



INNOVATION IN KOREA

Rules of the Mind

by Bud Taylor

Summary

Innovation in Korea is the captive of uniformity of thought and respect for institutions, built on centuries of homogeneity and the teachings of Confucius. The entrepreneurial spirit in Korea is swallowed by its large conglomerates. Seoul is not a hot bed of private equity investors. Investment capital is generally consumed in the bureaucracy of entitlement. Capital in Korea belongs to deference.

Introduction

The Asian invasion! We hear it a lot; we're almost paranoid. We await our economic destiny. Well, not me. I don't think it will happen. If I use Korea as an example, I find too many mind rules that limit innovation and economic growth in that part of the world.

Do national cultures affect innovation? If they do then how strong is this influence in Asia?

These questions have fascinated me for a long time. Over the past decade I have dabbled in consulting assignments in places such as Singapore, Hong Kong, and Shanghai. In every instance you're immediately struck and schooled in cultural differences like how to introduce yourself, when to bow, and how to sit with your legs crossed. But does it make any difference at work? Do employees in Asia act differently, perform differently, produce differently—and most importantly, do they innovate differently from Western-centric cultures?

When you fly in and out you don't get far enough under the surface to answer these questions. Seagull consulting doesn't let you see how people really innovate at work. You're not dealing with real people; you're just dealing with their representatives.

How does Korean culture affect innovation?

This lack of intense observation changed for me in 2010 through 2012 when I spent most of my time on a major consulting assignment in South Korea. (Actually, the South Koreans just say "Korea." They refer to their neighbor as North Korea, but they live in Korea.) I now have dozens of Korean friends. I have had the privilege of being taken into their homes and their lives. I have imposed on their friendship to ask them deep questions about who they are and how they work.

I have an obvious conclusion—Korean people and culture are different. However, not so obvious is the huge impact these differences have on how Koreans are managed at work and their ideas about innovation. For example, Koreans don't even have a word for "innovation." The closest concept they have is akin to a snake shedding its skin. For Koreans, the concept of innovation is loaded with pain. It connotes sacrifice. It means you become something different. For them, innovation is not our notion of generating and implementing new ideas to drive into the future.

Let's take a look at innovation in Korea, but with a caveat. I know that what follows is sometimes a generalization bounded by my experience. I'm sure there are other views, and I'm sure that some conflict with what I have found. Having said that, I want to explore some fundamentals of the Korean culture, how these have made Korea an economic miracle, and how they will cause the miracle to plateau.

1. Homogeneity

Ideas are the foundation of innovation. Ideas are created when the brain is stimulated to break its learned patterns. If we take two things that we know and compare them in a new way then we will see something that we've never seen before. We will have a new idea. Furthermore, if we bounce

this new idea against other ideas then an exponential explosion takes place. We create dozens of new ideas. Most of them are not very worthwhile, but sometimes we find a game changer.

Diversity, openness, and competition are essential to innovation.

In summary, we know that diversity, openness, and competition are essential to innovation. These qualities do not predominate in Korea. Homogeneity does.

Koreans are a proud people. Their strength is survival. They are a peaceful people who just want to be left alone; yet their history is one of occupation. For hundreds of years, they have been invaded from the north and the east. They have managed to fight off invasion and tolerate occupation – largely by being stoically isolated within their own borders. The most recent Japanese occupation only ended in 1945 and made way for further invasion from China during the Korean War. Today’s “occupier” is Korea’s friendly ally, the United States.

Although occupations have diluted the Korean bloodline, Koreans perceive themselves as a pure people. Koreans marry Koreans and until recently this has been within traditional marriages. This is changing. Everyone is now marrying later in life and women are particularly reluctant to lead the traditional life as played out by their mothers. The women have found a new life based on employment that facilitates shopping, and they are slow to trade brand names for a home and children. In their frustration, young men turn to neighboring lands like Vietnam for their brides. Neither the brides nor the offspring of these marriages will quickly be considered Koreans.

Korean homogeneity is strengthened by their concentration in a small land mass. Korea’s forty-nine million people are packed into the 109th largest (smallest) country in the world. The country carries 500 people in each square kilometer. I compare this to my homeland: Canada is the second-largest landmass on the planet—one-hundred Koreas would fit inside Canada. Canada’s thirty-four million people average 3.3 per square kilometer. Koreans, unlike Canadians, know that they are one people.

