

Business Climate and Industrialization of the Korean Fiber Industry

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I. THE PRESENT SITUATION OF THE KOREAN FIBER INDUSTRY

In order to understand the present situation of the textile industry in Korea, we need to know about the close relationships among GNP, outputs of the manufacturing industry, those of the textile industry and its export amount, and so on. In addition, we also need to know about the trend in each variable and the proportion of one to another. I will only show several data which are essential to this subject.

The proportion of the product-output of the manufacturing industry to GNP is shown in Table 1. And its trend since 1953 is traced in Figure 1. As we can see from the relationship between the outputs of the manufacturing industry and GNP in Table 1 and Figure 1, the outputs of the manufacturing industry as a percent of GNP have continuously grown.

The proportion of the outputs of the textile industry to the total outputs of the manufacturing industry is shown in Table 2. And its trend since 1953 is also traced in Figure 2.

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Table 1. Proportion of the product output of the Manufacturing Industry to GNP(%)

year	proportion (%)	year	proportion (%)	year	proportion (%)	year	proportion (%)	year	proportion (%)
1953	*8.9 +4.8	1958	12.7 7.5	1963	14.5 9.7	1968	19.8 15.0	1973	25.0 23.7
1954	11.6 5.3	1959	14.0 7.9	1964	15.5 9.7	1969	20.1 16.0	1974	26.2 25.5
1955	11.4 6.1	1960	13.7 8.4	1965	17.9 11.1	1970	20.9 17.9	1975	26.9 26.9
1956	11.4 7.2	1961	13.5 8.3	1966	18.4 11.5	1971	21.1 19.6	1976	28.1 28.8
1957	11.1 7.2	1962	14.3 9.1	1967	18.8 13.1	1972	22.4 12.1	1977	27.6 39.8

*At Current Market Prices

+ At 1975 Constant Market Prices

Table 2. Proportion of the output of the textile industry to the total output of the manufacturing industry

year	proportion (%)	year	proportion (%)	year	proportion (%)	year	proportion (%)	year	proportion (%)
1953	*22.6 +20.1	1958	23.3 22.9	1963	18.2 16.3	1968	17.1 12.9	1973	20.2 15.8
1954	25.7 21.1	1959	21.9 21.7	1964	18.4 14.8	1969	17.1 13.1	1974	15.6 14.8
1955	23.0 21.2	1960	21.1 19.5	1965	19.3 14.5	1970	16.9 13.2	1975	15.6 15.6
1956	23.9 22.5	1961	19.5 17.6	1966	17.9 13.7	1971	17.6 14.1	1976	15.4 15.1
1957	24.0 24.7	1962	19.7 17.3	1967	18.3 13.4	1972	20.8 16.0	1977	13.5 13.4

