



*Dae-whan Chang*

*Dae-whan Chang obtained a bachelor's degree in Politics at the University of Rochester in 1974. In 1976, he received his M.A. in International Affairs at George Washington University. He majored in International Business Management at New York University, and received a Ph.D. from NYU in 1987. He started his career in newspapers as a manager of the planning department at Maeil Business Newspaper and became the President and Publisher of the company in 1988.*

*Since Dae-whan Chang took office as CEO of the Maeil Business Newspaper group in 1988 he has given objective advice and criticism to both the private and public sectors, mostly on matters regarding the economy but also on the future vision for Korea. Under him, Maeil Business has become the country's most widely read economic daily, with almost 40 % market share among Korean businesses. Since its exponential growth after the Asian crisis in the late 1990s, the newspaper company has developed into a multimedia news group by expanding into TV, the internet, magazines and other periodic publications.*

*The Maeil Business hosts the annual World Knowledge Forum in Seoul, a global event where top minds in business, academia and government share their views and forecasts regarding the global economy. The event is widely regarded as an extension of Korea's effort, with a strong contribution from Chang, to become a knowledge-driven economy.*

## “The rules of the game will continue to evolve”

*Interview with Dae-whan Chang – Chairman, Maeil Business Newspaper Group*

Sukgeun Lee, Managing Director of Arthur D. Little Korea and Bonjoon Ku, Principal, interviewed Dae-whan Chang, chairman and publisher of Maeil Business Newspaper Group. They used this invaluable opportunity to acquire insights from one of the most respected thought leaders in Korea regarding the future of the global economy and the “new normal” that businesses and governments should take into consideration.

Some say the global economic crisis is behind us. What is your assessment of the state of the recovery?

Prior to the financial meltdown in late 2008, the “old normal” was that “the market is always right”. However, this laissez-faire policy and the Gekko credo of “greed is good” prevalent in the financial community have brought about the worst US market crash in the modern era. Although many are already positive about a quick recovery (the IMF has updated its outlook for 2010 world GDP growth from 3.1 % to 3.9 %) we must remember that it took more than a decade to recover from the Great Depression of the 1920s, and a similar period of time for Asian nations as well, after the crash of 1997. The US government’s fiscal policy and stimulus packages may have saved the banks and insurance companies, but the real economy and consumer demand are slow to follow. Moreover, the global economy is more intertwined and transparent than ever before in history. Price changes in Seoul influence the Santiago Stock Exchange in Chile. Considering the complexity and breadth of the global economy, a more cautious approach is needed.

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What has changed for business since?

The way of doing business in the global community is being drastically overhauled. For one thing, despite industry sector and regional differences, slow growth and decreased investment levels will be the accepted norm.

Risk management for new investments and business opportunities will be strictly enforced. Another change is the West-to-East shift. Asian nations are taking centre stage in the global economy. The expansion from G7 to G20 and the G20 summit being held in Seoul this year are symbolic in this regard. The role of government in business is also changing. Governments will aggressively regulate and participate in private sector affairs to prevent and mitigate market risks. Effects of climate change are becoming more and more tangible as major calamities are a daily news fixture. In turn, sustainability and corporate social responsibility will be crucial business success factors.

#### What has changed for consumers?

Consumers are demanding more customized products and services to fit their needs. With the internet and smart phones, they have access to information about products and services to an extent never before seen in history. All these trends will continue to change, but some of them will apply over a long period of time. Like it or not, governments, corporations and individuals must acknowledge that there will be “new normals” to abide by, and these new rules of the game will continue to evolve. Businesses must find a whole new way of thinking about strategy and operations in order to survive, let alone succeed, in the new world.

#### Is this West-to-East power shift real?

Sure. Politically, economically, socially and culturally the central axis of the world is tilting towards Asia. As of 2010, the GDP of Asia is close to one-third of the world, and more than four trillion dollars are traded in Asia alone. It is alarming how few Western politicians realize the extent of influence that the Asian Economy imposes. Some time ago, most Asian students and workers traveled across the Pacific and Atlantic to learn and work in the West. Now, new technology research, product innovation and creation of intellectual property are attracting the best talents back to Asia. One study shows that, in ten years, more people in Asia will apply to Chinese MBA programmes than will apply to those in the US.

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How do you explain that the Asian economies fared relatively well during the recent economic crisis?

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Many state foreign currency reserves as the reason for the quick recovery, but few recall that Asia went through a similar bout of hardship more than ten years ago. It was a hard lesson and we learned a great deal. Industries and companies were restructured, downsized, sold for almost nothing to foreign capital. Many families were destroyed. People lost their jobs, livelihood and, most importantly, their dignity. It was common news back then to read about white-collar men in their forties and fifties seeking hard labor and, worse, committing suicide. It took us more than ten years to fully come out of that experience. The whole nation worked together to improve the transparency of our capital markets, enhance global competitiveness through technology investment, and provide a better social welfare system and affordable healthcare. The Obama administration's stimulus packages and fiscal policy were a swift and sure move, but in my opinion, the market's judgment on recovery is rather hasty and worrisome. Let there be no doubt: these things take time to heal! I believe a more substantial, comprehensive restructuring plan should be implemented to ensure the optimistic outcome in the long run.

