	45%	33%	47%	50%
MAINTAIN COMMUNICATIONS	44%	43%	43%	37%	24%
GIVE AUTONOMY AND FREEDOM TO TEAM	31%	23%	33%	30%	50%
CONVEY THE COMPANY’S VISION	14%	14%	43%	27%	24%
RECOGNIZE & CELEBRATE ACHIEVEMENT & SUCCESS	17%	30%	7%	33%	22%

Figure 2: What do you do to ensure you gain and retain the best executive talent for your company?

	SE ASIA	GREATER CHINA	JAPAN	KOREA	INDIA
INSPIRATION/MOTIVATION	60%	36%	50%	61%	59%
FOCUS ON RESULTS	60%	41%	50%	52%	61%
EFFECTIVE PLANNING	37%	59%	63%	39%	28%
GOAL SETTING/LEADING BY EXAMPLE	43%	30%	30%	42%	35%

Figure 3: Thinking now about the characteristics of ideal CEO leadership in the next 2 years, which are the 3 most important?

OUTSOURCING TO CHINA & INDIA

Current or future sourcing plans correlate closely to geographic proximity (Hong Kong and Japan are the clear leaders, at 81% and 88% respectively), but 55% of CEOs polled already source in China. Despite their relative business pessimism, Koreans (27%) lead the region in their avowed intent to source in China in the future.

This feedback when asked their general “views” on strategic sourcing in China fell in line with the CEOs plans there. In addition to an abundant pool of “cheap labor,” China is seen as a market with an efficient, strong infrastructure and tax advantages. In prioritizing their resources, companies are willing to commit low-tech but labor-intensive and cost effective jobs to China. When asked to elaborate on reasons why they are NOT making plans to invest in China in the next

three years, China’s economic situation, intense industry competition and human capital issues were among the reasons cited.

Though India ranked just after China as the second market with the best growth potential, the current and future intent of CEOs to source there was significantly lower, with 60% showing no immediate interest. Despite the agreement that India is a market with a large pool of highly-educated but inexpensive talent as well as superior technological capabilities, these advantages are not enough to entice them to explore outsourcing their operations to India. It appears that the lack of confidence in the infrastructure, cultural differences and uncertain government regulations are factors dampening the enthusiasm.

SUMMARY

Top executives across Asia share the enthusiasm about opportunities for growth in the next two to five years. This is tempered by significant human capital challenges, requiring a strategic focus on how to secure and maintain the “high performance” teams that will help turn those opportunities into reality and give their companies true competitive advantage over the long term. Outsourcing in locations like China and India make sense for low-tech and labor intensive positions, but will not necessarily rectify the huge gaps in executive level talent required to run the ever-increasingly complex businesses in each market.

COMPANY PROFILE OF THOSE INTERVIEWED IN KOREA

Consumer = 32%
Financial Services = 25%
Industrial = 18%
Life Sciences = 18%
Technology = 4%
Govt/Ed/Non-Profit = 4%

In Korea, the relative pessimism vis-à-vis growth prospects was matched by a lessened sense of urgency to find and keep good people. Rather, beating the competition seemed to be the primary issue on their minds for the next two years.

That said, the Korean execs might already understand the secret to long-term success, however, as they demonstrate an acute awareness of the need to motivate and develop their staff not only to get the results they want, but also to retain top talents for well into the future.

ABOUT KORN/FERRY INTERNATIONAL

Based in Los Angeles, Korn/Ferry International partners with clients worldwide to deliver unparalleled senior-level search, management assessment, and coaching and development services. The firm began operating in Seoul in 1998.

Mr. Tseng is President, Asia/Pacific for Korn/Ferry International. Based in Shanghai, he oversees 15 offices in a region encompassing ASEAN, Australasia, Greater China (including Hong Kong), India, Japan, and Korea. He is also a member of the firm’s Global Operating Committee.

With over 20 years’ experience in the Asia/ Pacific markets, Mr. Tseng serves as a top advisor to companies around the world, helping them define their organizational needs and develop their leadership capital in the region. In his current position he also specializes in “C”-level and regional head placements for multinationals and Asian conglomerates.



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