Sustainable Management of Korean Firms:
A case study of Yuhan-Kimberly and its implication for Latin American Firms

Conference on “Can Latin American Firms Compete?”
Thunderbird Research Center
November 11, 2005

Dong-Sung Cho
Professor of Strategy and International Business, Seoul National University
Chair, Korean Academic Society of Business Administration
Phone: 82-11-712-6945, Fax: 82-2-456-2044
E-mail: dscho@snu.ac.kr, Web: www.dongsungcho.com
Sustainable Management of Korean Firms:

A case study of Yuhan-Kimberly and its implication for Latin American Firms

Summary

This paper is aimed at identifying the mechanism for success of Korean company to provide implications for Latin American firms. To this end, this paper studies Yuhan-Kimberly, a joint venture established between Kimberly-Clark, a multinational firm based in the US, and Yuhan Corporation, a Korean pharmaceutical company. Yuhan-Kimberly has practiced innovation, ethics, corporate social responsibility, environment management since 1985, all the while upholding the corporate philosophy of one of its parent companies, Yuhan Corporation, for more than 40 years. As a result, Yuhan-Kimberly has elbowed out some of world-class Korean firms such as Samsung Electronics Co. and Hyundai Motors Co. to earn the reputation of the most respected and loved company by the Korean people. In addition, it was ranked first in market dominance, a status that could only be earned through a combination of market share and customer loyalty on top of the respect and love from the society. Thus, the company has set a new benchmark for sustainable management in the 21st century. In this paper, we will study the success factors of Yuhan-Kimberly by using the SER-M model consisting of subject (S), environment (E), resources (R) and mechanism (M) to redefine the concept of “sustainable management” and to study the mechanism of its management method to understand the composition of factors, the sequence of factor deployment and the timing of sequence in the factor deployment that are the components of mechanism. By doing so, this paper will present the success story of a Korean and American joint venture named Yuhan-Kimberly, that has earned the highest social respect in Korea and a matching financial performance, and to provide
a motivation for Latin American managers to search for sustainable management models that are appropriate for the Latin American firms.

Keyword: Yuhan-Kimberly, sustainable management, SER-M Model, mechanism-based view, composition-sequence-timing
Sustainable Management of Korean Firms:

A case study of Yuhan-Kimberly and its implication for Latin American Firms

I. Introduction

Hyundai Motors Co., POSCO, Samsung Electronics Co. and LG Telecom are major Korean companies that have grown into global players. Though these companies may differ in the industries that they operate, they have one thing in common, which is that they are headed by powerful managers with superior business minds who have leveraged the Korean government’s active industrial policies and aggressively responded to changes and challenges in the international market and consequently, built an effective mechanism for success unique of each of the company.

However, there is one company in Korea that is above all the companies in the respect and love it has earned from the Korean people. The Korean parent company of the firm in question is the fourth oldest company of the more than 1.5 million companies that operate in Korea. This company was selected as the company that Korean college graduates want to work most at, and the best employer in Korea, as well as the company Korean consumers want most to repeat purchases with. In addition, this company was selected as the company that is projected to have the longest life span by the Society for Studying Sustainable Enterprises,

Surprisingly, the company that is accompanied by such colorful adjectives and that has captured the heart and earned the respect of the Korean people is not a global name, but a local one called Yuhan-Kimberly (Y-K), a joint venture between Yuhan Corporation, a Korean
company and an American company named Kimberly-Clark. Yuhan-Kimberly is a household and sanitary goods maker that supplies diaper, sanitary pad, toilet paper, facial tissue and non-woven fabric. The company may not look too glamorous nor its work rewarding just by looking at the products it handles, but it is the company that Korean college students want to work most at. The reason does not just lie in the fact that it is a profitable company with the largest market share in the industry. It is more because of its corporate image which reflects a corporate culture that encourages creativity and autonomy, innovation and challenge, people-focused management and life-long learning enabled by the 4 Crews and 2 Shifts working system, social corporate responsibility management and ethics management. Not surprisingly, Yuhan-Kimberly was the winner of the Best Corporate Image Award for Ethical Management and was selected as one of the top five companies with the highest social contribution in 2001 by the Federation of Korean Industries, an organization that consists solely of conglomerates, despite the fact that Y-K is not a conglomerate itself. Y-K’s feats do not end on the domestic soil. Its reputation has spread overseas and in 2003, it was selected as the sixth Best Employers in Asia (no.1 in Korea) by The Asian Wall Street Journal and Hewitt Associates.