In addition, Koreans are never far away from each other. The KTX (Korea’s high speed train) takes passengers the 200 miles from Seoul to Busan in just over two hours. In Korea, moving away from home isn’t moving very far.

The Korean language also reinforces homogeneity. Multilingualism is not stressed on this peninsula where Koreans are proud of their language and its written characters, which are a central legacy of the Great King

Sejong from the mid 15th century. Don’t ever think the average Korean sees English as important in their daily life.

Except for some senior level discussions, English is not a common business language in Korea.

Certainly there are some members of the population who speak English, however, translation is big business in Korea. Most Koreans, no matter how well educated they are, will likely not speak English or have sufficient confidence to exercise what they know. Going into a retail shop, a restaurant, the subway, or a taxi can be an out-of-world experience for a foreigner who is not accompanied by a Korean.

These are a people who are comfortable in their skin. They’re doing quite fine, and they know it. Homogeneity provides strength.

2. Confucius Learning

Not only is it easy for Koreans to think of themselves as a single people, but their education system strengthens this perception. Most Koreans have a similar education experience, and often this experience is based in the values and teachings of Confucius.

Confucius teaching came to Korea from China at the end of the 14th century. It was inculcated in the culture to assist in government administration and social relationships. It is a philosophy, not a religion. It has survived because it tolerates the many religions that have found their way to Korea – like Buddhism, Islam, and forms of Christianity.

The basic teachings from Confucius set rules and values on how people relate to each other—how they relate to authorities, teachers, and social groups. At the top of the hierarchy are kings, teachers, and fathers. These all hold a responsibility to teach and protect the others in society. It is the responsibility of the others to defer to the teachings and not embarrass the leaders, who are most often elders.

Relationships are bounded by duties and obligations.

Further, in the past it was believed that all of the teachings could be known by the educated. During the great Joseon Dynasty, young boys were brought to their teacher and drilled endlessly in the books of Confucius. After a decade of learning they knew all there was to know and then became teachers, role models, and protectors of the wisdom.

Coming out of the Japanese occupation and the Korean War the country was in total decay. It was a third-world country at the bottom of the economic scale. Education became one of the country’s turnaround strategies. The government

invested in schools and the Korean tradition of learning. The exalted position of teacher was used to drill students in all the knowledge that was available. Koreans took their aptitude for rote learning and created the knowledge that transformed Korea into the 15th largest economy in the world.

Today, Korean learning is merciless. In their final year of high school, serious Korean students know no life. They study fifteen to eighteen hours a day, seven days a week. The quest to “know everything there is to know” is not an aspiration; it is a requirement. Students get up early, go to their normal school, go to a private evening school, and then go home for a few hours of homework before going to bed. Sleep deprivation is acquired early in Korea.

The result of hard study determines the rest of your life. The top students get into the three big schools in Korea (these schools are given the acronym SKY—Seoul, Korean, Yonsei); those that don't quite make it but have money in the bank will do their studies overseas; others that go on to school find themselves in a range of second-tier universities.

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But the university doors you enter will generally dictate the career doors that will be open on graduation, regardless of the results of your studies. Graduates from SKY will get good positions in the brand companies like Samsung, KIA, or LG. Others will be offered work in a hierarchy of other private and public institutions. That's just the way it is.

Although the Confucius way of life is constantly exposed to erosion, it goes through cycles of revision. Modern culture puts Confucianism under pressure, but often this pressure encourages the need to reach back and strengthen Korean society.

Confucianism is the perfect complement to homogeneity. It provides structured thinking and common values to a people that see itself as one. This welding of homogeneity and Confucianism has had a strong impact on what Korea has accomplished on the world stage.

3. National Economic Strategy

From 1953 to 1996, Korea created an economic resurgence known as the “Miracle on the Han” (the Han is the river that cuts through Seoul and much of the country). This miracle is often attributed to democracy and capitalism. I'm not sure that the attribution is earned. I think the success is more directly related to the convergence of homogeneity and

Confucianism—that is, the convergence of a single people with common values sacrificing to achieve a common goal.

