

**THE MANAGERIAL CHARACTERISTICS OF
KOREAN CONSTRUCTION INDUSTRY
AND REQUIRED IMPROVEMENT**

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Abstract

The object of this study is to examine the managerial characteristics of Korean construction industry and the changes required to solve recent organizational problems and difficulties in that industry. Korean construction industry has been accelerated in the last 40 years with economic growth aspects of scale and quantity. More recently, a number of problems have arisen in the construction industry. And in construction industry, obvious changes on construction environment are showing as aspects of construction demands, systems of construction markets, and conditions of competition. These things are accelerating 'systematic' changes of Korean construction industry. To correct that loss of focus, the customs and the systems related to construction have to be changes. In order to analyze the problems that are unique to the construction industry, this study will begin with an examination of first, characteristics of Korean people like 'Ri' based on 'reason' or 'logic' and 'Ki' based on 'feeling' or 'emotional', second, differences by culture like power distance, uncertainty avoidance, and individualism/collectivism, third, management function like planning, organizing, staffing, leading, and controlling in Korean construction company. This will provide a basis for discussion of possible directions for the solution of current problems.

KEY WORD: construction industry, Ri, Ki, culture, characteristic of Korean people, management functions

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CHAPTER 1 INTRODUCTION

1.1 General

Construction industry is a sort of service-industry that form real things like residential building, industrial facilities, infrastructure facilities and national land development. The products made by construction industry have characteristics of both things putted on constructing for the following phases and capital goods rather than consumption goods. And value effects on construction industry are higher than the other industries on aspect of products, hiring and added value. Figure 1.2 shows that relationship such as the industries associated with construction industry.

Korean construction industry has been accelerated in the last 40 years with economic growth aspects of scale and quantity. Especially, in the 1970s, construction in the Middle East and the domestic apartment construction had played an important role on development of Korean construction industry.

In 40 years, not be long period, Korean construction industry has had a previous experience such as acquirement of construction techniques of advanced countries, training of construction technicians, and acquiring of construction experience through the advanced of Korean construction industry into foreign markets.



In figure 1.1, compare with about 6.0% in 1970 and about 7.5% in 1980, the relative important of construction industry in the Gross Domestic Product had increased about 11.0% in 1990 on the period of residential construction planning. Construction industry in Korean domestic industry has the big weight next to the manufacturing industry and the service industry. Also, construction industry is related to many other industries.

Figure 1.1 Relative importance of construction industry on Gross Domestic Product
Source: CM (Construction & Management), 1995

Recently, in construction industry, obvious changes on construction environment are showing as aspects of construction demands, systems of construction markets, and conditions of competition. These things are accelerating systematic changes of Korean construction industry.

In 1958, after establishment of Korean construction laws, Korean industry achieved so many prosperity and achievement by motive power of Korean economic growth in last 40 years. But now, all of Korean construction industries are confronted with serious

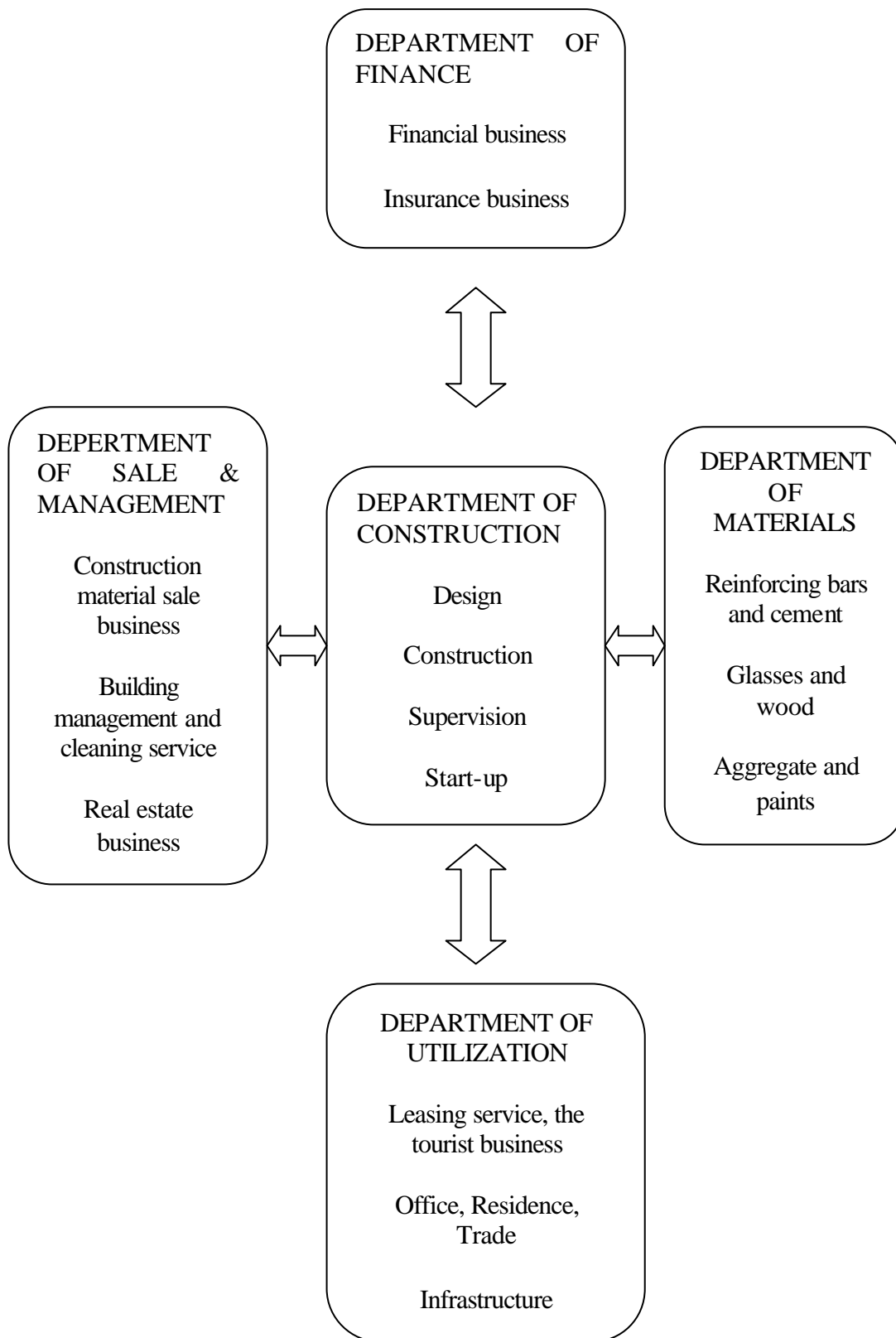


Figure 1.2 the industries associated with construction industry
Resource: Construction industry shown by a chart, 1995

crisis as a collapse crisis of construction industry and a declining industry of construction industry. Today's construction industry crisis is originally because construction culture is backward: Strengthening competitiveness of relationship between people, lobby and collusion than of technology and confidence had an influence on construction industry.

To correct that loss of focus, the practice and the systems related to Korean construction have to be changed. In order to analyze the problems that are unique to the current Korean construction industry, this thesis investigates the characteristics of Korean, Korean management and the nature of the Korean construction industry through comparison to other countries. This thesis will provide a basis for discussion of possible directions for the solution of current Korean construction industry problems.

1.2 Problem statement.

Korean construction industry is now a crisis to the inside and outside of the country. After 1980s, the foreign construction market has become decreasing. The reason of the crisis is lacks of construction projects, which provoked a keen competition among Korean construction companies. So pay-ability of construction industry decreased sharply.

Recently, medium and small sized construction companies have being bankrupted. In addition, big construction companies such as Dong-a and Hundai were faced with bankrupt crisis and a regal management. The construction crisis has an influence on the whole Korean economics. As medium and big construction companies bankrupted, sub-contract firms and collaboration firms brought out chain reaction bankruptcies and mass unemployment.

These current construction crises caused systematic problems accumulated on Korean construction industry for the last few decades.

1.3 Objectives.

Nowadays don't exist a period of construction market like the last high economic growth anymore. Construction becomes more and more large-scale, complexity and specialization. According to customer's needs, construction project is changing into diversification and high-degree. And also, competition ordering projects keens among the same kind of construction companies.

But Korean construction industry was satisfied with the growth in quantity based on low-construction price and quality manpower, and neglected to secure new competitiveness against construction environment changing so fast to diversification, complexity and high-technology. The result, Korean construction competitiveness is dropping sharply and after IMF crisis in 1997, many construction companies have been bankrupted.

Therefore, in order to prosper with adapting to these construction environments, management environment of construction industry will be able to be changed. So by investigating on the characteristics of Korean management and present problems of Korean construction industry, this thesis will make a counterproposal for improvement.

1.4 Scope.

The scope of this study, in order to find a solution to current problems of Korean construction industry, deals with the substance related to the study as follows: characteristics of Korean, management style, and construction industry and comparing with other developed countries. This study focuses on analysis the nature of Korean construction industry through comparison with developed countries.

CHAPTER 2
HISTORICAL BACKGROUND

Now, Korean economy is undergoing big changes. Improvement of Korean economy has been demanded through an internal requisite and an external requisite called 'IMF'. They demand an origin improvement by restructuring. Korean construction industry become starting at almost similar time like Korean economic and also has a hard experience. Here, we need to know that how domestic economy and construction industry are developed and why they are demanded that kind of changes. Therefore, we will have to know the growth process and background on entrepreneur based on Korean economy and also, examines background of Korean construction industry.

Historical background of appearance of a large enterprise.

Korean economy makes ready to do a take-off with meeting the 21st century. Korea had experienced high growth through 1960s and 1970s. Now Korea is doing to overcome today's problem based on potential power maintaining the stable economic growth through 1980s that long-term slackness of the world economy are accumulated. Even if it is short period, eye-opening growth of Korean economics is never achieved easily. In effect, Korea economy had started industrialization in the early 20th century, which was behind 100 or 200 years compared with advanced countries. And also, Korean industry cannot help starting without capital and material resources as not any material foundation.

In any way, it will be able to say that initial factories were constructed by Japanese. But most of that was destroyed as the Korean War and the mostly heavy chemical industries constructed by Japanese are located in the North Korea.

Anyway, it may say that Korean industrialization had started from company was in the central of the heavy industry by Japanese. In here, we need to know background of Korean company growth through comparison to Taiwan been the same situation.

Industry composition of Korea and Taiwan by Japanese are as shown in table 2.1

Table 2.1 Industry compositions of Korea and Taiwan by Japanese

(Unit: %)

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
K	1914	43.2	11.6	1.1	2.8	14.9	2.0	3.7	9.1	11.6
O	1920	38.0	16.0	3.8	3.8	6.0	3.6	4.1	11.5	16.9
R	1925	41.6	14.8	4.3	4.3	6.0	3.4	3.3	15.6	11.0
E	1930	46.2	16.1	1.7	1.7	6.2	2.0	3.4	15.3	9.2
A	1935	34.7	15.5	1.4	1.4	12.5	2.0	2.9	25.4	5.6
	1940	25.0	18.6	1.9	1.9	8.0	4.0	3.7	33.7	5.0
T	1912	67.5(44.7)	0.7	1.9	0.8	2.6	0.7	2.5	19.3	4.9
A	1915	75.7(54.5)	0.9	0.8	0.6	2.2	0.5	1.5	14.4	3.4
I	1920	73.4(57.3)	0.8	1.4	0.7	3.2	1.8	3.1	13.3	2.3
W	1925	72.3(54.3)	1.7	2.1	0.9	2.4	1.4	2.2	12.9	4.2
A	1930	78.4(63.3)	0.8	2.2	1.0	2.4	1.7	2.3	7.8	3.5
N	1935	75.3(56.2)	1.0	2.2	1.0	3.9	1.6	2.1	9.1	3.8
	1940	65.4(39.4)	2.4	2.5	1.2	7.7	3.1	3.1	11.4	4.3

Note:

- (1) The food industry (the sugar industry; sugar manufacturing)
- (2) The textile industry
- (3) Sawing & the wooden article industry
- (4) Printing & binding industry
- (5) The metalworking industry
- (6) The machine & appliance manufacturing industry
- (7) The ceramic industry
- (8) Chemical industry
- (9) The others

Source: Development process of Korean economy and big enterprises, 1998

First, in Taiwan, 65.4% of the whole industry is food industry and 60% of that is the sugar industry. The remainder is consisted of that Chemical industry is 11.4%, the metalworking industry is 7.7%, and sawing & the wooden article industry are 2.4%. On the other side, in Korea, 33.7% of the whole industry is the chemical industry. And besides, it is consisted that the food industry is 25.0%, sawing & the wooden article industry are 18.9%. In Taiwan, the heavy chemical industry is 25.0% of the whole industry, but in Korea it is 49.4% of the whole industry and we can know that it is approximately 2 times than Taiwan's.

Korea and Taiwan are also industrialized by Japan, but their characteristics on industry are different. In Taiwan the sugar industry (sugar manufacturing) was main industry, but in Korea the heavy chemical industry based on the mining resources and water energy was main industry.

Japanese professor Mizoguchi Toshiyuki said in relation to the characteristics of industrialization between Korea and Taiwan the follow: 1) In Taiwan industrial output is closely related to agriculture and sugarcane, in Korea relation to agriculture and industry by basis of raw materials doesn't much exist. This point has an influence on industrialization pattern in both countries infancy decisively. 2) Mainly Taiwanese had formed their industry under the positive protection of government. But Korean industry had been developed to industry by Japanese private capital.

This kind of differences differed in initial industrialization condition of both countries after 1945, which made background of that Taiwan became medium and small-size enterprises and Korea became large enterprises on progress of industrialization after 1960s.

Korean companies had started economic development by government after 1960s. Almost all factories remained in the South Korea had been destroyed for the Korean War in 1950s. After Korean War, Korea had been divided into the North and South and the South Korea had lost lots of mineral resources and electric power resources in the North Korea. So Korea has no choice but to adopting an industrial strategy of assembly and manufacturing and must depend on importing not only all of resources from other countries, but the fund needed to industrialize.

In 1960s, the similar to period of Korean economy growth, Korean construction industry was also increasing. As it mention before, to restructure ruined Korean industrial and economic environment, construction industry must construct infrastructure. As same time, numbers of construction companies had been increased rapidly.

In 1962, from 'the first five-year plan' that was the slogan for Korean economic development, our country must have adopted a strategy aim orienting a foreign market. It was needed that the type of organization is changed into a large company. In order to exporting products, strengthening competitiveness of a large company was very important and needed.

