

Strategic Foresight: The Case of TJ Park and POSCO

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The increasing complexity of business environment poses a myriad of challenges for managers these days. Decision makers of any organization face the task of figuring out how to deal with this issue. The present paper argues that strategic foresight should offer a significant source of sustainable competitive advantages. It reviews relevant literature and suggests what strategic foresight is and why it is needed. With the case analyses of POSCO and its founding CEO and chairman, TJ Park, the paper attempts to explore the concept of strategic foresight and to draw implications. The cases imply that strategic foresight can be gained through intentional efforts of longer-term and broad-based thoughts.

Keywords: *Strategic foresight, Uncertainty, TJ Park, POSCO*

1. INTRODUCTION

Strategic decision making deals with significant uncertainties inherently residing in the future. When it comes to the most crucial decisions that may fundamentally determine the future prospect of the company, the CEO or any top decision maker is necessarily exposed to fairly serious vulnerabilities emanating from possible biases at individual and/or group levels. As an individual, the top decision maker, often driven by his or her success legacies, may believe he or she is rational in making decisions. Yet, human beings try to be rational only to find their limitations, constrained by a number of internal and external conditions. Simon (1957) aptly put it “bounded rationality.” As a group, top decision makers may also face diverse sources of biases such as inconsistent interests (March 1994) and groupthink (Janis 1972).

What separates lasting organizations from others is the quality of their strategic decisions. Whether it comes from excellence in their leaders or organizational mechanisms, they were better in arriving at actions that fostered their sustained growth. Those actions were triggered by certain decisions made by their leadership group. This paper addresses the topic of strategic decision making from the standpoint of top decision makers. Specifically, the paper attempts to argue that the degree of how top decision makers overcome the potential biases in their strategic decisions should largely determine the quality of strategic decisions. When the top decision maker successfully overcomes or significantly reduces fundamental biases in crucial decisions for his or her company, it is very likely that the company will be on the right track to further growth. This paper uses the notion of ‘strategic foresight’ in referring to the capacity of top decision makers in their overcoming decision biases.

TJ Park and POSCO is a case that exemplifies how strategic foresight has led to superior performance of the company on a sustainable basis. With sales amounting to 28.8 billion USD and profit of 2.5 billion USD, POSCO was ranked at 272th place in FORTUNE Global 500 in 2010 (FORTUNE). Founded in 1969 as a government-owned entity, POSCO has recorded phenomenal growth for the past forty years. Although it began from virtually nothing, it rose to become the third largest steel maker in the world as of 2009. Porter (1990)

included POSCO and Korean Steel Industry as a case in his research project that investigated the competitiveness of nations. He praised POSCO as a visionary company along with chairman (TJ Park) who led the company at a grand scale and scope. Specifically, Porter remarked that the chairman had “defined the company’s mission in truly national terms, as providing low-cost steel to Korean industry as well as contributing to Korean exports” (Porter 1990). Driven by “the national purpose and priority,” POSCO had embarked on aggressive risk taking and investment (Porter 1990).

This paper is an exploratory investigation to illustrate how the top decision maker, TJ Park, has triggered to build organizational competences of strategic foresight in the company, POSCO, on a sustainable basis. By analyzing cases of strategic decisions made by TJ Park, this paper shows how he perceived the world and conceptualized it into the context of longer-term dynamics. Seemingly novel and rather unconventional decisions were largely supported by his perspectives on the implications of such decisions in terms of longer-term consequences. This paper attempts further to explore how TJ Park had formed such strategic foresights and suggests some propositions for future study.

2. STRATEGIC FORESIGHT

2.1. What is Strategic Foresight?

What are the sources of variations in terms of company performance, particularly on a longer-term, sustained basis? By and large, those sources can be grouped into two—environmental and internal. Granted, some companies tend to be favored by environmental changes and shifts over time. While some fortuitous or serendipitous factors in the environment may sometimes work, those success cases may be at least partly attributed to the company’s capability to properly adapt to the changing environment. Viewed this way, other than the cases where pure luck worked in the favor of the company, the sources of superior performance can be traced to certain capabilities residing within the company.

