

A Theoretical Study on the Functional Change of Quasi-Governmental Organizations

Joeun Seok* and Junki Kim**

Abstract: Quasi-governmental organizations are new types of organizations that participate in both the governmental and private sectors. They have emerged worldwide and served as government's policy-implementing tool, meeting higher social demands that neither government nor market players could handle appropriately in the past. As a result, the quasi-governmental organizations have taken an ever-larger role in our society. Furthermore, they enjoy enhanced socio-economic status, and changes in economic and political environments require more of them in terms of both function and role. In other words, they have evolved through the process of adapting to changing environments and each structure's functional transformation, in order to maintain and expand their roles. In this study, we examine the current state of quasi-governmental organizations and their deployment process, and we consider various theoretical discussions on the changing characteristics of quasi-governmental organizations. We conclude with a theoretical discussion of the functional evolution of quasi-governmental organizations, which will provide the theoretical basis for further analysis of the deployment process of quasi-governmental organizations and the causes of changes to this process.

Keywords: Quasi-governmental Organizations, Functional Change, Organizational Environment, Institutional Context, Strategic Choice

INTRODUCTION

In our rapidly changing modern society, a growing number of people have been calling for the government to be more actively involved in the provision of social services, and "big government" has been the result. However, governments now realize

* Joeun Seok a Ph.D. candidate at the graduate school of public administration in Seoul National University. E-mail: ssje99@snu.ac.kr

** Junki Kim teaches public policy at the Graduate School of Public Administration, Seoul National University. He received Ph.D. in the public policy from Harvard University's John F. Kennedy School of Government. Email: jkkim@snu.ac.kr

Manuscript received October 2007; out for review November 2007; review completed February 2008; accepted February 2008.

that overspending causes market slowdowns and governmental inefficiency, and that the government alone cannot address the ever-increasing social demands. Hence quasi-governmental organizations are brought in to take over some of the government's roles.

Quasi-governmental organizations are a new type of organization that participates in both in the governmental and private sectors. They have emerged worldwide, serving as government's policy-implementing tool, meeting higher social demands that neither the government nor market players could handle appropriately in the past. Therefore, a quasi-governmental organization is a public organization that produces and distributes goods and social services to society for the sake of social equality and the public good, and at the same time it is a market participant. As a result, quasi-governmental organizations are playing an ever-larger role in our society.

Quasi-governmental organizations have been established on legal foundations and with the support of the people and the government. In Korea, however, the enhanced socio-economic status of these organizations and the changing economic and political environments place more demands on the organizations as to how they function and the roles they are required to play. Although they started as a combination of public and private organizations, they have evolved in the process of adapting to changing environments, and each has undergone structural and functional transformations in order to maintain and expand its roles.

This study addresses the following research problems. First, have there been any changes in quasi-governmental organizations? If so, how is their function changing? Second, why do these changes occur? To answer these questions, this study examines the current state of quasi-governmental organizations and their deployment processes, and considers various theoretical discussions. The resulting conclusions regarding functional change will form the theoretical basis for future analysis of the deployment processes of quasi-governmental organizations and the reasons for changes thereto.

THEORETICAL DISCUSSIONS ON QUASI-GOVERNMENTAL ORGANIZATIONS AND THEIR STATUS IN KOREA

Theoretical Discussions on Quasi-Governmental Organizations

Definitions and Characteristics of Quasi-governmental Organizations

The policy tools of quasi-governmental organizations¹ have various political eco-

1. Quasi-governmental organizations are defined as the 3rd party government, intermediate

conomic objects, and these organizations are generally hybrid public-private organizations, having intermediary characteristics in all aspects including publicity, profitability, independence, responsibility, and legality (Flinders & Smith, 1998; Kim, 2002). Quasi-governmental organizations and their foundation processes are affected by political-economic traits, surrounding environments, and business properties. Definitions and classifications of quasi-governmental organizations can be influenced and changed through their operational and developmental processes: “The quasi-governmental organizations are their main functions and values are compounded to various purposes in public and private sectors, and their objectives are also strongly affected by expanding the roles of government ministries” (Kim, 2002:5).

Table 1. Four Types of Quasi-Governmental Organizations (Kim, 2002:9)

Gov't Control Revenue	Bureaucratic	Entrepreneurial
Public	Para-state agencies	Promotional agencies, R&D centers, Public nonprofit organizations, Inspection agencies
Commercial	Pension funds	Training and education institutions, Government-owned enterprises, Government-owned banks, Associations

The government’s plans and the relationships between government and organizations are among the most important factors in the development of quasi-governmental organizations. Quasi-governmental organizations receive financial and personnel support from government ministries in accordance with public regulations and the legal status of the organization. Thus, relationships with these organizations are formed in various ways, depending on the organizations’ roles or functions, such as their management autonomy and independence. The functions and roles of quasi-governmental organizations are determined by governmental supports and supervision in the form of financial, personnel, and political resources and political control (Kim, 2002).

The emergence and growth of quasi-governmental organizations takes place in the context of their relationship to the government, as providers of public goods or dele-

sector, mixed public-private sector, nonprofit sector, non-governmental sector, twilight zone, and grey area (Emmert & Crow, 1988; Hood, 1991; Kim, 2002; Lim, 1993; Salamon, 1987). But, more broadly, these organizations have taken over partial roles of the government and market to replace the functions that the government and private sectors could not handle in the past (Levitt, 1973). These organizations have legal authority to conduct public operations assigned by the government and to exercise their authority over other nonprofit organizations (Hall, 1987).

gates to government functions (Hood, 1984; Kim, 2002; Moe, 2001). Kim (1999) also emphasized the the increasing social demand for public services leads to the expansion and growth of quasi-governmental organizations as alternative organizations to governments, resulting in the trends of “new public administration” and “new public management.” Quasi-governmental organizations, as providers for diverse social demands, have rapidly expanded to become the new alternative organizations (Kim, 2002).

Furthermore, quasi-governmental organizations are political products of political processes. This is because quasi-governmental organizations are useful policy tools for accomplishing political goals and maintaining government control. Quasi-governmental organizations help the government and relevant politicians to maintain and strengthen their political and economic powers and legal legitimacy, as well as to enforce public regulations (Hood, 1991; Kim, 2002; Seidman, 1988).

For example, the establishment of government-affiliated organizations is based on political and economic rent-seeking by bureaucrats and politicians who, through the organizations, can take advantage of political and economic resources in accordance with political cycles and decisions with respect to a certain industry. After the quasi-governmental organizations are established, groups such as relevant industries and employees also have strong effects on the organizations as they endeavor to protect their interests, such as policy tools, political and economic resources, or job stability and benefits (Hood, 1994; Kim, 2002).

