

South Korea pushes to dissolve 'the old way' of business culture

By Choe Sang-Hun Friday, October 24, 2008 International Herald Tribune

SEOUL: When Hwang Yong Taek, a 43-year-old marketing chief at Hyundai Card, began his career at another big South Korean company 18 years ago, women in the office were few and low in status. No woman could complain when the department went out to dinner and ended up in a nightclub, with men taking turns dragging reluctant female colleagues to the dance floor. If an executive attended the dinner, the two prettiest women had to sit on either side of him, filling his glass.

"It was a natural thing to do," Hwang said.

So the message was clear when Hyundai Card, one of the leading credit card companies in South Korea, fired a senior manager last year for sexual harassment during such a dinner.

"If men insist on the old way, they'll be in trouble," said Cho Yoon Hee, 28, who works at Hyundai Capital, Hyundai Card's sister company. "We women won't take it any more."

Across major South Korean businesses, the old male-oriented and rigidly top-down corporate culture is crumbling. The shift signals an end to a regimen that served South Korea well when military strongmen and the paternalistic chairmen of its conglomerates spearheaded the country's economic growth.

Office workers came to work and stayed as long as their bosses. They raised and emptied their glasses when their section chief said, "Bottoms up!" They seldom spoke up during meetings or challenged their superiors' decisions. They all got the same raises and were promoted at the same time. They didn't know whether they were to be transferred until it was announced. If a woman refused to "voluntarily retire" when she got married, it was considered a scandal.

It was comfortably Confucian in its respect for patriarchy and hierarchy, and it suited the mind-set of men who, almost without exception, had served as conscripts in the military. But a series of shocks have forced a rethinking of this once-successful model.

The 1997 Asian financial crisis brought job layoffs that undermined old assumptions of what employer and employee owed each other. Women pushed into the workplace by the economic uncertainty became newly assertive about their rights. The rise of Internet start-ups introduced and glamorized more casual, egalitarian ways.

Above all, there was the growing realization among the top conglomerates that the old management style stood in the way of what they needed to do most to survive: innovate and globalize.

"Doing well at home was no longer a guarantee of survival, but we had serious doubts as to whether the system that worked at home would work internationally, in different cultures," said Hwang Se Yeon, a senior vice president at SK Telecom, the largest South Korean wireless company. "Our management structure was too monolithic and hierarchical to encourage diversity and creativity."

This is not a novel diagnosis. But in late 2006, SK did something radical about it: It abolished the old titles for employees below the executive level.

Previously at SK, as at most Korean companies, an employee's pay, rank and responsibility - in short, his identity not just in his company but also in the outside world - was defined by his job title, and that was determined largely by how long he had served there.

An assistant manager surnamed Kim, for example, was seldom called "Mr. Kim," but rather "Mr. Assistant Manager Kim" or "Mr. Assistant Manager." (If a superior addressed him, it was just "Assistant Manager Kim.")

Now all nonexecutive SK employees hold the same title: "manager."

"At first we felt emotionally deprived," said Jeong Young Bae, who has worked for SK for 13 years.

Some old-timers took the change as a slight and threatened to quit. But top executives persisted.

Today, the company reports that its "flat" hierarchy has encouraged the flow of ideas, letting the "creativity of the young" sometimes override the "wisdom of the old," something that can be an asset in the fast-changing telecommunications industry.

Kim Dan Bi, 24, who joined SK in January and holds the same "manager" title as Jeong, would not even have qualified for the lowest assistant-manager rank under the old system. Sending so junior an employee to negotiate with SK's business partners could be considered an insult.

"Since we're all managers now, I no longer have to walk behind a senior colleague when I visit our business partners," Kim said. "I feel more responsible."

At Shinsegae, the largest chain of department and discount stores in the country, the employees' name cards still carry hierarchical titles. But they also carry the message: "We practice Shinsegae Pay." In other words, we split the bill.

A few years ago this would have been a grave breach of business etiquette. But now, when a Shinsegae employee has lunch with others, he takes out a company-issued calculator and pays his share of the bill. He does not allow potential vendors to pay for

him. The company maintains a whistle-blowing hot line to catch violators of this policy, who could lose their jobs.

The idea is to fight *jeopdae*, or “entertainment,” a common business tool that sometimes constituted bribery and could take the form of lunch in an expensive restaurant, a round of golf or a session in a cloistered barroom with prostitutes.

“We are not just paying our own way - we are applying global standards to our thinking,” said Lenny Choi, an official with Shinsegae’s corporate ethics and audit department.

The old ways are not dead yet. Most companies still prefer top-down management. Sons inherit businesses from fathers. Corruption scandals regularly rock big businesses. Most employees address each other by their titles.

But with Shinsegae, SK and Hyundai Capital - all affiliates of top conglomerates - leading the change, it reflects a growing view that the old management style is not as effective as it once was.

In 2006, the average South Korean wage earner worked 700 hours a year more than his counterpart in the Group of 7 countries. But South Korean value-added labor productivity remained at 65 percent of the G-7 average, according to Samsung Economic Research Institute.

The emphasis on global standards is changing the look of corporate life in South Korea.

In 1996, only 2 percent of South Korean companies adjusted an employee’s annual pay based on individual performance, while the rest maintained a uniform policy on raises. That percentage shot up to 48 percent in 2005, the last year for which official data are available.

At SK Telecom, suits and ties are no longer required. At 6 p.m., a voice on the intercom urges employees to go home to be with their families or use the time for self-improvement.

Shinsegae forbids junior employees to buy birthday gifts for their bosses. At Hyundai Capital and Hyundai Card, when the chief executive, Ted Chung,

enters an auditorium for a company ceremony, employees no longer give him a standing ovation.

Chung, who is 48 and was educated at the Massachusetts Institute of Technology, is not a typical South Korean boss.

Young employees casually smoke in his presence. A business report no longer goes through a laborious chain of command. All involved, including Chung, comment on the report in a Wikipedia-like online process, both to save time and to prevent ideas from being jettisoned by midlevel managers.

Seven out of every 10 employees who change jobs within Chung’s companies do so through its online “Career Market,” where an employee can advertise for a new job.

“I am telling them they are in charge of their career - the company can’t do everything for them,” Chung said during an interview. “They were not born and educated to be loyal to Hyundai.”

Formerly, major companies did expect such loyalty from employees, and in return guaranteed lifetime employment. That social contract was shattered during the 1997 crisis, when many conglomerates collapsed. As men lost jobs or took pay cuts, women took jobs to help support their families. In 1999, South Korea enacted a law banning sex discrimination in the workplace and required companies with more than 500 employees to open child-care facilities.

Women still account for less than 13 percent of the work force at the 100 largest South Korean businesses, according to the Federation of Korean Industries. If they no longer have to deliver coffee for male colleagues, they still have difficulty advancing. SK and Hyundai Card have just one female executive each.

Still, the status of women in the workplace is rising, as reflected in a popular television commercial. The ad, for an LG Electronics cellphone, shows male office workers scrambling to please their demanding female boss.