

Key Success Factors and Management Patterns of Five Major Korean Companies

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Abstract

Today, Korean companies are at a crossroad between success and failure. Whether or not they overcome these difficulties will determine their future as first-class global companies or remain as second-class businesses in the coming 21st century. The important consequences of this stage are reflected on the fact that many major Korean companies are trying to change their nature in every way possible.

The purpose of this study is to find the success factors and patterns of major Korean companies. The results of this study will contribute to seeking and developing the management strategies that allow Korean companies to fortify their international-competitiveness and globalization.

This study will focus on five major Korean companies selected from a sample of successful companies which belong to the top five companies, the largest business groups in Korea, as well as to the representative industries that have shaped the development of Korean economy.

I . Introduction

Today, the most successful companies in the world have maintained their success through their management systems, which are difficult to imitate. As in the cases of Kanban system of Toyota Automobile Corporation, Work-Out

Program of GE, and Human Resource Development System of IBM, these companies have created management systems and methods adaptable to a worldwide market on the basis of their own unique organizational culture. Furthermore, they are constantly seeking changes and innovations to adapt to the changing management environments and to build international competitiveness of their own.

Until now, several Korean companies have struggled to achieve their own management system in order to compete with the world's leading companies. This paper will focus on the key success factors through which major Korean companies have grown successfully in the world market. Until now, most of the research concerning Korean companies has focused on the negative aspects, criticizing their weaknesses and shortcomings, rather than highlighting the positive aspects. Although studies on the negative viewpoint are necessary, it is essential to unveil the key success factors and patterns which bring forth constructive and positive lessons for the future growth of Korean companies. By investigating the five major Korean companies' management strengths and the key success factors, we will examine how to accomplish a "Korean-Style" management system and its institutionalization that will contribute to its globalization of management.

The key success factors this research focuses on, refer to the unique management styles, operating methods, settled traditions and business practices which appear in the course of solving the diverse and complicated business problems. Examples are firm's reactions to the change of government policy, establishment and implementation of management strategy in response to the market competition and consumer's needs, organizing principles to cope with internal and external uncertain complex environments, and human resource management systems or the ways of enhancing corporate culture to the changes of the employees' needs and values. Also, this study attempts to identify the unique "success patterns" based on the key success factors of the major Korean companies.

"Success patterns" refer to the examples or certain attributes of a company's success. Therefore, it can be analyzed by looking at the specific forms of key success factors common to the companies of each business group. The analysis of success patterns will reveal how these companies combine managerial resources and elements in order to have inter-

relationships among them as well as contingent fitness with the environment. Furthermore, on the basis analyzing of key success factors and patterns, we can explore how the dynamics and the fitness of entire management systems change.

This study has chosen the Korean corporations that belong to the major industries which have played a role in Korea's rapid growth, and still are dominant players in the market. Among these, the parent companies or the major-force companies that are representative of each business group were chosen for the study.

Samsung General Trading company was selected on the grounds that it belongs to the trading industry and represents the Samsung Group; Hyundai Motors belongs to the automobile industry and represents the Hyundai Group; LG electronics belongs to the electronics industry and represents the LG Group; Daewoo Heavy Industry belongs to the machinery industry and represents the Daewoo Group; and SunKyung industry belongs to the chemical and textile industry and represents the SunKyung Group. The profile of the selected companies is shown in <Table 1>.

<Table 1> The profile of the companies

Type	Samsung General Trading Co.	Hyundai Motors	LG Electronics	Daewoo Heavy Industry	SKI
Established	1938	1967	1958	1937 (1976 Daewoo)	1969
Main Force Industry	Trading, Apparel	Automobile	Electronics	Machinery	Synthetic fiber
Employees No. ('93)	5,010	43,480	30,650	8,413	3,914
Sales('93)	133,205 billion	71,811 billion	43,235 billion	8,822 billion	5,617 billion
Vision	21C The top general Co.	Global Top 10	HiMedia / The top Co. in Lifesystem	21C The top Co. in the world	The top Co. in textile&precisi- on chemicals
Status	Mother company	One of the main force companies	One of the main force companies	One of the main force companies	One of the main force companies

Note>>

1. The companies are arrayed from left to right according to sales.
2. Goldstar changed its corporate name to LG in March 1995.
3. Although Daewoo Heavy Industry merged with Daewoo Shipment at the end of 1994, this table represents the sales of Daewoo Heavy Industry.

This research is based on the case study method in order to examine the key success factors of the five chosen companies. Several field managers from each company were selected as the counterparts. The secondary data, as well as the checklist, were gathered with the help of those managers. And in order to illuminate the ambiguous data and to collect additional success cases, in-depth interviews were repeatedly conducted with relevant companies' managers and field managers.

II. Key Success Factors of the Five Major Companies

This research investigates the process of success and intends to tackle the key success factors which stimulated the growth of five major Korean companies.

1. The Key Success Factors of Samsung General Trading Company

In the 1970s, Samsung General Trading Company (SGTC) was certified by the government as the "first" general trading company and started to grow so rapidly that it represented the general trading company in Korea.