Table 2. Characteristics of Four Main Types of Quasi-Governmental Organizations (Kim, 2002: 17)

Organization Types Characteristics	Government Agency Types	Government-Owned Enterprise Types	Public NPO Types	Associations
Legal Foundation	Statute	Statute	Articles of Association	Commercial law or Articles of Association
Status and Legal Entity	Unincorporated/ incorporated	Incorporated	Incorporated	Incorporated
Basis of Ownership	Government	Government	Government	Private
Form of Government Control	Top management Selection and funding	Top management Selection and funding	Top management Selection and funding	Service Contract-out

In this context, quasi-governmental organizations reflect the characteristics of the public-private organizations as follows. First, although the public-private sector is affected by environmental factors such as legal restraints and political influences related to producing the service, governmental organizations are especially more suscepti-

ble to these factors. Second, in transactions with customers, the governmental authority may be more compulsory and directive as a result of its monopoly status and artificial entry barriers. Third, whereas governmental organizations have contradictory objectives such as publicity and efficiency, private organizations tend to set up more specific and simple objectives for profitability. Thus, governments select the functions and attributes of quasi-governmental organizations in accordance with social demands and the presence of other relevant organizations (Kim, 2002).

Table 3. Characteristics of Four Main Types of Quasi-government Organizations (Kim, 2002: 21)

Organization Types Characteristics	Government Agency Types	GOE Types	Public NPO Types	Associations
Publicity	High	Medium	Medium	Low
Universality	High	Medium	Low	Low
Responsiveness	Low	Medium	Medium	High
Gov't Financial Support	High	Low	High	Low
Transaction Costs	Low	Medium	Medium	High
Specialization	Low	Medium	High	High

Classification of Quasi-governmental Organizations

As hybrids of public and private organizations, quasi-governmental organizations have various so-called policy tools, that is, functions and roles for providing public goods and services. Because of their complicated characteristics, they pursue not only their own goals and interests, but also those of a government ministry. However, the relationships between these organizations and governments are made more flexible and varied by increasing civic participation in policymaking processes, new financial resources beyond the public supports, related stakeholders' interests and expectations, and public institutional controls and pressures. Thus the main purposes and characteristics of quasi-governmental organizations can be classified into various types, determined in part by the public or private characteristics of the organization.

Flinders and McConnel (1999) classified English quasi-governmental organizations according to the degree of publicity (commerciality) and distance from related government entities (autonomy and control). As mentioned, Kim (2002) classified Korean quasi-governmental organizations into four types (bureaucratic, entrepreneurial, public, and commercial) on the basis of governmental control styles and revenue resources. Gill (2002) suggested classifying organizational types according to commercial traits-organization, independent policy making, and managerial autonomy-and further classifying them according to legal foundations and economic factors: ministe-

rial departments, departmental agencies, public administration, government owned enterprise, government, and other private law bodies (cited in Kwack, 2005).

The Status and Functional Change of Quasi-Governmental Organizations in Korea

The Status of Quasi-governmental Organizations in Korea

There were 314 quasi-governmental organizations in Korea in 2007. These are divided into four types: government-invested agency, government-funded agency, government-affiliated organization, and government-funded research center. The type is determined by the Act under which the organization was founded (Kwack, 2005).

First, a government-invested agency is an enterprise in which the government invests more than 50 percent of the pain-in capital; this kind of agency is defined in Article 2 of the Government-Invested Enterprise Act. Second, a government-funded agency is a corporation in which the government invests less than 50 percent of the pain-in capital and the government is the primary shareholder. It has no legal basis. Third, a government-affiliated organization either accepts government subsidies or is entrusted by statute with a duty or endowment with exclusive business rights. This kind of agency is defined in Article 2 of the Government-Invested Enterprise Act. Finally, a government-funded research center is funded by the government to do

Table 4. Categories and Classification Standards of Public Organizations in Korea

Classification	Type of Governmental Support	Examples	Number
Government-funded agency	Government (or government and public institution) has more than 50% of gains and control	Korea Rural Community & Agriculture Corporation Korea Resources Corporation	31
Government-funded research center	Founded by a specific law and government funded	Korea Information Society Development Institute Korea International Cooperation Association	113
Government-affiliated agency	Governmental supports (subsidy + fund + charge/unique revenue) are more than 50% of total revenue	Korea Deposit Insurance Corporation Seoul Olympic Sports Promotion Foundation	97
Government-subsiary company	Public institutions have over 30% of gains or they founded the company (government and public institution funded)	Kang-Won Land Korea Housing Management Korea Venture Investment Corporation	73
Total			314

* Korean Society of Public Enterprise (2007).

research. It has its legal basis in Article 2 of the Statute on the Foundation, Management, and Advancement of Nationally-Funded Research Centers (Kwack, 2005:35).

These organizations are also classified into four types by international standards (IMF GFS), which take into account governmental financial supports and degree of publicity. These types are outlined in Table 4. In particular, public organizations with more than 50 employees, governed by the Public Organization Law since January 2007, are classified into four types on the basis of their task characteristics. According to the commercial standards of this act, public organizations are classed as market or semi-market, and quasi-governmental organizations are classed as policy agencies or fund management foundations.

The Functional Change of Quasi-governmental Organizations in Korea

An examination of the change processes of quasi-governmental organizations reveals that whereas the founding laws specified specific functions, involvement in various projects results in a tendency to extend the organization into other areas. For example, many Korean public organizations and national corporations have expanded their task range to include new businesses and projects, participation in new markets, and new task domains, task branches, and functions (Appendix 1). Such changes are supported by legislation and reorganization.

Organizations enlarge their functions or promote themselves in order to intensify existing task characteristics or to vary organizational goals; these behaviors will vary in accordance with the organizations' characteristics and environments. Furthermore, because focusing on related tasks and essential business has been shown to yield low profits, public enterprises are tending to turn away from their founding goals. Such changes further increase the differences between agencies.

THEORETICAL BACKGROUND ON THE FUNCTIONAL CHANGE OF ORGANIZATIONS

Theoretical Bases of Organizational Change

Quasi-governmental organizations not only acted as policy tools, they have also taken on varying roles as market players in response to changing environments and business strategies. As mentioned, these changes are undertaken to expand or constrain functional areas or to increase or decrease the volume of business and projects. These changes represent one kind of organizational change. Generally, organizational change has been defined as "the alteration and transformation of the form so as to sur-

vive better in the environment” (Hage, 1980, cited in Hall, 1999:182). Because organizations are not isolated entities, they are created, changed, and controlled by their environments and by other organizations. Meanwhile, the first goal of an organization is to survive, sustain its existence, and increase its viability. It is therefore inevitable that an organization will constantly change and be changed.

According to Child and Kieser (1981), organizational change includes “movements in external conditions such as competitions, innovation, public demand, and governmental policy require those new strategies, methods of working, and outputs devised for an organization merely to continue as its level of operations. Internal factors also promote change in that managers and other members of an organization may seek not just their maintenance but also their growth, in order to secure improved benefits and satisfactions for themselves” (p. 28). These changes are made possible by the constant learning of the organization’s members (Hall, 1999:182; Hedberg, 1981).

Organizations also have the potential to limit and resist these changes by maintaining their routines and activities to protect their roles and positions. For example, it may be very difficult to change a standard operation process, as many will oppose the changes unless it benefits them (Hall, 1999; Staw, 1982). This internal resistance is known as organizational inertia. Older, larger, and more complex organizations are likely to exhibit stronger organizational inertia (Hall, 1999; Hannan & Freeman, 1984).

