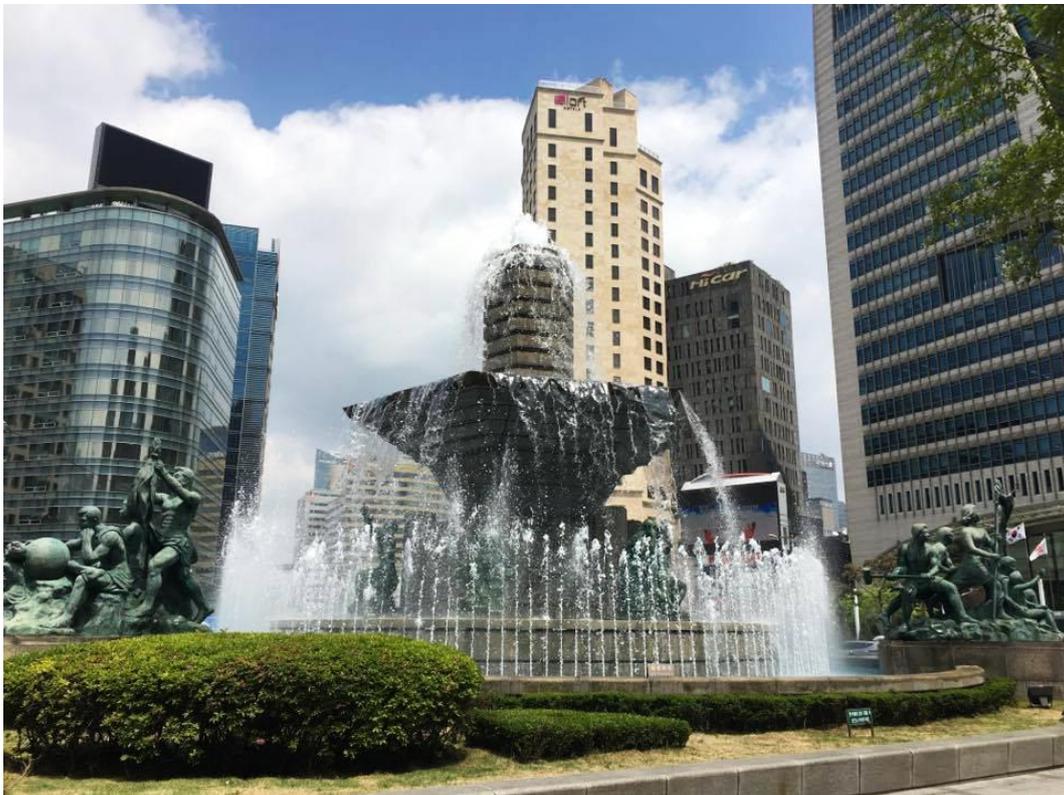


Travel Report

# Seoul

10 – 12 May 2017

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# Background

With a firm grip of the 4<sup>th</sup> and 11<sup>th</sup> place as Asia's respectively the world's largest economy, South Korea has been one of the recently fastest growing global economies. In only one generation, the country evolved from one of the poorest nations to highly developed and is included in the group expected to dominate the global economy in the 21<sup>st</sup> century. This has been possible due to a focus on international commerce and signing free trade agreements covering the majority of the world including EU and Sweden. Consequently, South Korea has become Sweden's 4<sup>th</sup> largest export market in Asia with great opportunities for scaling up the quantity. In addition, South Korea is in the industrial forefront in several areas where Swedish companies are competitive, making South Korea and Seoul a highly interesting visit target for students with a educational background within Industrial Engineering and Management. Last year, two members of CITO travelled to Seoul to visit not only the Swedish companies Ericsson, SAAB, H&M but also the Swedish Embassy. This year, in order to expand CITO's relations, update previous ones and update the view of South Korea and its industries, the CITO members intend to visit other companies situated in Seoul.

Another fact that makes South Korea an interesting travel destination besides the industrial and business-linked background is the extremely strong so called Korean wave. This ongoing phenomenon is (and has been for decades) widely spread in the South East Asian region and includes an enormous popularity for entertainment and culture originated from South Korea. A visit to the source for the hype could definitely enhance the understanding for what's going on in the modern parts of Southeast Asia.