As reviewed by Ahuja *et al.* (2005), the resource-based view of the firm implicitly assumes that managers tend to have some degree of foresight and they use it to benefit their companies. Ahuja *et al.* (2005) further argue that theories of competitive advantage implicitly assume that managers have foresight about the emergence of such advantages. They go on to view that there are two possibilities that may lead managers to have foresight. One is information asymmetry. That is, managers may have superior or more accurate information about the value of certain resources so that they can acquire the resources at cheaper price than the value at their actual use in the future (Barney 1986). The other is managerial discretion. Managers need to exercise their judgment in their decisions affecting the process of acquisition and accumulation of resources within the company. As Dierickx and Cool (1989) posit, competitive advantages of the company may come from the processes that it integrates acquired resources into its rather unique routines. Managers make decisions that enhance the likelihood of adding value to the acquired resources. Ahuja *et al.* (2005) presume that managers have specific intent or foresight about the output image of the company they seek to build.

Some studies have explored strategic foresight from the perspective of strategic thinking of managers. Cariola and Rolfo (2004) contend that strategic foresight is gaining significance in the area of strategic thinking largely because of the rapidly changing environments.

Considering the increasingly complicated business environment driven by a number of forces, notably technological advances including revolutionary digital technologies and increasing globalization of the world, strategic thinking has to deal with variables that are vastly different in terms of both quantity and quality. Strategic thinking these days has to explicitly view the business environment as ‘complex adaptive system’ (Beinhocker 2006).

As Cariola and Rolfo (2004) explain, strategic thought is now seen in the context of ‘new dynamic-non-linear models’ rather than ‘interpretative models of Newtonian-deterministic nature.’ In this changing context, the new reality that has to be dealt with by strategic thinking is characterized by open systems where evolutionary dynamics are the governing mechanism. Instability, path-dependence, irreversibility, discontinuity, and other rather chaotic natures form the features of the emerging reality. Seeking the one, right answer may not work; probing alternative paths and ultimately arriving at optimal solution seems to be recommended. Strategic foresight, by its nature, takes central place in this new setting.

Other researchers investigate the notion of strategic foresight as a crucial activity that a company needs to have. For example, Anderson and Borup (2009) see foresight as a specific type of strategy activity. He highlights the differences between strategic foresight and traditional corporate strategic planning. Compared to strategic planning, strategic foresight is oriented towards longer-term time horizon and puts emphasis on using diverse perspectives of different knowledge areas and different actors and stakeholders (Anderson and Borup 2009). Viewed as such, there are several methodological approaches to strategic foresight, including trend extrapolation, scenario planning, Delphi method, focus group interviews, cross-impact analyses, and road-mapping (see e.g. Anderson and Borup 2009; Grant 1998; Johnson and Scholes 2002). Many of these methods were developed in areas where they needed to forecast long-term, high-impact events and their consequences. Scenario planning, for instance, was developed by RAND Corporation after the Second World War primarily for preparing for the likelihood of nuclear war against Soviet Union (Abella 2009).

Calof and Smith (2010), in their extensive review of relevant literature, conclude that strategic foresight is “a set of strategic tools that support decisions with adequate lead time for preparation and strategic response.” They imply that strategic foresight is different from traditional strategic planning in that foresight delineates “a range of choices and challenges” by revealing not a single but multiple futures consisting of diverse opportunities and threats. In the context of these multiple plausible futures, organizations will face alternative, often radically different, environmental contingencies in the futures where they have to make crucial decisions for their performance and long-term survival. The thought-provoking processes of foreseeing multiple and divergent, rather than convergent, likelihoods should provide momentum to develop strategic insights into what kinds of strategic moves are to be considered and put into actions (Calof and Smith 2010).