Organizational inertia, which makes organizations more bureaucratic and conservative and more likely to pursue stability, is caused by systemic obstacles such as sunk cost, the accumulation of official constraints on behavior such as laws and regulations, unofficial and unplanned constraints on behavior in the form of informal customs, and inter-organizational agreements such as labor-management contracts (Hall, 1999:184; Kaufman, 1971). Although the organization needs to change, it has many financial and personnel barriers to change. However, organizations change despite these barriers, being positive organisms that also possess adaptability, which is the willingness and capacity to change their environments and themselves (Gersick, 1994; Hall, 1999: 184).

Organizational change has been explained in many ways (Hall, 1999). These include personnel turnover (Kaufman, 1971), environmental pressures and institutional practices, the social-economic environment, relevant governmental policy (Meyer & Rowan, 1977), law and legitimacy (Tolbert & Zucker, 1983), and political power struggles among interest groups within organizations (Biggart, 1977). Common to the various factors and explanations is the fact that organizations go through a life cycle of growth and decline in which they are basically stable but also constantly changing. The organizational change cycles include foundation, growth, decline, and death. Of

course, although they have different life expectations depending on their environments and activities, their life cycles are similar as they alternate between stability and change. This explanation is based on the theories of organizational evolution. Hall's (1999:185-94) description of the process of organizational change is useful for the purpose of this study.

Organizational Foundation

Organizational foundation is "the creation of an operating entity that acquires inputs from suppliers and provides outputs to a given public (customers, clients, patients, etc) [or] takes over legislative actions as governments are born" (Hall, 1999:185). Of course, these organizational foundations are related to present organizational density in the environment, relevant organizational physical conditions, and the institutional environment. In particular, institutional conditions have a strong effect on organizational foundations and failures, and existing organizations provide their resources to new organizations that are relevant and similar to them. Thus the existing organizations have the function of justifying the new organizational foundation and their claims to domains (Hall, 1999; Hannan & Freeman, 1987; Wiewel & Hunter, 1985). These organizational environments are important factors in the founding and life cycle of organizations, including public organizations.

Organizational Transformations

Organizations are continuously changing and transforming (Carroll & Delacroix, 1982; Freeman, Carroll, & Hannan, 1983), including governmental organizations (Starbuck & Aldrich, 1983). In the ecology of organizations, a high death rate for new organizations suggests that organizations are not adequately adapting to their environments (McKelvey, 1982; McKelvey & Aldrich, 1983). Therefore, the premise of organizational ecology is that organizations must adapt themselves to their environments (Aldrich, 1979; Baum, 1996; Baum & Singh, 1996; Bidwell & Kasandra, 1985; Hannan & Freeman, 1977a, 1977b; Kasandra & Bidwell, 1984; McKelvey & Aldrich, 1983).

The idea of organizations and their formations assumes that organizations are selected for survival by their environments; organizations are compared to organisms subject to evolution and natural selection. McKelvey and Aldrich (1983) explained that organizations undergo four kinds of ecological processes. First, all kinds of transformation are classed as variation. Variation can be passive as well as intentional; intention is evident in the decision-making process.

The second process is natural selection. Variation is necessary for survival in challenging times, and organizations differ in their degree of variation, depending on their acquisition of resources from the environment. Therefore, organizations should have

financial, personnel, and political resources that support variation (Hall, 1999; McKelvey & Aldrich, 1983).

The third process is retention and diffusion. Members of an organization possess ability (knowledge and expertise), which is important for the organization's survival. Ability can not only increase within organizations, it can also move to other organizations as members change jobs. Finally, struggle for survival occurs as organizations compete for scarce resources. McKelvey and Aldrich (1983) pointed out that an abundance of special resources contributes to the survival and prosperity of an organization and its related organizations.

Another ecological concept is that each organization exists in a "niche" (Bidwell & Kasandra, 1985; Hall, 1999), in which similar organizations fight over the same resources. Through competition, organizations adapt to the environment, overcoming or at least coexisting with their rivals (Hall, 1999).

Moreover, organizations can take various actions to protect or improve their position in the environment (Baum & Singh, 1996; Child & Kieser, 1981). First is growth. Second is efficiency and reasonability, that is, competitiveness obtained through technical improvements or enhancement of public approval. Third is the establishment of a stable region in the environment through negotiation or by finding an activity field suitable for the specific abilities of the organization. The fourth quality, the ability to smoothly react to changes, can be attained through improvements in managerial skills.

Contrary to the ecological stance is the idea that organizations can take artificial action by cooperating with other organizations to mitigate competition or reduce environmental influences. Organizational transformation can also occur when an organization enters a new activity area. According to Kimberly and Quinn (1984:1), "organization transformation which means significant change in structure or process can take various types such as enlargement of structure formation, redefinition of essential management unit, enlargement or reduction on market, and change of organization culture." Kimberly and Quinn discuss type of reorganization, type of redefinition of the organization's position in the market or environment, and type of restoration of the declining organization. As is the case with entrepreneurship, some organizations may not need to respond to environmental pressures (Hall, 1999; Kimberly & Quinn, 1984). Another element of organizational change is the role of decision makers who survey and analyze the environment (Isabella, 1990; Rao & Neilson, 1992), as may be the case with new strategies by new management staff (Broker, 1997a, 1997b).

So far, these discussions show that although organizational change is not attributable solely to the environment, environment is one factor in organizational change.²

2. For example, where environmental densities differ from one another, environmental pres

Less density means less competition and more emphasis on achieving legitimacy from sources in the environment. This is a main point of the institutional model, which suggests that organizations change as sources of legitimacy change (Hall, 1999). That is, organizational transformation occurs for various reasons, such as ecological processes (e.g., competition), government policies, and the institutional processes of legitimization and producing organizational change (Barnett & Carroll, 1995; Fligstein & Freeland, 1995; Grant, 1995; Hall, 1999; Haunschild, 1993; Haveman & Rao, 1997; Kraatz & Zajac, 1996; Stearns & Allan, 1996; Sutton et al., 1994).³

Organizational Demise

Organizational demise, the final and ultimate result of organizations' decline, is defined as "a condition that basis resource of organization to survive and sustain is absolutely decreased" (Cameron, Kim, & Whetten, 1987:224). Usually, organizational demise is associated with decline-not with failure or organizational change. However, Davis, Diekmann, and Tinsley (1994) suggested that in the case of systematic niches, post-systematization raises the incidence of decline and the corruption of giant enterprise. Organizational demise can be explained by various theories; for example, organizational ecology would explain it in terms of loss of niche (Hall, 1999).

Theoretical Discussions on the Functional Change of Organizations

The Functional Change of Organizations in Their Environments and Domains

Stinchcombe (1965) pointed out that organizations with special objects take charge of various social functions such as economic production, police, education, political administration, and military action, and that these developed at different rates in each society. Organizations having special objects substitute for or complement various groups that perform social functions; therefore, the ability and goodwill of existing organizations are important to their functioning, not only because existing organizations supply material and political resources, but also because they are already established in the niches that the new organizations wish to occupy (Hall, 1999; Kimberly,

sures are greatest in highly dense and competitive situations (Carroll & Wade, 1991; Hall, 1999).