In the middle of 1970s, government had made large-scale industrial complex and factories of international scale by private hands. So Korean exporting structure had been changed to the heavy industry, which gave an opportunity of the scale-extension to the Korean company

In other word, Korean construction industry was also increasing from that period. As we mentioned above, to restructure ruined Korean industrial and economic environment, construction industry must construct infrastructure. At same time, number of Construction Company was increasing rapidly. As a result, lots of problem in construction industry came into existence. Figure 2.1 shows the outline of 'Development process of Korean construction industry'

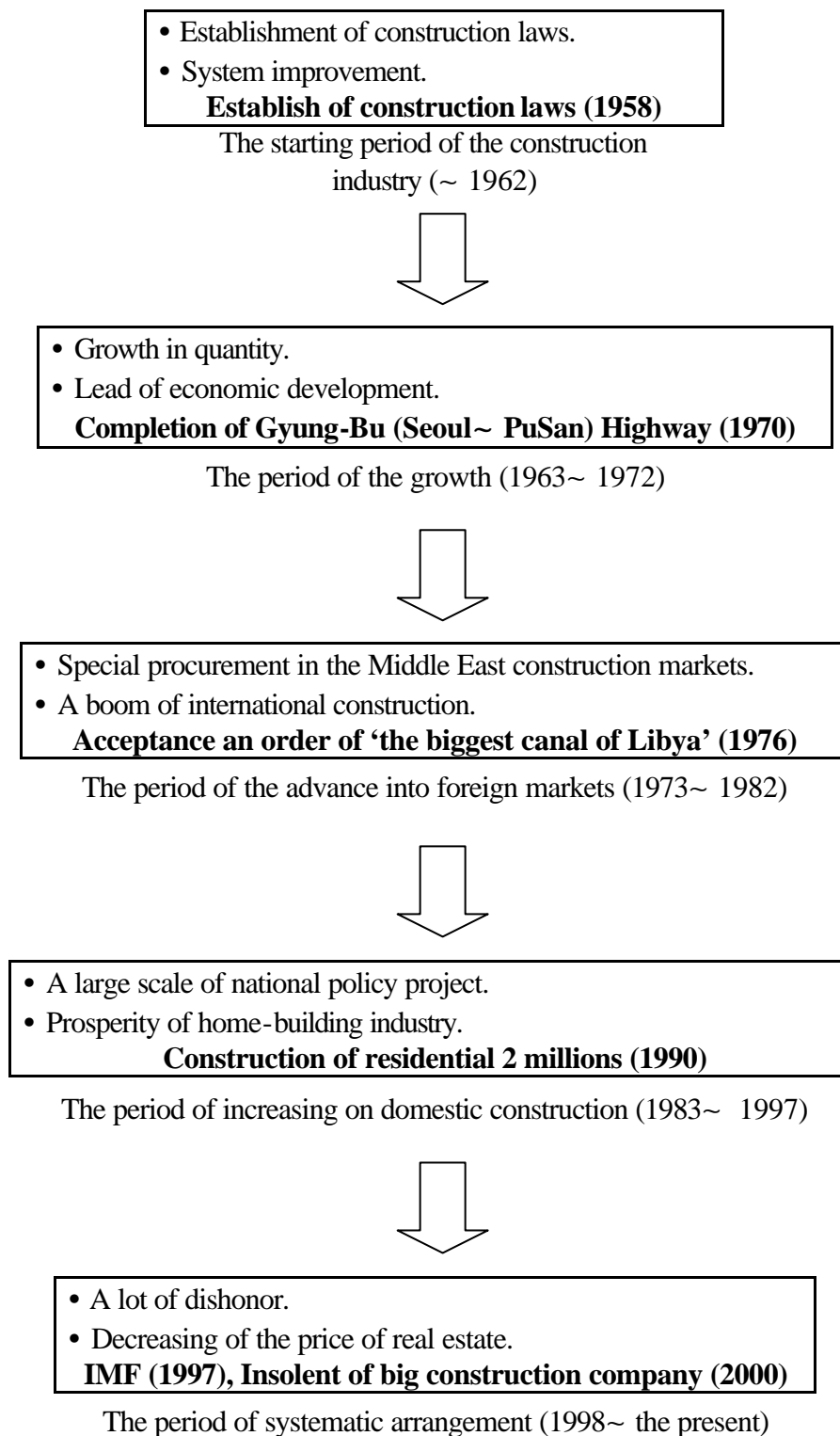


Figure 2.1 the outline of 'Development process of Korean construction industry'
 Source: the crisis of construction industry and urgent suggestion, 2000

CHAPTER 3
PRESENT SITUATION AND DIFFICULTIES
IN KOREAN CONSTRUCTION INDUSTRY

3.1 Currently state of Korean construction industry.

The rate of construction investment on GDP was around 12.6% in 1970, as continuous increasing it increased until about 23.5% in 1991. Figure 3.1 shows the rate of construction investment in GDP

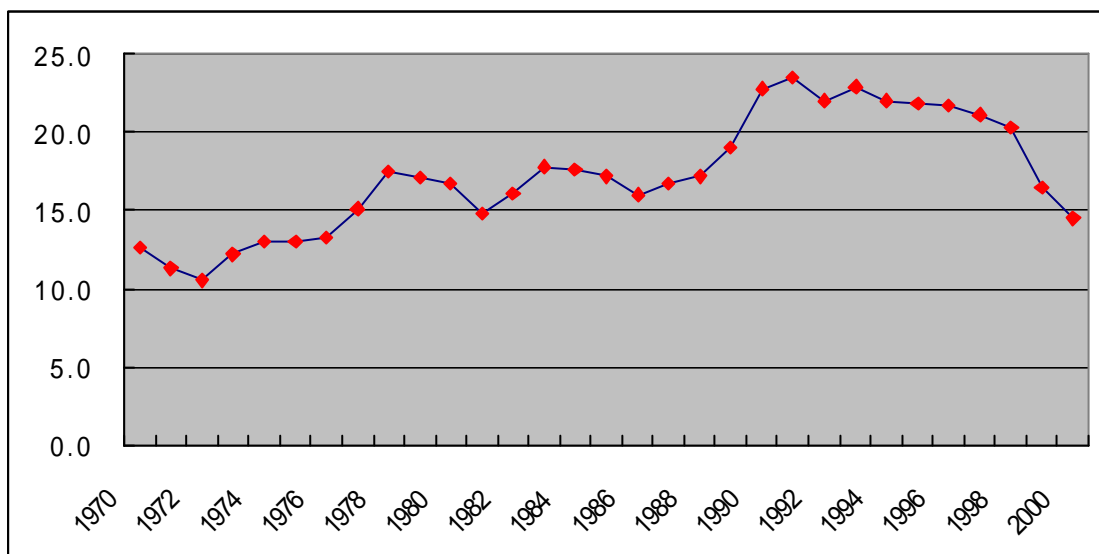


Figure 3.1 the rate of construction investment on GDP
 Source: construction & Economy Research Institute of Korea

From end of 1980s to early 1990s, construction investment in Korea is increasing sharply. The reason is that it is influenced by a boom of real economy, overheating of real estate, and residential 2 millions construction under Korean government. But rate of this graph shows the top in 1993. In 1997, after IMF crisis, it decreased quickly. In 1999, it shows 16.5% and also in 2000 is recorded 14.5%.

Then how is investment of infrastructure? First of all, infrastructure means that essential facilities for smoothly production activities, no producing directly anything: a road, an airport, a railroad, harbors and so on. Infrastructure is a large-scale construction and its construction takes long time. So effectiveness of employment is quite high. It makes to enlarge income and consumption and to active economy. Those points contribute to national economy so much. Korean infrastructure investment was a jump in 1990s, but nowadays was decreasing by inactive of economy. A part of infrastructure investment in a budget of government reached until 15.6% of GDP but in 2000 of it was a fall by 14.0%. Although continuous enlargement of infrastructure investment after 1990s, a relative difference with developed countries hasn't been cutting down for increasing of the cost of construction and the lack of an efficiency operating.

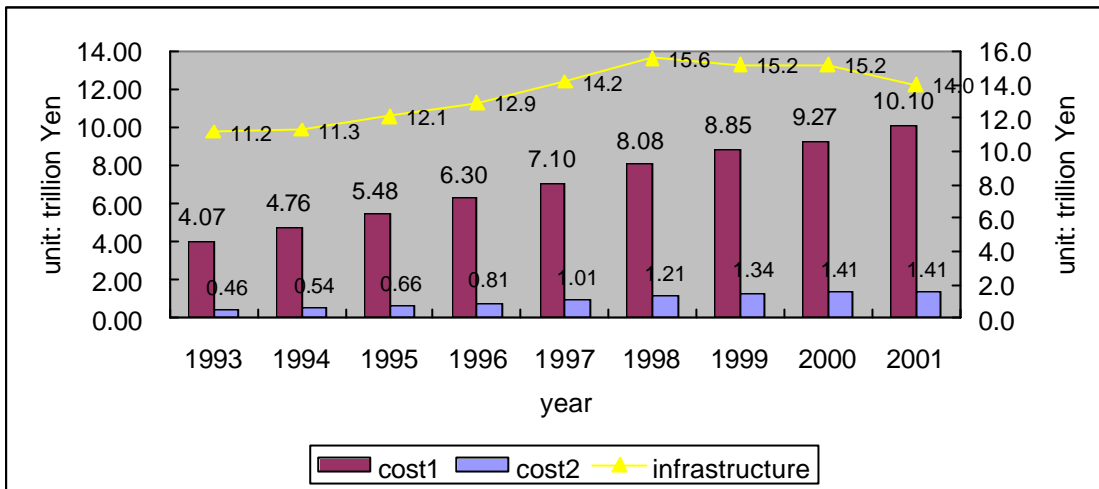


Figure 3.2 a scope of finance and a budget of infrastructure investment
 Source: construction & Economy Research Institute of Korea

In the end of 2000, the number of general construction firms increased over 14 times as 7,971 rather than 1976. While contract amount of general construction firms increased 22.2% in average of year from 1990 to 1997, but after IMF crisis, in 2000 their contract amount was 6 trillion 15 billion Yen. It is almost same conditions by 75.3% of 7 trillion 991 billion Yen in 1997.

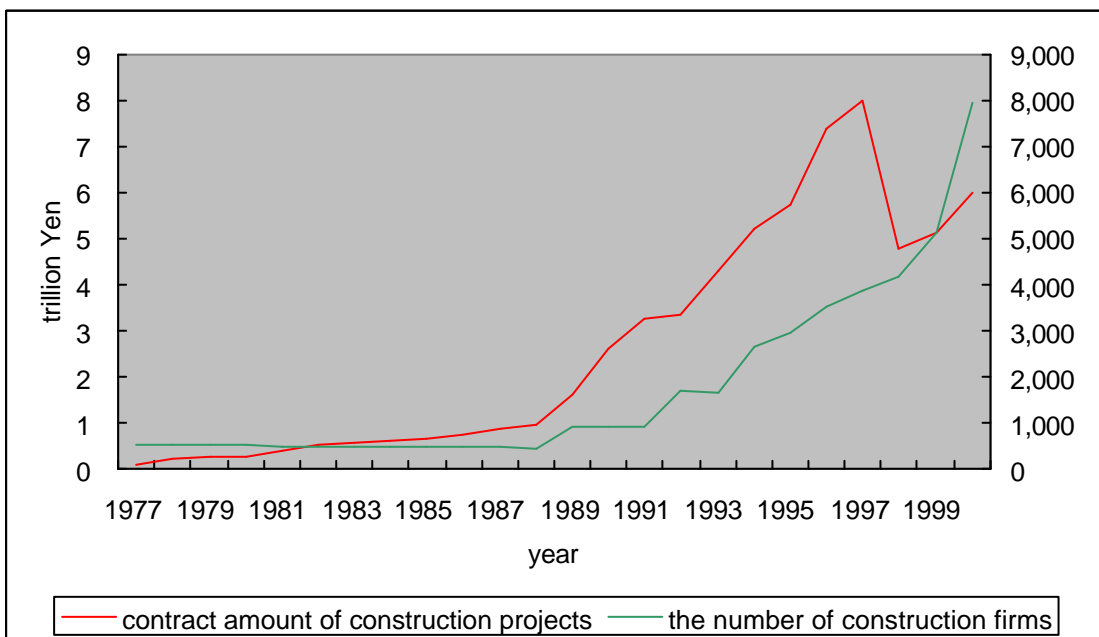


Figure 3.3 the number of general construction firm and contract amount of construction projects
 Source: construction & Economy Research Institute of Korea

Table 3.1 the rate of bankrupt and the number of construction firm

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
(1)	918	912	1700	1653	2651	2958	3543	3896	4198	5137	7971
(2)	3	9	23	49	50	145	196	291	524	112	132
(3)	0.3	1.0	1.4	3.0	1.9	4.9	5.5	7.5	12.5	2.2	1.7

Note:

- (1) The number of construction firm. – a unit
- (2) The number of bankrupt of construction firm – a unit
- (3) The rate of (2)-%

Source: construction & Economy Research Institute of Korea

The number of general construction firms was less than 1000 in 1991. After increased to 1700 sharply, their numbers have been maintaining continuous a fast increasing. Especially, in 2000 although a rapid decrease of construction projects as....(????), their number jumped 40% rather than 1999. On the other hand, the present state of bankrupt of general construction companies was 524 companies as IMF crisis of 1998. The rate of them was increased so much by 12.5%. After that time as the number of bankrupt decreased by 112 companies in 1999 and 132 in 2000, the rate of that has been 2.2% and 1.7%.

3.2 A tendency of contract amount of construction projects.

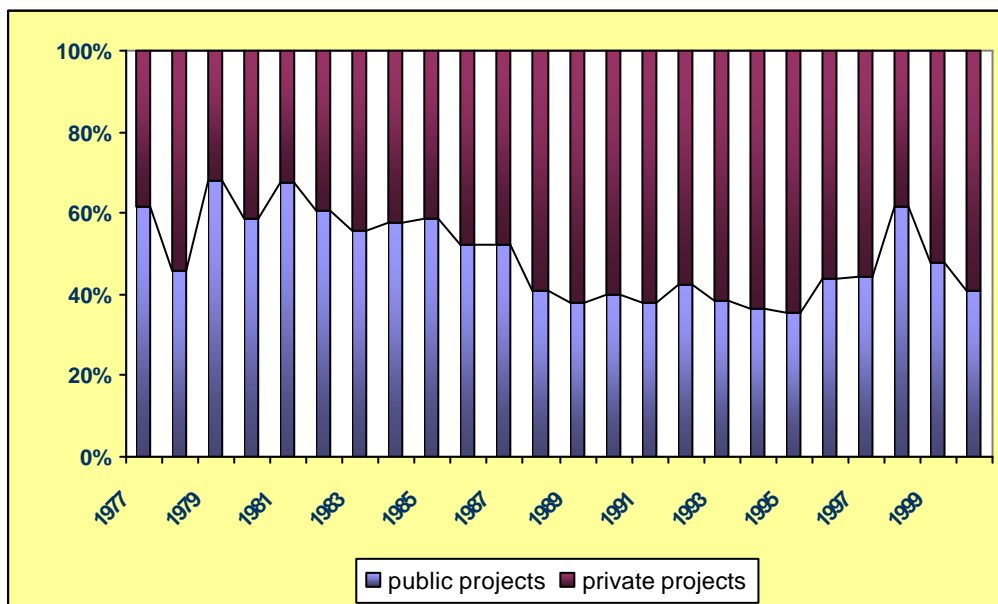


Figure 3.4 the rate of construction contracts on the public and private

Source: Construction & Economy Research Institute of Korea

According to contracts of construction projects in 2000, the cost of contracts in public projects is 2 trillion 465 billion Yen like 41.0% of whole cost of contracts. In private, it shows 59.0% by 3 trillion 550 billion Yen. Private construction has been increased continuously until 1988, and from 1988 the rate of its maintenances over 50% until

1997. But as IMF crisis conditions in 1998, private constructions and contracts dropped temporarily. Korean economy was recovered after 1999, and private construction contracts are increasing again. The result has been over 50% again on private contracts.

After a boom of the Middle East, in 1990s, Korean construction industry had hound construction markets to the domestic. At that time, under government, the policy so-called ‘construction of Housing 2 millions’ had established.

Table 3.2 a change of number of Housing and the rate of Housing Supply

<Unit: thousand, %>

Year	Housing Construction	Number of Housing	The rate of Housing investment	The rate of Housing Supply
1965	70	3912	1.73	81.3
1970	115	4360	5.85	77.8
1975	180	4734	6.13	74.4
1980	212	5450	5.94	71.2
1985	227	6317	4.6	69.7
1990	750	7357	8.8	72.1
1995	619	9507	7.4	86.0
1996	592	10113	7.1	89.2
1997	596	10627	6.3	92.0
1998	306	10867	6.2	92.4
1999	405	11181	4.7	93.3
2000	433	11493	3.8	94.1

Resource: Construction & Economy Research Institute of Korea, Korea National Housing Corp., Ministry of Construction & Transportation

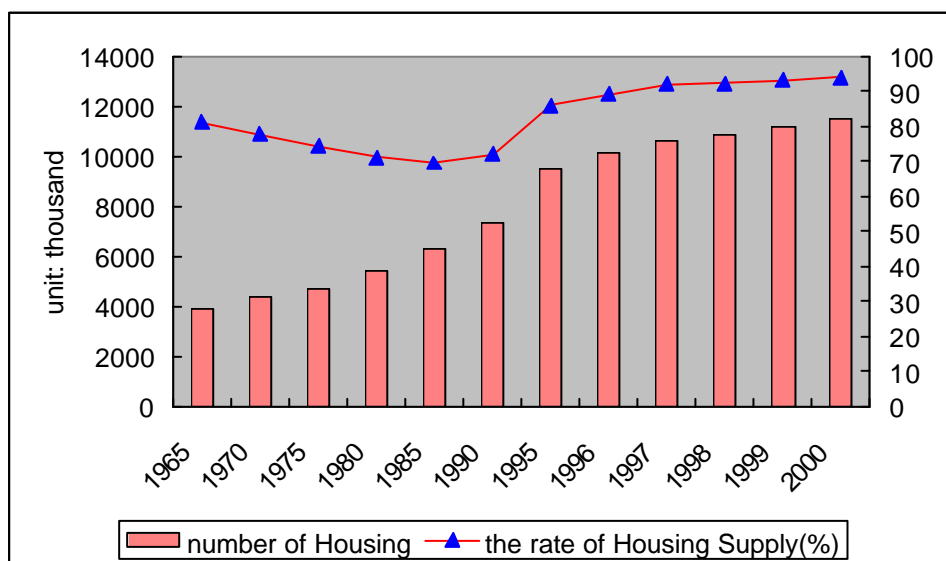


Figure 3.5 a change of number of Housing and the rate of Housing Supply

Resource: Construction & Economy Research Institute of Korea, Korea National Housing Corp., Ministry of Construction & Transportation

As it can see table 3.2 and figure 3.5, the rate of Housing Supply in Korea was 81.3% in 1965. In 1985 as gravitation of the population to a big city and inactivity of housing construction, it dropped to 69.7% highly. But the end of 1980s, as a large-scale housing construction caused by a jump of real estate and the housing cost, the rate of Housing Supply increased so much. In 2000, number of housing is almost 11million 493thousand and the rate of Housing Supply reached 94.1%. While, from 1990 to 1996 the rate of housing investment maintained by 6~7%, but from 1997 to 1998 it dropped by a level of 6% and stopped by 3.8% in 2000.