*At Current Market Prices

+ At 1975 Constant Market Prices

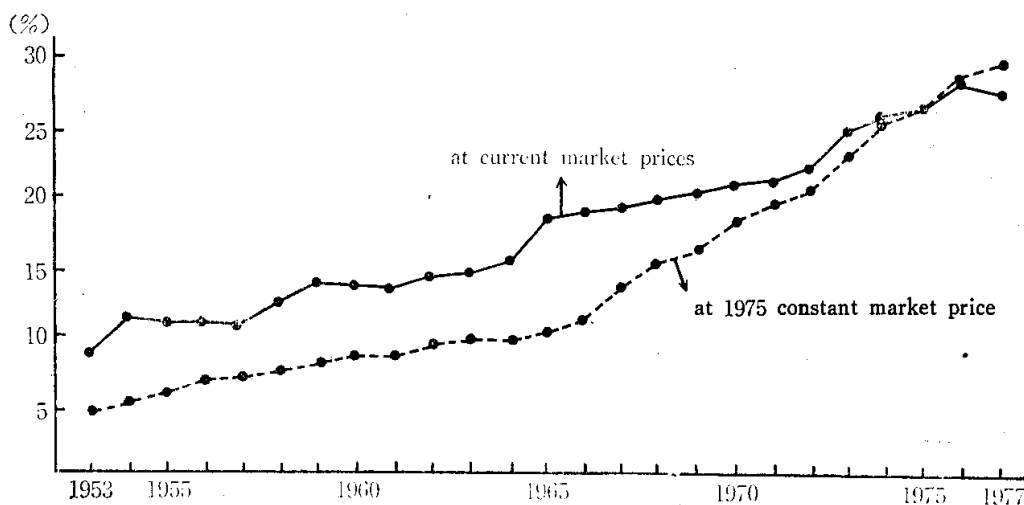


Fig. 1. Trend in proportion of the output of the Manufacturing Industry to GNP

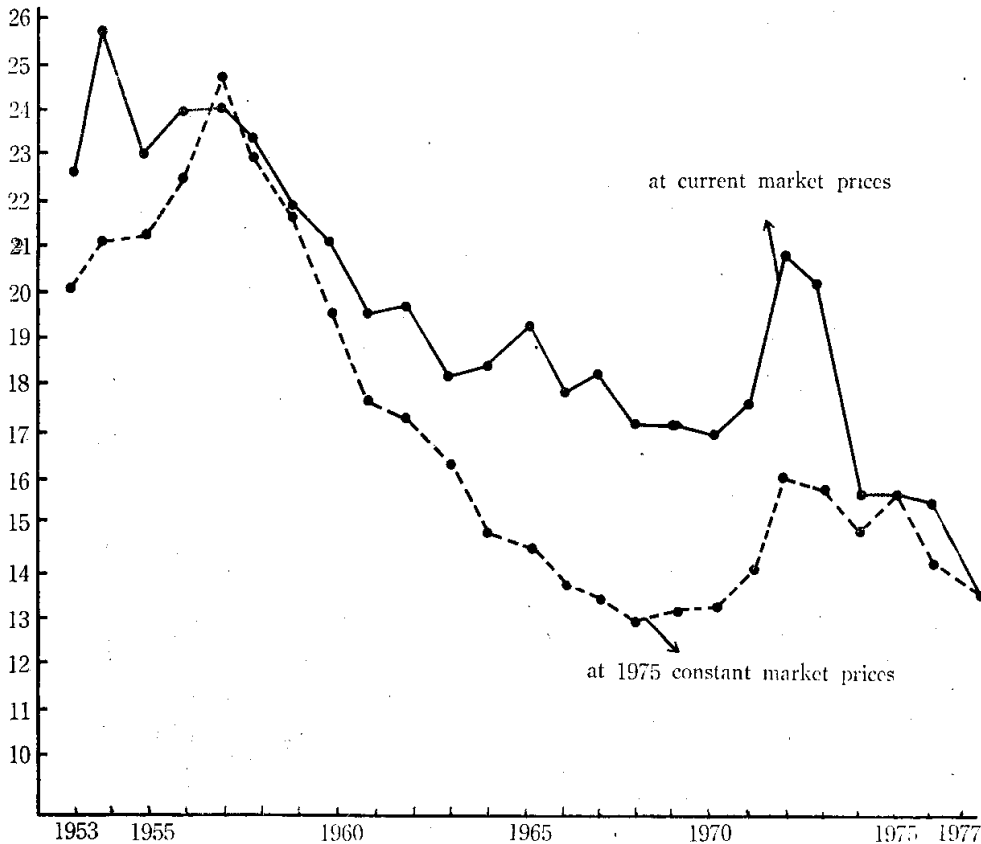


Fig. 2. Trend in Proportion of the Textile Industry to the total output of the Manufacturing Industry

We can see the relationship between the outputs of the textile industry and those of the manufacturing industry in Table 2 and Figure 2.

To do this, we cannot state the relationship between them definitively but we can say its long-run trend approximately declined.

II. The HISTORICAL DOMINATION OF THE DEVELOPMENT OF THE KOREAN FIBER INDUSTRY

I would like to state the historical domination of the development of the fiber industry in Korea as follows.

1. The Cotton Textile Industry in the era of Yi-dynasty⁽¹⁾ (1392~1910)

The spread of cotton in Korea and the invention of the spinning and weaving machinery marked a change in Korean material civilization and the history of the Korean economy. This can be inferred from the fact that cotton was important enough to be used as a substitute for currency.

It was after the 15th century that the real cotton industry came into being in Korea with good productivity. Although the development of the Korean cotton industry was ascribed to the tax system of Yi-dynasty, there are two main factors that promoted its progress. One of them was that the demand for cotton fabrics was increasing as an important export item to Japan. The other factor was that cotton fabrics was demanded as a financial resource for the military.

Since textile fabrics were used as a means of tax payment, the demand for textiles increased and accordingly brought about the enlargement of production. But after the 17th century, the cotton industry in Korea began to wither. The main causes of the decline were as follows:

First, at that time, the level of production technology was very low and the subject of production was composed of petty farmers. Thus its management structure and production systems were very weak and this fact made it difficult to expand the cotton agriculture on a large scale for commercialization. Second, since the cotton industry took its position as a means of tax payment, it was not only demanded by the tax payers for its use in the form of cotton textiles, but was also pressed with the high tax levy of the government. Third, during the war between Japan and Russia, Japan imposed her political control system upon Korea. Thus in order to acquire raw materials, the capital of the Japanese textile industry was able to control Korean cotton agriculture with the form of the earlier commercial capital. Therefore the Korean cotton industry became the

(1) Park, J.E., "The Historical Study of the Korean Cotton Textile Industry," Ph.D. Thesis, Kyung Hee University, Seoul, 1980, pp. 17-67.

main supplier of raw materials to the Japanese spinning industry and lost its industrial field, that is, the textile industry. Thus, with the control of Korean textile industry by Japan, the basic separation process of agriculture and industry, which was essential to Korea's modern economic development, was delayed.

In addition to the development of the textile industry, there arose a question whether the Korean cotton industry had a modern production style of organization. On this point, it was important whether there existed a "putting-out" system or "manufacturing" system.