3. Besides, external factors that affect organizations may be dealt with by decisions of management. Although the decision making is not always performed reasonably, organizations pursue rational choices to control organizational change for the sake of their survival and growth. Therefore, organizational change occurs as a result of environmental influences, contingency, and strategic choices of organizations (Hall, 1999).

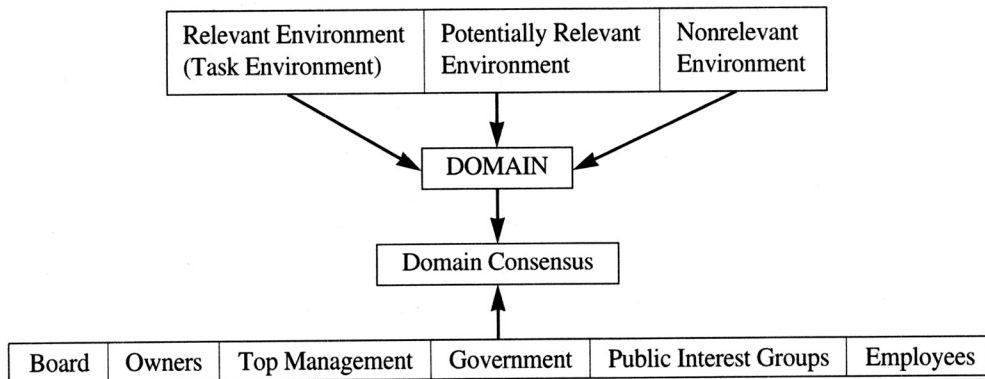
1975).

Stinchcombe (as cited in Hall, 1999) maintained that existing organizations can cause difficulties for new organizations if the latter differ from the old ones in type or structure, because the existing organizations have proven their efficiency in the existing environment. However, when new environmental conditions occur, organizations change (Meyer & Brown, 1977), and organizations and environments cause mutual and continuous changes in one another.

On the other hand, each organization selects an aspect that it will treat (Starbuck, 1976). This selection process is influenced by the selection process of other organizations it is connected with, and connection between organizations is in turn influenced by environmental pressure (Provan, Beyer, & Kruijbosch, 1980). Through such processes, organizations endeavor to form and create their environments.

Organizational domains and the environments that organizations request or select have influenced organizational management (Meyer, 1991). Although environment has been stressed as a factor in the uncertainty that results from relations between organizations (Duncan, 1973; Leifer & Huber, 1977), perceptions of environments are based on awareness of certainty rather than uncertainty. Therefore, treatment of organizations and strategic selection has been performed on the basis of certainty (Hall, 1999).

Figure 1. Scoping the Outside Environment (Hodge & Anthony, 1991:110)



Task Environment and Domain Consensus

Organizations establish their own areas in the environment, namely, organizational domains. Organizational domain is decided by the product range, object groups, and services that determine the organization’s goals and achievements. The environment consists of customers, equipment, personnel, capital, laboring space, competitors, sur-

rounding markets, and resources. It also includes such interest groups as unions, business associations, and government ministries. Therefore, establishing a domain in which it can achieve its organizational goal and perform its expected roles is vital to an organization's existence.

Meyer's Organizational Domains Research

In his discussion of the difference between public and private organizations, Meyer (1975) described how public organizations change their domains. Whereas the domains of private enterprises are unclear and flexible, the domains in which bureaucratic organizations offer public goods and services are more clearly defined because their targets are more limited. Instead of engaging in market competition, bureaucratic organizations compete with other organizations for their own domains through complex political processes. This competition requires organizations to determine how their functions and resources will be distributed. That is, whereas a private company enlarges and maintains its domain through market competition, a bureaucratic organization does so by seeking domains whose value is not determined by the market.

In order to increase their authority and power, bureaucratic organizations may try to acquire resources, expand their domains, or diversify their functions and tasks by suggesting new statutes or new organizations. Expanding their domain in this way enables organizations to change their environments, roles, and resources (Meyer, 1975).

Meyer (1975) also verified the following hypothesis regarding public organizational domains. First, the products and performance of public organizations are not clear and measurable. Although their claims to a domain may be vague, organizations try to enlarge their domains to increase their resources. Second, technical development and new technology enable organizations to expand their domains. Finally, even when their resources have been exhausted, bureaucratic organizations do not reduce their domains. Once a domain becomes smaller, it is difficult to enlarge it. In order to maintain their domains, organizations tend to insist on enlarging them as much as possible; this tendency can lead to organizational dysfunction and cause intra-organizational and inter-organizational conflicts.

Public organizations compete for domains and resources to the extent that their roles, performance, expectations, and related domains will allow. That is, public organizations secure resources and power by protecting and expanding their domains. Once they acquire more functions by expanding their domains, the pressures from external environments or other organizations decrease.

Thus organizations make strategic choices, such as domain expansion, to maintain their survival and growth.⁴ Because organizational expansion can be justified only by

increasing their functions in terms of organizational domain demands, especially in public organizations whose performance is not measured, domain is important for defining a public organization's size and responsibilities. This is why organizations' domains and functions increase (Meyer, 1975).

Organizational Interactions in Their Functional Changes

Vulnerability to environmental pressure differs among organizations (Jacobs, 1974). The more dependent an organization is, the more vulnerable it is to the environment; organizations with more financial resources are less vulnerable to economic changes. Organizations are more reactive to the environment when they are vulnerable, and every organization relies on the environment to a certain degree. The environment modifies organizational strategies to cope with recognized pressures. Attempts to form the environment itself are more effective than strategies for dealing with the environment; organizations endeavor to secure and maintain power over strategically crucial environmental conditions (Hall, 1999). Thus the environmental effects vary according to the internal situation of each organization.

However, environments are subject to substantial manipulation by other organizations (Hall, 1999). Thus, because the relations between organizations and environments are affected by the actions of other organizations, organizations are able to influence one another (Hall, 1999; Haunschild & Miner, 1997).

Organizations address their objectives by setting up their task environments and domains and by making intra- or inter-organizational connections. Because environments influence organizations' ability to perform their functions and to promote their survival and growth, organizations strive to remove uncertainty by controlling their environments. Thus, even though organizations' decision making might not be rational, it may be said that organizations seek to practice strategic management. That is, they pursue choices that will promote their survival and growth.

Functional Change in Strategic Choices of Organizations: Strategic Management

In the strategic management and planning process, organizations establish plans to meet or beat their competition and to change external pressures and the environment.

-
4. Meyer (1975) maintained that the organization's domain expansion increases its size and responsibility. As its responsibility is increased, the organization experiences less competition pressure from other organizations. Thus in order to understand increases and decreased in organizational function, it is necessary to understand the organization's environment and level of competition pressure.