3.3 Construction technique & technique develop investment

According to report of Korea Institute of Construction Technology, the total level of the domestic construction technology is 65% comparison with developed countries in1993. And in 1997 its level is 67% by increase only 2%. It means that the domestic construction technology has been congesting. An incomplete construction, construction accident, and lowing of productivity have been breaking out due to backward of construction technology. Table 3.3 shows technical levels on construction industry.

3.4 The present state of technical development investment

Investment rate of technical development on total sales profit and on sales shows each 10.1 percent and 1.2 percent in 1999. And it has been increasing after 1997. It means that construction companies are expanding the cost of investment on technical development in order to secure profitability after IMF crisis. Table 3.4 shows development investment on construction technology.

3.5 Financing on construction

As shown in table 3.5, a loan performance of construction industry from a financial institution dropped sharply each -30.8 percent and -13.4 percent in 1998 and 1999. In 2000 a loan performance of manufacturing industry shows recovery, but in case of construction industry it shows still difficulty of financing as a declining of credit on Construction Company by bankrupt and restructuring on big construction companies.

Table 3.5 Lending performances from a financial institution on Construction and Manufacturing Industry

(Unit: billion Yen, %)

		1997	1998	1999	2000
Construction Industry	A sum of money	376.963	260.844	225.824	207.458
	Increase and decrease rate	2.3	-30.8	-13.4	-8.1
Manufacturing Industry	A sum of money	1646.653	1262.206	1188.191	1220.438
	Increase and decrease rate	9.8	-23.3	-5.9	2.7

Table 3.3 Technical levels on construction industry

(Unit: % (developed countries = 100))

	Preliminary engineering and Design		Detail Engineering and Design		Procurement		Construction		Management after construction		Total	
	1993	1997	1993	1997	1993	1997	1993	1997	1993	1997	1993	1997
A highway	71	73	70	74	70	78	79	77	70	71	72	74
A bridge	72	69	72	70	75	71	76	73	68	67	73	70
A tunnel	63	67	66	70	67	71	76	76	68	69	68	70
A underground structure	60	62	63	65	64	67	71	71	66	66	65	66
Water and sewage arrangement	58	62	61	65	65	67	69	71	61	63	63	65
Rivers arrangement	67	69	70	72	67	70	80	79	70	69	71	72
The coast facilities	54	59	58	62	61	66	72	71	58	63	61	64
A dam	59	61	64	64	71	71	74	73	68	68	67	67
A plant	54	59	53	63	63	69	71	75	68	73	62	68
A high building	61	63	67	65	67	67	74	70	66	62	67	66
A residential building	66	65	71	68	71	69	76	71	66	63	70	67
An intellectual building	44	53	48	57	55	60	57	65	51	59	51	59
A building facility	59	60	60	62	58	63	65	68	59	63	60	63
Total average	61	63	63	66	66	68	72	72	65	66	65	67

Source: Korea Institute of Construction Technology

Table 3.4 Development investments on construction technology

(Unit: billion Yen, %)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Construction sales	2384,4	3496,5	46,379	4299,7	6032,0	7121,5	8498,8	8928,5	7539,2	7407,3
Gross profit	259,9	401,1	530,1	623,6	861,6	806,3	1094,5	916,1	738,5	856,6
An amount invested on technical development	18,5	30,7	34,0	44,3	55,2	53,3	63,2	69,1	69,0	86,7
Investment rate of technical development on total profit	7.1	7.7	6.4	7.1	6.4	6.6	5.8	7.5	9.4	10.1
Investment rate of technical development on Gross profit	0.8	0.9	0.7	0.9	0.9	0.7	0.7	0.8	0.9	1.2

Source: construction association of Korea.

CHAPTER 4

KOREAN CONSTRUCTION INDUSTRY PRACTICES

Currently, circumstances of construction industry have been changed rapidly and have been being progressed widely in them. A rapid changing of science and technique, economic growth and changing of people's thinking in society cause mainly those. We can know ourselves that condition of construction market and demand of owners is changing so much. According to changing of owner's desire for construction, a demand for a center of owner needs a various idea like design-construct, design manage (Turnkey) and professional construction management for construction service. As a project that is needed a complex function connected to between a professional technique (skill) and construction is increasing, a weight of professional technique management is increasing. On the other hand, Downsizing for each department of construction is progressing. So a limitation is appearing to construction management by existing management system. And domestic construction companies satisfied with domestic projects feel a limitation for getting projects by an existing contract system as opening domestic construction market to foreign companies. Competitiveness for getting projects among construction companies in construction market is needed. Foreign construction companies have better construction management ability and information technology intend to monopolize a high-value part of construction at construction market in world. Nowadays, big problems in Korean construction industry are said that insolvent construction and a weakness of oversea competitiveness. That is, that problems cause that a decline of productivity, a lack of consciousness of workers, increase of wages, a lack of R&D, a weakness of financing and whole systematic problems for construction.

Then, how are developed countries (the USA and Japan) changed for their construction conditions?

4.1 The USA

- Globalization of construction industry

Through caring out for various construction businesses like joint venture, Multiple Ownership and BOT (Build/Operate/Transfer), they reduce time and cost for construction and also secure profitability.

- Innovation of a procedure of construction business based on integrating information

Currently, security of construction resources such as manpower, materials, and equipments is caring out quickly as Information and Communication Technique are developed. So decision-making can be done so fast because various information for caring out business is able to gathering quickly.

- Improvement of profitability

Manpower reduces as construction automation is used. And competitiveness for manpower is strengthened. It is possible to find manpower at local areas because a technical skill was improved by globalization.

- Time reduction for construction business

Technique like advanced material, development of equipment and innovative method for construction, quick accumulation of information and decision-making by communication is improved. By doing so, it is possible to reduce time for construction business.

- Change of relationship between owner and contractor

As construction business become more complex, their decision-making process also become complex. Their relationship as a team not to do against each other is changing.

- Environment change for construction business

Technical innovation based on environment-oriented construction, operation, management and taking to pieces will be achieved.

4.2 Japan

- Structural reform in construction industry

Security of competitiveness for internalization of construction market and demand of profitability improvement is needed. As social criticism for an ambiguous public construction business and inactivity of construction market are occurred, the rationalization of management is demanded. And specialization, diversification of management and New Genecon for construction companies is demanded.

- Necessity of synthetic and imaginative ability for construction business

Ability can consider planning proposal, technology and financing together is demanded, which strengthen an ability against verification and high-degree technique.

- Innovation of production system

Competitiveness for construction cost down and strategy for innovation of construction production are needed. Now, production system for construction is changing.

- Strategy for a customer-oriented

As demand of customer is various, a quick strategy coping with their demand is achieving. And a quality-oriented strategy for securing competitiveness is achieving. Creative, high quality, and high-efficiency for production system is needed to cope with the competitiveness age.

- Introduction of CM/PM and EC

Confidence for construction business and rationalization for construction production system is increased. It is possible to reduce for construction cost. It attaches important to soft-technology for construction. GENECON for taking engineering ability manages engineering business to service more strong for customers.

- Life cycle management

Facility Management is activated. Improvement of an expected efficiency for a structure needs. And also in order to reduce whole cost for construction, life cycle management is needed.

- A by product of construction and Recycle

A disposition method for a by-product on construction is developed and recycle rate of a by-product is improved.

4.3 Organization of construction project in the USA and Japan

The actual differences in the daily practice of management in the construction industry between the United States and Japan consist of mainly three aspects. First is the organization of construction projects by the owner (client), the contractor, and others. The next aspect is the meaning of conformity with respect to the contract. Third is the meaning of fairness in the tendering system. These differences shall be discussed hereafter in detail from the differing viewpoints of the principles of the two management styles.

Figure 4.1 outlines the common structure of a construction project as undertaken by Japanese management. As you can see, Figure 4.2 has a different organizational structure and it is this structure that characterizes American management in terms of construction projects. Japanese management, as stated in the previous section, communicates through face-to-face human contact. Therefore, the fewer people involved, the more intensive human contact will be, and the easier it will be for the individuals to communicate on an unconscious level. In this case, harmony and balance of the power between parties is considered to be the key in order to smoothly execute projects. However, in the case of American management, communication depends on words: mainly written communication. This system is quite effective and becomes a routine process. The intention and purpose of each part can be clearly expressed in the letters, giving this system an objective nature. Therefore, the size of the party involved becomes less important. Moreover, a third party can be easily introduced into the organizational structure. Also, if we consider these two organizational structures in Figure 4.1 and Figure 4.2 from the viewpoint of the characteristic analysis theory of the communication network, Japanese organization is a kind of “chain” communication network, but it only has two participants. Likewise, American organization is a kind of “circle” communication network. In order to understand management differences in the organizational structure, two communication network systems (chain and circle) shall be compared. The nature of the differences should be examined from the four viewpoints of effectiveness of communication, namely, centralization, leadership, group satisfaction, and individual satisfaction. The “chain” communication in Japanese management is considered to be moderate from all of the four aforementioned viewpoints. The “circle” communication in American management is considered low from the three viewpoints (centralization, leadership, and individual satisfaction) and moderate only from the viewpoint of group satisfaction. In Japanese organization only two parties exist and the relationship is called the former and the latter relationship, which comes from a set phrase of the contract document and gives an impression of

Owner (Client)

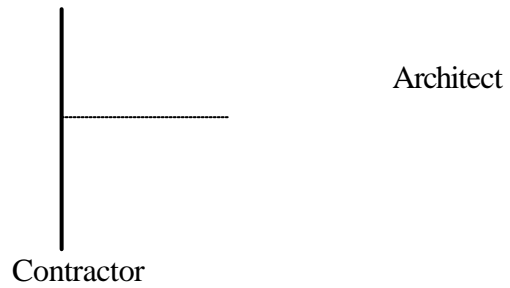


Figure 4.1 Common organization structure of project in Japanese construction industry

Owner (Client)

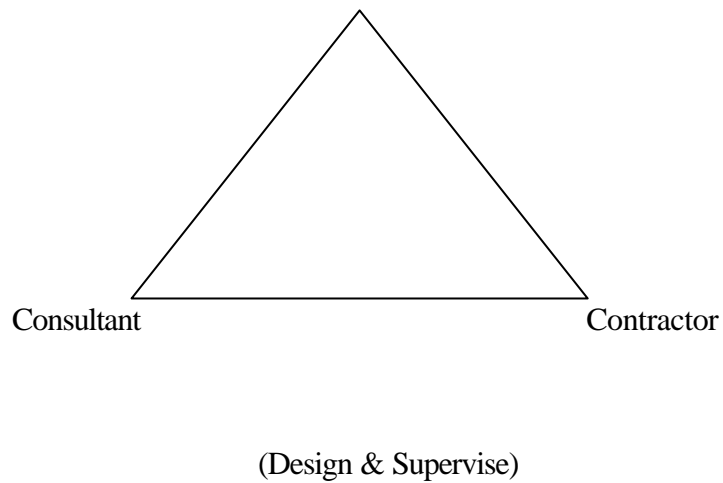


Figure 4.2 Common organization structure of project in American construction industry

the unilateral contract. One of the merits of the Japanese “chain” organization, however, is that effective decisions are easily made to solve outstanding problems harmoniously. In the case of American organization, contracts become bilateral contracts. For effective execution, the Japanese works well, but for fair execution, the American system is superior. (prof. Keizo Baba, 1990)

4.4 Korea

- Multi-large contracting is serious in Korean construction industry, which make construction environment like that the cost of construction is increase, but the quality becomes lower. Figure 4.3 shows Common organization structure of project in Korean construction industry.
- As market condition of construction industry goes down, the amount of debts of construction companies is increasing. Especially, after IMF (International Monetary Fund) crisis, credit rating of Korean construction industry has lost. So construction finance became worse.
- From the middle of 1990s, a large accident was occurred very often by imperfection of construction procedure. The reason is the lack of proper coordination between design and construction, and also poor supervision.

This table shows practice of Korean construction industry in the past

Table 4.1 Practice of Korean construction industry in the past

	Practice of Korean construction industry in the past
Structure of pursuing value	High payment – low efficiency
Strategy of management	Extension of an outward form (A growth in quantity)
Organization	Vertical
Style	Inharmonic during construction
Skill & Knowledge system	Simple managerial skill. Labor-intensive

Source: Kim, H. J., 2001

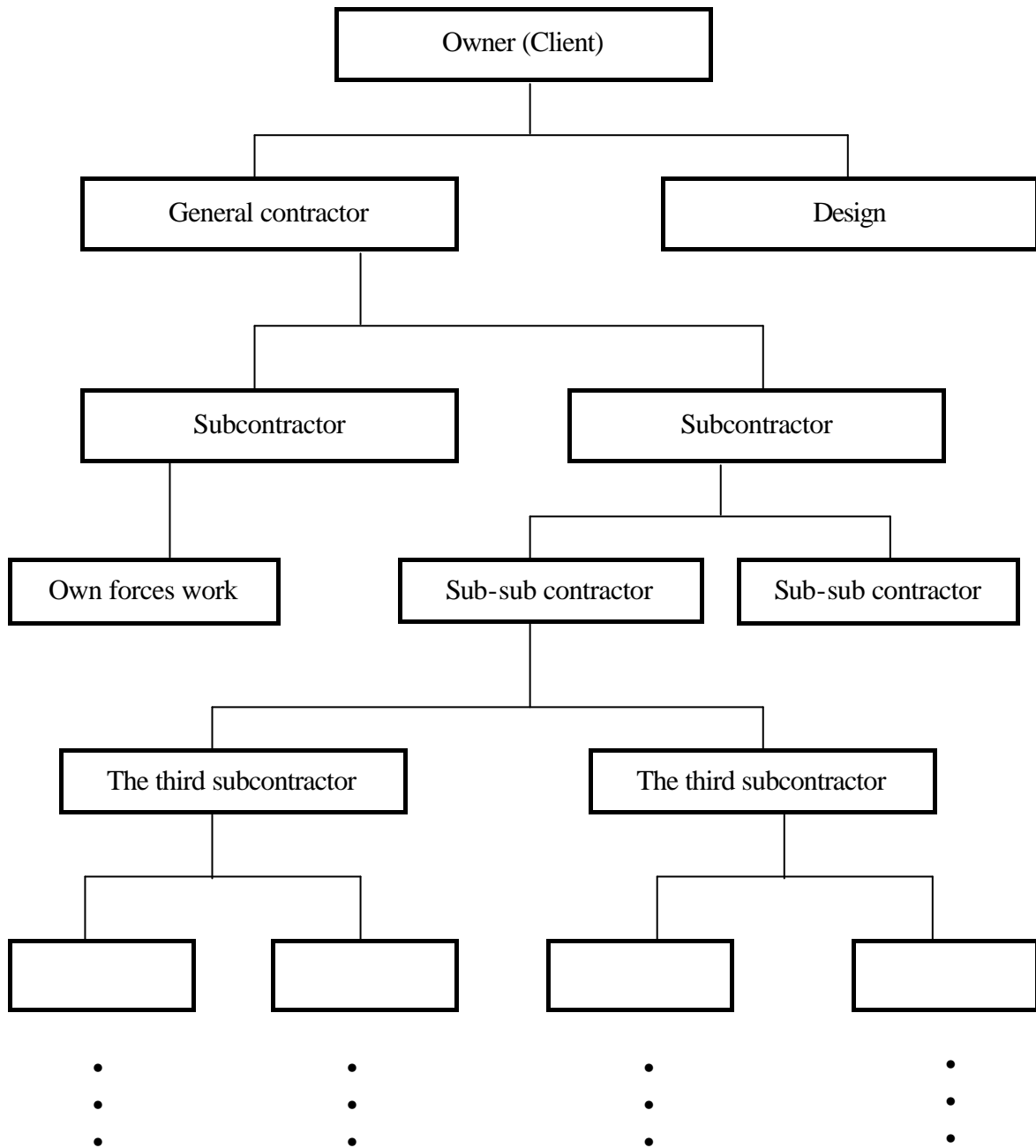


Figure 4.3 Common organization structure of project in Korean construction industry

CHAPTER 5
NATURE OF MANAGEMENT IN KOREA & TYPICAL CHARACTERISTICS
AND DIFFERENCES IN CONSTRUCTION MANAGEMENT AMONG KOREA,
JAPAN AND THE USA

To organize any field of knowledge and make it more useful, a classification system is necessary. In the field of management, a variety of first-order classifications, or “pigeonholes” might be used. Those who subscribe to the operational school of management believe that it is both realistic and helpful to practitioners to use as this first-order classification the functions of managers – planning, organizing, staffing, leading, and controlling. A useful second-order classification builds the knowledge in each functional area by looking at the following aspects: (1) the nature and purpose of each function, (2) the key concepts applicable to each, (3) the way each is structured, (4) the way each is undertaken, (5) the theory and principles underlying each, (6) the most useful techniques that have been developed in each area, (7) the difficulties encountered in applying knowledge in practice, and (8) the way managers might develop an environment for performance in each area. (Harold Kootz, 1984)

These primary classifications are not airtight and there are many overlaps. Thus, a manager plans an organization structure and may also organize a planning function. But this is a characteristic of all fields of science.