From historical data, it can be inferred that in the cotton textile industry of the late 19th century, if not in a large proportion, there existed a "putting-out" or "manufacturing" system. However a more important matter than the existence of these systems was that, in the historical viewpoint of the Korean economy, the production relationship with regards to the "putting-out" or "manufacturing" system could never be advanced to the modern production style. Some causes of this are as follows. The low level of the endogenous technology accumulated; the low level of the capital accumulated; destitution of the modern entrepreneurial spirit; and inferiority of management technique. But above all it was mainly caused by the invasion of Japanese imperialism. That is, Japanese imperialism looted all of the produced raw cotton by way of invading into the local market and exporting textiles of higher quality. Accordingly, the demand for traditional cotton fabrics in Korea diminished,

2. The Generation of the Modern Cotton Textile Industry⁽²⁾ (1910~1919)

When Japanese capitalism came to dominate Korea, Japan proclaimed the "Company Law" which suppressed the accumulation of Korean national capital.

Therefore, Korean enterprises could not free themselves from the oppressive industrial conditions, in spite of the number of Korean enterprises increasing continually, for Korean enterprise activity could not be allowed, under the co-

(2) *Ibid.*, pp. 68-114.

mand of Japanese colonial policy, such as the "Company Law," which prevented the growth of the Korean national capital. Consequently, this suppression affected both the number of companies and the national capital.

3. Establishment of the Modern Cotton Textile Industry⁽³⁾ (1920~1929)

Around the period when the 1919 Samil Independence Movement took place, modern spinning and weaving company managed by national enterprisers were founded, such as Kyung-sung spinning and weaving company. Of course, this was not accomplished by chance. There were many direct or indirect factors that caused the foundation of Kyung-sung Co.. Among these were many social and political factors associated with Samil movement which provoked national spirit. But the direct factors that stimulated the birth of national enterprise K.S. Co. were economic conditions as follows.

First, we can acknowledge the fact of increased investment in the Korean economy by Japanese enterprisers. Korean enterprisers were shocked by this fact. Secondly, the increased feasibility of mobilizing national capital by large national landowners (who accumulated capital as a consequence of executing governmental policy to increase rice yield) also played a critical role. Third, there was a bright outlook to broaden a market share. Fourth, as a result of extending modern education, qualified technicians and engineers were produced. Fifth, there existed enterprisers who were equipped with modern knowledge of management and management thoughts.

Political, economic, and social conditions cited above made it possible to quicken the evolution of the modern national textile industry, such as the spinning and weaving of cotton.

With the Kyung-sung Co. Ltd, organization of a limited company for the first time in the national textile industry history, was established in 1911. Its foundation was achieved by mastering capital and work forces of small sized textile makers. But due to poor management the company was on the verge

(3) *Ibid.*, pp. 115-159.

of bankruptcy by 1916. At that time control over the company was assumed by Sung-Soo Kim. He had strong national spirit and had a modern education, and he changed and diversified the products of the company. He intended to develop the company on a model of a large-scale modern national textile company by means of national capital. Actually the genuine and typical modern national textile company, Kyungsung spinning and weaving company, was established in October 1919 by participation of national large landowners and leading figures of various social strata.⁽⁴⁾ Although this company was founded as a national company its firm foundation as a profitable company and its development was due to achiever Nyun-Soo Kim who participated in management.

Nyun-Soo Kim, who was the younger brother of Sung-Soo Kim, and made K.S.S.W Co. a profitable company by extending the scale of the company.

From now on, we will talk about managerial characteristics of Kyungsung in its foundation and development process. The details are;

First, as we said before, the foundation philosophy of Kyungsung was nationalism. How did nationalism evolve in the business development process?

Second, Kyungsung was the rare case of national enterprise succeeding under Japanese imperialism. Which factors made Kyung-Sung succeed?

Third, as Kyungsung progressed, what characteristic changes occurred in management staff and the capital structure?

We will now talk about the first question in detail.⁽⁵⁾

Nationalism, Kyungsung's foundation philosophy, had been a definite business ideal. The founder, Sung-Soo Kim, had the support of people all over the country. Kyungsung was managed purely through the national technology and capital. At that time, it was almost impossible to manage a business without any assistance from the ruling colonial government. In the underdeveloped

(4) Joe, K.J., *The History of the Korean Entrepreneurs*, Bak Young Sa, Seoul, 1973, pp. 239-267.

(5) Kyung Sung Spinning and weaving Co. Ltd., "The Fifty-year history of Kyung Sung spinning and weaving Co. Ltd.," Seoul, 1969, pp. 48-53.

country, it was generally accepted that they partook foreigners as managerial and technical staff, but Kyung-Bang avoided this. They restricted employment to Koreans.

In operating its enterprises, Kyungsung made full use of nationalism. They advertised with the motto, "Korean fabrics to Koreans," and resorted to "developing national enterprise." Besides, the founder erected an educational institute, ran a newspaper, and gave scholarships to Korean pupils.

Now we will talk about the second element. The element which made Kyungsung succeed was in the management's creative and rational thinking. When Sung-Soo Kim, undertook the management of the textile company, it was on the verge of bankruptcy. But by installing new machinery and changing production style, he was able to make it profitable.

From 1925 Kyungsung's net profit ratio increased, while Cho-Sun Silk Production Co., which was owned by Japanese enterprisers, incurred a loss. Kyungsung's management policy was to produce adequate products for Korean "taste," and to produce fast fabric to ease penetration into rural market. The top management of Kyungsung were frugal, calculative and rational. In case of increasing capital, it was financed by self-financing or by stockowner's and other assets.