The first key success factor of SGTC is its large scale transaction volume with the Samsung Group which already had an extensive base of various product families for export. Until the 1980s, the major role of general trading companies was to export its products to other countries since it was more profitable to export products made by parent companies rather than by others. Specifically, SGTC had many light industry product families that had international competitive advantage. After SGTC achieved the largest market share by means of initial competitive advantage, it reinforced its competitive position through economies of scale in financing and trading. Since then, Samsung Group has played an important role in supporting SGTC to

grow as an importer as well as an exporter.

The second key success factor is the Korean government's support and subsidies for the infant general trading companies, as well as SGTC's friendly relationship with the government. In the 1970s, the government supported general trading companies in every aspect because it had strived for export-driven policy. Of course, the government publicly provided the same support for all of the general trading companies. However, SGTC, the first certified general trading company, had substantially more advantages than others. In return, SGTC offered various services to the government, in order to maintain a friendly relationship. For example, SGTC's entrance to the foreign markets which had no treaty of amity with Korea, supplied an excellent opportunity for the Korean government to promote diplomatic relationships with them. Also, the employees of SGTC working in foreign countries provided comprehensive information through their personal network for the government, which faced great difficulties in gathering information. As mentioned above, SGTC's good relationship with the government has sponsored the growth of the company.

The third key success factor of SGTC is its adaptability to the environment through organizational flexibility. In other words, SGTC was able to radically restructure the organization by the timely forecasting of the trends in the business environment. The forecasting of business environmental changes was achieved by combining informational capability through the personnel network of SGTC with the analytic capability of the headquarter's staffs. Salesmen overseas, as well as in domestic markets, continuously offered information to the headquarters. Headquarters integrated and analyzed the received information as a tool for managerial decision-making. Nowadays, SGTC has strengthened their information capability through SASCOM, the communication network system interconnecting the overseas offices of the Samsung Group. The forecasting of environmental changes was then followed by frequent radical restructuring and an enhancement of the environmental adaptability of SGTC. Specifically, fast decisions on installation and abolition of an office often kept the limited resources from flowing into the areas that did not need the resources desperately. At the same time, by promptly entering into promising businesses and withdrawing from the declining industries, SGTC boosted its adaptability to the environmental

changes.

The fourth key success factor is SGTC's ability to recruit and develop talented employees. At the time, the success of the general trading companies was dependent on the international businessmen who were willing to achieve the goals in the world market. SGTC was able to recruit highly qualified personnel from a large pool of people who preferred international business in the earlier stages of Korean economic growth. In addition, the prestigious image and the reputation for record sales of SGTC were advantageous in securing qualified personnel. Through Employee Educational Support Systems and the International Management Research Institute which Samsung has emphasized from their inceptions, SGTC was able to train talented employees into competent international businessmen who, in turn, have strengthened the international competitiveness of the company.

The fifth key success factor is the strong leadership of SGTC's president who was supported by Samsung's chairman. From the earlier years, the chairman of Samsung Group provided the general guidelines for the management of SGTC, but seldom intervened in the managerial issues. Rather, the president of SGTC with the support of the Group chairman has led the organization with his own goals and driving-force. The powerful leadership of SGTC's president, with the aid of elaborate analysis and forecasting by his staff, made it possible to implement the radical restructuring that reinforced SGTC's environmental adaptability.

Of the five key success factors, the major driving force of SGTC's success in earlier stages stemmed from the reliable support of the Samsung Group along with its friendly relationship with the government. But the main factor that reinforced its success today can be found inside SGTC. The flexibility of the organization, talented employees, and excellent leadership have led to SGTC's success. In conclusion, SGTC has become one of the leading companies in Korea, because on one hand SGTC was able to adapt itself to the external business environment, and on the other, has strengthened its internal organizational capability.

Therefore, after following the successful path through the 1970s, SGTC stretched itself to become the most famous and successful corporation in the 1980s. But in the 1990s, recognizing that key success factors of the past would not last for the coming 21st century, SGTC is trying to rebuild itself as

a multi-business enterprise by entering into new business areas such as multimedia, distribution channel, architecture, and other service areas.

2. The Key Success Factors of Hyundai Motors

Hyundai Motors, the 13th largest automobile manufacturer in the world, endeavors at continuous innovations to leap up to one of the top-ten companies in the 21st century. The success of this company can be attributed to the following reasons:

First, the president of Hyundai Motors as well as the chairman of Hyundai Group, had an excellent prospective and a strong driving force for business. Although there was no manufacturing technology, or promising automobile market at the time of establishment, the chairman of Hyundai Group decided to make a large scale investment in the automobile business, forecasting that the automobile industry would dominate the economy in the near future. For example, the establishment of a plant for 100,000 cars which was considered an excessive investment for any domestic company in 1974, and the mass production of Pony, their own model in 1976, showed remarkably strong driving force on the part of the management. Through a series of decisions such as those above, Hyundai Motors has grown to become an automobile manufacturer with the ability to independently develop their products as well as their productive capacity. In addition, the president of Hyundai Motors, one of the chairman's brothers, exercised substantial managerial discretion, and shaped the organization's unique culture after the 1980s. His scrupulous and rational leadership style, which is differentiated from those of other large-scale businesses of Hyundai Group, such as construction, ship-building, and heavy-industry, has created the appropriate organizational culture for Hyundai Motors.