FUNCTIONS OF MANAGERS (Harold Kootz, 1984)

The functions of managers are a useful framework in which to organize management knowledge. There have been no new ideas, research findings, or techniques that cannot readily be placed in these classifications. For this reason, then, the basic functional areas of management selected are planning, organizing, staffing, leading, and controlling.

Planning

Planning is decision making; it involves selecting the courses of action that a company or other enterprise, and every department of it, will follow. There are various types of plans, ranging from overall purposes and objectives to the most detailed action to be taken to other a special stainless steel bolt for an instrument or to hire and train workers needed for an assembly line. No real plan exists until a decision has been made—a commitment of human or material resources or of reputation to go in a certain direction. Before a decision is made, all we have is a planning study, an analysis, or a proposal, but not a real plan.

Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. Planning bridges the gap from where we are to where we want to be in a desired future. It strongly implies not only the production of new things, but also sensible and workable innovation. It makes it possible for things to occur that would not otherwise happen. Although the future can seldom be predicted with accuracy and unforeseen events may interfere with the best-laid plans, unless there is planning, actions of people tend to be aimless and left to chance. There is no more important and basic element in establishing an environment for performance than enable people to know their purposes

and objectives, the tasks to be performed, and the guidelines to be followed in performing their jobs. If group effort is to be effective, people must know what they are expected to accomplish.

Organizing

People working together in groups to achieve some goal must have roles to play, much like the parts actors fill in a drama, whether these roles are ones they develop themselves, are accidental or haphazard, or are defined and structure by someone who wants to make sure that people contribute in a specific way to group effort. A role implies that what people do has a definite purpose or objective; their activity is in an area where they know how their job objective fits into group effort, where they have the necessary authority to do the task, and where they have the necessary tools and information to accomplish it. Organizing, then, is that part of managing that involves establishing an international structure of roles for people in an enterprise to fill. It is international in the sense of making sure that all the tasks necessary to accomplish goals are assigned and, it is hoped, assigned to people who can do them best. Imagine what would have happened if such assignments had had not been made in the programs to put people on the moon or to land Viking ? on Mars. Thus, organizing involves (1) determination of activities required to achieve goals, (2) grouping of these activities into departments or sections, (3) assignment of such groups of activities to a manager, (4) delegation of authority to carry them out, and (5) provision for coordination of activities, authority, and information horizontally and vertically in the organization structure.

The purpose of an organization structure is to help in creating an environment for human performance. It is, then, a tool of managing and not an end in and of itself. Although the structure must define and cover the tasks to be done, the roles so established must also be designed in the light of the abilities and motives of people available. To design and effective organization structure is not an easy managerial activity. Many problems are encountered in making structures fit situations, including both defining the kinds of jobs that must be done and finding the people to do them.

Staffing

Staffing involves filling, and keeping filled, the positions provided for by the organization structure. It involves setting requirements for the job to be done, and it includes inventorying, appraising, and selecting candidates for positions; compensating; and training or otherwise developing both candidates and current jobholders to accomplish their tasks effectively.

Leading

Leading is influencing people so that will strive willingly and enthusiastically toward the achievement of organization and group goals; it has to do with the predominantly interpersonal aspect of managing. All managers would agree that their most important problems arise from people, their desires and attitudes, their behavior as individuals and in groups, and the need for effective managers also to be effective leaders. Since leadership implies follower ship and people tend to follow those in whom they see a means of satisfying their own needs, wishes, and desires, it is understandable that leading involves motivation, leadership styles and approaches, and communications.

Controlling

Controlling is the measuring and correcting of activities of subordinates to assure that events conform to plans. Thus it measures performance against goals and plans, shows where negative deviations exist, and, by putting in motion actions to correct deviations, helps ensure accomplishment of plans. Although planning must precede controlling, plans are not self-achieving. The plan guides managers in the use of resources to accomplish specific goals. Then activities are checked to determine whether they conform to planned action.

Control activities generally relate to the measurement of achievement. Some means of controlling, like the budget for expense, inspection records, and the record of labor-hours lost, are generally familiar. Each has the characteristic of measuring; each shows whether plans are working out. If deviations persist correction is required. But what is corrected? Activities through persons. Nothing can be done about reducing scrap, for example, or buying according to specifications, or handling sales returns except by knowing who is responsible for these functions. Compelling events to conform to plans means locating the persons who are responsible for results that differ from planned action and then taking the necessary steps to improve performance. Then, things are controlled by controlling what people do.

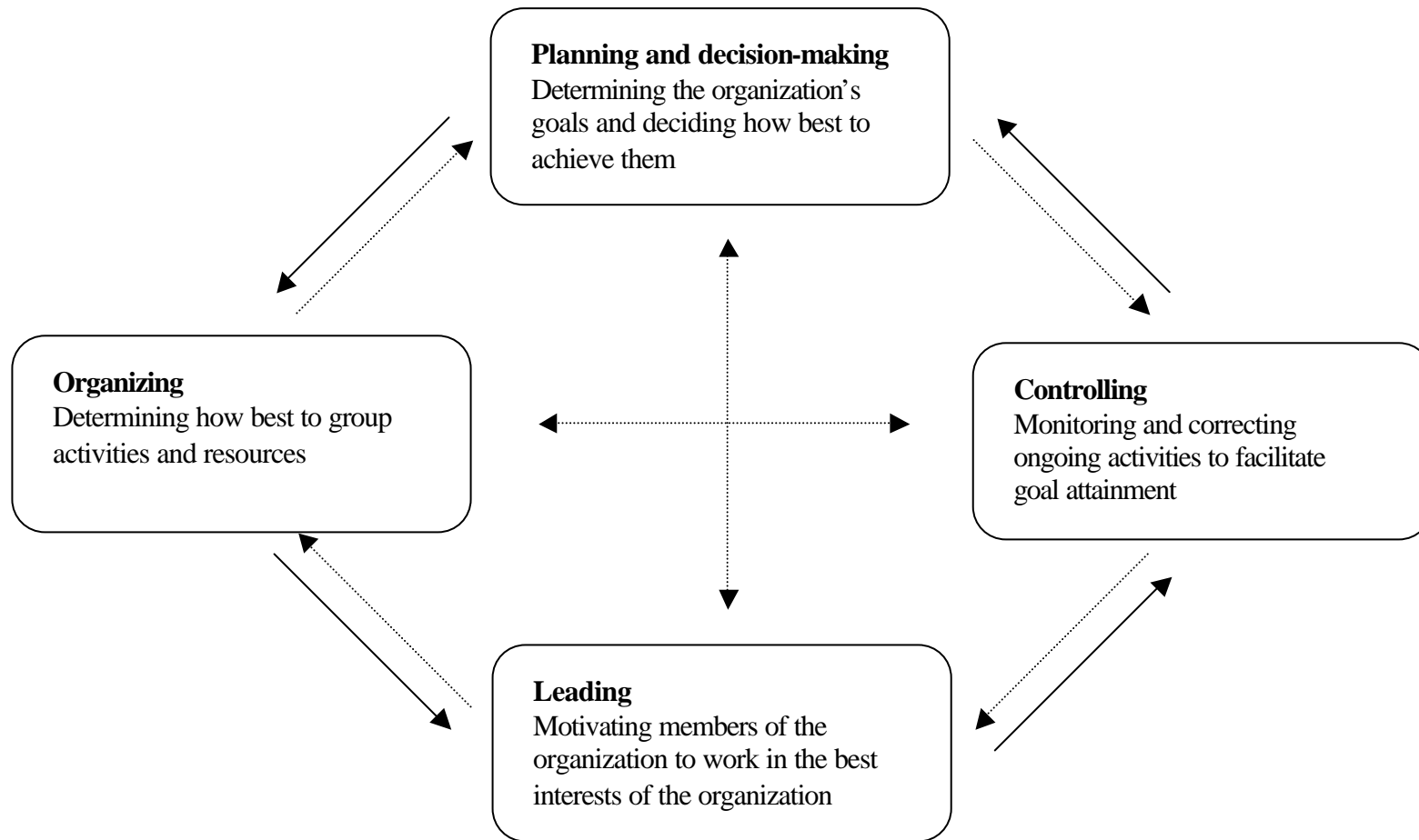


Figure 5.1 Management process
Source: management-3rd edition, 1990

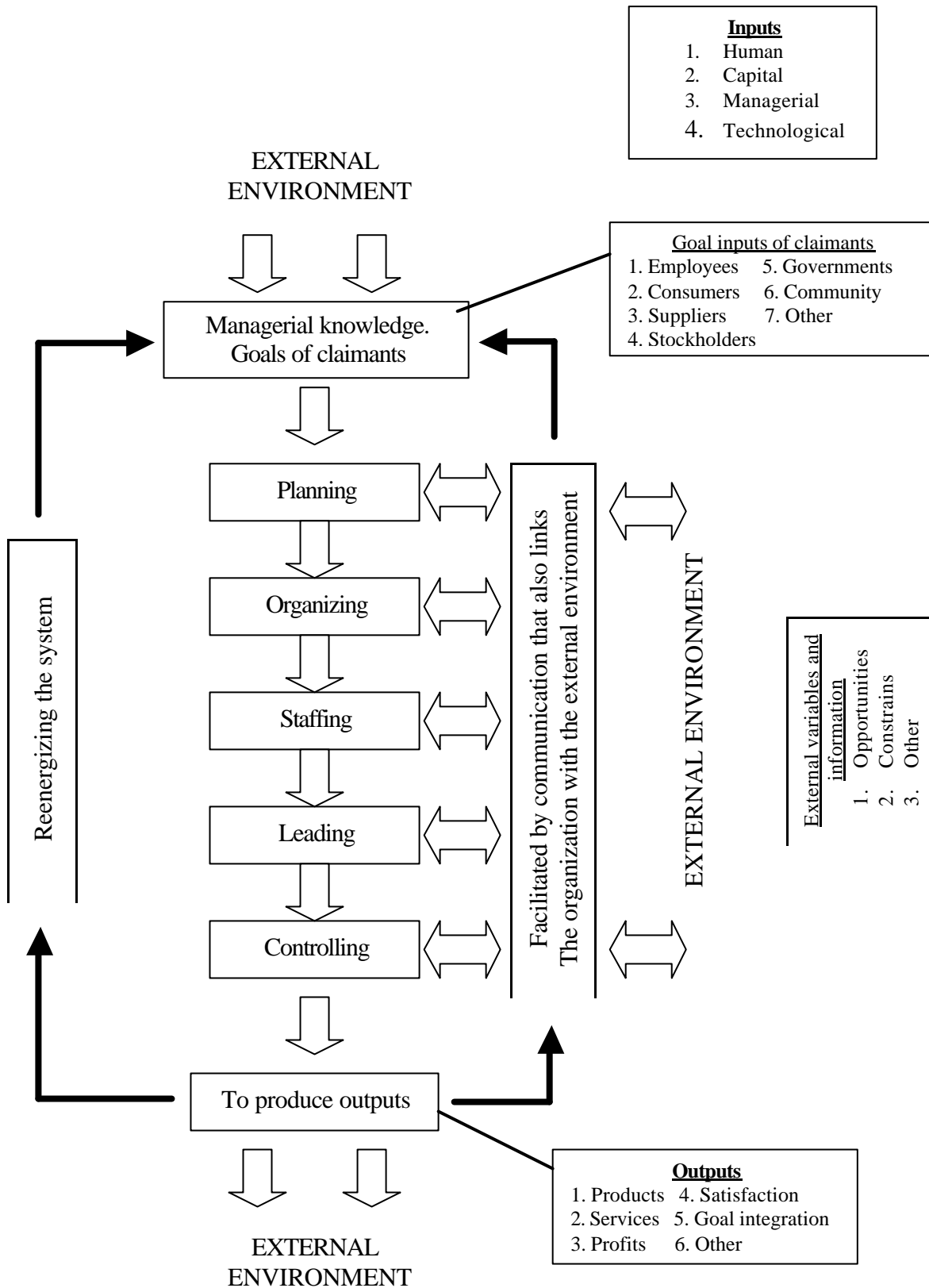


Figure 5.2 Systems approach to management
 Source: Management-a global perspective, 1994

5.1 Comparison between Japanese management and the USA management

In order to know how these two countries different kinds of management appear in the actual practice of management, a careful study of the comparison of the USA management as a typical management by consciousness to Japanese management that represents management by unconsciousness, will be necessary (Prof. Keizo Baba, 1990).

There has been quite a bit of discussion concerning this comparison. For example, Peter F. Drucker (1973) pointed out many aspects of the differences between the USA management and Japanese management in his book. Also, a simple but systematic analysis of the difference of the two styles of management is discussed and presented in the form of the comparison table by Koontz et al (1984). These comparative studies of the USA and Japanese management styles, however, have only analyzed the phenomena of the procedure and system of the two systems. No further analysis explaining the principle of the differences in the system can be found in their works. Therefore, by using the principle of two types of management by consciousness and unconsciousness—the basic reasons and background of these differences will be discussed in order to explain both the nature of Japanese management systems and the different principles that back up the two management systems.

In the comparison table by Koontz et al (1984), the two kinds of management are considered from viewpoints of five functional components of management: planning, organizing, staffing, leading, and controlling. First of all, general indications of the differences in each five functional components of management will be summarized as follow:

Planning

- Japanese management: Collective decision making relying on consensus; long-term orientation.
- The USA management: Individual decision making; primarily short-term orientation.

Organizing

- Japanese management: Collective responsibility; ambiguity of decision responsibility; common organizational culture and philosophy is well known; competitive spirit toward other enterprise.
- The USA management: Individual responsibility; clarity and specificity of responsibility for decision; common organization culture is lacking; identification with profession rather than company.

Staffing

- Japanese management: Life time employment common; loyalty to the company; promotion based on multiple criteria; small difference in pay increase.
- The USA management: Job insecurity prevails; professionalism; promotion based on primarily on individual performance; substantial difference in pay increase.

Leading

- Japanese management: Leader as a social facilitator; leader is part of the group; paternalistic style; bottom-up communication; emphasis on face-to-face communication.
- The USA management: Leader as a decision maker; leader heads the group; directive style; top-down communication; emphasis on written communication.

Controlling

- Japanese management: Control by peers; control focuses on group performance, saving face.
- The USA management: Control by superiors; control focuses on individual performance, fixing blame.