The third question concerns management staff structure changes. The foundation capital of Kyungsung was 1,000,000 won and the price of each stock was 50 won, and the numbers of stocks issued were 20,000. In the beginning major stock holders had less than half of the total stocks. Minor stockholders counted 182 persons (who came from all over the country). Management staff was composed of both major stockholders and other competent men.

But the structure of distribution of stocks was rapidly changing. The proportion owned by major stockholders was three fourths of the total amount. It was mainly due to Kim, Sung-Soo and Kim, Nyun-Soo's positive attitudes toward management. They invested their personal assets into the company in order to pay off the company's debts which was due to Kyungsung, since that time

Kyung-sung became a nepotic company. Such a nepotic company generally appears in under-developed countries. Western capitalistic countries at first they started as nepotic companies, but later changed into the opened joint-stock company. Reviewing Kyung-sung's development process, we are made aware of the model case of national enterprise under colonialism; Kyung-sung started as a national company to compete with the Japanese company, but later it was changed into a nepotic company.

4. The Development of the Cotton- Weaving Industry⁽⁶⁾ (1930~1945)

During this period one of the important economic policies of Japan to Korea was Japanese amendment of "Controlled Law of the Key Industry," which was to be enforced in Korea. As a result, Korea lost the economic independence based on "her characteristics" and then Korea's industries merged completely into the structure of a controlled economy in war, followed by the established policy of system of high national dependence.

Accordingly, the Korean economy was the base for war supplies and provided a source of food and clothes to the front-line. She also played a role as an independent production base for the new weapons.

In 1937 since China-Japan War began, the monopolistic capital of Japan was still more invested in Korea and then the military reorganization of industry in the Korean economy came to the exploitation of industrial resources-raw materials, manpower and so on.

These policies, as the base for war supplies to Korea, brought about the industrialization of the Korean economy, the increase of the heavy chemical industry, and the gross output in external shape.

Since late nineteen-thirties, preparing for war structure, the growth rate of each sector of light industry is distinctively differentiated. Industries such as spinning and weaving industries and ceramics near munitions industry, the building industry near general industry takes long strides. On the other hand

(6) Park, J.E., *op. cit.*, pp.160-197.

consumers goods industry is relatively tied up, especially the spinning industry near munitions industry grew rapidly in the nineteen-thirties.

Furthermore, the rapid growth in the number of factories, and workers in the spinning and weaving industry is conspicuous (in 1939, the number of factories was 608 and workers, 47,000). Especially concentration of production and-manpower is high. The big factories, 7% of the number of the total factories, have 67% of the number of the total working men and 86% of all outputs. At any rate, even though Korean industry was completely under the domination of monopoly capital of Japan since nineteen-thirties, the spinning and weaving industry made great strides into modern factory manufactured industry.

In Korea textile products traditionally have been sufficiently supplied through home industry, but since factory-manufactured industry is completed, the demand is dependent on manufactured products. In the textile industry of 1939, the private factory takes 99.5% of the total of textile products, government enterprise 0.2% and domestic industry 22.3%.

In brief, since nineteen-thirties the spinning and weaving industries in Korea grew rapidly, especially distinct in the cotten industry and gradually attain self-sufficiency in late nineteen-thirties. But in the other cloth, self-sufficiency is still far distant, we are highly dependent on Japan.

5. War and Disturbing period⁽⁷⁾ (1946~1961)

Following the general types of industrial growth, the fiber industry of Korea increased in production and employment, and made rapid substitution for the import of fiber products. After the Korean war, characteristics of the fiber industry complemented with the sufficient supply of the equipment, raw material and labor with low wages enabled Korea to develop her fiber industry.

Because of this, the natural fiber industry come to have a complete self-

(7) Kim, Y.B., The Production Structure and Growth Process of Korean Fiber Industry, Research Report Vol. No. 75-21, Korean Development Institute, Seoul, 1975, pp. 46-65.

supplying ability in 1956. But in the chemical fiber industry, there was a slow development in spite of the increase in demand. From Korea's Liberation in 1945 to the Korean War, 1950, there was rapid growth in the development of woolen fabric. After setting up a new government, the fiber industry was in continuous development but its equipment was destroyed during the Korean War. There was a great enlargement in production capacity, during 1953~1957, Korea's reconstruction period, but import was prohibited in 1957.

The fiber industry of Korea had completed its quantitative enlargement procedure in 1957. But the rapid increase in equipment and increase in demand of the chemical fiber goods yielded an oversupply producing new problems such as the replacement of the old equipments with new ones, and the qualitative progress of textile goods came into existence. At the end of the 1950's, fiber products did not increase. But by improving the equipment, quality, and productivity, great efforts were made in demand enlargement: And production enlargement of chemical textile goods and the first step equipment for the production of chemical textile was taken in.

Despite the Korean War, silk spinning and weaving had smooth development with constant construction and support of raw-materials.

Also constant demand increased and the support from the government in many other ways, enabled it to sell more than any other industry. Since government construction in 1948, people recognized the importance of the cotton spinning and weaving industry and drove forward the normal operation. The raw materials and the machinery equipment changes were promoted by ECA aid. The destruction by Korea War was so great that the cotton spinning and weaving industry was forced to start again. By the government's statistics, 70% of the existing facilities, 69% of the building were destroyed during the Korean War.