1960 per capita income in South Korea was roughly US \$100.

The economic history of Korea after 1953 is an interesting story of the interplay among politics, the military, and business conglomerates (known as the cheabols). This history starts with a ruthless leader, Rhee Syngman, who at least had the vision to instill education as a national institution and value. Education contributed to the economic miracle that began to emerge in the '60s under General Park Chung-hee. But don't be fooled, economic growth was not an outpouring of democratic freedom and the free flow of capital. It was built on a national strategy of privilege and exemptions for a select few strong families and the cheabols they led—think of Hyundai.

The national strategy was also outward facing. Workers were asked to save and sacrifice while the country made products for export, usually on a “second-in” tactic of faster, better, and cheaper. This relationship between the government and the cheabols was easy to maintain. It was supported by a strong military. Korea's “democracy” during this period was little more than a police state.

Austerity was enforced, the people sacrificed, and the economy returned.

Under the next leader, Chun Doo-hwan, the economic miracle continued until the financial crisis of 1997–98. The recovery from the financial crisis is a lesson that the West seems to have forgotten. With the help of the United States and the International Monetary Fund, Korea took decisive action. It let many banks fail and even some of the previously protected cheabols. Austerity was enforced, the people sacrificed, and the economy returned. Singularity of purpose and mind-set prevailed. Homogeneity and Confucius won the day.

Now Korea is living through its second economic miracle. The 2000s have generally been a period of peaceful democratization under presidents such as Roh Tae-woo and Kim Young-sam. Korean companies mark the year 2000 as their rebirth. Since then the economy has grown at an annual GDP rate of between 2 percent and 4 percent. The IMF rates Korea as the 15th-largest economy in the world with \$1.5 trillion in annual purchasing power.

4. A Job for Life—In a Box

What does this strong economy, built on homogeneity and Confucianism, mean for careers and the workforce? Well,

a lot. Although things are changing, employers tend to be paternalistic, and Korean workers tend to be respectful to the point of being deferential. The result is a symbiotic relationship where employers take care of appreciative employees—often with jobs that evolve into careers with a single employer.

Koreans are always on the move. There is a continuous energy and momentum in the country. However, amid all the movement, Koreans are not moving between companies. Koreans are devoted to their company. I've noticed a language colloquialism: Koreans don't talk about working at Posco or Korea Telecom. They talk about "my company." Psychologically, they see themselves as part of the company. They are not passing through or building a resume as they look for their next opportunity.

As recognition for the loyalty of their employees, companies understand that their greatest "social corporate responsibility" is to provide jobs. However, a job can mean created employment (when is the last time you saw a shoe shining service come to collect your shoes at work), and it can mean underemployment—I see lots of people working hard and putting in long hours on tasks they know have no value.

There is a lot to be said for this traditional employer-employee relationship. It creates loyalty, something that has been lost in the West as we tore down the "entitlement" mentality that we perceived in our employees. However, loyalty has its downside. To be part of the company means that you have to play by the company rules—and the company does rule! No matter how harsh and demanding the company can be, Confucianism means that you live your fate—and homogeneity provides the support system of not being in it alone.

The passion that is stifled at work is released on the weekend when everyone goes hiking.

My observation (likely not shared by most Koreans) is that the job for life can be debilitating. The unstated rules are clear: no matter what time you start, work is a twelve-plus hour day, and you have to be on-site so you can see and be seen. Koreans are trying to implement flexible hours, but they're struggling with the concept. Advancement and recognition are highly based on personal relationships. You're gambling your career if you're not known to be known.

In Korea, you don't leave work until your boss does, and if you're lucky enough to be a man you will go drinking with the boss and not get home until the early morning. A few hours later you're out of bed and back on the crowded subway

for the hour-and-a-half ride back to work. If you're still lucky, you can get some sleep on the public transportation. If not, then maybe at your desk over lunch or even some time in a boring meeting.

If you're part of the mass work force you will be paid reasonably well until you retire with your modest pension. But as a retiree you're now an elder and society expects that your extended family will contribute to your welfare.