However, the road to success has not always been smooth for Yuhan-Kimberly. Once, its market share in its main business plummeted from 100% to 18% and the company endured no less than 13 years of labor strife and inner division. However, since CEO Kook Hyun Moon took the helm in 1995, it has been successfully transformed into a company commanding the largest market share for all of its products as of the end of 2004, just nine years since he took office. Y-K is passionately committed to ethics, social corporate responsibility and environment management which not only drive up financial performance but also enable sustainable prosperity, thereby making Yuhan-Kimberly the best model for firms in the 21st century.
In order to analyze the drivers of Yuhan-Kimberly’s success in financial performance as well as in social reputation, we have used the SER-M model with a focus on the mechanism of the interaction among subject, environment and resource, to systematically and comprehensively identify all of the success factors.

We believe that by identifying the success factors of Yuhan-Kimberly, we will not only provide implications for managers working in other regions and possibly, in other times on the “right” way of managing but also present various hypotheses on the successful achievement of sustainable management through the pursuit of new values such as respect from the market and love from the consumers, rather than the blind pursuit for sales and profit that is traditional of the existing firms.

The success factors of a company, in particular, for creating a new form of sustainable management that we hope to find through Yuhan-Kimberly, will provide the basis for Latin American firms to develop a sustainable management model that is appropriate for the Latin American environment which is different from the global standard global model that is generally based on the American model.

II. Holistic approach to analysis of corporate competitiveness: SER-M framework

Strategic management theory has long focused on finding the source of competitive advantage of a company which generates excess profit, and has either focused on the internal or the external aspect of a company (Hoskisson, Hitt, & Wan, 1999). The earliest theory was
influenced by Simon (1945) and Cyert & March (1963) and focused on the decision-making process and the role of the manager inside a company. Later theories developed by scholars who studied industrial organization theory shifted their focus to the external aspect of a company, thereby highlighting the industrial organizational view such as that of M. Porter (1980), which focuses on the structure of the industry in which the company operates. However, when industrial organization theory failed to explain the gap in performance among the companies operating in the same industry, scholars once again began turning their eyes to the internal aspect of a company. The new internal-focused theory is the resource-based view initiated by Wernerfelt (1984), which forms the core of strategic management theory today that has given birth to diverse views and debates which consequently have expanded the concept of resource.

Whilst various approaches in the strategic management theory have shifted their focuses from leadership to industrial organization to resource over time while constantly studying individual factors separately, Dong Sung Cho and Dong Hyun Lee proposed SER-M framework as a replacement for the existing approaches, claiming the need to study the process of interaction among key variables (Cho & Lee, 1998).

Though the focus of strategic management theories has shifted from inside to outside, and back to the inside of a company, the theories shared a common trait in that their methodologies were rooted in reductionism, or mechanical philosophy represented by Descarte
and Newton. And though some scholars have recognized the importance of an integrated approach and some have even attempted to pursue the approach (Lähteenmäki, Toivonen, & Mattila, 2001: Nonaka, Toyama, & Konno, 2000: Flamholtz & Aksehirli, 2000: Bate, Kahn & Pye, 2000: Palmer & Wiseman, 1999), to date, mechanism-based view is the only theory that presents a common theoretical view or approach to investigating the importance of an integrated and holistic approach.

The discussion on the mechanism-based view to date has been two-pronged – mechanism as a source of competitive advantages of a company and mechanism as a tool for studying the various phenomena of strategic management.

First, in the theory that claims mechanism as a source of the competitive advantages of a firm, a business phenomenon is created as a result of a process in which a subject creates a resource within an environment. Mechanism is the dynamic interaction of the subject, resource and environment and the repetition of the process of interaction. The theory focuses on the study of the causality of the factors within the mechanism, which is the source of the competitive advantages of a company (Cho, 2004). Cho asserts that the existing strategic management theory cannot properly identify the source of competitive advantage of a firm since it only studies individual factors such as leadership, industrial organization or resources separately when the mechanism that forms the foundation of a competitive advantage of a firm
is created through the interaction of the three factors. A deeper look into mechanism shows that it consists of three factors - composition of resources, sequence and timing (Cho, 2005). That is, even companies with similar resource and environment will have different mechanisms depending on how the subject mixes the three factors with what strategic purpose. The main factors that determine the composition of resources, sequence and timing are subject, resource and environment.