You launched the World Knowledge Forum (WKF) soon after the Asian crisis. What was the impetus behind this initiative?

I always believed that for a country with virtually no natural resources and a small domestic market, the key to prosperity lies in developing a "knowledge-based economy". I wanted to bring together the brightest minds of our times and provide a framework to overcome our ignorance of the global financial system, the complacency of local policy makers and the arrogance of academics. The WKF was an earnest effort to learn from the West and not repeat our mistakes. I am proud to say that 2009 was the 10th year of the WKF and the objective still stands as true today as it was 10 years ago. We have succeeded in terms of contributions from a vast array of sources of intelligence and experience around the globe: CEOs, scholars and heads of states gather to share their thoughts and opinions. Korean businesses pick up valuable strategies and innovative ideas.

What are your plans for the future of the WKF?

My hope for the future of the WKF is to find real implementation plans from these discussions, to help governments and companies to make better decisions and collaborate with each other to create new value in the global market. I also hope that it becomes a forum where the West can better understand the East, so that we can work with each other to find more constructive measures.

You have mentioned “One Asia” several times in public. Can you elaborate on what “One Asia” stands for?

By “One Asia,” I refer to mostly an economic community similar to that of the EU and NAFTA. I believe the Far East nations of China, Korea and Japan, the ASEAN nations, India and also Australia could be part of this group. Making a common currency such as the euro would be difficult, but establishing an Asian monetary bank could be considered. Also, a separate Asian credit rating agency that better understands the local Asian economy is needed. A good start has been made with the Chiang Mai Initiative, but the Asian bond market and currency swap markets are in their infancy and we still have a long way to go. Nations that partly or wholly use Chinese characters for communication form another similarity basis for an Asian bloc. Furthermore, since China, Japan and Korea alone represent more than 10 times the GDP of the ASEAN countries, there needs to be a firm collaborative relationship among the three countries to make this work. For “One Asia” to bloom into sustainable prosperity, mutual respect for each nation’s markets, based on understanding of the respective cultures and customs, is required.

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What are your views on “big government”?

Naturally, stronger government intervention and stricter regulation, especially in the financial markets, are to be expected. But history teaches us that this should not frighten business – it can be a virtuous cycle. The role of government should be flexible enough to lead, coordinate, aid, and at times co-execute business according to what’s best in terms of a nation’s interest for stable growth and prosperity amid peace. During the national economic develop-

ment phase of the 1960s and 1970s and more recently after the Asian crisis, Korea's government has actively played the role of a "playing coach": it often delivers directions from the sidelines but at times runs with the players on the field. I would call this a "smart government," rather than "big." The important takeaway should be that firms must also learn to include the government as key stakeholder and forecast policies and regulations when developing their corporate strategies. In some countries and industry sectors, this will be the single most important success factor for business.

»» *The key to avoiding protectionism is to create jobs that create new value, not shift the problem from one hand to another.*

Don't you fear that the regional shift will lead to greater protectionism?

«« Protectionism has been a key concern following the economic meltdown. Tariffs on steel and other products and the "Buy American" provision included in the US stimulus package have become issues in global trade. Fortunately, thanks to a better understanding of how the global economy works, no country has enforced a trade law similar to the very harmful US Smoot-Hawley Act of 1930. However, we should beware of the "beggar thy neighbor" policy of protectionism to resolve unemployment issues. The key to avoiding protectionism is to create jobs that create new value, not shift the problem from one hand to another. I am eager to find out what kind of smart exit strategies are used regarding Greece and other European nations in this regard.

How do you look at the "new normal" from an industry perspective?

Industry can learn a lot from the on-going Toyota debacle. Toyota, the automobile manufacturer renowned for its quality and service, with innovation in efficient production and logistics such as Just-in-Time and Kaizen, is in trouble for violating the very beliefs and promises it stood for! The reputation it built over the last 30 years on having respect for people – its customers – and the brand premium earned on the basis of an enjoyable ownership experience have been very seriously damaged. Among the multitude of reasons for Toyota's current predicament, I believe it is essentially an organization and process breakdown issue.

In my opinion, Toyota expanded its global operations but maintained its platform of operations borne from Japan. True “glocalization” - that is, understanding the local environment and customizing systems and work procedures to fit the global setting - was not up to par. Most importantly, customer services before and after the accidents were handled poorly.

What can other companies learn from this story?