The sum of damage was 23 million dollars. Since 1952 the cotton spinning and weaving industry was reconstructed and changed imports to the domestic products smoothly.

As urgent reconstruction plan of the cotton spinning and weaving industry

was established with help from the UN, Korea started to import reconstruction equipment and started staffing raw materials with the fund of UNCRA, CRIK and ECA. Since 1953, Korea came to reconstruct and enlarge the cotton spinning and weaving industry by importing raw materials with KFX fund.

In the 1960's, Korea was able to supply herself and export cotton fabrics. But as Korea depended completely upon the raw materials of cotton spinning and weaving from the U.S.A., she could not keep the balance of demand and supply which resulted in financial difficulties.

Since 1947, raw silk products decreased every year. Raw silk products in 1949 were 540 ton which were 31% of those in 1940. Korea exported 145 ton of raw silk, 24% of products in 1956, with the help of equipment reconstruction funds, foreign aid and international prices went up.

Since 1956, raw silk products remained stationary because of the export price going down. But year by year the production ability of raw silk increased more and more.

After the Korean War, as the products of the domestic silk spinning and weaving industry tied up, the supply and demand of raw silk depended upon the foreign demand. Staffing raw materials and enlarging the equipment were only a subsidiary task. The growth of the spinning industry was due to the regular export of raw silk in the 1960's. During 1954~1961, the silk and artificial silk spinning and weaving industry were both tied up, which reflected their relative weakness in contrast to the Chemical Textiles Industry.

Since the Liberation in 1945, the wool spinning and weaving industry made the greatest progress. Because it was situated in the southern district, it could avoid being destroyed during the Korean War and develop rapidly without interruption during the postwar days. But all the equipments were very old and there was no equipment for combing and spinning. Because of this, the modernization plan of the wool spinning and weaving industry, of which the equipment for combing and spinning the woolen textiles was the principal content, began. Equipment modernization and staffing raw materials easily

enabled the woolen spinning and weaving industry to develop in earnest.

The wool spinning and weaving industry had no production equipment in 1945. But it became the main industry which took 4.4% of total manufacturing products and 17.6% of textile products in 1960. It exchanged import with domestic products. It also helped the development of the domestic apparel industry.

Synthetic fiber goods were introduced to Korea during the Korean war. In the 1950's, Korea produced the nylon textiles only. At the end of 1950's, the stretch nylon yarn and the P.V.A. (polyvinyl alcohol) yarn were produced. Then, the lack of production equipment of the synthetic fiber industry remained undeveloped in equipment and productivity, which was the cause of an imbalance of supply and demand. Since 1961, demand for the synthetic fiber was diverse. The wool spinning and weaving industries took part in spinning and weaving of the synthetic fiber, which in the 1960's was the basis the rapid progress in the synthetic fiber industry.

6. The Turning-Point⁽⁸⁾ (1962~1966)

The 1960's were important in Korean economic development. Up to now the economic development plan, which had been achieved partially, came to be carried out systematically in the name of the middle and long-term plan.

The first government's five-year economic development plan began in 1962. Its objectives were the improvement of the limping industrial structure and the construction of a self-economic system with the help of the industrial foundation. It contributed little to the cotton spinning and weaving industry, but contributed much to the artificial textile industry. The development of the artificial textile industry, which was completely dependent on imports, was well planned, thus achieving a balance of supply and demand.

In October, 1962, the government announced the basic policy of the cotton

(8) Korean Textile Association, "The thirty-year history of the Korean association," Seoul, 1977, pp. 108-122.

spinning and weaving equipment, which implied the prohibition of new equipment construction, etc. The government intended to import raw materials for the purpose of exportation. Under the foreign and domestic economic environment, the money for buying raw cotton was ensured by the ICA aid fund without compensation and PL aid fund 480 since 1962. The U.S.A. insisted that Korea should import the cotton which took 114% of the exports. Thus Korea was forced to import raw cotton for export from U.S.A.

To export more cotton spinning and weaving products, the export responsibility system and the self-compensation system for deficits were planned and executed. Through these effective export development policies Korea exported \$ 5,569 worth of cotton products in 1966, which was an increase of 20% of the products in 1965.

7. The Growth Period⁽⁹⁾ (1967~1971)

The cotton spinning and weaving industry of Korea built a solid foundation for keeping pace with that of the world during 1967~1971. As the government's economic development plan was carried out successfully, the cotton spinning and weaving industry developed greatly.

The goal of the 2nd government's five year economic development plan, starting in 1967, was to achieve positive growth in chemical, steel and machinery industry, and then to build a foundation for high industrial development. Because of this, the weight that the cotton spinning and weaving industry took at all industries decreased greatly.

Demand for raw cotton was the principal factor enabling expansion year by year of the cotton spinning and weaving products and thus enabling the enlargement of size and an increase in foreign and domestic demand for cotton products. The majority of raw cotton used was staffed by the aid plan of the U.S.A. with large surpluses, but the development of national economy and the change of the foreign aid policy of the U.S.A. changed the supply structure.

(9) *Ibid.*, pp. 123-141.