Some researchers noted that organizations need to pay close attention to the development in their business environment in order to enhance performance and extend their survival. In this light, Aguilar (1967) offers one of the pioneering studies to propose the concept of ‘environmental scanning.’ Porter (1980) argues more specifically that companies need to be proactively involved in systematic intelligence activities to monitor competition, both existing and potential, and identify environmental opportunities and threats. Competitive intelligence efforts around more focused areas have also been addressed. Ashton and Klavance (1997), for example, define competitive intelligence in the context of technological development as collecting and analyzing “business sensitive information on external scientific or technological threats, opportunities, or developments that have the potential to

affect a company's competitive situation." Environmental scanning in general or competitive intelligence in particular is supposed to lead to (1) providing early signals regarding opportunities or threats coming from external sources, (2) evaluating business prospects by properly analyzing the early inputs, and (3) anticipating possible consequences of strategic moves thereby preparing more appropriate strategic plans and organizational arrangements (Calof and Smith 2010).

As reviewed above, strategic foresight has been defined as capabilities to anticipate likely futures and their consequences. It can be residing at the level of an individual or an organization. Strategic foresight is characterized by its broader basis of perception about the future, relying on differences rather than commonalities of perspectives from diverse areas. As Day and Schoemaker (2006) bring the analogy of physical conditions of human eyes and dubs it as developing 'peripheral vision,' strategic foresight implies an ability to look at things around us on a broader scope than usual. It is regarded as an outcome of deliberate efforts "to broaden the boundaries of perception and to expand the awareness of emerging issues and situations" with the aim of "supporting strategic thinking and decision-making by developing a range of possible ways of how the future could unfold" (Habegger 2010).

2.2. Why is Strategic Foresight Important?

The magnitude of risks and the degree of uncertainties are increasing at alarming speed. We are living in an environment where all the facets of human community—socio-cultural, technological, economic, environmental, and political—are becoming more interdependent than ever. Complexities coming from those highly interconnected environmental forces are increasing exponentially by the power law. Many of assumptions, formed over time by logical and/or empirical bases, are being questioned. The recent global financial crisis, triggered by the troubling U.S. housing market and ensuing collapse of Lehman Brothers and other renowned entities, was unprecedented. These extremities do not confine themselves within the man-made areas; they also emerge in the natural conditions. Record-breaking flood, drought, cold and hot weather and other natural disasters are largely driven by the ever-complicated interactions amongst a host of factors. A seemingly small incident often amplifies into serious impact unimaginable in the past.

Senior managers and decision-makers of organizations, private and public, large or small, need to deal with the new reality of extreme uncertainties. In this changing context, strategic decisions are gaining more importance than ever. The sheer magnitude and speed of change in the environment often put organizations into the situation of life or death in a relatively short time span. Embedded in their past successes, many top decision-makers tend to continue to rely on their traditional ways of thinking and experience-based decision heuristics in arriving at their decisions about strategic issues. Missing the directions, many of them tend to get confused and lost, often resulting in fatal mistakes and even in demise of their organizations. Leaders have to quickly figure out what they need to do in the new terrain after the revolutionary shifts in the environment.

The problem lies also in organizational settings. Most organizations, particularly those successful so far, are managed by beliefs and assumptions that have been formed over time. Organizational routines, deeply seated in their structures and systems, tend to persist. These inertial forces loom as significant impediment to making proper adaptations to the rapidly changing environment. Strategic decision making is not an exception. Organizations tend to replicate their tried-and-true ways of strategy-making. Most of organizations have relied on

what is called ‘strategic planning’ approach in building their strategies. Rigorous analyses of opportunities and threats in the environment and of strengths and weaknesses of the internal organization are supposed to lead to solutions, or ‘strategies’ (Andrews 1972; Glueck 1980).

Since the data for the analyses come from what has already happened, i.e. the past, even the most accurate analysis may not lead to solutions for the future. This inherent problem of analysis may reveal serious drawbacks particularly when the future departs from its historical trajectories. The emerging reality depicted above implies that these days are as such. In fact, this concern is not entirely new to strategic management. Notably, Mintzberg (1978) argues that strategies are not a product of careful planning but an outcome of intricate processes where both intended and emergent elements interact. Unlike the traditional belief that strategies are formulated and then implemented, the reality is that strategies are ‘formed’ over time—they are formulated and at the same time implemented (Mintzberg 1978). Other studies in strategic management suggest the notion of ‘real option’ to explain how companies may exert flexibilities in their strategies (see e.g. Kogut 1988; Kim and Kogut 1996).