## Purpose

The purpose of the trip is primarily to experience the dynamic and rapid moving business climate in South Korea on site, and to hopefully being able to apply some of the information learned in our own careers later in life. Furthermore, us being able to visit parts of Swedish companies located in South Korea gives us the opportunity and goal of being able to form an understanding of the challenges and possibilities that arise with this situation, both from the point of view of the company as a whole and of the individual employees.

Another item we hope to achieve is to strengthen the relationships that have been created by former CITO-members, and even more so to create new long-lasting relationships with the companies that we intend to visit. Of course, experiencing the country with its history, young spirit as well as the amazing cultural phenomena of the Korean wave is also one of the leading goals of the trip.

# Visits

## Swedish Chamber of Commerce Korea, 10<sup>th</sup> of May

Upon arrival at Shinil Building in Seoul, the CITO officers were immediately met and greeted by our host - Hedvig Lunden-Welden. Since 2014, Hedvig is the general manager of SCCK and runs the business from her office, which is shared with numerous other Swedish companies including Business Sweden which she collaborates widely with.

As described in *Background* and *Purpose* above, the CITO officers went to this meeting with hope to learn more about the Korean business culture, the society, trends and being introduced to facts useful for the remaining trip. To the CITO representatives great satisfaction, the expectations were well exceeded and the representatives very much enjoyed the two hour long talk and discussion.

Regarding the content, the visit started with Hedvig explaining the daily operations of SCCK, including planning future events, communicating with members to increase the value and usefulness of the chamber as well as running administration. The structure of SCCK is simple and consist of Hedvig who alone run the daily operations. In turn, Hedvig report her work to a board led by a chairman. With over ten years of experience in banking, Hedvig moved to South Korea and Seoul in 2008 after her husband had been employed in the city. Upon arrival, Hedvig operated as the chairwoman for the volunteer organization SWEA's Seoul department, which is an organization for Swedish women abroad. Later on, Hedvig was encouraged to apply for the position at SCCK "and the rest is as they say; history".

SCCK began operating in South Korea in 2012, when a joint initiative was taken by Swedish companies in the region. For the opening ceremony of the organization, the King of Sweden, Carl XVI Gustaf, attended to inaugurate the office. Today, SCCK has a little over 50 members of different size. The membership fee is based on the revenue of the member, where the largest companies have a membership fee of 1.3 million Korean Won (KRW) per year, whereas the smaller actors' membership fee is 250 thousand KRW.

SCCK operates as a platform where parties are brought together in events to develop new contacts. In addition to hosting events exclusive to its member companies, SCCK also collaborates with other chambers of commerce. For example, in a joint effort with SCCK's Finnish counterpart, a golf competition between the members is hosted annually, informally called "The Finnkampen of Golf". Another concrete example of how SCCK's platform works is a corporate social responsibility project, which aims to improve the situation and future of young orphans in the Korean society. By encouraging their members to join the project by helping the orphans to gain some work experience, SCCK hopes to inspire them and make possible a life beyond poverty.

Except from looking into SCCK's daily business and reality, the CITO representatives also got the opportunity to raise their questions to a macro level. Hedvig happily shared a reality of the Korean society which appear prosperous for Swedish companies. The presidential election held just upon arrival of the CITO officers resulted in a president with a more soft attitude towards North Korea, which speaks for a stabilized political environment. Instead, the U.S is to

be considered the biggest influencer of the order in the country (and in fact, the entire region). In short, the situation in Seoul doesn't indicate on any reason to accept anything else than business as usual. There is, however, a threat on another front which could potentially influence the business climate in South Korea negatively. This threat has risen due to the installation on South Korean soil of an American anti-ballistic missile system called THAAD (short for Terminal High Altitude Area Defense). Due to the proximity, this move has provoked China to the point where a drop in both Chinese tourists and willingness to do business has been noticed in South Korea. Should this behaviour continue, it could influence the entire South Korean economy, and therefore also Swedish companies in the region.