Table 5.1 shows 'Management approaches comparison between Japan and the USA management' in particular.

Through these five components, Japanese management depends on the group, long-term orientation, ambiguity of responsibility, life-time employment, control by humanism, while the USA management is based on the individual, short-term orientation, individual responsibility, and professionalism, and is controlled by logic and reason.

It is quite useful to note that one of the most important keys to solving the fundamental cause of the differences is to contrast the two systems of employment. In the USA management, the company employs the function of the employee, while in Japanese management the company employs the individual as a human being.

In the USA management, the company needs only the function of the employee. Therefore, the company does not need an individual as a human being. In fact, a human being employed is nothing but a kind of parasite not necessary to the company. Moreover, the function needed by the company sometimes changes quickly due to a change in the environmental conditions of the company. Therefore, jobs become unstable in the USA management. Since the company controls the functions employed, the company pays the salary for the function of the employee. It is the function, and not the individual as a human being, that is controlled by the superior in the USA management.

On the contrary, in the case of Japanese management, the company employs the individual as a human being who has capabilities that can be useful in future functions of the company. The company gives him the chance to develop his career in the function desired by the company. Since Japanese companies employ the individual as a human being and not by his function, the company must pay a salary, taking the individual's life into consideration, and assuming that the individual has a family to support. Therefore, the salary is paid by the seniority system in Japanese management.

A human being does not change as quickly as the business environment of a company. Therefore, long-term planning is necessary in order to match employee development and the company's actual function needs. The function employed by the company in the

USA management shall be defined and controlled by words, which are the most effective communication media in the world of consciousness. Japanese management, however, cannot rely merely on words in order to control employees. These facts show that the USA management has been built on the logic and reason of the conscious mind, While Japanese management is based on the harmony and humanity of the people's unconscious mind.

In the USA management, everything shall be clearly defined and discussed openly. Japanese management, however, uses ambiguity to form harmony and consensus unconsciously. If a management system relies on the conscious mind of people, debate and discussions in meetings and exchanging the purpose of the people by letters is the most common method. Through this procedure the formalities using words are most powerful and useful in the USA management. Actually, in practice, the USA management is based on definition, job description, contract, presentation, and manuals as tools of management. These tools of management are developed systematically in the United States to form a sound theory. This system has become one of the main subjects of study in universities as a part of business administration.

In Japanese management, the management system is based on the unconscious mind, which cannot be completely communicated by words. Since the unconscious mind exists in a much deeper place, communication of the unconscious mind is much more difficult to understand than the conscious mind.

Therefore, in order for the unconscious mind to communicate, a special system should be developed in place of verbal communication. The most effective method is to establish group unconsciousness through long periods of human contact. This group unconsciousness in the company will be created only by a long-term employment system-a lifetime employment system.

Therefore, within Japanese management, there are two basic concepts of employment: employment of the individual as a human being and long-term employment with a company.

These differences in employment, originating in the aforementioned differences in the principles of management has great influence on the many practices on the many practices of management. The biggest difference in the practice of management is the control of personnel. In the USA management, control focuses on the function of the employee. But in Japanese management, control focuses both on the function and on the employee as an individual. Therefore, the personnel control system is quite complicated in Japanese management because there are two objectives to be controlled: function and the individual as a human being, which cannot always coexist. Generally for this reason, the Japanese company takes the welfare of the employee into consideration more than in the case of the USA management. Therefore, sometimes the Japanese control system has a great effect on the private life of the employee. Recently, young employee who wants to enjoy their private life without intervention from the company has rejected this tendency.

For this reason, the management of unconsciousness is effective only in a closed society where group unconsciousness can be easily formed. Therefore, it is quite difficult to depend on management by unconsciousness in an open and unstable society where it is difficult to achieve group unconsciousness. In this case, without forming group unconsciousness, unconsciousness differs so much from individual to individual that mere unconsciousness becomes useless as the media of communication and the standard in management (Prof. Keizo Baba, 1990).

Table 5.1 Management approaches

Japanese management	U.S. management
Planning	
1. Long-term orientation 2. Collective decision making (rangi) with consensus 3. Involvement of many people in preparing and making the decision 4. Decision flow from bottom to top and back 5. Slow decision making: fast implementation of the decision	1. Primarily short-term orientation 2. Individual decision making 3. Involvement of a few people in making and “selling” the decision to persons with divergent values 4. Decision initiated at the top, flowing down 5. Fast decision making: slow implementation requiring compromise, often resulting in sub optimal decisions
Organizing	
1. Collective responsibility and accountability 2. Ambiguity of decision responsibility 3. Informal organization structure 4. Well-known common organization culture and philosophy: competitive spirit toward other enterprises	1. Individual responsibility and accountability 2. Clear and specific decision responsibility 3. Formal, bureaucratic organization structure 4. Lack of common organization culture: identification with profession rather than with company
Staffing	
1. Young people hired out of school: hardly any mobility of people among companies 2. Slow promotion through the ranks 3. Loyalty to the company 4. Very infrequent performance evaluation for new (young) employees 5. Appraisal of long-term performance 6. Promotions based on multiple criteria 7. Training and development considered a long-term investment 8. Lifetime employment common in large companies	1. People hired out of schools and from other companies: frequent company changes 2. Rapid advancement desired and demanded 3. Loyalty to the profession 4. Frequent performance evaluation for new employees 5. Appraisal of short-term results 6. Promotions based primarily on individual performance 7. Training and development undertaken with hesitation (for fear of turnover) 8. Job insecurity prevailing
Leading	
1. Leader acting as a social facilitator and group member 2. Paternalistic style 3. Common values facilitating cooperation 4. Avoidance of confrontation, sometimes leading to ambiguities: emphasis on harmony 5. Bottom-up communication	1. Leader acting as decision maker and head of the group 2. Directive style (strong, firm, determined) 3. Often divergent values: individualism sometimes hindering cooperation 4. Face-to-face confrontation common: emphasis on clarity 5. Communication primarily top-down
Controlling	
1. Control by peers 2. Control focus on group performance 3. Saving face 4. Extensive use of quality control circles	1. Control by superior 2. Control focus on individual performance 3. Fixing blame 4. Limited use of quality control circles

Source: Management – Koontz, 1984

5.2 Comparison between Korean management and Japanese management

Japanese management receives a great deal of attention, partly because of the economic success of Japanese companies. Korea has also shown remarkable economic growth. There are some cultural and structural similarities, such as the dominance of powerful conglomerate companies. In Japan, managers emphasize group harmony and cohesion, expressed in the concept of wa; the Korean concept of inhwa also translates into harmony, but with fewer accents on group values. Korean organizations are quite hierarchical, with family members occupying key positions. Beyond blood relationships, the factors affecting hiring decisions often include the school attended or being from the same geographic region as the top person. The leadership style can best be described as top-down, or autocratic/paternalistic. This approach enables the firm to adjust quickly to the demands in the environment by issuing commands. Lifetime employment does not prevail. Indeed, the labor turnover rates are high when compared with the low rates in Japan. Turnover is primarily attributable to people quitting their job rather than being dismissed. All in all, Korean management is different from both Japanese and U.S. management practices. (Heinz Wehrich, 1994)

Planning

- Korean management: collective decision-making, the minor decision making; short-term orientation.
- Japanese management: Collective decision-making relying on consensus; long-term orientation.

Organizing

- Korean management: organization culture is known; competitive spirit toward other enterprisers to survive; ambiguity of decision responsibility; ambiguous individual responsibility.
- Japanese management: Collective responsibility; ambiguity of decision responsibility; common organizational culture and philosophy is well known; competitive spirit toward other enterprise.

Staffing

- Korean management: Lack of loyalty of the company; promotion based on both seniority and education
- Japanese management: Lifetime employment common; loyalty to the company; promotion based on multiple criteria; small difference in pay increase

Leading

- Korean management: Leader as decision maker and head of the group; directive style (authority, charisma and determined); top-down communication
- Japanese management: Leader as a social facilitator; leader is part of the group; paternalistic style; bottom-up communication; emphasis on face-to-face communication.

Controlling

- Korean management: Control by superior (leader); control focus on group and individual performance

- Japanese management: Control by peers; control focuses on group performance, saving face.

Korea and Japan are located very closely and influenced on same culture area like China. But their culture in their countries is also a little different. As mention above, Korea approaches to management based on short-term orientation, collective decision-making (the minor decision making), ambiguity of decision responsibility, job security (lifetime employment), top-down communication, and control by humanism.

Korean economy had developed so fast for 40 years and also fast results had been needed for performance. In Korean management, company needs quick plans and achievement. So they plan short-term orientation by fast decision making. When they decide plans, they do a collective decision-making but at least the minor person does decision for some plans.

In Japanese management, employees work commonly in their company for whole lifetime. And promotions are based on multiple criteria. While in Korean management, employees also work for whole lifetime. But they put an important to secure better positions (work). Promotions are based on both seniority systems and education background.

As being promoted naturally by seniority system rather than evaluation result of performance. They don't mind to improve their performance ability but concern to make a good relationship with superiors. Therefore, superiors evaluate subordinates ambiguous performance evaluation by good relationship. Decision responsibility is also ambiguous.

In Japanese management, leader exists to act as a social facilitator and group member for harmony of each party. They use bottom-up communication. On the other hand, in Korean management, leaders are decision-maker and head of the group. They have authority and charismatic character. Their communication is top-down communication.

Management approaches in Korea and Japan can summarize like in table 5.2.

Table 5.2 Management approaches in Korea and Japan

Korean management	Japanese management
Planning	
<ol style="list-style-type: none"> 1.Short-term orientation 2.Collective decision making, the minor decision making 3.Involvement of a few people in making the decision 4.Decision flow from top to bottom 5.Fast decision making; fast implementation of the decision 	<ol style="list-style-type: none"> 1.Long-term orientation 2.Collective decision making (rangi) with consensus 3.Involvement of many people in preparing and making the decision 4.Decision flow from bottom to top and back 5.Slow decision making: fast implementation of the decision
Organizing	
<ol style="list-style-type: none"> 1.Ambiguous individual responsibility and accountability 2.Ambiguity of decision responsibility 3.Formal organization structure 4.Well-Known common organization culture: competitive spirit toward other enterprises (to survive) 	<ol style="list-style-type: none"> 1.Collective responsibility and accountability 2.Ambiguity of decision responsibility 3.Informal organization structure 4.Well-known common organization culture and philosophy: competitive spirit toward other enterprises
Staffing	
<ol style="list-style-type: none"> 1.Young people hired out of school; rare company changes 2. Ambiguous performance evaluation and promotion through seniority and merit 3. Lack of loyalty of the company 4. Infrequent performance evaluation for new employees 5. Appraisal of short-term results 6.Promotion based on both seniority system and education 7. Training and development available; considered a short-term investment 8.Job security; lifetime employment 	<ol style="list-style-type: none"> 1.Young people hired out of school: hardly any mobility of people among companies 2.Slow promotion through the ranks 3.Loyalty to the company 4.Very infrequent performance evaluation for new (young) employees 5.Appraisal of long-term performance 6.Promotions based on multiple criteria 7.Traning and development considered a long-term investment 8.Lifetime employment common in large companies
Leading	
<ol style="list-style-type: none"> 1.Leader acting as decision maker and head of the group 2.Directive style (authority, charisma, determined) 3. Common values facilitating cooperation; harmony-oriented 4. Face-to-Face confrontation: emphasis on harmony 5.Top-down communication 	<ol style="list-style-type: none"> 1.Leader acting as a social facilitator and group member 2.Paternalistic style 3.Common values facilitating cooperation 4.Avoidance of confrontation, sometimes leading to ambiguities: emphasis on harmony 5.Bottom-up communication
Controlling	
<ol style="list-style-type: none"> 1.Control by superior (leader) 2.Control focus on group and individual performance 3. Saving face 4. Limited use of quality control circle 	<ol style="list-style-type: none"> 1.Control by peers 2.Control focus on group performance 3.Saving face 4.Extensive use of quality control circles

5.3 Principles of the USA, Japanese, and Korean management

Here, principles of managerial function can summarize as following table 5.3.

Table 5.3 Principle of management function

Managerial functions	The USA	Japan	Korea
Planning	Individual	Group	Group (a few)
Organizing	Clear responsibility	Ambiguous responsibility	Ambiguous responsibility
Staffing	Employment of function of human being	Employment of human being	Employment of human being
Leading	Order by top-down communication	Motivation by employees, themselves	Order
Controlling	X theory	Y theory	X theory

We can observe that although being differences between two countries, both Korea and Japan for managerial principles show almost same. And also some part is same by comparing with the USA. Actually, it can say that Korean management has used managerial style of both the USA and Japan.

Now, world is changing to globalization and each companies of each countries have to compete with not only domestic companies but foreign companies by standard management style. We can say that international management came from U.S. management. Originally, international management had started from Europe. But their management style is relating among them and almost same. So here international management style will call western style focusing on U.S. style.

Each country has their traditional culture and reflects their culture on management. So we can see that management style of each country differs a little on managerial style, which also cannot say that some country’s managerial style is good or some country’s one is bad. But as to compete with foreign companies, they have to concern standard of management style.

In the USA management of principle, their management style shows that individual; clear responsibility; top-down communication based on their culture. And they employ manpower by function. On the other hand, in Japan management of principle, their management style shows that group; employment of human being; motivation by

employees. Therefore, we can observe that their movement is voluntary. But there is disadvantage like ambiguous responsibility.

In Korean management of principle, their management style shows that group of a few people; employment of human being; top-down communication. But responsibility for performance shows being ambiguous.

One view about the nature of people has been expressed in two sets of assumptions developed by Douglas McGregor and commonly known as “Theory X” and Theory Y”. Managing, McGregor suggested, must start with the basic question of how managers see themselves in relation to others. This viewpoint requires some thought on the perception of human nature. Theory X and Theory Y are two sets of assumptions about the nature of people. McGregor chose these terms because he wanted neutral terminology without any connotation of being “good” or “bad” (Heinz W., 1993).

Theory X assumptions (Heinz W., 1993).

The “traditional” assumptions about the nature of people, according to McGregor, are included in Theory X as follows:

1. Average human beings have an inherent dislike of work and will avoid it if they can.
2. Because of this human characteristic of disliking work, most people must be coerced, controlled, directed, and threatened with punishment to get them to put forth adequate effort toward the achievement of organizational objectives.
3. Average human beings prefer to be directed, wish to avoid responsibility, have relatively little ambition, and want security above all.

Theory Y assumptions

McGregor sees the assumptions under Theory Y as follows:

1. The expenditure of physical effort and mental effort in work is as natural as play or rest.
2. External control and the threat of punishment are not the only means for producing effort toward organizational objectives. People will exercise self-direction and self-control in the service of objectives to which they are committed.
3. The degree of commitment to objectives is in proportion to the size of the reward associated with their achievement.
4. Average human being learn, under proper conditions, not only to accept responsibility but also to seek it.
5. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

These two sets of assumptions obviously are fundamentally different. Theory X is pessimistic, static, and rigid. Control is primarily external, that is, imposed on the subordinate by superior. In contrast, Theory Y is optimistic, dynamic, and flexible, with an emphasis on self-direction and the integration of individual needs with organizational demands. There is little doubt that each set of assumptions will affect the way managers carry out their managerial function and activities.

Human relation theorists emphasize the impact of individual characteristics like race, sex, class, cultural background on organizational and group behavior. Douglas McGregor's book on "The Human Side of Enterprise" distinguished between Theory X (classical systems theory) and Theory Y (human relations theory). Under Theory X, managers assume workers dislike and avoid work if possible, so they must use coercion, threats, and various control schemes to get workers to make adequate efforts against objectives. They assume the average worker wants to be directed and prefers to avoid responsibility, has little ambition, and wants security above all.

Theory Y, on the other hand, assumes that individuals do not inherently dislike work, but see it as natural as play or rest. Furthermore, external control and threat isn't the only way to encourage productivity, and the most significant rewards are the "satisfaction of ego" and "self-actualization needs".

Here, in the USA case, it is thought that being close to X theory. In the Japan case, it is thought that being Y theory. On the other hand, in Korea case, it is also thought that being X theory. So Korea needs to change to Y theory from X theory.