They may choose to follow generic strategies, which are basic and distinctly identifiable. The choice of strategy depends on the environmental opportunities, constraints, market, internal strengths and weaknesses, and mission of the particular organization. The formulation of the particular strategy evolves over time and will change as the situation changes (Hodge & Anthony, 1991:234-5).

There are two levels of generic strategy: corporate (organization-wide) and business (industry-level). Specifically, at the corporate level, strategies have four main categories: growth, stability, defensive, and combination, whereas business-level strategies are classified as overall cost leadership, product/service differentiation, market segment focus, and preemptive strategies (Hodge & Anthony, 1991:235-239).

Resource-based Theory

Since Wernerfelt (1984) introduced Penrose's enterprise growth theory (1959) to the strategic management field, resource-based theory has continued to develop (Jang, 1998:51). Penrose believed that survival of enterprises was based on the creation of larger value through connecting each production element with other production elements; this "experience" or "learning" naturally became slack resources and promoted growth. Wernerfelt et al. (1995) maintained that the essential ability of enterprise was to manage its important resources. They built a theoretical framework for management strategy, stressing that enterprise should analyze its resource advantages and disadvantages in order to find solutions (Jang, 1998:52-53).

In short, resource-based theory maintained that management resources were basic elements for competition superiority and offered an important framework for strategic management theory. In particular, Barney (1986) believed that uncertainty regarding production elements was a cause of competition superiority. Durability of this competition superiority depends on the difficulty of resource imitation from the exterior and it is established through the process of accumulating management resources (Dierickx & Cool, 1989). Also, resource-based theory stressed advantageous industrial structure and competition superiority, essential abilities are important for an enterprise to maintain its superiority (Grant, 1991; Jang, 1998:53-55).

Moreover, Penrose's (1959) research into enterprise diversification revealed that slack management resources inside the enterprise were the main factor in an enterprise's diversification, and the slack resources did originate in the enterprise's activity. Chatterjee and Wernerfelt (1991) found that diversification depended on slack resources, specifically, intellectual and material management resources. Montgomery and Hariharan (1994) also showed that in the case of an advanced industry, diversification determined which businesses an enterprise participated in and which management resources could be shared within the enterprise (Jang, 1996:55).

Therefore, resource-based theory has given much consideration to intellectual management resources, and further research is being done. In particular, intangible management resources such as brand form the basis of enterprise growth through diversification inside enterprises (Chatterjee & Wernerfelt, 1991), and diversification is similar in importance to intangible management resources in the advancement of industry (Montgomery & Hariharan, 1991).

However, resource-based theory has unclear concepts on the management of enterprises and is difficult to measure. Therefore, it is of limited value in describing the dynamic growth of enterprise. Evolutionary theory responded to these limitations by providing further explanations regarding decision making in enterprise, as well as new concepts and means of measurement (Jang, 1998: 57-58).

Enterprise Evolutionary Theory

Enterprise evolutionary theory is a more developed strategic management theory that complements the conceptual and cognitive limits of resource-based theory (Jang, 1998:58). First of all, this theory originated in the application of evolutionary theory of living beings to organizations, laying stress on the concepts of variation, selection, and retention (Campbell, 1965; Jang, 1998). Evolutionary approaches were first introduced to economics through the technical innovation theory of Schumpeter. But since "An Evolutionary Theory of Economic Change" (1982) was published by Nelson and Winter, the evolutionary concept has been actively introduced by economic management societies, and systematic research has been undertaken (Jang, 1998: 58).

Nelson and Winter (as cited in Jang, 1998:58) stated that enterprise innovations and R&D businesses represented changes similar to biological changes, and that enterprises accumulate knowledge. An economic phenomenon is a selection by a market mechanism, similar to the selection of living beings through genetic factors. Nelson and Winter recognized that an enterprise's intellectual assets follow a relatively stable path; as in evolutionary theory, they called this path "routine." They maintained that routine took charge of short-term decision making and learning, as well as fixed ability and ways of decision making.

According to Nelson and Winter (1982), evolutionary enterprise theory stressed dynamic procedures decided collectively through behavior patterns and market results. In this evolutionary process, working conditions and level of capital material determine levels of investment and production. The total value of the market and total production provide the basis for deciding the earning rate of the enterprise. The earning rate in turn is considered in order to decide the future production and size of the enterprise. Through this process, the market, the industry as a whole, and the working conditions of the enterprise are also changed.

In particular, the working conditions of the enterprise are changed according to the searching principle of enterprise, and search and selection are aspects of evolution that provide simultaneous and mutual influence. Therefore, as an enterprise evolves the working conditions of its next period are decided according to current industrial conditions (Jang, 1988:58-9, Nelson & Winter, 1982:18-19). This assertion plays a role as a starting place for the accumulation of an organization's ability as well as its rule of decision making.⁵

Research on Business Diversification of Strategic Management Theory

Diversification strategy is a field that has been actively studied since the strategic management field began to develop (Rumelt, 1974). Diversification strategy has been related to initial high earning rates in a study of how management resources are used to decide direction of diversification (Christensen & Montgomery, 1981). Similarities between types of management resources have contributed to the development of diversification strategies (Chartterjee & Wernerfelt, 1991; Montgomery & Hariharan, 1991). Furthermore, enterprise evolutionary theory offers an alternative analysis method to compliment its theoretical discussions (Jang, 1998).

In Jang's research (1996), resource-based theory and enterprise evolutionary theory are applied not only for diversification, but for post-diversification of enterprise. According to Jang (1998:64), in this model the processes of entry and exit originate from external pressure; when an enterprise shows poor performance, it searches harder. Also, searching is decided in terms of using intellectual property and its capabilities. That is, whereas an enterprise first enters into a business that it can easily perform in to have a synergy effect, upon exit it selects a business in which its essential capability cannot easily be utilized.