Second, mechanism is viewed as a methodology or an approach for understanding business phenomena, in which case, holistic and dynamic traits are emphasized. In order to properly identify business phenomena, the causes or factors that drive the business phenomena need to be identified and the mechanism of interaction of the factors that ultimately create the phenomena need to be understood. The best way to identifying these is to classify the factors into S, E and R and using the SER-M framework (Cho & Jang, 2005).

III. Case study of a Korean firm: Yuhan-Kimberly’s mechanism for success

As of February 2004, Yuhan-Kimberly’s products were No. 1 in market share, with diapers, feminine pads, tissue, paper towels, and moist wipes accounting for 67%, 62%, 55%, 55%, and 48% of the market respectively. However, behind this success lies countless adversity and challenges overcome. Since Yuhan-Kimberly’s birth as a joint venture between Yuhan Corporation and Kimberly-Clark on March 30, 1970, it has grown into a healthy and hygiene product company. However, a number of prominent conglomerates like Ssangyong Group, CJ
and Amore Pacific began jumping onto the household product market. Later, many international firms like P&G rushed to tap the local market after foreign investments were liberalized in 1989. Brutal competition from new entrants and their aggressive market advance tactics bore down heavily on Yuhan-Kimberly, which was ultimately forced to give up its market-leading position. However, with 1995 as a turning point, Y-K bounced back, and managed to take back the No. 1 spot on the market. And now, nine years into CEO Moon’s leadership, the company enjoys a phenomenal growth as of 2004.

In this paper, we will attempt to analyze Y-K’s success by using the SER-M framework, taking the mechanism-based view.

(1) CEO Kook Hyun Moon’s leadership: S

CEO Kook Hyun Moon with his challenging spirit, passion and execution power is one of the most important factors that have made the success Yuhan-Kimberly enjoys today possible. In order for a company to achieve innovation, a CEO who presents a vision for innovation and who promotes the vision with passion and commitment is absolutely vital. In this aspect, CEO Moon’s challenging spirit and aggressive leadership served Yuhan-Kimberly well in creating and building a corporate culture that pursues autonomy and responsibility, innovation and challenge, expression of creativity, free discussion and consideration for the society and the nation.

More specifically, Y-K encourages the employees to take ownership and responsibility
for their jobs, which, while guaranteeing the autonomy of each of the employees, also encourages them to personally find ways to achieve harmony with the organization to which they belong. Job delegations are considered very important and delegated authorities are taken very seriously. The organizational structure at Yuhan-Kimberly consists of 12 division heads with different titles ranging from director to senior managing director reporting directly to the CEO. Despite the difference in their titles, the division heads have a horizontal relationship in which each one assumes the full responsibility of a division head. Proposals from the working-level are approved by the department heads, and the division heads only intervene when there are issues that cannot be resolved at the department head-level. As such, the organization structure guarantees freedom in judgment and activity while imposing strong accountability and authority on each member of the company.

Second, Y-K was floundering in early 1980s when it first began its diaper business so much so that profit from other businesses had to be poured into the business. Thanks to these efforts which were grounded on a firm belief in the growth potential of the business, it has grown to become one of the most important businesses for Yuhan-Kimberly. In 1983, Y-K introduced Korea’s first-ever panty-shaped diaper, Huggies. Since then, Huggies has commanded the largest market share for the last two decades and has literally become synonymous with paper diaper in Korea. The fearless spirit that welcomed new challenges, the aggressive and the positive attitude and the belief in success that were demonstrated in the process were values that CEO Kook Hyun Moon has enrooted in Y-K.

Third, Yuhan-Kimberly encourages experimental and creative behaviors from its employees. To prevent wasting time developing plans for new ideas and strategies which
sometimes consumes unnecessary amount of time that could instead be used more effectively for implementation and action-taking, Y-K encourages experimenting new ideas consistently to respond speedily to the rapidly changing environment.

Fourth, Yuhan-Kimberly creates video newsletters that enable the management to share detailed business information with the employees. CEO Moon personally appears in each of the video newsletter and gives detailed explanation on management issues that the employees are curious about using PowerPoint. After the management discloses detailed information transparently through the video newsletter, the employees discuss the issues among themselves and present their opinions to the company so that the management can reflect them in running the company. As such, Y-K creates a culture in which the management and the employees run the company together.