The size of "supply and demand" for cotton textiles was enlarged according to an increase in national income and foreign demand. During 1967~1971, the increase in foreign demand altered the direction of the production system for the cotton spinning and weaving industries from production for domestic demand to production for export.

The quantitative supply of the cotton textiles increased in proportion to the increase in equipment but the managerial environment of the cotton spinning and weaving industry, as a result of the continuous rise in prices of raw cotton and the import regulation of developed countries, etc., became worse. But since the objective of the government's economic policy was the continuous growth through export enlargement, the cotton spinning and weaving industry planned and practiced the export enlargement policy. Thus since 1966 the cotton spinning and weaving industry prepared and carried out the export responsibility system and the self-compensation system without help from overseas.

8. The Take-off Period⁽¹⁰⁾ (1972~1976)

The 3rd government's five-year economic development plan was successfully carried out, during 1972~1976, Korea was tried under the oil shock in 1973, an unstable international monetary system and a sudden change of the international economic environment. But by coping with these problems rapidly, Korea exported 10 billion dollars in 1977. According to this growth trend of the national economy, the cotton spinning and weaving industry developed more rapidly than during any other period. As the cotton spinning and weaving equipment increased, the consumption of raw cotton also increased greatly.

9. The Maturity Period⁽¹¹⁾ (1977-present)

The total scale of demand and supply of fibre industry in 1977 was 10 times

(10) *Idib.*, pp. 146-183.

(11) Kim, Y.B., The Characteristics and Demand-Supply Structure of the Textile and Electronic

that of 1961. After the implementation of the economic development policies of Korea, the production of fibre goods has been greatly increased. The growth of the fibre industry was mainly attributed to the increase in export and the substitutions for import by the increasing product of chemical fibre. The ratio of export of all demand for fibre increased from 2.4% in 1961 to 61% in 1977 and the dependancy of import decreased from 85.3% to 46.9%.

The structure of supply of fibre in Korea has been greatly improved by the increasing production of chemical fibre since 1960. When taking into consideration all forms of consumption, the present situation to alternate chemical fibre is conspicuous.

The equipments of the textile industry consisted of principal axis of the poor clothes industry in 1950's. But after 1960's through the concentrative expansion of production-equipments of seet or of cotten spinning industry and chemical fibre, all equipment of the cotton industry from raw materials to product maintained in balance. In the scale of equipments the Korean cotton industry is within 10 in grade. The poorness and superannuation of equipments in our textile industry have always been left.

But recently the scale of economy has been much progressing in the enlargement of the unit equipments, automation and substitution of old equipments, and this contributes to the growth of productivitiy and international competitive power. The equipments of the cotton spinning industry were only 43 spindles in 1953, increasing 961,900 in 1971 and since 1030's the equipments are rapidly increasing. In late 1977, Korea possessed 2,542,684 spindles, following U.S.A., China, Japan, India, West-German, France, and Brazil. The scale of cotton spinning industry is just next to chemical fibre industry.

Korean chemical fibre industry has made rapid progress during a short term with the introduction of equipments of P.V.A. fibre production 2MT from Japan.⁽¹²⁾ The equipments of chemical fibre as Nylon F. Viscose F. P.V.A. SF

Industry, Research Report Vol. 28., Korea Development Institute, Seoul, 1977., pp.24-39.

(12) Kolon Co. Ltd., "The Twenty-Year History of Kolon Co. Ltd.," Seoul, 1977, pp.218-260.

have only 20.8MT and almost all items of chemical fibre have been produced in late 1976.

III. THE BUSINESS CLIMATE OF THE KOREAN FIBER INDUSTRY

It may be said that the management style of top management plays the most important role in formulation of the business climate. The fiber industry will be analyzed in order to examine the development process of the business climate in Korea and how the business climate has been settled down in the Korean fiber industry.

I will divide the development process of the business climate in the Korean textile industry into two periods; premodern (before 1900) and modern (after 1900). And the latter will be divided into four stages which are; the fomulation period (1900~1945), the transition period (1946~1961), the growth period (1962~1977), and the maturity period (1978-present), as illustrated in Figure 3.

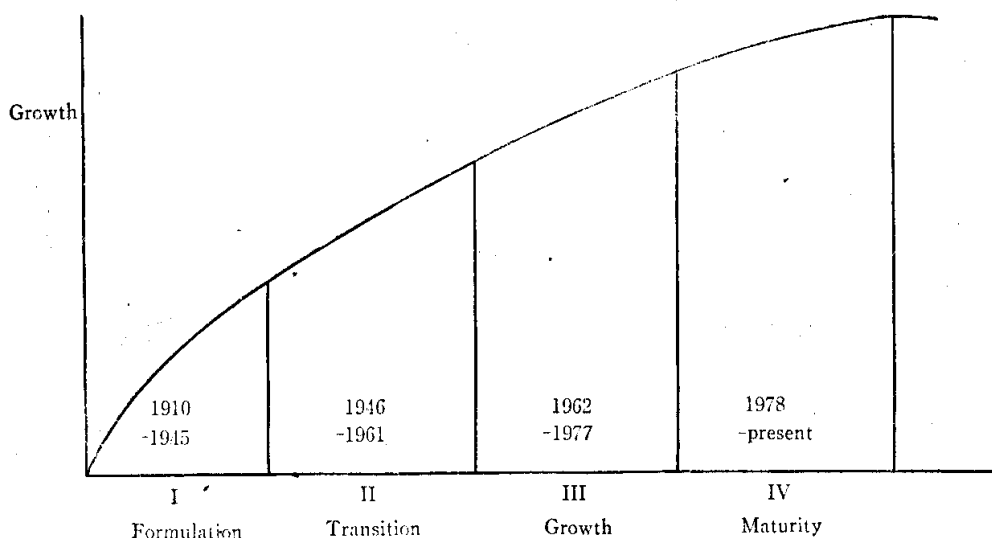
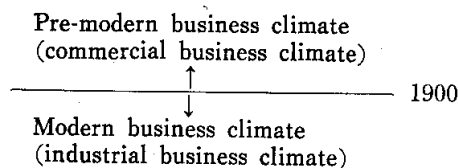