Second, immense investment in production facilities, which could have been considered reckless, helped the company to succeed. The investment in facilities can be seen as a part of the first factor, but it should be considered as an important factor in itself. Hyundai Motors started the investment in 1967, established the plant for 100,000 cars in 1974, and entered into a mass production of Pony, their own model, in 1976. Since 1976, the company expanded the plant to produce 300,000 cars, and now they have the capa-

bility to produce 1,300,000 cars. This large-scale investment in production facilities brought about an advantage of economies of scale, and thus, strengthened the company's competitive edge.

Third, the continuous investment in R&D by the company and the dedication of its engineers improved product development. In the automobile business, the competitiveness of a company, whether to maintain the market leadership or not, critically depends on the ability to design and manufacture its own models. It is impossible to be among the top-ten companies in the world without such capabilities. Hyundai Motors has its own models with a few exceptions in the luxury category, and attains the capability to develop its own engines and transmissions. This stemmed from the strong driving force of top management who has placed great emphasis on developing the original models and technology; the large-scale investment in R&D; the investment in related facilities such as the testing field, and the devotion of Hyundai's talented engineers.

Fourth, the top management effectively exercised its own power from the beginning years. Due to the lack of technology, domestic automobile manufacturers had to turn to the leading foreign automobile manufacturers. Domestic automobile companies imported advanced manufacturing technology through joint ventures with major automobile companies in the U. S. and Japan. Hyundai Motors, instead of pursuing a joint venture, engaged in a technological coalition with Ford. This strategy helped Hyundai avoid becoming a production center and hence degrading it to be a second-class company in the low-end market, and concentrate its efforts on developing its own production systems and models. Thereafter, Hyundai Motors declared a technological coalition with Mitsubishi, allowing them a partial capital investment. Subsequently, Hyundai Motors has grown to co-develop several core technologies with Mitsubishi.

Fifth, Hyundai Motors has responded actively to external environmental changes. For example, it was able to enter the U. S. compact car market, a niche market created by strategic shifts of the Japanese companies from compact car markets to family sedan, luxury car markets in order to avoid the trading regulations. Another example was Hyundai Motor's reaction to the government's rationalization policy of the industry in the early 1980s. It was regarded as another proactive reaction to environmental change that

Hyundai selected automobile business in the early 1980s when the government imposed the rationalization measures on the automobile industry. Reactions as such enabled Hyundai to leap up to the 13th largest company in the world today.

As seen above, all five factors played important roles in Hyundai's success. The precise forecast and the strong leadership of the top management, especially, of the chairman of the Hyundai Group, can be acknowledged as the prime factors of Hyundai's success. Based on a "Can Do" spirit, its unique way of conducting business, Hyundai Motors was able to make immense investments in facilities and develop various models of its own. In addition, the ability of its management system to be aligned with the changes of the external environment prevented foreign companies from intruding while strengthening the internal factors of success.

3. The Key Success Factors of LG Electronics

There are several key success factors of LG Electronics, worldly known as an integrated home appliance manufacturer: the will and the zeal of the top management to drive innovations within the organization; the market and customer-oriented business strategy; talented personnel to support the above activities; and high morale created by cooperative labor-management relations.

The first success factor is the will and the zeal of LG Electronics' top management that has consistently pushed forward management innovation. Moving toward self-regulated management, encouraged by the Group chairman, the top manager of LG Electronics has made an endless effort to reach an agreement among management philosophy, business goals, and their implementation, while maintaining a consistent direction for growth. This continuous effort toward innovation enforced by the top management is the fundamental building block for LG Electronics to strategically strengthen their competitive position.

The second factor is the organizational innovation of LG Electronics to establish multi-divisional business units. In order to strengthen self-regulated management, LG Electronics established strategic business units (SBUs) and operational business units (OBUs). Through these organizational

arrangements, it was able to achieve a higher level of product competitiveness, thus enabling the organization to develop more popular products in the market.

The third success factor is its marketing strategy that has raised the level of brand awareness and associated LG with customer satisfaction. LG Electronics, while carrying out their management philosophy of "respecting the customers," has steadily enhanced their corporate image as well as establishing their own brand known as Goldstar, overseas. Also, by matching the product technology and quality to the corporate image, it has successfully realized the concept of customer satisfaction.

The fourth success factor is its excellent human resource and organizational capability. Having one of the longest domestic business histories, LG Electronics has acquired a talented workforce which has developed into an excellent organizational capability. LG Electronics has endeavored large scale management innovations to adapt to constantly changing environments. By focusing on training and developing human resources, LG Electronics has tried to restructure their current personnel system. The restructured workforce then enhanced the organization's decision making and its implementation, which in turn improved the overall managerial capabilities of the company. From early on, they particularly emphasized the technological competitive advantage through special attention to the R&D specialists.