2.3. Strategic Foresight as a Source of Sustainable Competitive Advantage

This paper argues that strategic foresight is one of the most critical sources of sustainable competitive advantage of a company. The rapidly increasing uncertainties in the global business environment almost necessitate that decision makers should be clearly aware of the need for longer-term perspectives based on much broader angles than before. As the world is more and more inter-connected, decision makers should view events unfolding in remote places and in seemingly different sectors may bring significant impact to their organizations. As reviewed above, strategic foresight encompasses what is required for decision makers today.

Strategic foresight is an ability to view the world with explicit attention to the longer-term consequences and broader-based implications. In so doing, it helps the company to anticipate possible changes that may affect the company’s performance and, therefore, to have meaningful lead time to get prepared. As we assume ever-increasing degrees of uncertainties in the future, it is fair to say that strategic foresight is a crucial competence for an organization. Since this paper addresses strategic foresight from the standpoint of decision makers, our focus is on how top decision makers should translate the concept of strategic foresight into actual decision makings. The following cases of strategic decisions made at POSCO by its former chairman, TJ Park, should illustrate strategic foresight.

3. CASES OF STRATEGIC FORESIGHT: TJ PARK AND POSCO

As the founding chairman of POSCO, TJ Park had made numerous decisions. Among them, there were a number of crucial decisions that largely shaped what POSCO is today. This section will lay out six strategic decisions of TJ Park, which should provide specific examples of strategic foresight. As they illustrate, these cases of strategic decisions appeared to be rather unusual and often against conventional wisdom or industry norms. Only when viewed from the perspective of strategic foresight, those highly important decisions would be properly evaluated as significant in terms of longer-term consequences and lasting impact on the company. The cases below follow chronological order.

3.1. Getting Started—Founded as an Incorporated Entity

As the new steel producer was getting prepared to make its presence, a crucial decision had to be made—the form of the entity. Since the new entity was relying critically on varying kinds of help from the government, it was commonsensical that a national company seemed to be an obvious choice. Actually, President Park Chung-Hee personally recommended to TJ Park that the new steel maker should be a national company under a special legal arrangement; thereby it could benefit from governmental subsidies and other support without complications (Lee 2004). The decision was extremely important since it should largely determine how the new entity would be managed, from decision making to taxation and dividend policies.

To many people's surprise, TJ Park had decided to found the new steel maker as an incorporated entity in 1968. In fact, President Park strongly insisted that it should be a national company; TJ Park had a series of lengthy one-on-one meetings with the president and finally succeeded convincing him why the alternative form was better. TJ Park came up with a fairly innovative solution: the entity would take the form of a private company with the majority share held by the government. Later he recollected, "My personal experience as the head of a national company, Korea Tungsten Company, told me that there tend to arise many problems for a national company. Lack of clear responsibility, problems of management efficiencies, limited ways to motivate people, and many other potentially negative aspects of a national company easily eclipse possible benefits. It was my firm belief that the new company should be run as an independent entity which would grow into a world-class corporation" (Lee 2004).

It turned out that the decision had brought about far-reaching significance in terms of helping the nascent steel maker grow into a world-class company. Most significantly, management of POSCO has remained largely free from the government's direct intervention and also from the shifting turmoil of domestic political environment. Internally, this decision made clear that management should be responsible for the performance of the company. The record of solid financial performance ever since its foundation is by and large thanks to the strategic decision of the form of the entity in the very beginning. Also, if POSCO had been founded as a national company, it might have also been quite vulnerable to various tariff and/or non-tariff barriers levied by foreign governments in exporting its products overseas.

3.2. Building Its First Integrated Steel Mill—Backward Approach

As the city of Pohang in northern Kyungsang province, located in the southern part of the Korean peninsula, was spotted as the construction site for the first integrated steel mill of POSCO, TJ Park and his top management team had to decide how to proceed with the construction. Normally, building an integrated steel mill followed the so-called 'forward approach,' in which iron making, casting, and rolling, the three major components of the plant, would be constructed in such a sequence. TJ Park, against the conventional wisdom and many people's opposition, insisted that POSCO should adopt what is called 'backward approach,' where the sequence of constructing the major components went from downstream to upstream. Consequently, hot rolling plant was installed first and others followed.