Fig. 3. Business Climate Life Cycle in the Modern Korean Textile Industry



In the modern Korean textile industry, the formulation period of the business climate was realized undergoing Japanese colonialism and the transition domination. The growth period was achieved through the First, Second, and Third Economic Development Plans the independent economic growth that had been carried out since the May 16th Revolution in 1961, and the maturity period had started during the Fourth Economic Development Plan getting into trouble about the uprising problems of high-growth policy.

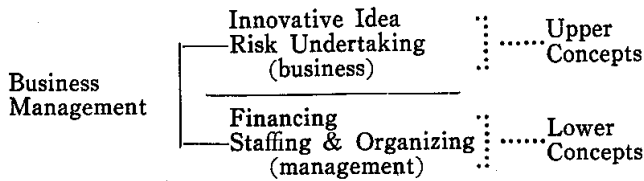
1. Business Climate in the Formulation Stage.

Focusing on the managements style of the entrepreneur, who was the change agent of business formulation, we can enumerate four requisites of the entrepreneur which depended on his management philosophy and strategy: innovative ideas, risk undertaking, financing, and staffing & organizing. Among them the former two are understood as upper concepts and the latter two as lower concepts.

Generated from the beginning of the 20th century, the modern business climate in the Korean Fiber industry appeared to be actually formulated from 1920. At that time entrepreneurs relying upon the national capital like Kyung-sung Textile Co. Ltd., built up the foundations of modern management combining their innovative ideas and risk undertaking abilities with financing, staffing and organizing abilities.

But this was done under the pressure of Japanese colonialism, so the business climate was formulated under the influence not only of the technical and economic environment but also of the political and social environment. In addition modern scientific management still could not be established in the area of compensation and organization management. Especially Japanese plunderous colo-

nialism had the most important influence upon this business climate formulation.



2. Business Climates in the Transition Stage

The transition period was an unstable period which saw the occupation under the Military Administration by the U.S.A., the First Republic, the Korean War, and the April 19th Movement, which lasted from 1945 to 1960. The Korean War was the most unstable period.

On the one hand the Korean War lasted for three years and broke down all the production facilities, while on the other hand it caused a great change in value system of Korean people. During the War the Korean military systems were patterned after the U.S. Military Forces to make an attempt for her modernization.

In other words, receiving military assistances and being exposed to American culture, the rehabilitating postwar enterprises imitated the American technology and her management climate. Then a turning-point, a rapid transition, took place in the traditional business climate. And the philosophy of competition and the ideology of bourgeoisie had infiltrated into the business climate in the Korean fiber industry. It can be surely said that the Korean War provoked the business climate of Korea to take continuous industrialization step forwards.

3. Business Climates in the Growth Stage

After the May 16th Revolution in 1961, the management system of Korean Military Forces was adopted to those of government and other institutions. The Korean military systems accepted the U.S. military systems based on

the advanced management system, and government administration system as well as the management system of the public corporations adopted that of Korean Military Forces. As a result government and business could be introduced to the advanced scientific management system.

The first Government's Five Year Economic Development Plan caused Korea to pave the way for independent economic development. Through the positive policy of industrialization, the textile industry could also make rapid progress. Advanced technologies and management systems were introduced from abroad. By first taking consideration the growth-oriented production businesses based on innovative ideas and risk undertaking abilities had been established.

Through the high-growth policies of the 1st, 2nd and 3rd Five Year Economic Development Plan, the textile industry could make rapid progress on the basis of good quality and low cost of the labor. Especially the chemical textile industry which stepped up progress aided by the government policy was particularly advantageous to the development of the heavy and chemical industries.

Then business enterprises formulated a business climate putting stress on the production-technology system under the growth-oriented management policies and strategies. So the important thing that we are interested in is the risk-undertaking ability and innovative idea based on the vitality of top management. In management styles, they had accepted rationalism and endeavored to establish a dynamic and unique management style. Though lagging behind the production-technology system, they were able to produce an advanced type of system, so to say, "underdeveloped country-forward type". As a result a dynamic management system through unprogrammed decision-making had been set down. And it has given birth to a dynamic and organic management style unique in Korea; the combined advantages of both western (U.S.A) management style on the assumption of "Conflict", and eastern (Japan) management style on the assumption of "Consensus" Z-dimensional management style in Figure 4.