The fifth success factor is the participatory management, based on the cooperative labor relations between the workers and the management. Since their labor dispute in 1987, LG Electronics has revitalized the organization on a largescale. This cooperation was achieved by implementing the open-management practice and rejuvenating communication channels. Therefore, the transparent and trustworthy management has encouraged the union to directly participate in the product sales by disclosing sales performance as well as the current management status. This management practice has formed LG Electronics' nonpareil cooperation between the workers and the managers. In addition, they established various ways of exchanging ideas and revitalizing the communication channels to overcome the distrust between the workers and the managers. They have utilized these channels to allow the workers to voluntarily participate in the management process.

Through participative management, not only the top management, but also the workers have been able to agree on common goals and assume the responsibilities for achieving these goals. In the process, they were able to rectify various problems at the workplace, enhance workers' commitment and morale, and improve management practice.

Among these five factors, the driving force beneath the success of LG Electronics can be attributed to the strong will and zeal of the top managers that consistently enforced management innovation. This in turn was integrated to the organizational innovation such as product unit business system. Moreover, the driving force toward innovation was supported by the marketing strategy which sought to improve brand image and increase customer satisfaction; the excellent pool of human resources; the organizing capability, and the participatory management based on the cooperation between the workers and the managers. In conclusion, LG Electronics' key success factors emanated predominantly from the internal management system rather than the external environment.

4. The Key Success Factors of Daewoo Heavy Industry

Today, Daewoo Heavy Industry (DHI), which maintains a leading position in the area of general machinery such as forklift, crane and plant machinery, has expanded into the defense and the aerospace business as well. The success factors can be described as follows.

The first factor is the scrupulous and rational leadership of DHI's president and the passionate leadership of the Daewoo Group's chairman. His passion for attaining higher achievement translated into a great success shown by his exemplary acquisition of an insolvent state-owned enterprise, Korean Machinery. His achievement motive has been widely known to the general public as a major contributing factor of their success. For example, he used to stay up several nights on an assembly line to get a grip on the product's attributes and move his own desk to the departments where there existed numerous unsolved problems. A series of episodes like these account for DHI's success today. Moreover, the role of the company's president as a professional manager who delicately arranged vulnerable areas and managed in a reasonable manner, was important in realizing the success.

The second success factor is DHI's proactive adaptation to environmental changes, especially government policy. Through the acquisition of an insolvent state-owned enterprise, Korean Machinery, and participating in the defense industry, DHI demonstrated that it can promptly recognize opportunities and actively utilize them. Following the changes in government policy, companies are assisted through various supports, direct and indirect. Daewoo has utilized these opportunities to attain various economic advantages such as mobilizing financial and material resources, utilizing entry barriers and procuring a stable market. In addition, DHI's ability to cope with the external environmental changes such as utilizing Japanese technology, and entering the European and the Southeast Asian markets, became a cornerstone for its growth.

The third success factor is DHI's turn-around or diversification strategy after acquiring an insolvent enterprise. Transforming an insolvent enterprise into a profitable one in the short term proves to be a very time consuming and expensive task. However, Daewoo's turn-around strategy, which carried out many aspects through the merger with Daewoo Machinery, was evaluated to be very successful. Moreover, the diversification strategy which has been implemented into the related and unrelated business areas to overcome the limits of the existing business, has contributed greatly to the growth of the company. In particular, participating in the defense and the aerospace business heightened future business prospects.

The fourth key to DHI's success is attributed to their employees and executives. Especially, the employees of DHI had to overcome many difficulties arising from the acquisition of Daewoo Machinery in the earlier years. A common characteristic of a state-owned enterprise is the low competitiveness in an often complacent atmosphere. In order to build competitiveness and manage effectively, DHI and Daewoo Machinery's organizational members themselves had to go through fundamental changes. If it were not for the sacrifices of the employees, DHI would not be where it is today.

The fifth factor is DHI's acquisition of advanced technology through strategic alliances with leading foreign companies, as well as sustaining and developing its own technology. When DHI acquired Korean Machinery, the technology of the machinery industry in Korea was in its infant stage. In

such a situation, one of the ways to enhance the technological capability in the fastest manner possible was to align with already technologically far advanced foreign companies. DHI favored this strategy whenever they entered new business areas. In doing so, they have improved their ability to absorb foreign technologies and turned it into their own. Recently, with enhanced technological capability and expanded investment in technological development, DHI is now selling forklifts in the Japanese market, the long time source of technology transfer.

From the viewpoint of DHI, success can be defined as transforming an insolvent company into a blue chip company. The most essential driving force of their success can be attributed to the passionate leadership of the Group chairman. The Group chairman's leadership has functioned as a powerful driving force toward success. For example, he effectively dealt with environmental opportunities by acquiring more advanced technology through strategic alliances with the foreign companies and proactively responded to government policy. The dedication of the organizational members was an additional success factor along with the turn-around strategy, diversification strategy, and transformation process that fostered DHI of today.

5. The Key Success Factors of SKI

SKI, with its new product development in the synthetic fiber and diversification into the precision chemicals and the health-care business, attempts to reach a paramount position in the chemical industry in the 21st century.

The first success factor is the Group chairman's excellent forecasting ability and his ambition. As a result, SunKyung Group as well as SKI were able to vertically integrate into forward and backward business areas. In addition, SKMS and SUPLEX, the managerial system of SunKyung Group directly implemented by the Group chairman, became a benchmarking target by the other companies. Pursuing the highest quality with the highest technology has prompted new product development abilities from the early years of the company.