Fifth, CEO Moon stresses to the employees the importance of accurately understanding the position of not only the company but also of the society and the country and furthermore, the global market. According to CEO Moon, understanding the society and the country, and the world in which a company operates is extremely important not only because it is essential for achieving its goal and survival, but also because changes in the global market impact every aspect of a company.

(2) Economic environment: E

The Korean economy has grown rapidly at an annual average rate of 8-9% since the beginning of the government-led economic development in the early 1960s. The ensuing
phenomenal growth driven by qualitative and quantitative labor, robust entrepreneurship and the government’s export-oriented development strategy built self-confidence in the Korean people and bore fruit to economic feats that have propelled the country onto becoming the world’s eleventh largest economy and twelfth largest trade volume in just three decades. The economy that had been agriculture-oriented shifted its focus to heavy chemical and service, and the country’s status was raised significantly in the international society. All these achievements drew the attention of the international society and the world came to regard Korea as a success case of economic development.

It was commonly viewed that economic development spearheaded by the government enabled Korea to rise from the ashes of the Korean War to achieve phenomenal economic growth. The government’s economic development plan focusing on the expansion of industrial production capability was constantly at the heart of the government’s industrial policy which has changed over time along with the changes in the domestic and international environment. From the 1960s to the 70s, the government directly intervened in the market and made decisions on distribution of investment by sector. The government conducted large-scale projects in the form of public projects and in large-scale projects conducted by the private sector, the government personally selected highly skilled entrepreneurs or developed the land required for a project or provided fund. The government also aggressively promoted an export-focused growth strategy and nurtured export and heavy chemical industries. During the 1980s and 1990s, the government cut down on its hands-on direct intervention and focused on encouraging creativity from the private sector, and stressed competition and opening of the domestic market (Kyung Tae Lee,1996). The launching of the World Trade Organization in 1995 further expanded world trade and strengthened multilateralism. Korea joined the OECD in 1996 as its 29th member and
proactively joined in the effort to create international economic order (1996 White Paper on Trade and Industry, 1997). However, the economic crisis that hit Korea at the end of 1997 devalued the Korean currency and incurred the bankruptcy of many companies and caused the sovereign rating to plunge which ultimately placed the country under the stewardship of the International Monetary Fund. To overcome the economic crisis, the government aggressively pursued corporate restructurings and attracted foreign direct investments and on August 23, 2001, succeeded in repaying the entire IMF fund which amounted to $19.5 (2002 White Paper on Industry and Resource, 2003).

(3) Reputation as ethical company (R)

Yuhan-Kimberly’s reputation as Korea’s most ethical company has its roots in the culture and reputation of its parent companies, Yuhan Corporation and Kimberly-Clark.

Yuhan Corporation was founded by an independence activist and social worker, Dr. Il Hwan Yu in 1926. It is a national company that has consistently emphasized and practiced the spirit of volunteering, thereby earning the love and respect of the Korean people. The management philosophy of Yuhan Corporation is grounded on the value proclaimed by Dr. Il Hwan Yu, who said, “the profit earned by a company must be returned to the society that has nurtured the company.” Dr. Il Hwan Yu was a pioneer in management and adopted advanced management tactics - Yuhan Corporation went public, a first for a pharmaceutical company in Korea and separated capital and management, and also introduced the Employee Stock Ownership Plans (ESOP) and professional manager system for the first time in Korea. Yuhan Corporation, which has consistently adopted cutting-edge management methods during the 80
years of its history, has remained faithful to its three corporate philosophies consisting of production of the best products, dutiful tax payment and contribution of business profit to the society.

Yuhan-Kimberly’s American partner, Kimberly-Clark has achieved phenomenal growth under the leadership of CEO Darwin E. Smith. During the twenty years when the soft-spoken CEO-turned in-house attorney Smith led the company, Kimberly-Clark achieved an astounding growth and transformed itself from a good company to a great company. Kimberly-Clark achieved a cumulative stock return that was 4.1 times higher than the market, easily overtaking its competitors, Scott Paper and Procter & Gamble, and even surpassing some of the powerful players such as Coca Cola, Hewlett-Packard, 3M and General Electrics. He was a man with a strong ambition on the business-level but he was also a man with extreme humbleness, which is the 5th level of leadership, on the personal level (Collins, 2001).