CHAPTER 6
INFLUENCE OF CULTURE ON MANAGEMENT
AS AN ORIGIN OF DIFFERENCES

The word 'culture' has many meanings, which have changed over the past two generations (Barthorpe et al., 1999). Kroeber and Kluckhohn (1952), American anthropologists, presented 160 different definitions of culture. Bodley (1994) culled a simple version that stated that culture involves what people think, what they do, and what they produce. Culture has several properties: it is social heritage or tradition; it is shared, learned human behavior; and it is symbolic, and based on shared, assigned meanings of the members of a group (Ang Yee Kwan and Geogy Ofori, 2001). There are many descriptions and definitions of culture by the gurus, which can see in table 6.1.

Table 6.1 Concepts of culture by some of the gurus

Concepts of culture by some of the gurus
Tylor E. (1871). That complex whole which includes knowledge, beliefs, art, morals, laws, customs and any other capabilities and habits acquired by man as a member of society.
Herskovits M. J. (1948). The man-made part of the human environment.
Kroeber A. L. and Kluckhohn C. (1952). Transmitted patterns of values, ideas and other symbolic systems that shape behavior.
Becker and Geer (1970). Set of common understandings expressed in language.
Van Maanen J. and Schein E. H. (1979). Values, beliefs and expectations that members come to share.
Schwartz M. C. and Jordon D. K. (1980). Pattern of beliefs and expectations shared by members that produce norms shaping behavior.
Hofstede G. H. (1980). The collective programming of the mind that distinguishes the members of one human group from another.
Louis M. R. (1983). Three aspects: (1) some content (meaning and interpretation) (2) peculiar to (3) a group.
Hall E. T. and Hall M. R. (1987). Primarily a system for creating, sending, storing and processing information.
Harris P. R. and Moran R. T. (1987). A distinctly human capacity for adapting to circumstances and transmitting this coping skill and knowledge to subsequent generations.

Korean culture is strongly influenced by Confucian ideology. Furthermore, in an attempt to promote more economic development, the Korean government has tightly controlled industrial policies and management of capital distribution in the country. Alternatively, the U.S.A. has a cultural heritage based on 'rugged individualism' and belief in the free market.

Korean and U.S. organizations exist in institutional contexts with very different values and norms. These differences are reflected in the strategic orientations of executives from these two countries. Korean communication is largely the result of the Confucian philosophy and has dominated Korean thought and philosophy (Kim, 1992). Other attributes of the Korean ideology that have affected its development are a preference for hierarchical order, authoritarianism, preference for formality, low information sharing and self-control, and less emphasis on rights than on duty (Chung and Lee, 1989; Yoo and Lee, 1987). While communication is characteristic of most Asian countries, Korea's approach differs from that in Japan and China. In Korea, the focus is on 'inhwa' or harmony based on respect of hierarchical relationships and obedience to authority. In Japan, the focus is on 'wa' or group harmony and social cohesion (Micheal A. Hitt and 3 persons, 1997).

Corporations of each country have culture of only them. Geert Hofstede studied about common cultural factors included in each country for expressing of a national culture, which is not generalized to all people in their country. So Geert Hofstede used a term of 'dimension' that identified dimensions of work-related value differences. There are power distance, uncertainty avoidance, and individualism/collectivism.

Figure 6.1 shows Flow (from culture to problems) in Korean Construction Company. In Chapter 6, cultural characteristics in Korea will be examined.

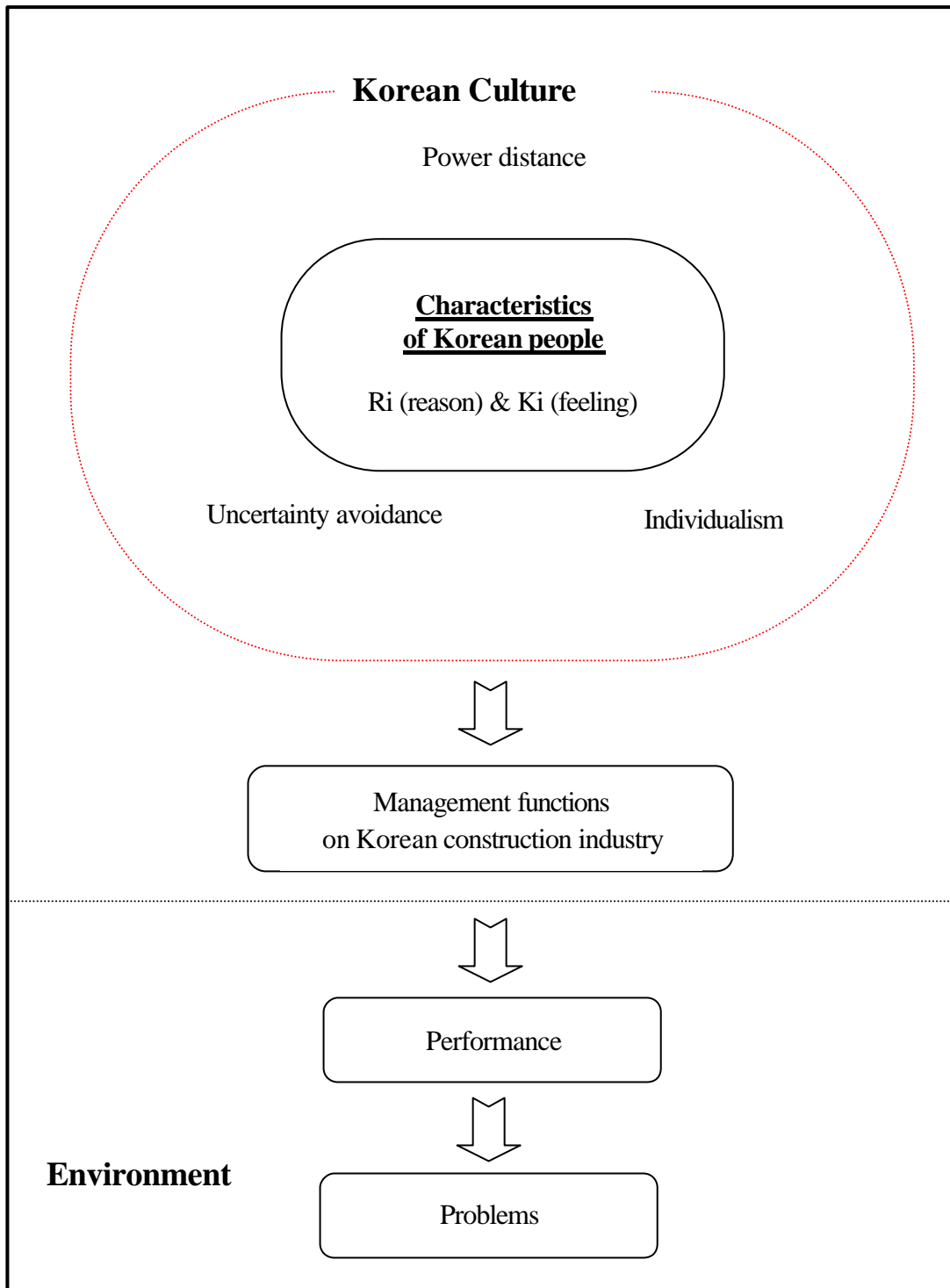


Figure 6.1 Flow (from culture to problems) in Korean Construction Company

6.1 Characteristic of Korean people (Ri & Ki)

Here, Ri can be defined by reason or logic, and Ki is feeling or emotional. Let's see the characteristics of Korean people.

There is a tendency to think 'feeling' importantly.

Satisfaction for feeling takes first priority. Logic understanding and his/her ability don't be accepted. He/She cannot persuade some people without communication based on feeling. When he/she does business, relationship by feeling takes top priority. It means that each person care about 'feeling' rather than propriety and prospect for business. To make this, 'jupdae', the social activities –wining, dining, karaoke, and more with women- in the name of making business deals. The characteristic that takes important human relationship is closely connected with irrational character of Korean. 'Ration' can define that to based on reason understand rather than emotional understand. Korean people are unreasonable. The reason that reasonableness cannot be established in Korea although adopting western style like reasonableness is character as mentioning above.

Emphasizing on obedience and devotion than personality and personal liberty

'Ki' is that as spiritual blindness wills that interesting on oneself and self-protect, some each member always clash on a conflict interest by some happening.

'Concession' doesn't make a match with reasonable thinking. It based on putting up with losses and unfair treatment. Citizen like an individual on the past always give consideration for the whole people and sacrifices themselves for the whole people.

Serious consideration of propriety

Propriety in the past has been defined by embodiment of Ri, which withdraws Characteristic of an offensive spirit to the other people and spreads a friendship. Not positive self-insistence, Ri maintain rule like relationship among people through passive concession and consideration. Also, Ri is based on regular recognition for authority and obedience. The reason that generally Korean people have passive characteristic is caused by mention above.

A tendency of authoritarianism

Authority in Korea is a tacit sign and compulsion. Generally, that is by unconsciousness. In Korean people case, authority has come to stay by inviolable obedience and respect for authority of a head of family at the past. In order to maintain group order and prevent a breakaway, it is most efficient of group member to admit differential reality and obey that. The traditional society required obedience and modesty by endurance.

What upper and lower consciousness like seniority in Korean characteristics is strong can be said that authority is strong. That is, Korean people prefer sure seniority to an equal horizontal system.

Korean is proud of their cultures but inbred nationalism can make it difficult to accept changes. On the other hand, Japan is more mature as an industrialized power and employees are more accustomed to following management edicts without protest.

In Korea, the management style is less disciplined and less efficient than the USA management style. In the USA, companies are exacting and demanding. What it was sated above caused by Korean characteristic based on Ki rather than Ri.

6.2 Power distance

Power distance can be defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally. 'Institutions' are the basic elements of society like the family, school, and the community; 'organizations' are the places where people work (Hofstede, 1991).

Table 6.2 shows power distance index values. Here, Korea is ranked at 27/28, Japan is at 33, and the USA is ranked at 38. It means that power distance in Korea is stronger than Japan and the USA one.

In Korea, the hierarchical status based on Confucianism and the conservative formalism derived from it has shaped authoritarian conservatism. On the one hand, there is the concept that one's own opinion is valid based on the power or authority one wields, and on the other, one is obedient to outside authority by depreciating oneself.

In the large power distance situation superiors and subordinates consider each other as existentially unequal; the hierarchical system is felt to be based on this existential inequality. Organizations centralize power as much as possible in a few hands. Subordinates are expected to be told what to do. There are a lot of supervisory personnel, structured into tall hierarchies of people reporting to each other. Salary systems show wide gaps between top and bottom in the organization. Workers are relatively uneducated and manual work has a much lower status than office work. Superiors and subordinates are supposed to be initiated by the superiors only. The ideal boss, in the subordinates' eyes, is a benevolent autocrat or 'good father'. After some experiences with 'bad fathers', they may ideologically reject the boss's authority completely, while in practice they will comply. Relationships between subordinates and superiors in a large power distance organization are frequently loaded with emotions.

Visible signs of status in large power distance countries contribute to the authority of bosses; it is quite possible that a subordinate feels proud if he can tell his neighbor that his boss drives a bigger car than the neighbor's boss. Older superiors are generally more respected than younger ones.

In the small power distance situation subordinates and superiors consider each other as existentially equal; the hierarchical system is just an inequality of roles, established for convenience; and roles may be changed, so that someone who today is my subordinate may tomorrow be my boss. Organizations are fairly decentralized, with flat hierarchical pyramids and limited numbers of supervisory personnel. Salary ranges between top and bottom jobs are relatively small; workers are highly qualified, and high-skill manual work has a higher status than low-skill office work. Privileges for higher-ups are basically undesirable, and all should use the same parking lot, toilets, and cafeteria. Superiors should be accessible for subordinates, and the ideal boss is a resourceful (and therefore respected) democrat. Subordinates expect to be consulted before a decision is made that affects their work, but they accept that the boss is the one who finally decides

(Hofstede, 1991). Table 6.3 shows up key differences between small and large power distance societies.

Table 6.2 Power distance index (PDI) value for 50 countries and 3 regions

Score Rank	Country or region	PDI Score	Score Rank	Country or region	PDI Score
1	Malaysia	104	27/28	South Korea	60
2/3	Guatemala	95	29/30	Iran	58
2/3	Panama	95	29/30	Taiwan	58
4	Philippines	94	31	Spain	57
5/6	Mexico	81	32	Pakistan	55
5/6	Venezuela	81	33	Japan	54
7	Arab countries	80	34	Italy	50
8/9	Ecuador	78	35/36	Argentina	49
8/9	Indonesia	78	35/36	South Africa	49
10/11	India	77	37	Jamaica	45
10/11	West Africa	77	38	USA	40
12	Yugoslavia	76	39	Canada	39
13	Singapore	74	40	Netherlands	38
14	Brazil	69	41	Australia	36
15/16	France	68	42/44	Costa Rica	35
15/16	Hong Kong	68	42/44	Germany FR	35
17	Colombia	67	42/44	Great Britain	35
18/19	Salvador	66	45	Switzerland	34
18/19	Turkey	66	46	Finland	33
20	Belgium	65	47/48	Norway	31
21/23	East Africa	64	47/48	Sweden	31
21/23	Peru	64	49	Ireland	28
21/23	Thailand	64	50	New Zealand	22
24/25	Chile	63	51	Denmark	18
24/25	Portugal	63	52	Israel	13
26	Uruguay	61	53	Austria	11
27/28	Greece	60			

Source: Cultures and Organizations – Hofstede, 1991

Table 6.3 Key differences between small and large power distance societies

Small power distance	Large power distance
Inequalities among people should be minimized	Inequalities among people are both expected and desired
There should be, and there is to some extent, interdependence between less and more powerful people	Less powerful people should be dependent on the more powerful; in practice, less powerful people are polarized between dependence and counter dependence
Parents treat children as equals	Parents teach children obedience
Children treat parents as equals	Children treat parents with respect
Teachers expect initiatives from students in class	Teachers are expected to take all initiatives in class
Teachers are experts who transfer impersonal truths	Teachers are gurus who transfer personal wisdom
Students treat teachers as equals	Students treat teachers with respect
More educated persons hold less authoritarian values than less educated persons	Both more and less educated persons show almost equally authoritarian values
Hierarchy in organizations means an inequality of roles, established for convenience	Hierarchy in organizations reflects the existential inequality between higher-ups and lower-downs
Decentralization is popular	Centralization is popular
Narrow salary range between top and bottom of organization	Wide salary range between top and bottom of organization
Subordinates expect to be consulted	Subordinates expect to be told what to do
The ideal boss is a resourceful democrat	The ideal boss is a benevolent autocrat or good farther
Privileges and status symbols are frowned upon	Privileges and status symbols for managers are both expected and popular

Source: Cultures and Organizations – Hofstede, 1991

6.3 Uncertainty avoidance

Uncertainty avoidance can be defined as the extent to which the members of a culture feel threatened by uncertain or unknown situations. This feeling is, among other things, expressed through nervous stress and in a need for predictability: a need for written rules (Hofstede, 1997).

The uncertainty avoidance dimension measured the extent to which different cultures socialized their members into accepting ambiguous situations and tolerating uncertainty. Members of high uncertainty avoidance cultures placed a premium on job security, career patterns, retirement benefits, and so on. They also had a strong need for rules and regulations; the manager was expected to issue clear instructions, and subordinates' initiatives were tightly controlled. Lower uncertainty avoidance cultures were characterized by a greater readiness to take risks and less emotional resistance to change.

In table 6.4, Korea is listed at high. The USA is low and Japan shows high score in the uncertainty avoidance.

In uncertainty avoidance societies there are many formal laws and/or informal rules controlling the rights and duties of employers and employees. The need for laws and rules is not based on formal logic but on psycho-logic. The need for rules in a society with a strong uncertainty avoidance culture is emotional. The emotional need for laws and rules in a strong uncertainty avoidance society often leads to the establishing of rules of rule-oriented behaviors (Hofstede, 1997).

In countries with very weak uncertainty avoidance there rather seems to be an emotional horror of formal rules. Rules are only established in case of absolute necessity, such as to determine whether traffic should keep left of right. People in such societies pride themselves that many problems can be solved without formal rules (Hofstede, 1997).

Weak uncertainty avoidance countries are more likely to stimulate basic innovations as they maintain a greater tolerance towards deviant ideas. On the other hand they seem to be at a disadvantage in developing these basic innovations towards full-scale implementations, as such implementation usually demands a considerable sense of detail and punctuality (Hofstede, 1997).