The second success factor is the strategic synergy resulting from the high level of vertical integration of the businesses, which in turn provides the maximum total value of the company. Presently, SKI has vertically integ-

rated business units including TPA-thread / cotton / PKG-textile. Among these business units, information on market trends and competitors' actions is shared beforehand, to allow the modification of the profit goals of the business units. In other words, the information from the downstream units can be channeled to the upstream units in a vertical chain, thus promoting swift decisions on investment and production.

The third success factor is SKI's ability to develop new products. SKI has had a long history as the leader of new products in its industry. This ability to develop new products derives from their R&D capability which has been accumulated by continuously investing a relatively greater portion of the budget in comparison to other companies in the industry. Also, as previously described, vertical integration enhanced the capability of SKI to develop new products. This means that if downstream units in the vertical chain recognize the customers' needs for a new product, related upstream units can start on a new product development immediately. This fast flow of market information is a very important advantage in the chemical and textile industry where a company's profit is greatly influenced by the change of market trends.

The fourth success factor had been SKI's flexible management style through the pursuit of SunKyung ManShip (SKMS) and SUPEX. At SKI, information and resource sharing among organizational members have been persistently pursued through the innovative efforts of SKMS, SUPEX, and "Can meetings." Especially, the horizontal as well as the vertical communication channel is maintained at a highly efficient level. These communication efficiencies seem to be achieved by institutionalizing "Can meetings" and MPR-ST (an abbreviation of Marketing, Production, R&D, Supporting, and Top management).

The fifth success factor is the high level of organizational commitment and team-spirit among the organizational members. At SKI, sectionalism is suppressed to a minimum level and the satisfaction among organizational members is maintained at a high level. The low level of sectionalism is the result of frequent MPR-ST meetings which strengthen the mutual understanding among different departments. SKI was awarded the "Korea Economic Justice Company" medal in 1994 for achieving the highest employee satisfaction from the Korea Economic Justice Institute an affiliate of Citi-

zens Coalition for Economic Justice. Results like these are due to the highly committed employees of SKI. They possess an ambitious spirit at the group level as well as sensitive and reserved personalities at the individual level.

In conclusion, the major factors of SKI's success can be attributed to the Group chairman's outstanding forecasting ability and his devotion to the business. In turn, it brought about internal success factors such as the vertical integration strategy, SKMS and SUPLEX that improved the managerial efficiency and organizational flexibility, and the ability to develop new products emphasizing high quality and high technology. Combining high organizational commitment and team spirit among organizational members with the success factors mentioned above, SKI strives to become one of the best general chemical companies in the world.

III. The Success Pattern of Korea's Major Companies

Until now we have examined the growth process of the five major Korean companies by identifying their key success factors. These identified factors provide us with manifold implications. Furthermore, comparing the factors with one another and drawing out their common success patterns will present additional implications.

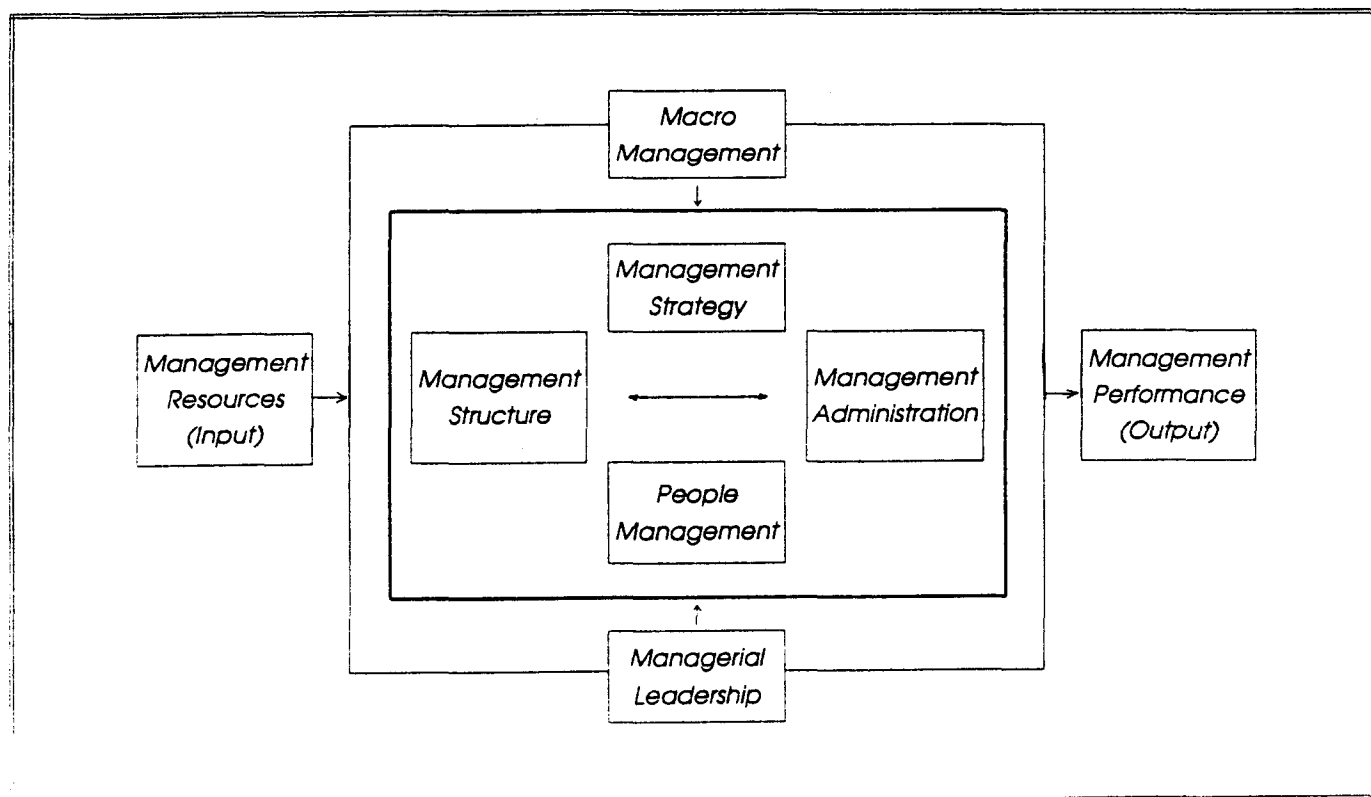
In general, we tend to think that companies attain their goals by fully utilizing all of their resources and elements. But, in reality, companies combine limited resources and elements in a unique way to maximize the desirable outcome in a given condition. These factors are often called, the key success factors (De Vasconcellos & Hambrick, 1989, pp. 367-374). The analysis of success patterns refers to the examination of the specific configuration of the key success factors in each business group in a broader perspective. I will examine the particular configuration of various key success factors of the companies by looking at how these companies combined their managerial resources and elements to achieve mutual fitness and interrelationships.