The products and services of large Swedish companies including Saab, Volvo Trucks, Högånäs, Atlas Copco and Ericsson et al. are all attractive in Korea. None the least, the Swedish companies are much appreciated as employers among Koreans. According to Hedvig, the reason is the Swedish work culture with a flat organization and free flow of communication are the complete opposite of the Korean counterpart which is extremely hierarchical. Therefore, more and more local people seek themselves to the Swedish (or European) companies to have a life including more opportunities to influence, family time and security instead of lifelong employments and a constant strive up the company ladder with extreme working hours as a consequence.

Finally, Hedvig held a generous session of what to do and expect from Seoul and when leaving the meeting, the CITO officers concluded that they couldn't have had a better start for their Seoul trip.



*CITO representatives together with Hedvig Lunden-Welden at SCKK.*

## **Business Sweden South Korea, 12<sup>th</sup> of May**

On Friday the 12th of May, the CITO officers were back in Shinil Building, this time to meet with Yeonyoon Choi (Consultant) and Axel Brangenfeldt (Project Manager) at Business Sweden. Business Sweden has operated in South Korea since 1997, and work in many different ways to promote and support Swedish companies in the region and to attract investments from South Korea to Sweden. Globally, Business Sweden has approximately 500 employees, and are present on a little over 50 markets spread throughout the globe. The value propositions of Business Sweden are to help companies to grow international revenues by achieving shorter time to market, to find new sources of revenue and to reduce the risks of business.

Prior to the visit, the CITO representatives believed that Business Sweden's long lasting local presence in Korea has generated a deep understanding and expertise in regards to the marketplace, and thereby hoped to gain a deeper understanding of the South Korean business climate. The expectations were well met, and the representatives both agreed that the visit provided an even broader and somewhat deeper overall understanding of the business climate in South Korea seen from a Swedish perspective.

The ways into the organization of Business Sweden are many, and they vary a lot from person to person. Axel and Yeonyoon's own histories are good examples of just how different these paths may look. Axel's academic background started with dreams of becoming an archaeologist, and he attended a Swedish university to study subjects related to this. He soon realized, however, that he wanted to do something different and moved to Australia to pursue a bachelor's degree in International Business. After finishing, he studied two years for a master's degree in Management, of which he spent half a year in Korea. He applied to Business Sweden Korea after graduating, and has now worked at the company for over five years. Yeonyoon, on the other hand, was born in Korea, moved to Sweden early in her life and has studied Mechanical Engineering at Kungliga Tekniska högskolan in Stockholm. After graduating, she started working at a project in Uppsala called "Spårtaxi", which was funded by a Korean company. Due to her knowledge in engineering, ICT and the Korean language, she was later found to be a great fit into Business Sweden's organisation.

When it comes to the daily operations of Business Sweden, the CITO officers learned that they discover new business opportunities not only by analysing the market situation and contacting relevant companies, but also by getting contacted directly by companies interested in their services. They can assist companies who want to enter or grow on the South Korean market with everything from establishing contacts, giving strategic advices, providing services related to international expansions and BSO (Business Support Office) services such as providing office space and accounting services. In short, Business Sweden can be useful and assist in everything from making go-to-market strategies, finding business partners and establishing local offices. When asked the question, Axel revealed that one of the best things about working at Business Sweden is the variation of tasks and the wide range of companies you get to work with.

Regarding collaboration with other branches of Business Sweden, Yeonyoon and Axel explained that they have close collaboration globally and particularly in the APAC region, with regularly held meetings, information exchange and collaborations. It is not uncommon for companies to want to find the most fit

market for their business by searching through multiple markets at the same time, and this makes for great collaboration opportunities between Business Sweden's offices.

On the question of Sweden's performance in Korea, both Axel and Yeonyoon addressed retail, industrial machinery, heavy industry, gaming, life science, clean tech and ICT as sectors where Swedish companies are most prominent. In South Korea, people associate "the Swedish brand" with innovation, high quality, safety and premium. Products from South Korean companies are generally cheaper, which is why the closest competitors to Swedish companies are usually other international companies that compete on the basis of innovation and quality.