THEORETICAL FRAMEWORK FOR THE FUNCTIONAL CHANGE OF QUASI-GOVERNMENTAL ORGANIZATIONS

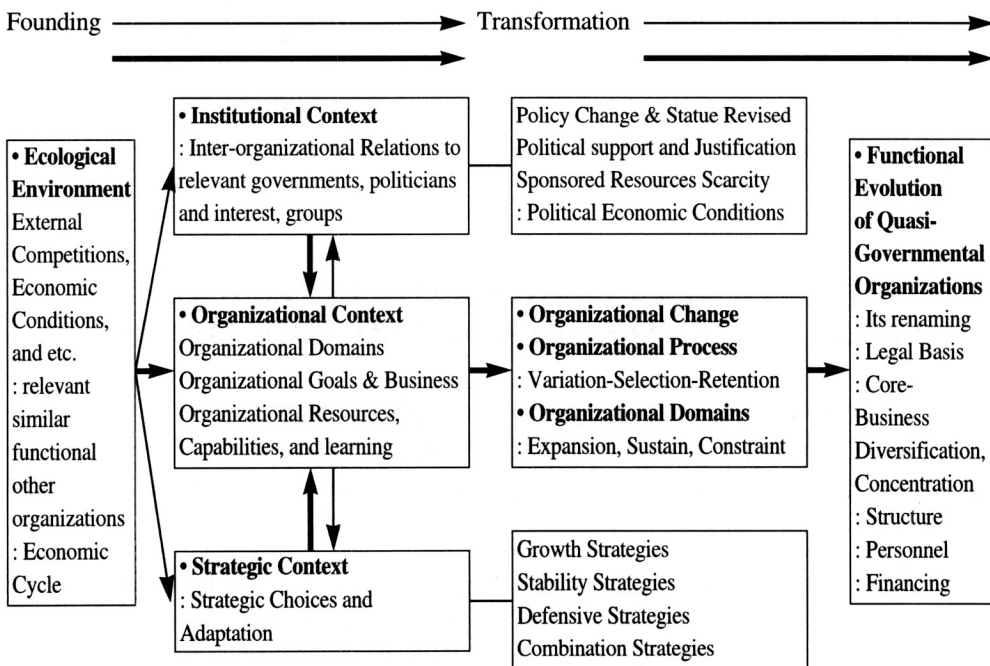
In these theoretical discussions, we suggest applying the existing theoretical framework on the functional change of quasi-governmental organizations. This framework introduces three aspects to understanding these functional changes, explained accord-

5. Through routine, the organization's knowledge becomes saved. This is the same as Cyert and March's (1963) concept of standard operating procedure. Nelson and Winter (1982) believed that the evolution of an enterprise arises from regeneration of successful routines and selection against unsuccessful routines (Jang, 1998:59).

ing to their organizational characters and their surrounding environments. It shows that quasi-governmental organizations are hybrid organizations with various objects and various political and economic management processes. At the same time, they are positive organizations that change themselves for the sake of their survival and growth. Therefore, these organizational changes have three main factors: institutional, organizational, and strategic issues.

Above all, the ecological environment is the main determinant of a quasi-governmental organization's existence, growth, and transformation, with respect to the level of competition with rivals and partners, economic conditions, and industrial cycle. Secondly, at the institutional level, there are crucial factors that influence functional change, including inter-organizational relations with governments, politicians, and interest groups. These actors affect the organization through their political, economic, and legal powers and resources. Third, internal factors lead organizational transformations, depending on strategic approaches such as growth, stability, defensive strategies, and combinations of these. Functional changes in quasi-governmental organizations may be explained by their transformations, especially expansion or contraction of their domain in accordance with their organizational characters and objects.

Figure 2. Theoretical Framework for the Functional Change of Quasi-Governmental Organizations



Quasi-governmental organizations are regarded as hybrid organizations that have characteristics of both public and private organizations. However, their traits and functions have changed, depending on their foundation goals and their business characters. For example, whereas most quasi-governmental organizations are searching for both publicity and profitability, their functions and domains are expanded to be more intensified in accordance with their institutional bases and organizational goals. Furthermore, their functions become more varied through a diversification of their business, goals, and objects. These theoretical discussions on organizational changes and the political-economic traits of quasi-governmental organizations suggest its relevant factors and conditions on the functional change of quasi-governmental organizations, which may be approached through ecological, institutional, and strategic contexts.

Firstly, in terms of organizational ecology, organizational functional changes in ecological environments cause changes in task domains and business. According to this approach, organizations have niches, which provide resources for their survival and growth. However, these resources are also important to other organizations' existence in their environment, and there is competition for domains and resources among related organizations (Bidwell & Kansandra, 1985; Hall, 1999).

For their survival and growth, most organizations try to obtain more resources, and in the process of increasing their resources and domains they establish justification for their existence. Especially among organizations with similar functions and features, organizational competition is an important factor. Therefore, organizations try to acquire unique characters and functions in order to obtain comparative advantages and supremacy. In addition, they can increase their competitiveness by establishing a stronger identity through expanding their domains of function and task.

On the other hand, quasi-governmental organizations change their function and task domains by searching for new business markets or exiting from their business domains to focus on their own business within the relevant industrial and economic cycle. For example, a quasi-governmental organization in a declining industry tries to increase its profitability by searching for new markets or new business. Once organizations are established, they constantly change their functions and characters to adapt their environments for their survival and growth. In doing so, they are trying to intensify their functions and task domains to be more proper to their environments. In short, even though they search for both public and private values, quasi-governmental organizations concentrate their specific business to intensify their task characters in order to increase their organizational identity.

Secondly, the relationship with the related government ministry is an important factor in defining task domains by their legal foundations. For example, institutional

changes like public policy changes change the functions and structures of organizations (Hogwood & Peters, 1983). That is, because quasi-governmental organizations are political outcomes and policy tools intended to implement the government's public policy (Hood, 1991, 1994; Kim, 2002; Seidman, 1988), relations between quasi-governmental organizations and their governments are explained in the context of institutions.

Quasi-governmental organizations that consider publicity more important are particularly dependent on the related government ministry for their political and economic resources as policy agents. The government constantly influences and controls them by revising their foundation laws, determining related policies, and providing financial support. Such institutional contexts can directly explain some of the functional changes. On the other hand, quasi-governmental organizations focused on profitability attempt to either exclude political pressures or to emphasize the importance of economic outcomes and efficiency. They may advance into new business markets or diversify their business to increase their profitability, or they may obtain new revenue resources in order to decrease their dependence on political powers or public institutions, including governments and ministries.

As quasi-governmental organizations have changed their task domains and characters, these changes can be explained by the institutional context, including relations with governments and ministries, in accordance with their foundational backgrounds. Furthermore, their strategic aspect can be another important factor in functional changes. As mentioned, the ecological environment (including economic conditions, industrial cycle, and organizational competition) and institutional contexts (such as relations with their governments and ministries) can explain functional changes as procedures for adapting to external influences and environments.

However, organizational strategy also reflects internal factors that actively and voluntarily influence functional changes to reformulate environments, regardless of external pressures and controls (Hall, 1999; Kimberly & Quinn, 1984). In addition, organizations endeavor to change the various inter- and intra-organizational relations affecting their functions and task domains through inter-organizational decision making and strategic choices (Baum & Singh, 1996; Child & Kieser, 1981; Hall, 1999; Hodge & Anthony, 1991; Rao & Neilson, 1992).

Lastly, in this context, quasi-governmental organizations may change their functions and task domains in accordance with their strategic choices for survival and growth. Specifically, their domain expansion and business diversification depend on whether their goals and business characters are more related to publicity or profitability. Quasi-governmental organizations that emphasize the importance of publicity have characteristics similar to those of public organizations. According to Meyer (1972),

public organizations have tended to increase their functions to enhance their roles and political powers in order not to be measured by market standards. Their roles and functions are measured by the number and scarcity of their tasks, not by their quality and efficiency.

On the other hand, quasi-governmental organizations that emphasize the importance of profitability have characteristics similar to those of private organizations, and they are strongly motivated to enhance their economic performance and outcomes. To increase their profitability, they search for new markets and profit resources to change their functions and structures. For example, they expand their new business markets and related functions with vertical integrations and concentrations, and they diversify their business to be more related and subsidized in order to increase their benefits and profitability. They enter new business markets or business areas that are related to their business and task domains, so they can control the uncertainty and risk of their new business (Hodge & Anthony, 1991; Jang, 1996).