1. The Prototype of Business Management System

We need a frame of reference for comparison in order to analyze the key success factors and patterns, seen in the five major Korean companies. As a frame of reference for explaining comprehensively the modern business management system and its characteristics, it is very useful to create a basic model.

As shown in <Figure-1>, the prototype of a modern business management system in principle is a model that introduces the traditional system concept that considers business management as the process of input and output transformation (Koontz & Weihrich, 1990, pp.18-22). This model can be divided into three dimensions: input / output elements, internal management system concerning the transformation process between the input / output elements, and macro management and managerial leadership that determines the principles of operation of internal management system.

<Figure - 1> The Prototype of the Modern Business Management System



The Input elements refer to the management resources that can be obtained from external resources or elements for an efficient operation of business. Management resources consist of five components: physical resources such as raw material, land, facilities; human resources recruited from the external labor market; technological resources of a particular industry or of an entire nation; information resources such as knowledge for management; and financial resources obtained from the financial market. Output elements refer to the management performance that often denotes organization efficiency or business performance. Management performance can be categorized into economic and social performance. Economic performance reflects certain aspects of econo-technical system and includes sales volume, market shares, return on investment, labor productivity and business competitiveness. Social performance reflects certain aspects of the socio-psychological system including corporate image, social responsibility, and customer satisfaction. Although the quantitative aspects of economic performance have been greatly emphasized until recently, qualitative aspects of social performance are now gaining a lot of attention.

The transformation process consists of four components: management strategy, management structure, management administration, and people management. It is also called an internal management system, or simply management system. Management strategy refers to the characteristics of managerial decision-making through which companies can cope with environmental contingencies based on the utilization of available resources and capabilities, and thereby pursue economic performance. Management strategy can be categorized into top managerial strategy and business-level strategy. Management structure refers to the characteristics of organizational structure and process in order to enhance the organizational integrating capabilities and effectively respond to external and internal uncertainties and complexities. Management administration refers to a certain characteristic possessed by each department and is categorized into several parts according to the function: operation, R&D, marketing, finance, accounting, and management information system. People management refers to all aspects of human resource management within the organization and can be divided into dynamic management and static management in accordance with the extent of institutionalization and formalization.

Finally, from the deterministic perspective, macro management refers to the macro characteristics of the organization such as ways of adapting to environmental changes and of maintaining and changing relationships with other organizations (McFarland, 1986, pp.16-17). Macro management is oriented toward the external management system in that it places a great emphasis on the interrelationship with the government and outside stakeholders. On the other hand, from the voluntaristic perspective, the role of the top management is emphasized in making strategic decisions. The top managerial characteristics can be categorized into two aspects: characteristics of the management system including professional management or owner management and characteristics of entrepreneurs including their personal traits and abilities.

2. The Success Patterns of Five Major Companies

Based on the frame of reference for comparison of the prototype of modern business management system shown in <Figure-1>, we can identify not only the success factors common to all five companies, but also the success patterns that differ from one another.¹⁾ The major common factor concerning all five companies can be found in the excellent leadership of each Group chairman and the president of the company concerned. This factor is referred to as managerial leadership in the model in <Figure 1>. From this finding, we conclude that the excellent managerial leadership found among all five major companies provides the most critical condition for the success of their business.