Underlying this decision was TJ Park's intention to secure foothold in terms of profitability in the initial phase of the plant construction. While forward approach follows a

natural sequence in plant construction, it does not offer financial outcome until the final downstream plant is completed. One of the most serious problems of POSCO in its early days was the limited availability of financial resources. Aware of the financial constraints of POSCO, TJ Park came up with an unconventional thought to take the opposite approach. He suggested that the new company import semi-processed products such as slab and put them into hot rolling plant to produce and sell hot coils.

The result was fairly impressive. Except for the very first year after its foundation, the new-born company recorded profits from the second year, which set a new record in the world steel industry. Had it followed the industry norm to adopt the forward approach, the new entity would have waited about three years or more to just reach the break-even point. By creatively reversing the sequence of plant construction, POSCO was able to produce final steel products as early as in its second year. Those additional financial resources coming from the sales of hot coils were reinvested into the plant construction. It was obvious that the new entity gained legitimacy by providing positive evidence—‘early win’—to those who were skeptical about POSCO. This case particularly highlights the practical insights of TJ Park and illustrates how POSCO formed its culture of resilient adherence to financial stability from the beginning.

3.3. Diversifying into Multiple Suppliers—Turning Threats into Opportunities

In 1973, POSCO stood at another strategic crossroad. After its initial success, the company planned to expand its capacity of the integrated steel mill. Having relied on Japanese companies for the first phase of installing the plant facilities, POSCO was in a position where it had to negotiate with Japanese suppliers for the second phase of capacity expansion. An unexpected political turmoil between Korea and Japan suddenly emerged as a critical bottleneck in the expansion plan of POSCO. The failed attempt by Korean government intelligence agency in kidnapping the political opposition leader Kim Dae-Jung prompted the Japanese government to decline any cooperation with Korea. Consequently, Japanese suppliers were not allowed to participate in POSCO’s expansion project.

TJ Park took a bold step at this critical juncture. He and his top management turned to European suppliers instead for providing the necessary facilities and equipments. Flying out to Germany around the Christmas break in 1973, TJ Park invited European business leaders to begin talks regarding their participation in POSCO’s expansion project. European companies showed keen interests in the POSCO project as the European steel industry was witnessing slow growth. In January 1974, Voest of Austria and Outo of Germany came to visit Pohang to negotiate possible supplies of their facilities to POSCO (Lee 2004).

As European companies came into the picture, this put Japanese makers under pressure. Japanese companies were afraid of losing the opportunity to keep POSCO within their captive market. Having installed their facilities in the initial phase of POSCO plant, Japanese suppliers were obviously in an advantageous position to involve themselves in the further expansion of POSCO. It was no surprise that Japanese companies tried hard to convince its government to make POSCO as an exceptional case in its comprehensive ban of Japan-Korea transactions. In January 1974, as POSCO was involved in talks with the Europeans, Japanese companies got back to the table to participate in the POSCO project. As a result, TJ Park and POSCO completed negotiations with both the Japanese and the European companies with highly attractive terms and conditions (Lee 2004).

It was a question of longer-term profitability and survival. Remaining as a captive of

particular players did not offer the solution. Although the strategic move to diversify suppliers of facilities was seemingly triggered by the political situation between Korea and Japan, TJ Park already knew that the key to longer-term solutions lied in cautiously leveraging the competitive dynamics of the global steel industry. Back in year 1973, the world steel market was beginning to observe a number of clear signals that hinted at the downturn of the industry. The worldwide demand for steel products began to slow and there were indications that the market might even shrink. TJ Park fully leveraged this industry-wide competitive dynamics. Through a series of intense meetings and conferences during his numerous trips to Europe, TJ Park and his top management team successfully attracted leading European suppliers to invest in POSCO.