CONCLUSIONS: IMPLICATIONS FOR FUTURE RESEARCH

A study on the functional change of quasi-governmental organizations needs to take into account the organizations' complex and diverse backgrounds and environments. In particular, it is necessary to consider quasi-governmental organizations as hybrid organizations that are different from both private organizations and public organizations. In addition, a study of their functional changes needs to consider organizational scope, business characteristics, and background information regarding the organization's establishment. That is, we need to take into account the relationship between these organizations and their supervising ministries.

Changes in quasi-governmental organizations are often necessitated by the fact that these organizations are closely interconnected to relevant government ministries as well as various stakeholders in organizational contexts. Political and economic factors are also important. Quasi-governmental organizations make strategic choices when responding to environmental changes to maximize their opportunities for survival and growth. They also differentiate their roles in a highly dynamic setting.

In particular, in terms of the strategies quasi-governmental organizations pursue, their functional changes are necessitated by attributes related to publicity, which cannot be explained by economic factors such as simple profitability and business feasibility. We have shown that quasi-governmental organizations exhibit strong tendencies to expand their functional roles on their own. As indicated by Meyer (1975), the trend of domain expansion originating in the attributes of public organizations is also

reflected in quasi-governmental organizations to a certain degree. Because quasi-governmental organizations, including public enterprises, have public goods attributes as well as corporate characteristics, functional changes of quasi-governmental organizations expanding their domains could be explained by their carrying out various roles based on these characteristics.

We suggested a theoretical framework for the functional changes of quasi-governmental organizations. This framework approaches the institutional, organizational, and strategic issues, both separately and as the interplay of process patterns in their changes. These approaches are based on the foundational backgrounds, political and economic processes, and organizational characters of quasi-governmental organizations, supported by each theoretical discussion and research.

The institutional context describes the larger environment that supports and affects the formulation and operation of quasi-governmental organizations. In particular, with regard to their functional change, this approach is related to how quasi-governmental organizations adapted over time to policy changes in their institutional environment. This means that inter-organizational relations with government ministries, politicians, and interest groups are changeable.

The strategic context provides insights into the internal decision mechanism of quasi-governmental organizations. These organizations decide to make functional changes to adapt to environmental changes and to build their own environments. That is, their strategic choices are intentional efforts to survive and grow. Among the many options to enhance their domains and business performance are growth strategies, stability strategies, and defensive strategies. Strategic choices depend on business capability, management resources, and surrounding environments. However, it is the staff in the organization who make decisions and strategic choices.

These contexts influence organizations, and at the same time, the contexts are also influenced by the organizations. Moreover, these factors are correlated to internal organizational characteristics, including goals, business performance, management resources, and domains. As organizations change and transform as social organisms, their functions also change and cause change. Therefore, these changes take different forms according to their institutional, organizational, and strategic contexts.

In terms of future studies, the theoretical discussion presented in this study needs to be supported by case studies to ascertain whether it can explain the functional changes of quasi-governmental organizations in the real world. Moreover, it will be necessary to examine which of these factors are most critical. Despite recent growth of quasi-governmental organizations, theoretical and empirical discussions about them have been inconsistent and partial. It is hoped that this study will have meaningful implications in the study of public administrative and organizational science by complement-

ing and strengthening previous studies on the growth and changes of the public and quasi-public sectors.

REFERENCES

- Baum, J.A.C., & Singh, J.V. (Eds.). (1994). *Evolutionary Dynamics of Organizations*. Oxford: Oxford University Press.
- Charavathy, B.S., & Doz, Y. (1992). Strategy Process Research: Focusing on Corporate Self-Renewal. *Strategic Management Journal*, 13(special issue):5-12.
- Emmert, H., & Crow, M. (1988). Public, Private and Hybrid Organizations. *Administration and Society*, 20(2):216-44.
- Flinders, M.V., & Smith, M. (1998). *Quangos, Accountability and Reform: The Politics of Quasi-Government*. New York: St. Martin's Press.
- Fox-Wolfgramm, S.J., Boal, K.B., & Hunt, J.G. (1998). Organizational Adaptation to Institutional Change: A Comparative Study of First-Order Change in Prospector and Defender Bank. *Administrative Science Quarterly*, 43(1):87-126.
- Gill, D. (2002). Signposting the Zoo: From Agencification to a More Principled Choice of Governmental Organizational Forms. *OECD Journal on Budgeting*, 2(2):27-79.
- Gilmour, R.S. (1998). Reinventing Government Accountability: Public Functions, Privatization, and the Meaning of State of Action. *Public Administration Review*, 58(3):247-57.
- Hall, R.H. (2002). *Organizations: Structures, Process, and Outcomes* (8th ed.). Upper Saddle River, NJ: Prentice Hall.
- Haque, M.S. (1999). The Diminishing Publicness of Public Service Under the Current Mode of Governance. *Public Administration Review*, 61(1):65-82.
- Hodge, B.J., & Anthony, W.P. (1991). *Organizational Theory: A Strategic Approach* (4th ed.). Needham, MA: Allyn & Bacon.
- Hogwood, B.W., & Peters, B.G. (1983). *Policy Dynamics*. New York: St. Martin's Press.
- Hogwood, B. (1995). The Growth of Quangos: Evidence and Explanations. In F. Ridley & D. Wilson (Eds.), *The Quango Debate*. Oxford: Oxford University Press.
- Hood, C. (1991). The Hidden Public Sector: The Quangocratization of the World. In F. Kaufman (Ed.), *The Public Sector: Challenges for Coordination and Learning*. New York: Walter de Gruyter.
- Horn, M. (1995). *The Political Economy of Public Administration: Institutional Choice in the Public Sector*. Cambridge, UK: Cambridge University Press.
- Jang, S. (1996). An Evolutionary Perspective on Diversification and Corporate