However, the nature of top management who brought success to their business depended on the company's characteristics and the Group's characteristics. For example, if leadership style is classified according to the criterion of the owner or and the professional management, Hyundai Motors and SKI were strongly directed toward owner management. On the contrary, in LG Electronics and Samsung General Trading Company, the presidents, as well as the professional managers, exerted a strong leadership

1) Researcher is currently working on the systematic analysis of other Korean Companies in order to present those success patterns.

with the owners' confidence and support. In the case of Daewoo Heavy Industry, the Group owner as well as the company president played a key role in its success. Of course, this type of comparison is difficult to generalize because of its relativity. In addition, it is very difficult to judge the type of leadership that is more favorable. It seems more likely that a certain set of key success factors interact with a particular type of leadership to drive success.

Managerial leadership factor as a common characteristic among the prospering companies may strongly imply that a unique culture of each company shaped by a particular managerial leadership has offered a solid basis for the other success factors. Corporate culture is usually defined as commonly shared values among the organizational members of the company. Taking Korean business culture into consideration, such common values have been strongly influenced by the top managerial leadership style, especially by the owner-manager. Therefore, the owner-manager's leadership style and corporate culture, seem to be the key factors underlying the other success factors.

In addition to the managerial leadership factor, there are three other success patterns shown in <Figure-1>. Within the boundary of the internal business management system, three major patterns emerge depending on whether we emphasize internal operation, response to the external environment, or both aspects.

The first success pattern can be characterized as strategically responding to external environment under the outstanding leadership of the top management. Examples of this pattern include Hyundai Motors and Daewoo Heavy Industry. They have actively coped with environmental contingencies such as changes in the government's industrial policy and fluctuating trends in the global market. This pattern, in other words, is "strategy-driven environment-oriented pattern," by pursuing product development strategy, differentiation strategy, turn-around strategy, and diversification strategy.

On the contrary, the second success pattern can be characterized as the "fortifying internal management system," which led to the success of business through an efficient operation under top managerial leadership. LG Electronics and SKI belong to this pattern. Instead of responding to the

external contingencies, these companies have enhanced their marketing capabilities, stabilized labor-management relations, integrated their internal management system, and strengthened their R&D function.

Finally, the third success pattern can be distinguished from the other two patterns mentioned above. As in the case of Samsung General Trading Company, this pattern copes with the external environment changes and at the same time fortifies the internal management system. It can be described as "the linking pattern between the external and the internal system." In this pattern, the company can flexibly respond to environmental changes with the help of their talented employees and their organizing capabilities.

It is difficult to evaluate which pattern is the most effective in achieving these successes, since these five companies have selected the best alternative of their own under the different environments they were confronted with.

3. The Dynamics and the Fitness of the Business Management System

On the basis of the key success factors and success patterns found in the five Korean major companies above, we can now discuss the dynamics and the fitness of the business management system from a broader perspective. We can also draw implications for developing world class companies in the future.

1) Dynamics of the Business Management System

The dynamics of the business management system explain how the factors of macro management and managerial leadership determine the operating principles of the internal management system. To grasp the dynamics of the business management system, we must investigate the interrelationship between the macro management and the managerial leadership based on the analysis of the success factors and patterns. Subsequently, we also need to answer as to what will be the most desirable interrelations between them in the future.

First, if we examine the period between the 1960s and the 1980s, we can conclude that there was strong government intervention in business matters through industrial policy, and the predominance of an owner-management system.

The major Korean companies have searched for growth while maintaining an intimate and compliant relationship with the government. As political power had an important impact on the industrial policy and business performances, government supported business activities by protecting the domestic market, establishing the policy of pollution prevention, stimulating R&D investment, institutionalizing product safety, and raising investment funds. Actually, the industrial policy of the government had dictated business strategy and its business structure. The major Korean companies were actively involved in lobbying the government as necessary business activities.

Under these relationships between business and government, the major Korean companies have taken advantage of the owner-management system and to this date are still enjoying its strength. In particular, the owner-manager type of leadership had a strong effect on the management of the company, entrepreneurship, and the management ideology that greatly contributed to the growth of business. For example, owner-managers tend to exert full discretion in strategic decisions and their values are reflected on the strategic decision making.

As seen above, at the level of macro management, government supported the owner-management system, as the companies complied to a vertical relationship with the government throughout the 1980s. In the 1990s however, the relationship between macro management and managerial leadership started to change. With a reduction of intervention by government, the owner-management systems had a smaller effect. Also, the companies have started to separate from the vertical relationship with the government. In the process, the relationship between business and government has changed into a horizontal one. This in turn, created conflicts between the two.

Cooperation and conflict is now a better description of the business-government relationship. Although companies have a positive attitude toward government support, they now express strong negative opinions against government regulation. This seems to be a dramatic change of understanding that forecasts the relationship between business and government in the future.

As the need grows for a professional management system in the context of changing business-government relationship, it is predictable that this system

will be more common along with the increasing firm size and environmental complexity. With professional management, companies are expected to cope better with the environment, improve labor-management relation, and resolve conflicts of interest among the parties concerned. Also, professional management will play a larger role in the managerial succession process. Since the influence of the owner-management system has not yet decreased in reality, it is necessary to harmonize the advantage of the owner-management system and the professional management system. That is, it is desirable to develop a management system where the strong leadership of owner-management, the expertise and the ability of the professional management can be effectively combined (Shin Yoo Keun, 1993).