The outcome was more than what many people expected. The overall cost of capacity expansion fell well within the estimated budget with no delay in the expansion schedule. The final picture revealed an interesting mixture of foreign suppliers, effectively dealing with economic concerns of compatibility as well. Japanese suppliers had finally agreed to cooperate with POSCO by providing their facilities and equipments at competitive price, i.e. lowest available market price, for those parts of the plant where technological relatedness and compatibility is relatively higher. Where technological relatedness and compatibility between existing and new facilities was relatively low, TJ Park introduced European suppliers. In the wake of possible downturn of the world steel industry, European suppliers offered lowest available prices through competitive bidding.

This case illustrates how TJ Park and POSCO turned potential threats into opportunities. Of particular importance is how TJ Park perceived the longer-term consequences of strategic decisions. Overreliance on a small number of players eventually leads to significant transaction costs (Williamson 1981). When the relationships are also characterized by high level of asset specificity, the transaction costs are likely to increase due to the possible lock-in status of the recipient (Williamson 1981). The case of capacity expansion of an integrated steel mill is a case in point. Managing and reducing the level of transaction cost on a long-term basis begs careful attention to strategically structuring the supplier relationships.

Diversification into European makers significantly reduced the overreliance on Japanese suppliers. It also effectively relaxed the asset specificity concerns by categorizing the level of compatibility among facilities and equipments of the whole plant. Notably, this strategic approach to capacity expansion has been institutionalized into the decision processes of POSCO. Whenever the company planned to expand its production capacities, it typically made actual investment decisions during downturns of the global steel industry (Lee 2004). As the competition in the global steel industry was getting tougher, securing low-cost position was of paramount importance. TJ Park's bold decision has had a lasting imprint in forming POSCO's long-term competitiveness.

3.4. Electric Steel Plate Plant Construction—Stretching to Create an Ecosystem

In 1977, TJ Park made another strategic decision that addressed fundamental limitations of POSCO's resources and capabilities at that time. Back then, there was a serious asymmetry in supply and demand in global electric steel plates. Only about ten companies in a few countries produced such products and they worked hard to protect their products through diverse measures including patented production technologies. National governments worked closely with home companies to raise the entry barriers. Korean electric and electronic companies, like those in many other countries, imported entire amount of their

demand, and very little, from Japanese manufacturers (Lee 2004).

TJ Park made up his mind and began convincing his top management team to embark on the ambitious journey to construct electric steel plate plant. He argued, “We have to produce electric steel plates for the long-term competitiveness of Korean electric and electronics industry. We should not rely on Japan and other countries any longer. Korea needs to have firm control of the supply of key inputs so that its companies can ensure long-term viability. It is POSCO’s mission to do that” (Lee 2004).

Yet, the decision seemed to be too far-fetched, given the condition inside and outside the company. Internally, POSCO did not have technological competency to successfully produce quality electric steel plates. As was mentioned above, producing electric steel plates required significant experience and knowledge in fairly high level of technologies. To make matters worse, domestic demand for such products was quite limited at that time. Korean companies in electric and electronics industry were relatively small and their collective demand did not reach the level of scale economy for the planned electric steel plate plant of POSCO.

Despite the overwhelmingly negative prospect and opposition from people around him, TJ Park spearheaded the decision with his own premise that he would take the sole responsibility for whatever would come. It seemed like an extremely risky attempt. What TJ Park had in mind, however, was a much bigger picture than making and selling electric steel plates. Later he recollected, “I thought that it was what POSCO had to do. Founded by the seed money of our country’s painful past, POSCO had to be clear about our mission. We should strive to make our country prosper. The electronics industry was very important for the future of Korea. Despite its difficulties, POSCO had to produce electric steel plates at that time” (Lee 2004).

As expected, entry into the production of electric steel plates proved to be a tough ride. It took more than five years before the company made profits, which was exceptional in the history of POSCO. As seen above, the company proudly kept positive financial outcome in whatever it did—this case did not come up to the standard. POSCO launched its first electric steel plate products in the market in 1980. For the first two years, POSCO suffered from very low capacity utilization of the plant. Simply, even the most friendly local buyer did not want to use electric steel plates made by POSCO. To get out of the vicious circle of sagging demand and low capacity utilization and high production cost, the company was obsessed with enhancing productivity, mostly on cost reduction. Fairly impressive progress was made in the area of process technologies, specifically continuous production system. Beginning from the year 1986, electric steel plate business had finally generated profits. As TJ Park projected, Korean companies in the consumer electronics sector and other electrical equipment areas were rapidly growing. After five consecutive years of losses from 1980 to 1985, electric steel plates had turned into one of the most profitable businesses in the history of POSCO (Lee 2004).