Currently, failure of Korean economic crisis was caused by high-payment but low-value or low profitability. But all people call to account for only failure after the economic crisis. As all people call responsibility for that failure, the persons and companies concerned to economic crisis tended to avoid difficult situations and uncertainty situations. But organizations has achieved success don't avoid their failure and don't hide their failure. They have had ability that overcomes against difficulties directly.

Table 6.5 shows up key differences between weak and strong uncertainty avoidance societies.

Table 6.4 Uncertainty avoidance index (UAI) values for 50 countries and 3 regions

Score Rank	Country or region	UAI Score	Score Rank	Country or region	UAI Score
1	Greece	112	28	Ecuador	67
2	Portugal	104	29	Germany FR	65
3	Guatemala	101	30	Thailand	64
4	Uruguay	100	31/32	Iran	59
5/6	Belgium	94	31/32	Finland	59
5/6	Salvador	94	33	Switzerland	58
7	Japan	92	34	West Africa	54
8	Yugoslavia	88	35	Netherlands	53
9	Peru	87	36	East Africa	52
10/15	France	86	37	Australia	51
10/15	Chile	86	38	Norway	50
10/15	Spain	86	39/40	South Africa	49
10/15	Costa Rita	86	39/40	New Zealand	49
10/15	Panama	86	41/42	Indonesia	48
10/15	Argentina	86	41/42	Canada	48
16/17	Turkey	85	43	USA	46
16/17	South Korea	85	44	Philippines	44
18	Mexico	82	45	India	40
19	Israel	81	46	Malaysia	36
20	Colombia	80	47/48	Great Britain	35
21/22	Venezuela	76	47/48	Ireland	35
21/22	Brazil	76	49/50	Hong Kong	29
23	Italy	75	49/50	Sweden	29
24/25	Pakistan	70	51	Denmark	23
24/25	Austria	70	52	Jamaica	13
26	Taiwan	69	53	Singapore	8
27	Arab counties	68			

Source: Cultures and Organizations – Hofstede, 1991

Table 6.5 Key differences between weak and strong uncertainty avoidance societies

Weak uncertainty avoidance	Strong uncertainty avoidance
Uncertainty is a normal feature of life and each day is accepted as it comes	The uncertainty inherent in life is felt as a continuous threat which must be fought
Low stress; subjective feeling of well-being	High stress; subjective feeling of anxiety
Aggression and emotions should not be shown	Aggression and emotion may at proper times and places be ventilated
Comfortable in ambiguous situations and with unfamiliar risks	Acceptance of familiar risks; fear of ambiguous situations and of unfamiliar risks
Lenient rules for children on what is dirty and taboo	Tight rules for children on what is dirty and taboo
What is different, is curious	What is different, is dangerous
Students comfortable with open-ended learning situations and concerned with good discussion	Students comfortable in structured learning situations and concerned with the right answers
Teachers may say 'I don't know'	Teachers supposed to have all the answers
There should not be more rules than is strictly necessary	Emotional need for rules, even if these will never work
Time is a framework for orientation	Time is money
Comfortable feeling when lazy; hard-working only when needed	Emotional need to be busy; inner urge to work hard
Precision and punctuality have to be learned	Precision and punctuality come naturally
Tolerance of deviant and innovative ideas and behavior	Suppression of deviant ideas and behavior; resistance to innovation
Motivation by achievement and esteem or belongingness	Motivation by security and esteem or belongingness

Source: *Cultures and Organizations* – Hofstede, 1991

6.4 Individualism and Collectivism

Most comparative analyses of conflict management behavior contrasted groups such as Japanese-collectivists- and Americans-individualists. Koreans are more collectivistic in conflict communication styles than Japanese.

In table 6.6, it is confirmed that Japan, the USA, and Korea are ranked to 22/23, 1, and 43. Koreans and Japanese have been considered collectivistic in their social behavior, in comparison to Americans. Closer examinations of Japanese and Korean conflict behaviors are likely to reveal nontrivial differences. Table 6.7 summarizes key differences between collectivist and individualist societies.

The Korean culture, given more enduring and profound impact of Confucianism than Japanese, seems to place a high value on extensive reciprocal relationships with others that often transcend an immediate context.

Collectivists, in contrast to individual goals to collective goals, possess a sense of harmony, interdependence, and concern for others (Hui and Triandis, 1986). In collectivist cultures group decisions are favored over individual ones, and individual initiative is frowned upon. Furthermore, one's identity in collectivist cultures is based on the relations with in groups, thus, emphasizing a strong 'we' consciousness (Hofstede, 1980).

Hofstede wrote that in most collectivist cultures, the word 'no' is seldom used, because saying no is a confrontation; 'you may be right' or 'we will think about it' are examples of polite ways of turning down a request. Similarly, the word 'yes' should not necessarily be seen as an approval, but as maintenance of the communication line: 'yes, I heard you' is the meaning it has in Japan.

Individuals in a high context culture are more likely to assume a non-confrontational, indirect attitude toward conflicts.

Japanese and Koreans have both been grouped together as 'collectivists'. The degrees to which they actually utilize 'collectivist' communication behaviors, and the nature of the differences, if any, between the two groups, have yet to be examined.

Conflict, as part of interpersonal interactions, occurs in specific cultural settings. Culture is a shared, collective product that provides a repertoire of actions and a standard against which to evaluate people's actions. Culture is often manifested in the shared symbols and rituals that invoke common responses in social situations within the cultural context (Ross, 1993).

Koreans and Japanese share some cultural heritage, and have exerted influence on each other in the past, the social and psychological attributes that underlie their interpersonal behavior do display some important differences.

Scholars describing Korean culture have stressed that Confucian principles have influenced the interpersonal relations more profoundly in Korea than in Japan (Oliver, 1993; Yum, 1988).

The Confucian principles are manifested through patterns of communication that people employ in their daily interactions: process-oriented communication differentiated linguistic codes, indirect communication emphasis, and receiver centered communication. As Confucianism stressed its primary value on the maintenance of human relationship, communication is perceived to be a process of infinite interpretations, rather than the transference of message. Thus, communicating with other is not a means, but an end in itself.

Koreans may be more collectivistic based on Ki in cultural orientation than Japanese.

Anthropological and psychological studies have characterized traditional Asian cultures as being group-oriented, Korean are expected to show more collectivistic tendencies than Japanese.

Korean scored more highly in their collectivistic orientation and also used more interpersonal tactics typically associated with collectivists in requesting situations.

The notion of 'face', a representation of social propriety, has both psychological and emotional components that manifest themselves through behavioral interaction patterns. For collectivist cultures in which saving face is a critical matter, the style of 'face-supporting' behavior, rather than efficient and direct goal orientation may be effective and may produce desirable consequences in the long run. These ideas, as applied to interactional behavior, would mean that 'collectivists' have a preference for 'face-saving' means of achieving primary goals, such as the desire to avoid imposition, to avoid hurting the hearer's feelings and to avoid being disliked by others. Therefore, we expect that the 'propriety' of one's conventional tactics will be more important for Koreans than for Japanese.

Table 6.6 Individualism index (IDV) value for 50 countries and 3 regions

Score Rank	Country or region	IDV Score	Score Rank	Country or region	IDV Score
1	USA	91	28	Turkey	37
2	Australia	90	29	Uruguay	36
3	Great Britain	89	30	Greece	35
4/5	Canada	80	31	Philippines	32
4/5	Nether lands	80	32	Mexico	30
6	New Zealand	79	33/35	East Africa	27
7	Italy	76	33/35	Yugoslavia	27
8	Belgium	75	33/35	Portugal	27
9	Denmark	74	36	Malaysia	26
10/11	Sweden	71	37	Hong Kong	25
10/11	France	71	38	Chile	23
12	Ireland	70	39/41	West Africa	20
13	Norway	69	39/41	Singapore	20
14	Switzerland	68	39/41	Thailand	20
15	Germany F.R.	67	42	Salvador	19
16	South Africa	65	43	South Korea	18
17	Finland	63	44	Taiwan	17
18	Austria	55	45	Peru	16
19	Israel	54	46	Costa Rica	15
20	Spain	51	47/48	Pakistan	14
21	India	48	47/48	Indonesia	14
22/23	Japan	46	49	Colombia	13
22/23	Argentina	46	50	Venezuela	12
24	Iran	41	51	Panama	11
25	Jamaica	39	52	Equador	8
26/27	Brazil	38	53	Guatemala	6
26/27	Arab countries	38			

Source: Cultures and Organizations – Hofstede, 1991

Table 6.7 Key differences between collectivist and individualist societies.

Collectivist	Individualist
People are born into extended families or other in-groups which continue to protect them in exchange for loyalty	Everyone grows up to look after him/herself and his/her immediate (nuclear) family only
Identity is based in the social network to which one belongs	Identity is based in the individual
Children learn to think in terms of 'we'	Children learn to think in the terms of 'I'
Harmony should always be maintained and direct confrontations avoided	Speaking one's mind is a characteristic of an honest person
High-context communication	Low-context communication
Trespassing learns to shame and loss of face for self and group	Trespassing leads to guilt and loss of self-respect
Purpose of education is learning how to do	Purpose of education is learning how to learn
Diplomas provide entry to higher status groups	Diplomas increase economic worth and/or self-respect
Relationship employer-employee is perceived in moral terms, like a family link	Relationship employer-employee is a contract supposed to be based on mutual advantage
Hiring and promotion decisions take employees' in-group into account	Hiring and promotion decisions are supposed to be based on skills and rules only
Management is management of groups	Management is management of individuals
Relationship prevail over task	Task prevails over relationship

Source: Cultures and Organizations – Hofstede, 1991

CHAPTER 7
EVALUATION OF DIFFERENCE BY CULTURE

It is important of us to understand common organization culture and a characteristic culture in each country in order to develop a desirable organization culture. Here, difference of each country's character on culture will be arranged.

7.1 In the U.S.A. case

As some investigation, characteristics of American companies for management pattern or management skill have shown common points; bias for action, close to customers, autonomy and entrepreneurship, productivity through people, hands-on/value-driven, stick to the knitting, simple form/learn staff, and loose-tight control.

Generally, excellent companies in the U.S.A. show characteristics like that quick behavior coping with some problem, close to customers, autonomy management, business development on imaginative power and human-being-oriented management. Their characteristics have been shown such as mention above.

Member's behavior in organization.

Communication shows that free and open among member in organization. And in order to do rapid decision-making they have used task force and project team consisted of small member. In the behavior coping with some problem, they may use to experimental and imaginative behavior.

Value-oriented simple aim

In setting aim of company, they concentrate their efforts on simple and unique aim, for example, customer service, technology development, imaginative idea, and so on, not to concentrate on various and complex aim.

Simple organization operation

Although scale of excellent companies in the U.S.A. is big, actually they have stressed on simple organization system and form. Therefore, they can work freely.

Cultural character in American companies is that commonly open-mind, free, imaginative power, simplifying, and mutual help and development mind on business.

7.2 In Japan case

Although starting period on business compared with Korea, Japanese company had developed quickly since 1950s. In 1970s, although a financial panic by an oil crisis, Japan had been continued their economic growth. Amazing economic growth in Japan can be said that the main cause was organization operation by human resources and

technology. Characteristic of human resources management is that lifetime employment, promotion system by long-term evaluation, collective decision making, and human being oriented.

Lifetime employment, promotion system by long-term evaluation and the seniority system between organization and member have relation to Japanese traditional culture. Relation between upper and lower person can be said that loyalty for upper person and benevolence for lower person.

In order to keep sustain long-term relation among organization and member, coordination among them is necessity. Therefore, concept of wa based on humanism and collectivism have been stressed in Japan. Promotion system by long-term evaluation is focused on judge of humanism, not evaluate by short-term performance ability. The seniority system shows that wa and collectivism are important.

Communication among member in organization is free and open. This means that all information on company can be shared under the humanism based on family system and collectivism and can make communication free to go beyond simple performance.

7.3 In Korea case

Characteristic of Korean company can be said that generally the centralizing system based on the minor of core person including entrepreneur and manager and systematic job specifications and also authority relationship between upper and lower and human resource management based on inwha and the seniority. These characteristics in Korea are affected by traditional Confucianism culture and the family system. So these characteristics are cultural factors being shown one-way order, the centralizing system to entrepreneur, staffing based on the seniority system, obedience for a senior and upper person, and leadership based on humanism. Table 7.1 shows each country's differences by culture. Aim in Korea shows short-term management aim. Korean character like hurry up anything, which can be said that it is based on Ki. As promotion, rapid evaluation for performance is based on Ri, but promotion is based on Ki. In decision-making, it shows that decision-making by individual, but actually by the minor. That shows behavior by Ki truly. Korean characteristic is based on Ki rather than Ri. But proper balance of Ki and Ri is necessary to compete with the foreign construction companies taking reasonable thinking. Table 7.2 summaries the dimensions of power distance, uncertainty avoidance, and individualism/collectivism.

Table 7.1 differences by each country's culture

	The U.S.A.	Japan	Korea
Aim	Long-term management aim	Long-term management aim	Short-term management aim
Employment	Short-term employment	Lifetime employment	Lifetime employment
Promotion	Rapid evaluation for performance and promotion	Promotion system by long-term evaluation	Rapid evaluation for performance
Decision-making	Decision-making by individual	Decision-making by collectivism	Decision-making by individual and the minor
Responsibility	Individual	Group	Individual
A line of thinking	Individual	Collectivism	Individual and the minor
Compensation system	Proficiency salary raise system	The seniority system	The seniority system
Value pursue	Efficiency, rationality, and competitiveness	Stability, help, and feeling based on humanism	Stability, help, and feeling based on humanism

Table 7.2 the dimensions of power distance, uncertainty avoidance, and individualism

Factor country	Power distance	Uncertainty avoidance	Individualism
Korea	High	Medium	Low
Japan	High	High	Low
USA	Low	Low	High

CHAPTER 8
PARADIGM SHIFT FOR CONSTRUCTION INDUSTRY IN KOREA.

Last economic crisis had made been occurred a shift in whole managerial environment. After economic crisis Korean management pattern has been changing; profitability-orientated management, e-business, a stockholder-oriented management, company structural coordination (control), and improvement for financial structure etc.

Korean construction industry needs a shift for 21st century's competitiveness. Most of all, a drastic value switch in construction industry is necessary like that; manpower-intensive to technology-intensive; the central point of experience for construction to the central point of knowledge for whole construction; getting projects to finding projects through development like total packages; protecting domestic construction market to opening up oversea construction market. Second, a change in government's role is necessary.

To secure clarity and fairness in construction industry, government has to show framework. And structure under government has to be changed to free competition system and has to be changed to private-initiated construction business system.

21st century that has needed much changes to whole industries can be said that globalization, digitalization, knowledge-intensive, customer-intensive, and reduction of time & cost.

These switches can be applied to construction industry. Let's see some paradigm of construction industry. First, application of global standard based on international industry policy and laws. Second, relation/role of between government and private company has to be changed from the relation of master and servant to relation of responsibility each. Third, information of each project has to be shared and reutilized through Internet or the other equipment in order to reduce time, cost, and make up for advantages and disadvantages. Fourth, application of construction management skill in order to strengthen management function Fifth, diversification of contractual approach and strengthen of mutual cooperation among those who take part in construction. The last is that reduction of time and cost on improvement of working process.

Many people have talked about paradigm shift and contexts that have to be a switch may have common thing. But that new paradigm shift has been being talked every time because of difficulty of their practice. Here, although all of you may know that, I will talk about paradigm shift again.

From the middle of 1990s the rate of Korean economic growth has slowed. In near future potential growth rate in Korean industry has been predicted by 6%. Industry system also goes to the limitation and is facing difficulties. So that is difficult to overcome systematic difficulties not to overcome low-value system through basic innovation on many aspects. The basic solution can say that current system has to be changed, that is, from low-value system to high-value system.

Currently, the world is changing rapidly to this kind of things such as globalization, information, and knowledge. And globalization makes opening infinity-competition period to whole industries. It can be said that competition principle like American style applies to the world industry.

Technical development makes life cycle of products short and makes that competition among each company is promoted. The center of industry changed to soft industry like information-communication and software from heavy-chemical industries. It means that information and knowledge is most important on industry by the origin of competitiveness in the near future. And also it may decide competitiveness that how much fast information and knowledge be used properly when they need. So in order to adapt to the changes needed in the 21st century, Korean industry needs paradigm that can be said that a mental attitude before doing anything.

Then, paradigm needed on Korean industry will be showed here again.