- Restructuring: Entry, Exit, and Economic Performance During 1981-89. *Strategic Management Journal*, 17(8):587-611.
- _____. (1998). Theoretical Trend of Strategic Management on Resource-Based Theory and Evolutionary Theory. *Korean Journal of Strategic Management*, 1(1):49-73.
- Kettle, D.F. (2000). The Transformation of Governance: Globalization, Devolution, and the Role of Government. *Public Administration Review*, 60(6):488-97.
- Kim, J. (1999). The Socio-Economic Roles of Non-Profit Organizations.
- _____. (2002). A Study on the Quasi-Governmental Organization. *Korean Journal of Public Enterprise*, 14(1):1-28.
- _____. (2002). The Emergence of Quasi-Government State In Korea: Explaining Institutional Choice.
- Kwack, C. (2005). The Reform Plan of Institutional Standard on Public Enterprise and Government Subordinate Organization. *Korean Journal of Public Enterprise*, 16(1):23-53.
- Levinthal, D., & March, J.G. (1982). A Model of Adaptive Organizational Search. *Journal of Economic Behavior and Organization*, 2:307-33.
- McGill, Michael & Leland Wooton.(1975). Management in the Third Sector. *Public Administration Review*, 35(5):444-447.
- Meyer, M.W. (1975). Organizational Domains. *American Sociological Review*, 40: 599-615.
- Moe, R.C. (2001). The Emerging Federal Quasi Government: Issues of Management and Accountability. *Public Administration Review*, 61(3):290-312.
- Salamon, L.M. (1987). Partners in Public Service: The Scope and Theory of Government-Nonprofit Relationship. In W.W. Powell (Ed.), *The Nonprofit Organization: A Researcher Handbook* (pp. 99-117). New Haven, CT: Yale University Press.
- Salmon, L.M. (1995). *Partners in Public Service: Government-Nonprofit Relations in the Modern Welfare State*. Baltimore: Johns Hopkins University Press.
- Scrivner, C. (1990). Reforming the Quangos. *Political Quarterly*, 69(1):41-47.
- Seidman, H. (1988). The Quasi World of the Federal Government. *Brookings Review*, 2(Summer):23-27.

Websites

- Korea Land Corporation (<http://www.iklc.co.kr>)
- Korea Rural Community & Agriculture Corporation (<http://www.erk.or.kr>)
- Korea National Oil Corporation(<http://www.knoc.or.kr>)
- Korea Resources Corporation (<http://www.kores.or.kr>)
- Korea National Housing Corporation (<http://www.jugong.co.kr>)

Appendix 1. History of Korean Quasi-Governmental Organizations

Table 5-1. Korea Land Corporation (<http://www.iklc.co.kr>)

1975	The Land Fund established
1979	Expanded and reorganized into Korea Land Development Corporation
1988	Initiated industrial complex development projects
1989	Created new suburbs as part of the 2 million Housing Unit Plan
1996	Renamed Korea Land Corporation
1998	Compensation trust services began, purchase of company land to aid restructuring efforts
2000	Initiated management of government assets
2001	Initiation of the 2nd New Town Development in the Seoul Metropolitan region
2002	Development and creation of the Gaseong Industrial Area. Expansion of comprehensive regional development plans. Appointed as chief organ of projects to provide the land with a vast IT Infrastructure.
2003	Executed Free Economic Zone project
2004	Development of Eco City & Digital City

Table 5-2. Korea Rural Community & Agriculture Corporation (<http://www.erk.or.kr>)

1908	Established the Okgu West Irrigation Association, Jeonbuk (the first instance of an irrigation association)
1938	Inaugurated the Joseon Land Improvement Agency
1940	Established the Joseon Union of Irrigation Association
1942	Established the Joseon Farmland Development & Management Group
1949	Joseon Irrigation Association renamed Korea Irrigation Association
1950	Merged the Joseon Farmland Development & Management Group and the Union of Korea Irrigation Associations
1961	Korea Irrigation Association renamed the Land Improvement Association
1962	Union of Korea Irrigation Associations renamed the Union of Land Improvement Associations
1969	Established the Groundwater Development Corporation Renamed the Farmland Improvement Associations
1970	Inaugurated the Agricultural Development Corporation (merged the Union of the Land Improvement Association and the Groundwater Development Corporation)
1971	Established the Society of Farmland Improvement Associations
1973	Renamed the Union of Farmland Improvement Associations
1978	Established the Federation of Farmland Improvement Associations
1981	Integrated/rearranged Farmland Improvement Association

1990	Promulgated the Rural Development Corporation Act & the Farmland Management Fund Act
	Established the Rural Development Corporation (merged with the Agriculture Development Corporation)
2001	Established KARICO (integrated the Farmland Improvement Associations, Federation of Farmland Improvement Associations and Rural Development Corporation)
2005	Renamed KRC (Korea Rural Community & Agriculture Corporation)

Table 5-3. Korea National Oil Corporation (<http://www.knoc.or.kr>)

1978	Korea Petroleum Development Act enacted
1979	Korea Petroleum Development Corp. (PEDCO) established
1981	Houston Representative Office opened
1982	Korea Drilling Company (KDC) established
1985	Indonesia Office Opened
1986	Korea Pipeline Corp. (KPC) established
1987	The first discovery of natural gas in domestic continental shelf
1992	Vietnam Office Opened
1994	KDC united to KNOC
1994	Sold off KNOC's invested company, Korea Oil Pipeline Co. Ltd., and invested in Daehan Oil Pipeline Corporation
1995	Korea Oil Development Center started up
1996	Korea Captain Company Ltd. (KCCL) established
1997	Indonesia KNOC-Sambidoyoung Ltd. (KSL) established
1998	Discovery of Donghae-1 Gas Field
1999	PEDCO renamed Korea Oil Corporation (KNOC)
2000	Donghae Office opened
2003	The first oil production from Block 15-1 off Vietnam
	Beijing Office opened
2004	The first gas production from Donghae-1 Gas Field off Korea

Table 5-4. Korea Resources Corporation (www.kores.or.kr)

1967	Established with a capital of 1 billion won
1968	Established safety and security guidance offices in Taebak and other places
1977	Established the Minerals & Materials Research Institute
1978	Provided support for development overseas mineral resources
1986	Amended the corporated law (Capital increased from 100 billion won to 150 billion won)

1988	Provided support for developing stone resources
1992	Established a branch office in Iksan for supporting stone industry
1994	Established a branch office in Beijing, China
1996	Reorganization (From 4 HQs/16 Divs./54 Secs. to 4 HQs/13 Depts./41 Divs.)
1997	Established a branch office in Sydney, Australia
1997	Amended the corporate law (Capital increased from 150 billion won to 300 billion won)
1998	Reorganization (From 4 HQs/13 Depts./41 Divs./3 Branch offices to 3 HQs/11 Depts./35 Divs./2 Branch Offices)
	Established a branch office in Toronto, Canada
2001	Reorganization (From 3 HQs/11 Depts./35 Divs./2 Branch Offices to 3 HQs/10 Depts./32 Divs./2 Branch Offices)
2004	Amended the corporate law (Capital increased from 300 billion won to 600 billion won)
	Reorganization focused on the core business (3HQs/12Teams)
2006	Reorganization(3 HQs/30 Teams/2 Branch Offices)

Table 5-5. Korea National Housing Corporation (<http://www.jugong.co.kr>)

1962	KNHC established
1962	Development of large housing lots (Hwagok-dong)
1965	Construction of the first apartment complex in Korea (Mapo)
1970s	Construction of apartment complexes
1971	Construction of the first rental housing in Korea (Gaebong-dong)
1980s	Construction of New Town
1989	Construction of the first permanent rental housing in Korea (Beon-dong)
1990s	Construction of Public Construction
1991	Construction of the first permanent rental housing for laborers (Ansan)
2000s	Housing Welfare Realization
2001	First occupation of national rental housing (Suwon Jeongja)
2002	Designation as the Center of Green Building Certification
2004	The 2nd establishment First provision of Purchased Multi-unit Tenement Rental Housing (Seoul)