2) The Fitness of the Internal Management System

The fitness of the internal management system indicates the degree of interrelationship between the subsystems such as management strategy, management structure, management administration, and people management. It consists of internal management subsystems under the influence of macro-management and management entity. Without the fitness, subsystems are managed separately and hence interfere with the functions of other subsystems. With fitness, on the contrary, subsystems are managed in a coherent and complementary way to support each other.

First of all, when comparing the relationship between the success factors and patterns in each company during the 1960s to the 1980s, it can be said that there was partial, but not sufficient fitness among the internal subsystems.²⁾ That is, macro management elements such as government or the owner-management system had complete control over the internal management system.

For example, until the 1980s, the corporate culture underlying the management system was based on the managerial leadership style and the cultural traditions of Korean society dominating the internal subsystems. On the contrary, the interactions among the internal subsystems, especially,

2) The researcher has inspected the mutual relationship of fitness among management strategy, management structure and human resource management on the basis of the survey data of 220 companies by configuration analysis method.

those between the management strategy and the structure, or those between the management strategy and people management, for example, have been considerably weak.

Such phenomena reflect that management strategy, in reality, has not yet been established. Even if it has, it has been dominated by government policy or other managerial characteristics. Centralized management structure, a strong dedication of a few top managers, collectivistic corporate culture, seniority-based human resource management, and unrelated diversification strategy characterize the operating principles of the management system.

Although the degree of influence of corporate culture on the internal management system has remained at the same level in the 1990s, the nature of the corporate culture itself started to change (Shin Yoo Keun, 1992). In other words, as the collectivistic corporate culture integrates with the individualistic western culture, the new corporate culture tends to be more liberal. Nonetheless, it seems likely that corporate culture will have a continuous effect on the management strategy, the management structure, and people management. With the increasing importance of management strategy, it becomes more ambiguous as to whether management structure follows management strategy, or management strategy follows management structure. Sometimes, the effect of the intended management strategy affects the management structure, and at times, the inertia of an existing management structure drives the management strategy. Under these situations, companies often fail to recognize the proper direction of change. Accordingly, it can be said that the most desirable fitness of the present management system has not yet been attained.

IV. Conclusion and Implications

In conclusion, companies must seek to change the role of the managerial leadership to cope with the changes of the macro management environment

such as the government policy. At the same time, companies must enhance the fitness among the internal subsystems by placing a special emphasis on the key success factors. The management activities enhancing the internal fitness and establishing the dynamic interrelationship between macro management and managerial leadership can be defined as, "pattern management." The major Korean companies must pursue pattern management in order to become world class enterprises in the 21st century. It is essential not to dwell on the past success patterns but to create new success patterns that bear the dynamics and the fitness.

Through the analysis of the Korean major companies' success factors and patterns, several implications can be drawn.

First, in order for the major Korean companies to join the world class enterprises, we must present desirable ways of responding to government policy by predicting the dynamic relations between the business and the government. How will the macro management of the major Korean companies, i.e. the business-government relationship and the owner-management system, transform in the 21st century? It is predicted that the power of the government policy and the owner-management system will decrease in the near future and that the business-government relationship will develop into a horizontal one. Both the businesses and the government must be cautious in transforming their relationship into a horizontal one, since side effects might affect the national economy and the enterprise itself. In order to transform into a horizontal interrelationship, companies must abolish the custom of relying on government policy and establish a self-regulated business management status. In order to establish a self-regulated business management status, companies must promote cooperation with other firms to prevent government intervention. The companies should develop responsible management systems based on professional management to expedite management innovation as well as the cultural development (Shin Yoo Keun, 1993).

Second, in order for the Korean major companies to become world-class enterprises in the future, they need to enhance the internal fitness among the key success factors and prioritize them. Then, in what direction will the management system of the major Korean companies change in the 21st century? And what changes will be desirable? As previously discussed, if the

macro management and the owner-management system lose their importance, the balance and the fitness among the subsystems within the internal management system will gain greater importance. That is, utilizing organizational culture as the basis for the internal management system and setting up management strategy to guide the management, and the organizational structure will be effective. As A. Chandler indicated earlier, it will be an appropriate alternative for the major Korean companies to change the organization and management to maximize their fitness with management strategy (Chandler, 1962). Consequently, developing organizational culture, establishing strategy to guide organization and management, and enhancing the fitness among them will be one of the most important tasks facing Korean companies. In doing so, managements' vision that foresees the future and leads the changes will have an increasing importance.

Finally, this study revealed the key success factors and patterns of the major Korean companies. One aspect lacking in this study is the success content. The future researcher should seek out what the necessary conditions are for success in terms of the content. One needs to look at the ways in which the major Korean companies pursue innovation of their management system and enforce their own organizational capabilities in resource acquisition, knowledge integration, power distribution, as well as cope with environmental contingencies (Shin Yoo Keun, 1994, pp.605-945). They must intensify their organizational capabilities to become world-class enterprises in the future.

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