• Value-intensive management (proper-payment & high-value)

Managerial purpose in Korean industry was outward-extension rather than value-creative. So Korean companies had set piecemeal aim like sale profit, percentage of market, ordinary profit and so on. And they have been continued extension-policy like octopus and rely on a debt from finance agent, which is a major cause for high-payment & low-value creation. But substance and their real ability are a main cause for competitiveness by globalization. To do that, they have to invest at high profit rate things and have to overcome a debt though improving financial system on company. And they focus specialization on business.

• Customer-oriented management

Development of Information, communication, and technology has accelerated customer's need like diversification and their character. Therefore, Korean company has to utilize these things by strategy.

• Knowledge-intensive management

In the past, Korea had thought success if amount of manpower and material resources were increased. And they had done like that. But in period of information and knowledge, information and related knowledge is a source of value added. In the near future, if main ability based on knowledge don't have been in their company, it is impossible to be competitive company or profit-creative company or international company. Managerial strategy that cannot copy their things has been needed in the future.

• Human being-intensive management

Now, imaginative power and flexibility needs in whole company and industry. Imaginative power and flexibility go out from people. Organizational management focused on a one-way order and control and the order of rank cannot secure imaginative power and flexibility. Company has to give right and responsibility to them in order to carry out their role. People are the source of imaginative power and value added, not a factor of production.

• IT –intensive management

Information is necessity for business and all industry. IT (Information Technology) system in company can say neural network of human. So establishing the foundation of information system that can use proper information timely is a prerequisite to secure competitiveness on company. Grasping of rapid managerial information and utilizing of that information improve flexibility and efficiency on company's organization.

• Globalization

The world has become globalization and a unitary market in the 21st century. When the strong in the world market, the strong in domestic market will be. Global management means that whole process on a business be optimized, for example, from R&D to delivery of production and after service. In order to manage like that, it needs that first, concentration of important ability to create efficiency and advantage on competitiveness. Second, Branch Company in the world. It means that company has to cope with customer's needs quickly. The last is that getting of global learning ability. As studying global learning ability member of company can get flexibility and quickness for various world customer's needs.

• Environment-oriented management

In the past, the development of nature means high economic growth and environmental pollution has been noticed by inescapable in economic development. But degree of environmental pollution have reached at threaten in survive of people. Companies that don't do protection of environment and maintenance of nature should not do business activity anymore in the future. That is, companies considering on social, local, international environment all should be winner in business.

CHAPTER 9
THE POINTS TO BE IMPROVED

Here, in order to cope with difficulties facing on, the points to be improved will be shown.

First, the Type Z model, as argued by Wiliam Ouchi in 1981, is an attempt to integrate common business practices in the United States and Japan into a single middle-ground framework. He suggests that a few American firms have achieved great success by adopting a hybrid form of management, which he calls Type Z (Richy W. Griffin, 1990).

He shows in Type Z that American and Japanese firms are essentially different along seven important dimensions:

- (1) Length of employment
- (2) Mode of decision-making
- (3) Location of responsibility
- (4) Speed of evaluation and promotion
- (5) Mechanisms of control
- (6) Specialization of career path
- (7) Nature of concern for the employee

Korea case also follows these dimensions. Here Wiliam Ouchi calls traditional American firms Type A and traditional Japanese companies Type J. Therefore, Korea will call Type K and some new Type K shows in Figure 9.1.

To introduce new Type K efficiently Korean companies have to work out solution like that interest and love of member, friendly, loyalty, and unification for their companies.

Korean companies need to set aim for long-term orientation without regard to a short-period profit. When companies are managed by the social main group not to take short-term profit, they can get confidence from their member and the other people. And stability of company's organization has to need. It means that if this new type K is settled well, employment stability for employee has to be secured. High unemployment rate inflicts a loss on both of them. The main cause of high unemployment is lack of unification between company and employee. Therefore, as giving proper salary, feeling of belonging to company, and chance can show their performance ability, stability and feeling of belonging to company among member have to be taken. The last, new human relations and member's sense of value have to be established. When the old generation and the new generation, their way of thinking is against, agreement and adjustment have to be able to be established. It is thought that we have to learn rationality based on an obvious responsibility, an obvious authority relation, and fair competitiveness from the western management style. And also, we have to establish our way of thinking based harmony on traditional humanism in the Eastern.

Second, in order to apply new K theory properly to Korean companies, it is thought that Ri and Ki have to keep balance. Korean management focuses more on Ki based on

feeling rather than Ri based on reason, which bring out high-payment, but low-efficiency or profitability. For example, in Korean car's export, lots of car is exported every year, but its profitability is lower than the other exporting countries. That comes from management by Ki rather than Ri. It is the same in construction industry. Since Ki, Korean characteristic, quality control on construction is low and great construction accident is occurred. Also, unqualified construction companies have been increased. These things concerned with Ki cannot only say that it is bad. But at least, keeping balance between Ki and Ri is necessary.

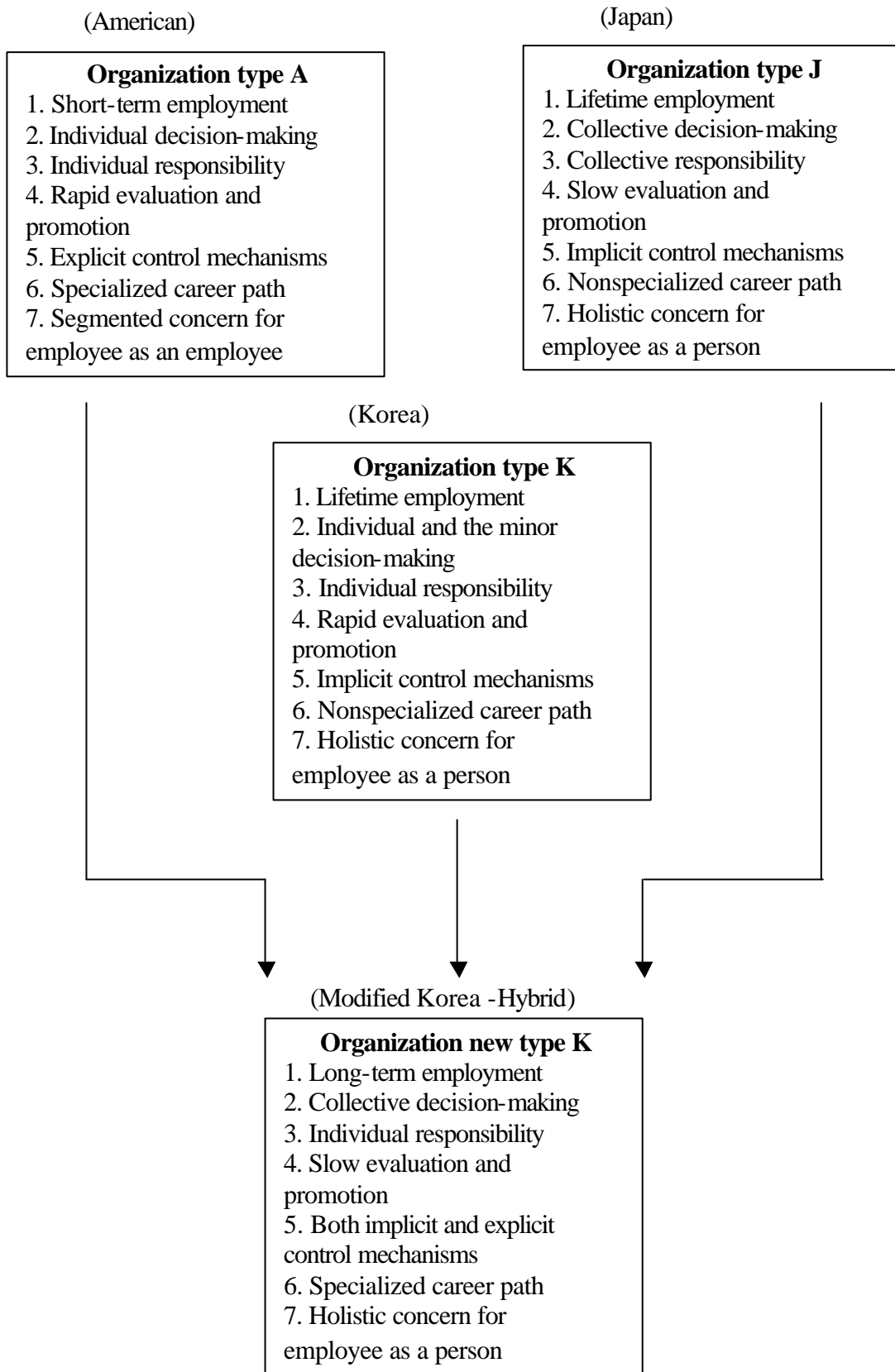


Figure 9.1 Hybrid form required in Korean organization

CHAPTER 10
CONCLUSIONS

The Korean construction industry had achieved a remarkable advancement in the entire world for a short period of half a century. Due to small country by territorial division, poor resources and civil war, nation economy had been in bad conditions. But Korean people based on national characteristics had taken-off construction industry in the world. Recently, in rapid changing environment, Korean construction industry is facing many difficulties with bringing out many problems.

As construction industry has the big weight next to the manufacturing industry and the service industry, we must overcome difficulties and many problems. In order to do that, most of all we have to understand our difficulties and problem calmly and have to find solution of that. As stated previously, here many direction for solution of difficulties and problem that Korean construction industry is facing, which can summarize as follow:

1. As Korean construction market is opened to the world, management pattern of each country has to understand in order to compete with them. So we can know that according to five managerial functions, planning, organizing, staffing, leading, and controlling for each country are as follow:

Planning

The USA management: individual

Japanese management: group

Korean management: group but a few

Organizing

The USA management: clear responsibility

Japanese management: ambiguous responsibility

Korean management: ambiguous responsibility

Staffing

The USA management: employment of function of human being

Japanese management: employment of human being

Korean management: employment of human being

Leading

The USA management: order by top-down communication

Japanese management: motivation by employees, themselves

Korean management: order

Controlling

The USA management: X theory

Japanese management: Y theory

Korean management: X theory

2. Although Korea and Japan show similar points much, difference by culture in the construction industry shows that as follow:

- The USA: rapid decision-making; simple and unique aim; simple organization system and form; commonly open-mind, free, imaginative power, simplifying, and mutual help and development mind on business.

- Japan: organization operation by human resources and technology; lifetime employment; promotion system by long-term evaluation; collective decision-making, and human being oriented; loyalty for upper person and benevolence for lower person; concept of wa based on humanism and collectivism.

- Korea: the centralizing system based on the minor of core person; authority relationship between upper and lower; human resource management based on inwha and the seniority; traditional Confucianism culture and the family system.

As mention above, characteristics of 1and 2 can be said that traditional culture of each country like power distance, uncertainty avoidance, and individualism/collectivism is different. The dimensions are likely to table 10.1:

Table 10.1 the dimensions of power distance, uncertainty avoidance, and individualism (Before)

Factor country	Power distance	Uncertainty avoidance	Individualism
Korea	High	High	Low
Japan	High	High	Low
USA	Low	Low	High

It can be said that Korea has many different things to compare with the USA. The USA can say that they have international managerial style. At least, Korean managerial style also has to be closed by international managerial style like the USA style.

It is necessary for these weakness points in Korea to be changed in order to compete with development countries in 21st century. As for power distance case, it has to be low in order of each people to show off imaginative power and personality. With respect to uncertainty avoidance case, it has to be changed by low. As society is being complex more and more, we may face on much uncertainty situations. At that time, we have to solve difficult situations positively, not to avoid those situations. As far as individualism, it is better to change by medium. World has been being globalization, which has been needed harmony, cooperation, competitiveness, and responsibility simultaneously. So balance of between individualism and collectivism is needed. It can sum up as follow:

Table 10.2 the dimensions of power distance, uncertainty avoidance, and individualism (After)

Factor country	Power distance	Uncertainty avoidance	Individualism
Korea	Low	Low	Medium

We recommend that K theory should be applied in Korean companies properly by countermeasure. Also, to do that, it needs that keeping balance of between Ri and Ki. As mention before, K theory, new theory can be shown by direction for the points to be improved, which is that Long-term employment; Collective decision-making; Individual responsibility; Slow evaluation and promotion; Both implicit and explicit control mechanisms; Specialized career path; Holistic concern for employee as a person. Most of all, Ki, Korean characteristic, influence on many aspects in Korea. Sometimes that influence good condition on management or bad condition. So balance of between Ki and Ri is required.

Generally, paradigm shift in 21st century is necessary to Korean construction industry after changing mentioned above. Paradigm shift required coping with recent difficulties for construction industries in Korea is as follow:

- Value-intensive management (proper-payment & high-value)
- Customer-oriented management
- Knowledge-intensive management
- Human being-intensive management
- IT –intensive management
- Globalization
- Environment-oriented management

It is expected that if Korean construction industry gets out of difficulties as soon as possible, competitiveness of Korean construction industry should be high. And this will provide a basis for discussion of possible directions for the solution of current problems.

Though practically applying these directions in Korean Construction Company, the study will provide a basis for discussion of being suitable and dimensions that how much differences it is.

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APPENDIX: ANALYSIS OF MAIN MANAGEMENT INDEX

Analysis of main management index

1) The rate of growth comparison with manufacturing industry. (Unit:%)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	(5)	(6)
(1)	32.9	32.2	28.3	19.6	35.7	29.9	19.3	20.8	11.1	-11.2	-7.4	2.8
(2)	29.9	22.7	35.4	31.2	32.2	18.9	12.5	-0.1	35.7	-37.7	23.5	37.0
(3)	35.4	40.9	32.2	9.0	24.3	31.7	43.8	15.7	5.2	-5.6	-	0.7
(4)	43.1	47.4	34.0	7.1	25.5	23.9	25.4	11.5	-10.1	3.4	2.8	8.0

Note:

(1) Increasing rate of whole funds

(2) Increasing rate of funds on hand

(3) Increasing rate of sales

(4) Increasing rate of sales on construction

(Sales on construction means completion construction)

(5) A pure construction without construction firms that the rate of a subsidiary business is over 20%.

(6) Manufacturing industry

Source: Construction & Economy Research Institute of Korea

2) The rate of stabilization

(Unit: %)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	(5)	(6)
(1)	116.8	116.0	113.2	119.1	115.3	112.1	108.9	105.3	110.3	106.0	154.9	92.0
(2)	77.7	77.9	80.8	76.1	79.8	83.1	87.0	92.9	90.0	93.7	58.6	105.1
(3)	431.3	472.7	435.0	388.0	391.7	441.2	476.3	569.3	437.7	605.9	341.3	214.7
(4)	18.8	17.5	18.7	20.5	20.3	18.5	17.4	14.9	18.6	14.2	22.7	31.8

Note:

(1) Current ratio

(2) Fixed assets to stockholders' equity and long-term liabilities

(3) Debt ratio

(4) Net worth to assets, stockholders' equity to total assets

Source: Construction & Economy Research Institute of Korea

3) Profitability

(Unit: %)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	(4)	(5)
(1)	1.9	2.8	2.7	2.5	2.3	0.7	0.1	-1.0	-3.1	-11.1	-2.3	1.7
(2)	1.5	2.4	2.3	2.0	1.7	0.5	0.1	-0.8	-2.7	-10.1	-1.7	1.4
(3)	8.1	13.5	12.5	9.8	8.5	2.7	0.4	-5.6	-14.3	-71.2	-7.6	5.0

Note:

(1) Ordinary income to sales

(2) Ordinary income to total assets

(3) Ordinary income to capital adequacy

Source: Construction & Economy Research Institute of Korea

4) Productivity

(Unit: %)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	(5)	(6)
(1)	23.7	223.6	25.9	25.7	18.8	17.5	16.9	18.9	11.5	5.1	13.4	19.3
(2)	134.7	149.8	166.0	158.7	107.9	98.6	89.2	102.5	48.9	22.8	107.2	46.8
(3)	29.9	29.2	30.2	29.2	25.3	23.3	20.0	21.6	13.6	5.6	18.2	23.5
(4)	56.8	56.1	55.5	53.8	54.4	56.6	57.4	66.8	60.6	144.0	66.7	41.7

Note:

(1) Gross value added to total assets

(2) Gross value added to facility investment

(3) Gross value added to sales

(4) Ratio of compensation of employees to NI (National Income)

Source: Construction & Economy Research Institute of Korea