Yuhan-Kimberly, strongly influenced by the corporate culture of its parent companies, has established five business philosophies – respect for human being, customer satisfaction, social contribution, innovation - as its corporate values.

(4) Mechanism factor (M)

Mechanism as a source of a company’s competitiveness is created in the process of a subject (S) using resource (R) to respond to the environment (E) during which these factors interact with one another. At Yuhan-Kimberly, the Neway model, Loc-balization (aimed at building global competitiveness through the accumulation of competitiveness in Northeast
Asian region), life-long learning through 4 crews 2 shifts working system, domestic R&D center that has enabled differentiated product competitiveness, social responsibility and ethics management are the factors that have created the mechanism for success.

Seen from the composition dimension, Yuhan Corporation’s Il Hwan Yu’s and Kimberly-Clark’s Darwin E. Smith’s corporate philosophies were effectively synthesized to create Yuhan-Kimberly’s corporate philosophies which are social responsibility management and ethics management. In terms of sequence, Y-K established a system for promoting innovation within the company called Neway, which is founded on its corporate philosophies, and then encouraged the employees to actively participate in the system based on which, the company developed products with differentiated competitiveness and dominated the domestic market after which, the company pursued its global strategy. In 1997, when the world was mired in economic crisis, while most Korean companies were busily reducing R&D expense spent for product development, cutting down on training and advertising that are necessary for developing new markets, Yuhan-Kimberly developed ultra-slim sanitary pads and diapers that let fresh air in which were highly demanded by the Korean consumers then, in addition to providing regular trainings of up to 183 hours annually per person and adopted a life-long learning system, a system that has not been heard of in Korea, let alone abroad. In addition, Y-K invested 1% of its annual sales to open a summer camp as part of the “Keep Korea Green” campaign, where teenagers participating in the program planted 150 million trees, thereby enabling the company to fulfill its social responsibility while promoting the company at the same time. These efforts finally paid off and Yuhan-Kimberly gained average 98% in customer loyalty.
**Bold management innovation model: Neway**

Yuhan-Kimberly set up the Neway team with the surplus resource left after pursuing innovation in the organizational structure. The Neway provided an opportunity for the employees to take rest and to capture life-long learning opportunities and to come up with new ideas for working in an innovative way. People who have worked in the Neway team or those who were sent overseas for training were promoted, which gave them opportunities to develop their capabilities and to spearhead innovation within the company. The Neway drove the streamlining and transformation of the organization structure at Yuhan-Kimberly and became the central point of internal and external activities.

Through Neway, Yuhan-Kimberly established an organizational culture that was efficient and that pursued life-long learning. In the first stage of change management, unnecessary reporting lines were eliminated and inefficient and overlapping jobs were reduced. By streamlining the organization and standardizing work process, the company granted appropriate autonomy and authority to each of the employees while strengthening responsibility at the same time. In addition, inter-departmental cooperation increased to enhance internal communication and enable speedy completion of tasks. Y-K also adopted Kimberly-Clark’s work process, high performance work system (HPWS), and integrated departments with high relativity into one and provided training to the drivers and engineers. The equipment at the plants was reallocated which also prompted the redistribution of human resources and created a more efficient and safe working space, and when one production line was closed after the equipments were moved, the employees who had worked at the closed line were either given the opportunity to work in another line or to study further to transfer department.
If Neway was the tool for achieving company-wide management innovation, Functional Excellence Teams (FETs) drove changes in the specific areas within the company. In areas that FET perceived required change, the FET developed plans for change management and ran various data analysis to identify whether the specific area was ready for change and implemented the plan by using the results of the analysis. To transform the working processes and methods in line with the new system, organization structures were redesigned and plans for creating a desirable organizational culture was newly established. In order to promote the projects, the FETs set up project teams, created environment and provided training to successfully complete the projects. Many companies, in promoting new changes, send many messages to the employees but most of the time; the employees either do not understand the message correctly or are indifferent to them. To prevent this, Y-K set up teams by organization to conduct the project for the survival of the company, thereby involving the employees to actually participate in the process of innovation.

Yuhan-Kimberly, recognizing the need to shift the management paradigm from production-focus to customer-focus, carried out transformation to standardize internal process and to maximize the efficiency of the supply chain as well as enabling real-time information sharing both internally and externally.