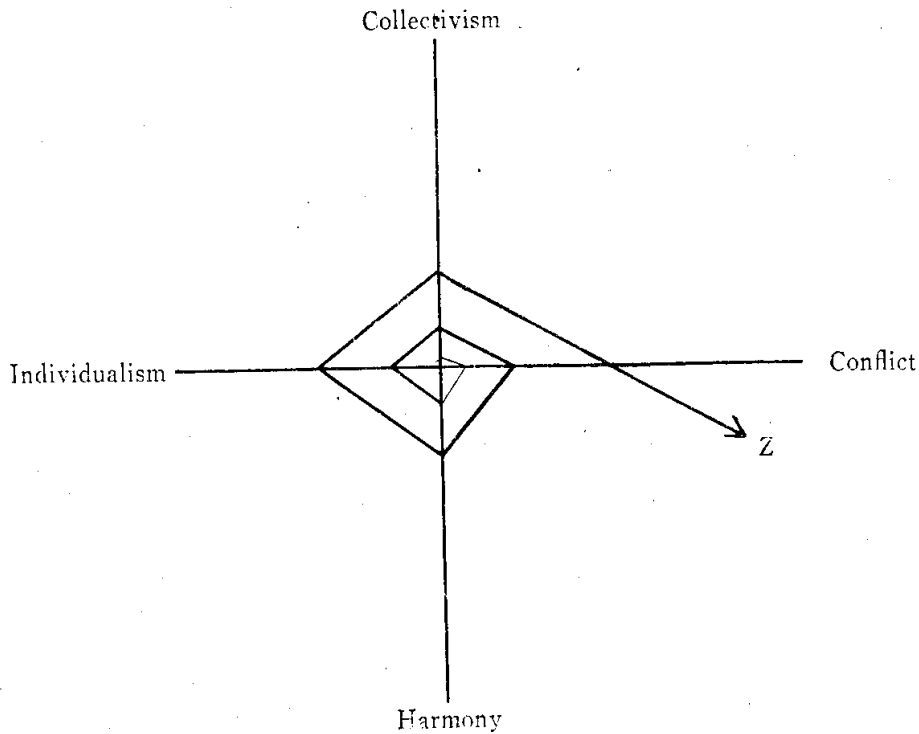


Fig. 4. Z-Dimensional Management Style

In some fields, there has been a main change in management culture from production-oriented management culture to market-oriented management culture. For instance, D-Nylon Co. had produced only nylon since its foundation in 1965, but in 1968 recognizing the limitations of the market, the manager made items of its product segmented to polyester, and had diversified its products by producing (industrial goods and so like) tirecodes, tents, fishing nets besides the expansion of items of product of the fabrics.⁽¹⁴⁾ So it could keep its market share in spite of the excessive competition. And D-Group could attain its present position in the international markets through establishing marketing-oriented management system.

(13) Dong-Yang Nylon Co. Ltd., "The Ten-year History of Dong Yang Nylon Co. Ltd.," Seoul, 1976, pp. 59-69.

(14) *Ibid.*, pp. 132-147.

4. Business Climates in the Maturity Stage

The world economy had come to experience inflation, which gave rise to ill effects on the growth-oriented economic policy of the 3rd Five Year Economic Development Plan that put too much stress on the heavy and chemical industry.

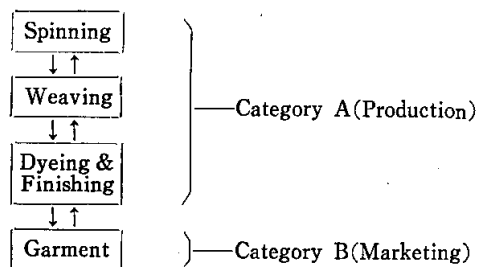
And many problems had emerged from the business climates that had been dependent on the innovative idea and risk-undertaking, and production and high-growth oriented management strategies.

Hereafter new dimensional business climates and management systems were required:

(1) Excessive desire to accomplish a high growth had given rise to problems of business stability.

(2) Accumulation of technology in the areas of marketing and business administration required coping with international competition.

(3) Lack of marketing technology sets limits to the development of the textile industry. Though there was great progress in category A, category B could not develop distinctly owing to the shortage of export fashion designers, that is, marketing experts. Not only the accumulation of production technology in category A, but also that of marketing technology in category B is an urgent problem to solve.



(4) Lack of technology in a business administration system connecting production with marketing was an obstacle to the development of the textile industry. Especially in the personnel and organization areas, employee-employer

cooperation and motivation have become a major problem. Unprogrammed decisionmaking combining the advantages of both U.S.A.-style and Japanese-style was expected to develop in growth stage, but what Korea got was only the disadvantages of both. Accordingly, the necessity of establishing a better unique view of management is required keenly.

(5) So a new dimensional business climate should be formulated in its maturity stage of life cycle. To do something for the development of the Korean textile industry, first of all, we should establish a stable business climate which can cope with the competition under the low growth policy-giving up the high growth policy. And next, we should improve the management style from "dependent-on-government type" to "independent type" through the accumulation of administrative, operational technology and cost-down. And last, we should establish a management system based on "the principle of community" through a new dimensional employee-employer cooperation.

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