We should be aware that in the new world, customers are becoming smarter and will demand better and safer products with life-long services at a competitive price. In a booming growth economy, we were used to companies bombarding the market with a multitude of products that flew off the shelf just by marketing through a Super Bowl ad campaign. Those days will be hard to return to. In a slow-growth economic world, companies should return to taking more interest in customers’ needs. After all, the customer is king.

Financing new investment opportunities is also difficult in these times. What do you suggest?

Finding investors is difficult. But it is identifying a worthwhile business opportunity that is the issue. A careful investment strategy, with “cautious optimism” at its core, is the key. The familiar high-risk, high-return may not necessarily be true. Short-term quick profits should be traded for long-term stable cash flow. If you read the global megatrends right, and you start focusing on your customers, there are interesting opportunities that companies could look into.

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Can you share some of the opportunities that come to your mind?

Natural disasters such as earthquakes, floods and hurricanes are becoming more and more prominent on the earth’s agenda. These uncontrollable acts of nature, coupled with the increase in human population, will exacerbate food and raw material shortages in the near future. Returning to investments in the primary industries such as agriculture and horticulture has potential for healthy returns.

Global firms are already looking into overseas plantations and institutional farming for new business opportunities. Urban farming and vegetable greenhouses are also aligned with energy-saving local food production and thus meeting the sustainability standards of the new world. All these opportunities will of course require technology developments to make economic sense.

#### What technologies do you foresee to have potential for growth?

Last year, the Hollywood film Avatar took the entertainment world by storm. Its 3D visuals showed us a brand new way of experiencing movies. Recently, Samsung and LG showcased their 3D TV technology. 3D is a technology that has the potential to create a new home media market and also to revive the movie theatre market by premium pricing. Avatar's ticket sales in terms of numbers were lower than those of Titanic, the former record holder for the highest-grossing film. It was its 3D feature that enabled a higher pricing strategy to be realized. It clearly demonstrates that customers are willing to pay a premium for services that cannot be duplicated anywhere else. Smart phones are another technology segment that show great potential. Currently headed by iPhone in the consumer segment and by Blackberry in the business segment, there will be more challenges ahead for this all-in-one telecommunications device market. Only recently, the iPhone was launched in Korea, creating a sensation for smart phones. Renowned for being a test bed for new IT trends, Korea could be a battleground for smart phone hardware and software, where the winner will take the spoils in the global market.

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#### How about green technology?

Green technology, referring to clean renewable energy such as solar, wind plus nuclear energy, will also be the mainstream normal in the future. Grid parity for solar power is becoming closer every day, and some sources suggest that it will be a reality in the US by 2015. Sustainability and corporate social responsibility are also the norm in creating a long-term vision and strategy for today's companies. Since most large conglomerates in Korea are involved

in manufacturing, reducing CO2 and becoming energy-efficient is a top management priority for them. Despite the only partial success of the recent Copenhagen Climate Summit, it's only a matter of time before green technology meets these challenges. It will definitely become a clear differentiating factor in global corporate competitiveness and has the potential to become the spearhead for economic growth in the 21st century.

*What are your key concerns in the media industry?*

The media industry should now be coined the "knowledge industry," as creation and presentation are just as important as delivery of information. Now, exclusive content is dominating the news and generic information in itself holds limited value. As we can discover with internet sites such as Wikipedia and YouTube, consumers of media are participating in the creation of content themselves, making this open-source idea a very exciting business opportunity for media companies. However, this prosumer (producer+consumer) trend comes with abuses that include usage as political propaganda, unfair smearing of private individuals and, at times, downright fraud. Infringement of privacy and human rights is another issue we should be aware of, as in the case of Google in China. I believe a bi-partisan stance is critical for a media company in these times and objectivity with a moral sense is essential for journalism.

*Will technology be an important enabler in this area?*

The hardware and software industry for the delivery of content has grown explosively with the introduction of the various new media and is expected to sustain its growth. Tailored media services that meet the needs of individual viewers are almost commonplace in cable and satellite TV. Maeil Business is continually looking into new technologies such as IPTV and Web 3.0 that act as enablers of this one-to-one customer service value proposition.

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What other insights would you like to communicate to the global market?

I covered a lot of ground in talking about the future of industry, government and even the global political landscape. The new rules or normal will continue to evolve. We still cannot be absolutely sure what the future will bring. However, I am quite certain that collaboration, convergence and community will be the sustaining concepts to be successful no matter what kind of change lies ahead. Nations, stakeholders in business, consumers and producers, government and business need to work together to find mutual benefits. Convergence of multiple technologies, innovative new business models combining products and services, need to be incorporated in business strategy. But by far the most essential aspect is a sense of community to overcome differences in religion, political beliefs, race and color that will aid our sustainability efforts. We need to make an honest effort to better understand and accept differences and realize that we are indeed all connected as a single community.