Loc-balization

On March 1, 2003, CEO Moon was chosen to head up business collaboration between six Northeast Asian countries – Korea, Japan, China, Hong Kong, and Mongolia – as Kimberly-Clark elected him president of the Group’s North Asia Region and its business forum. This was a clear affirmation of Yuhan-Kimberly’s position as a solid corporate leader in North Asia. The
objective of Kimberly-Clark’s collaborative forums, which are made up of (CEOs) managing directors from K-C subsidiaries worldwide, is to facilitate the sharing of information and knowledge as well as an exchange of human and material resources between subsidiaries, which is why Yuhan-Kimberly has been given the responsibility to serve as a connecting hub for all the K-C subsidiaries in North Asian region. At the same time, it also serves as an incentive for Y-K to start reaching out to the wider Kimberly-Clark global network to share its signature “Y-K style of doing business” - born out of years of accumulated knowledge and know-how - with other subsidiaries, as well as an opportunity for Yuhan-Kimberly to understand the business environment in the other countries to obtain knowledge helpful for developing global strategy. For example, Y-K tapped into a new business area of consulting service while deploying its employees to support factories in each country, thereby, providing Y-K with the opportunity to experience global markets as a global leader which subsequently prompted Y-K to promote new changes.

The basic principle behind Yuhan-Kimberly’s business management in North Asian factories is to lead with utmost respect for local management. It fundamentally planned to commit to play a supportive role instead of playing “boss.” The plan was to provide technical support and training to factories in the region to help them maintain a high level of productivity like Y-K’s and never to exercise direct control over anybody. In terms of management, the goal was to delegate responsibilities and powers to representatives from each region so they could strengthen their stand-alone independent capabilities. At its core, Yuhan-Kimberly’s one-of-a-kind style of management is all about enhancing self-empowerment of an organization. Although Y-K put forth the long-term vision and strategic action plans for operations, it was up to each subsidiary to carry out their own actual implementation with full ownership and
responsibility, which gave them a chance to naturally improve their leadership skills and assertiveness. Yuhan-Kimberly’s North Asian team was a combination of a vertical management structure and a horizontal support structure. A local management team from each of the subsidiaries was responsible for the vertical management of its own company.

Life-long learning through 4 crews 2 shifts working system

When demand for its products dropped drastically during the economic crisis in 1998, Yuhan-Kimberly had to close down some of its production lines for more than six months. The plant operation ratio slumped to below half its usual level and products continued to stock up. To make matters worse, Yuhan-Kimberly’s surplus resource reached more than 40% of the total number of employees. When the pressure for restructuring which would entail massive lay-off had reached a peak, CEO Moon reorganized the crew system from 3 crews to 4 crews and promoted job sharing which would increase the number of workers by 33%. Although the 4-crew work system had the potential of incurring high financial risk due to increase in labor cost, the system generated unexpected results. The machines were operated year-round and the productivity of the employees improved drastically thanks to sufficient rest and training on new technologies.

The 4 crews 2 shifts system which has been implemented across all of Yuhan-Kimberly’s factories divides all the employees into 4 crews. Each crew works for four 12 hour days then has 4 days off (including 1 day for training), another crew works four 12 hour nights then takes 4 days off. The crews work in a 16 day cycles. The shift occurs at 7 a.m. and 7 p.m. every day and the net working hours per week are 42 hours and 45.5 hours when including training hours. Among the hours, 1.5 hours in overtime is paid. The annual regular training
hours are 183 hours and holidays and day-offs are used as necessary for additional training. The system enables the company to have 33% more employees than other companies that implement 3 crews with an added bonus of training on top of employment. In addition, the 4 crews 2 shirts system provided training and rest, enabling the workers to have both a healthy head and mind. This enabled the workers to take time to recharge themselves, which enhanced the workers’ loyalty towards the company to enhance and consequently led to a significant increase in company performance.

Global-level R&D center that sources differentiated product competitiveness

The sanitary pad and diaper industry is very sensitive to fluctuation in population. Consequently, the drop in Korea’s birth rates meant a cutback on the local market for Y-K. To respond to the projected decline in population going forward, Y-K not only built a new business strategy, but also started pursuing a global advance strategy to find opportunities abroad and overcome the limitations of the domestic market. To this end, Yuhan-Kimberly has built up world-class R&D capabilities thanks to huge investments in research and development and the accumulation of all the technical know-how in its organization. Right now, time-to-market for new products is about nine months. The bigger advantage on top of the speed is that the products are advanced high quality goods that give it a global competitive edge.