One thing to note in this case is how TJ Park viewed the electric steel plate business. Rather than seeing business merely in terms of producing and selling particular products, he conceptualized the business of electric steel plate at the level of an ecosystem. That is, TJ Park envisioned an ecosystem of consumer electronics and other electric products, where diverse suppliers and buyers as well as makers of such products co-existed. By triggering a virtuous cycle of supply and demand, the ecosystem would grow into bigger and more prosperous place where many participants should be benefitted. The Korean electronics and electric product sectors in the late 1970s did not have such an ecosystem. POSCO’s entry into electric steel plates played the role of triggering a virtuous cycle and made an important

contribution to creating such an ecosystem.

3.5. Export and Domestic Sales—Balancing Global and Local

The demand for steel products in Korea had always exceeded domestic supply. As the only domestic supplier of steel products in Korea, POSCO was supposed to provide all of its products to local companies. It was all the more obvious since the company was owned by the government. Contrary to such expectations, TJ Park insisted that POSCO should export some of its products to companies overseas. On average, about 20-30% of its production had been exported on a consistent basis. To the eyes of many observers, this decision to institutionalize the export policy did not make much sense. Some even questioned the very existence of POSCO as it did not meet the demand of fellow local companies in Korea (Lee 2004).

TJ Park commented on this criticism, “I understand why they criticize me and POSCO. Yet, we should think beyond short-term gains. Satisfying local demand is necessary, but not sufficient for the longer-term prosperity of Korea. We should keep in mind that competition is global in its nature and we should not stay within Korea. As a steel maker, POSCO should be competitive against foreign players. To do that, we should be able to sell our products to foreign buyers and understand what they like and don’t like. Competing head on against foreign rivals in their domestic countries should help POSCO enormously to build competitiveness on a global scale” (Lee 2004). As such, it is noteworthy that the company intended to become a globally competitive steel maker from its very beginning. Considering how Korea was lagging behind in the world around the time when POSCO was founded, TJ Park’s vision of POSCO as a global company well illustrates his far-sightedness.

Allocating some of its products for export was indeed strategic in terms of another significant aspect—managing foreign exchange. By selling its products overseas, POSCO was able to collect foreign currencies, mostly in US dollars. Korea as a country was very vulnerable to foreign exchange fluctuations, and having US dollar reserve was on the national agenda. TJ Park explicitly mentioned this point, “Given the mission of POSCO in developing the Korean economy, we have to make contribution to building the national reserve of foreign currencies. Therefore, POSCO should keep exporting some of its products to earn foreign money” (Lee 2004). Coupled with the above noted strategic intent of forming global competitiveness of the company, this notion of managing foreign exchange risks as a hedging mechanism was far-sighted and multi-purposed. By balancing global and local from its early days, POSCO has achieved solid portfolio of diversified markets. Stability of its financial resource flows came as a natural positive outcome.

3.6. Kwangyang Integrated Steel Mill—Stepping into the 21st Century

In 1982, POSCO announced its plan to construct the company’s second integrated steel mill in the city of Kwangyang in Southern Cholla province in Korea. During the 17th Meeting of the International Iron and Steel Institute (IISI), member companies heavily criticized POSCO’s expansion plan. As the 1980s began, the world economy experienced a serious downturn, which made significant negative influence on the global steel industry. Simply, excessive capacities of steel production in the late 1970s resulted in cut-throat competition and, consequently, companies barely survived with extremely low degrees of capacity utilization. On average, the capacity utilization ratio of US steel makers stood

around 47%, European Community about 58%, and Japan around 60%. In this context, POSCO's expansion plan appeared to be rather perplexing to many people, even to some inside the company (Lee 2004).