On the other hand, if you have worked your way into the management ranks you have the upside of better pay, but the downside of insecurity. Most Korean companies are on the strict "up or out" system for managers. Your progression through the management ranks is highly controlled by "time in job." Advancement can be more political than performance based. If you don't reach the level of vice president in the allotted time, then you are pensioned out of the ranks of management and will likely join the overpopulated ranks of the seventy thousand cab drivers in Seoul to supplement your income.

If you become a vice president, your future doesn't become easier. Generally vice presidents are on an annually renewed employment contract. If you trip up, then your contract isn't re-signed. Security comes from following the book. Doing nothing provides the security of known outcomes. Innovation only offers uncertainty. Why bet your career on uncertainty?

Success is shared. Failure is yours alone!

Impact on Innovation

The question for me is: how much impact does Korean culture have on their ability to innovate? I think the answer is "huge!"

Obviously the culture has great strengths. It gets things done. When the authorities (generally the government in conjunction with the cheabols and backed by the military and the police) decide to do something, it happens. The Miracle on the Han is a big example, followed by the recovery from the financial collapse of the late 1990s, and continuing through to today with a strong export trade policy.

Confucianism focuses on stability, not progress.

It's difficult to argue with the success that comes from compliance built on homogeneity and the teachings of Confucius. When Western countries are in crisis they thirst for this type of obedience and deference rather than having to deal with the vagaries and dynamics of their democracy.

But what about innovation? At first glance Korea appears to be highly innovative. It's hard to argue with the innovations in a Samsung TV or the great cars that Hyundai and Kia are exporting. This reverse engineering strategy of innovation is a perfect application of the Korean talent for structured learning. It fits the Korean need to "know everything there is to know." Koreans then take this total set of knowledge and pass it through the logical-rational management tools of six sigma, lean manufacturing, quality circles, and rapid improvement events. Voilà—innovation at the core and often on the fringe of patents.

But where was the original innovation incubated? Usually in the West. The improvement strategy of "faster, better, cheaper" has largely driven the Korean miracle. However, does this type of operational excellence have limits? Does it need the fuel or "origination?" At what point is "second-in" trumped by the strategy of original innovation?

Even "faster, better, cheaper" is not democratized in Korea as it is in the West. If my experience is at all typical then I have to say that innovation tends to come from the top. The ideas seem to come from an elite group of people in the chaebols with strong support from the government. As you go broader and deeper in Korean organizations there are fewer and fewer people who see their job as one of generating ideas. Innovation is delegated to the top. For the everyday worker, "it's not my job."

Why hasn't Korea produced a Mark Zuckerberg?

in "white-space?" What happens when the answers aren't

So what happens when the days of second-in dry up? What happens when the Korean economy needs to innovate

in the book? Sure, there will always be some outliers, but there is no deep talent pool to answer the current president's question: "Why hasn't Korea produced a Mark Zuckerberg?"

My observation is that the entrepreneurial spirit in Korea is swallowed by the chaebols. Seoul is not a hotbed of private equity investors. The investment capital that is available is generally held by the chaebols, and that capital is consumed in the bureaucracy of entitlement. Capital in Korea is the captive of deference. Innovation in Korea is the captive of uniformity of thought and respect for institutions, built on centuries of homogeneity and the teachings of Confucius.

Koreans have proven that they can out study and out test anyone. They claim to be the highest IQ nation in the world. But they haven't proven that their knowledge can come off the page and soar into the unknown.

Conclusion

I'm not trying to aggrandize the Western management style. There is plenty of evidence to show that Western companies are debilitating command-and-control institutions. We have not unleashed all the talent in our organizations. There are still too many people who come to work and hang up their coat and ideas at the door.

However, after the Dark Ages the West experienced the Renaissance, Reformation, and Enlightenment. While we were experiencing divergence of thought, Koreans converged. While we created mavericks on the fringe, they revered masters at the core. We have different heroes; we have different results.

About the Author



Bud Taylor works with marquee companies around the world to transform them to meet the changing aspirations of their customers. He is a former change management Partner at Deloitte and consulting executive for several global companies. Recently he spent more than two years working on a CEO sponsored engagement to use innovation to change one of Korea's largest public companies. Bud is also a speaker and author of the award-winning book *Customer Driven Change*.

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