Corporate social responsibility and ethics management

Yuhan-Kimberly has been strongly committed to social contribution and has gained an image and reputation as the most respected and trusted company in Korea and a company that practices ethics management. The positive reputation and credibility of Y-H has led to creating an equally positive image for its products. Y-K’s social campaign, “Keep Korea Green,”
promoted under CEO Moon’s strong initiative since 1984, is recognized as the best environment campaign that boasts 21 years of history. The campaign is aimed at developing forests and consists of fund raising, model forest development project, environment education, support for discovering natural resources and cultural heritages. In addition, Y-K publishes environment-related books, supported R&D activities for finding ways to maintain a sustainable environment and is currently planning to establish an environment-friendly production system inside the company.

CEO Moon did not merely stop at stressing the importance of ethics management and aggressively put theory into practice. He has maintained a frugal life style and eliminated supportive functions for the management such as secretaries and received reports directly for approval. With the CEO setting an example, the management had no choice but to change; they also set out to personally correct “wrong” practices. They eliminated entertainment expense and congratulations and condolence expense and placed a ban on the practice of giving presents to and entertaining customers. Yuhan-Kimberly’s ethics management is a top-down effort that is the foundation of sustainable management.

IV. Conclusion

Yuhan-Kimberly, which has grown amidst the rapid changes in the Korean economy, has emerged as a slim and efficient company through drastic innovation. As a result, Y-K offers differentiated products and services to the customers and has an organization that is horizontal and that practices innovation to create value, and consistently tries to realize people-focused management by providing life-long learning opportunities.
In addition, it has proven by practicing ethics, corporate social responsibility, and environment management, which are becoming the buzzwords in the 21st century, that investment made outside the company is not money down the drain but on the contrary, is an investment that generates higher return on investment than money spent on any of the traditional marketing activities such as advertisement because it discloses business information, promotes transparent and credible management through delegation of authority and autonomous management, establishes environment management system internally and externally while at the same time, sharing social vision through the social campaigns.

Moreover, Y-K’s Loc-balization is a successful demonstration of a creative management that does not exist in any other parts of the world, thereby making it the benchmark for companies throughout the world.

Yuhan-Kimberly’s innovation, ethics, corporate social responsibility, environment and creation management have culminated in making it the most respected and loved company, the most preferred employer for college graduates and the company with the highest customer loyalty among the 150 companies in Korea. In addition, considering that the Society for Studying Sustainable Enterprises has projected Yuhan Corporation with the longest life span in Korea and that Y-K accounts for largest sales and profit of the Group, Y-K’s mechanism for success created through innovation, ethics, corporate social responsibility, environment and creation management is a clear demonstration of “sustainable management.”

The conceptual framework for mechanism for sustainable management will be
completed when the study on the sequence and the timing of the sequence of deployment of the five management methods that compose sustainable management identified through the case study of Yuhan-Kimberly in this paper has been conducted. It goes without saying that a more sophisticated and empirical research should subsequently be conducted to validate the mechanism that consists of composition, sequence and timing.

The management mechanism, in particular, for the sustainable management identified through the case study on the joint venture between Korea and the US will have significant implications for companies in Latin America where most of them are joint venture. The local managers will be motivated to proactively promote innovation management, and practice a higher level of ethics, corporate social responsibility and environment management than the investment firm. Moreover, just as Y-K promoted Loc-balization in which it exported the unique management know-how used in the Korean market to various countries abroad which were then developed into local management models, Latin American firms can develop unique and creative management models that can in turn be exported overseas.
References


Bate, P., Khan, R., & Pye, A. 2000. Toward a culturally sensitive approach to organization structuring: Where organization design meets organization development, Organization Science, 11(2), 197-211


Collins, J. 2001, Good to great: Why some companies make the leap… and others don’t, Jim Collins c/o Curtis Brown, Ltd., New York


Nonaka, I., Toyoma, R., & Konno, N., 2000, SECI, ba and leadership: a unified model of dynamic knowledge creation, Long Range Planning, 33, 5-34


Simon, H.A. 1945, Administrative behavior, New York: Macmillan