TJ Park later commented, "The world steel industry was in a temporary glut. Rapid industrialization of many countries in the world should lead to increasing demand for steel products in the near future. Before long, I expected, the world market should demand more steel than what companies worldwide could produce" (Lee 2004). Also, he noticed that Korea had significant potential in terms of demand for steel products. Referring to the steel consumption per capita of Korea, TJ Park anticipated that the Korean domestic market would soon require much more steel products than what it had at that time. Going further, TJ Park insisted that the second integrated steel mill should be incorporating highest possible technological advances to maximize efficiencies (Lee 2004).

The Kwangyang steel mill was also carefully planned in terms of generating synergies with the already existing mill in Pohang. Rather than considering it another integrated steel mill, TJ Park specifically mentioned that the second mill should be seen in the context of enhancing global competitiveness of POSCO on longer-term horizon. With their experiences with the Pohang mill, POSCO people could figure out how to position the second mill to create synergies with the first one. It turned out that the second mill would be specializing in producing a limited number of steel products in large volumes. Significant economies of scale could be materialized by doing so. Along with the Pohang mill, which would be focusing on diverse steel products in relatively smaller volumes, the new mill would bring meaningful value in terms of enhancing global competitiveness of POSCO.

By looking at the details of how the new steel mill was designed, one may easily find out fairly clear strategic intent of TJ Park and POSCO. Again, POSCO boldly adopted a fairly creative way of laying out the factory. Interestingly enough, the Kwangyang site was designed to lay out all the plants in a straight line. Even industry experts were said to have been quite amazed at the way POSCO laid out the new integrated steel mill. The straight-line layout had never been attempted in any of existing steel maker until that time (Lee 2004). The novel layout was intended to maximize productivity by lowering energy consumption and minimizing delay and wastes. Moreover, the new mill embraced state-of-the-art technologies of automated processes, lowering costs even further. By completing the Kwangyang mill, POSCO could achieve the most competitive cost position amongst steel makers worldwide. Thus, adding the second steel mill meant not only increased production capacity but also significantly enhanced cost competitiveness.

4. DISCUSSION AND CONCLUSION

Strategic foresight requires perspectives that encompass long-term consequences and their far-reaching implications. As reviewed, past studies on strategic foresight has addressed its conceptual aspects based on limited empirical evidences. Most of the empirical data, if any, came from investigation of the outcome of decisions. The present paper attempts to shed light on the topic of strategic foresight by exploring strategic decisions per se. Specifically, the paper has examined concrete decisions and tried to uncover why and how such decisions were made and what were the consequences.

The cases of TJ Park and POSCO offer fairly significant implications. POSCO has set many new records in the history of global steel industry. This paper proposes that one of the

most important reasons of POSCO's sustained success is strategic foresight of the company. As the paper reviewed the history of POSCO, it found a fair amount of empirical evidence that POSCO's top decision makers had been quite effective in terms of exercising strategic foresight. In particular, TJ Park, the founding CEO and chairman of POSCO, showed numerous cases of critical decision makings, where he put strategic foresight in practice with impressive results.

Close investigation of the cases reported in this paper reveals that TJ Park's strategic decisions were typically characterized by their implications of longer-term consequences and broad-based thoughts. It is well known that TJ Park had made extensive relationships with people around the world, many of whom provided expert opinions on what he intended to do. TJ Park's seemingly charismatic leadership style was in fact based on his careful attention to what other people told him and many sources of objective data (see e.g. Ahn 1995). Along with his strong inclination of intellectual curiosity, what he had collected from diverse sources of data and opinions provided him with a fairly solid platform for developing broad-based, longer-term perspectives.

As managers face increasingly uncertain business environment, strategic foresight emerges as an important source of sustainable competitive advantage. While the notion of strategic foresight gains significance, it remains largely unexplored by systematic studies. The present paper is an attempt to investigate the concept of strategic foresight and add some empirical evidences for its validity. The cases offered in this paper may give a clue to further developing theoretical and empirical basis for better understanding this highly important topic. The cases imply that strategic foresight can be learned through intentional efforts of longer-term and broad-based thoughts. Future studies may suggest more specific propositions and we may gradually attain rigorous analysis of strategic foresight.

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