

# The Rising Kimchi Leaders

By Mark Sungrae Kim

There is one event that marks a significant turning point for South Korea, no matter which perspective you look at it from; economic, social or cultural. Prior to the 1988 Summer Olympics in Seoul, travel for most Koreans was highly restricted and the society relatively closed. The foreign community numbered in the tens of thousands at that time and only reached 1.26 million by the end of 2010.

So in many respects, the fireworks at the Seoul Olympics' closing ceremony illuminated a new beginning for many Koreans.

It also marks the start of the emerging divide between two management styles you see in Korea today. There is the more autocratic or sometimes paternalistic, leadership style of the older and to some extent, current generation, and the more democratic leadership style of younger Koreans who have openly embraced global business practices.

To better understand this phenomenon, one has to look back a bit further into Korean history.

As hard as it is to imagine, the fact is that as recent as 1960, South Korea was poorer than Iraq, Liberia and Zimbabwe on a per capita basis. Today, it is a G20 member and is the source of world beating mobile devices, microchips, ships, automobiles and Asian pop celebrities.

Much of the credit for the phoenix-like rise from poverty goes to the strong traditional Korean work ethic. Many local executives who are in their 40's and older have spent their best years working grueling hours and with

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unquestioning loyalty for their companies. Almost all went through the local higher education system, speaking only Korean, and for the men, undergoing at least two to three years of compulsory military service. Just as Kimchi is symbolic of deep-rooted Korean customs, let's refer to these executives as "Kimchi leaders".

After 1988, South Korea witnessed a flow of adventurous young Koreans who went overseas to complete their tertiary studies, find work or travel, with the majority landing in the United States. Many returned to work for multinationals as the Korean economy opened to foreign inbound investments, which rose from under one million dollars in 1990 to US\$12.87 billion in 2010. Let's call these executives "westernized Korean leaders".

## A Contrast In Leadership Styles

Kimchi leaders are distinguished from their more western counterparts by their emphasis on highly centralized organizational structures and preference for autocratic top-down decision making.

This, many agree, has been largely due to the influence of Confucianism and compulsory military training for men on traditional Korean management practices.

Confucianism, which emphasizes social harmony through the self-knowledge of one's place in the family, society or kingdom, has long shaped Korea's moral system, way of life, social relationships and even its legal system. Korea is also a place where blood ties, status, age and geographic connections are held in very high regard. The combination of all these influences also means that the sons of any family owned business tends to inherit corporate ownership, with professional executives taking on secondary status.

Out of the Five Bonds defined in Confucianism; Ruler to Ruled, Father to Son; Husband to Wife; Elder Brother to Younger Brother and Friend to Friend, the bond that Kimchi leaders prefer to have with their management teams leans more towards "Ruler to Ruled" as opposed to "Elder Brother to Younger Brother". And it is never "Friend to Friend".

Such management styles may still be seen in small and medium sized companies or the construction and heavy industries, where the focus is on material output. In such leadership environments, the goal is more often on pushing quantitative output rather than qualitative results. It is also common to refer to co-workers by their formal titles

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and treat them as elder or younger brothers, and not by their first or last names. Family-like ties and employee loyalty can often very strong, to the detriment of transparency in decision making and performance based (as opposed to seniority) promotions to some extent. Fortunately, more and more companies are emphasizing performance based appraisals and promotion.

On the whole, South Korea has been a very homogeneous society and welcoming external influences has not always been instinctive. The generation of westernized Korean leaders has arisen through external forces, as global companies send local managers on overseas postings or as overseas-born Koreans have returned to work in Korea.

Exposed to international business practices, they are more predisposed to open debate and more casual forms of communications, being flexible and adaptive to divergent opinions, and taking longer-term views. (Out of the Five Bonds defined in Confucianism; "Friend to Friend" is the best way to describe their leadership style). On the other hand, westernized Korean leaders can sometimes be viewed as lacking the same level of family-ship and determination to drive material output as Kimchi leaders.

These westernized Korean leaders often thrive in global consumer good companies, technology firms and banks. In such industries, there are also higher proportions of women in senior positions, something that typical Kimchi leaders are unlikely to endorse. Half of the managers in Puma Korea for instance, are women.

Mr. Geun Jin Lee, Sales Director at Puma Korea, says, "Understanding consumer needs and wants is paramount for those in our industry. It's the first criteria when choosing your next generation of leaders. Consumer tastes are changing all the time. Before the IMF measures in 2000, most people chose Korean brands. Today, especially in many fashion related categories, imported brands are favoured. So you need leaders who are flexible in their thinking and willing to listen to all levels of the organization, as information on the customer comes from in from everywhere."

## A New Breed Of Leaders

We see a new breed of leaders emerging in the next few years – essentially a hybrid of the two types of leaders, westernized kimchi leaders.

The 1997-98 Asian financial crisis proved to be a good wake-up call for many and the economy became more market-oriented. The bailout in 1997 by the International Monetary Fund shook things up further. As a result, kimchi leaders have recognized the need to evolve from tradition. Today, you can find good leaders from the Kimchi generation with some global experience who may not speak English very fluently but who do an excellent job at leading their organizations.

In the last few years, local companies have conducted benchmarking studies to see how they can be more on par with international standards. Originality has been encouraged and creative industries, such as video games and pop entertainment, have emerged strongly.

Some Korean companies have proactively eliminated official titles within their organisations. Organisational structures are flatter. Approximately half of the senior leaders placed in local or global companies in Korea today hold MBAs. Non-Koreans now fill senior management posts at some local chaebols.

Ms. Julie Na, Human Resources Director at LVMH Perfumes & Cosmetics Korea, said, “Nowadays, local executives are very keen to pick up more globalized business theories and sign up for global MBA courses. The focus

is more on being more open, creative and flexible in business. You see many younger managers holding important roles. There is a greater respect for diversity. The market is changing a lot!”

“Many promising young Korean managers are graduates from elite high schools in foreign studies or science who

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took on specialty courses that also exposed them to foreign curriculum. Increasingly, parents are keen to give their children the chance to become more global minded and proficient in other languages, such as English and Chinese,” said Mr. Nick Jinyoung Kim, Director at Maeil Dairy.

This second wave of more westernized Kimchi leaders will make their mark in the next five to seven years as they join the upper rungs of Korean business circles. They will be bringing Korean businesses to the international playing field as aggressively as their forefathers and as creatively as their global competitors.

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