Axel and Yeonyoon also enlightened the CITO representatives about some important things to consider when doing business in Korea. Similar to the situation in other Asian countries, the company structure in Korea is more hierarchical, than in, for instance, most European companies. There is also a bigger emphasis on building long lasting relationships and earning trust before conducting business. However, according to Yeonyoon, the current trend is that these attributes of business are becoming less and less obvious to find in every Korean company. When asked what to think about when going to a meeting with Korean representatives, Yeonyoon and Axel explained the following:

- Always receive business cards with two hands, and wear formal clothing.
- Do not be surprised if asked questions about personal matters such as age or marital status.
- The "respect your elders" term has a more prominent meaning in Korean culture, but being courteous and polite usually goes a long way.

When it comes to communication, South Koreans usually expect quick replies from emails and telephone calls. Because of this, a regular vacation period in Sweden with an autoreply of "*I will be back in a couple of weeks.*" might be seen as a sign that you are perhaps not interested in doing business

To conclude, the CITO representatives were both highly satisfied with the visit, and would like to thank Axel and Yeonyoon for taking the time to host us, and for the generous explanations and rewarding discussions.



*CITO representatives together with Yeonyoon (left) and Axel (right) at Business Sweden South Korea.*

## Scania Korea, 12<sup>th</sup> of May

The CITO officers' final visit during the Seoul stay took place in the Gangnam district at Scania's Korea office. On site, the officers were fortunate to meet with Kaj Färm (Managing Director) and Ola Davås (CFO) who shared their own stories as well as providing a fantastic insight to the business of Scania in Korea.

After serving a delightful cup of coffee, our hosts gave a brief introduction and presented some key numbers for Scania's business in Korea. As the situation looks today, Scania possesses around 12 % market share where the competition mainly comes from the domestic giant Hyundai and smaller actors such as Tata Daewoo. Scania's business in Korea includes sales of various trucks, both for commercial use and for heavy equipment, i.e. trucks developed for constructional use. The observant reader may pay attention to the fact that the bus market isn't included in the markets in focus of Scania Korea, even though Scania's buses are widely spotted in the rest of the world. The reason for this is simple; Hyundai possess more or less a monopoly in this market segment and is well protected by regulations, making it very difficult (not to say impossible) for new or foreign actors to penetrate the market.

The most important competitive weapon Scania possesses is a highly developed and sophisticated technology that makes the Scania trucks the most environmentally friendly. Due to this fact, both Kaj and Ola drew parallels between Scania's success in Korea and the eco-friendly products, claiming that Scania is as most competitive in markets just like Korea's where the regulations are strict concerning allowed emissions. Scania's sovereignty in efficient motors with low emissions has also created a new business area for the company, whereupon the engines are sold to other manufacturers in Korea. However, Kaj and Ola clearly pointed that they don't sell their engines to competitors which of course is a strategic decision to maintain competitiveness and the core value proposition.

When the discussion reached the main product itself - the trucks, our hosts explained that the way of doing business in Korea is slightly different from Sweden and Europe. Instead of drawn-out purchases preceded by long specifications of requirements and waiting times for customization, Koreans prefer quick sales where the customer in most cases expect to drive the truck home after looking at it. Due to this cultural difference, Scania sell their trucks in well-equipped condition through both their own sellers and resellers on commission. The trucks are built in Europe and are furthermore body assembled and stored in Korea, whereas the components are manufactured and shipped from Södertälje, Sweden.

Upon the question about potential general differences between businesses and Scania in Korea compared to ditto in Sweden and Europe, both Kaj and Ola addressed the same issues and cultural differences as our previous hosts including a rigid hierarchy, long working hours, high level of education and lifelong commitments to corporations. Furthermore, the two executives explained that the labour unions in South Korea are extremely powerful and can even be harmful to the company. While listening, the two CITO officers got the impression that the unions' focus is rather set to actively attempt to cause as much problem as possible for the company, instead of enhancing the work conditions for its members, which is more recognized from the CITO officers' own experiences from Sweden. However, Kaj and Ola also added the fact that a fairly low percentage of the labours in Korea are members of the union, which keeps the extreme cases

and implications to a manageable level.

Another interesting insight into the South Korean' business reality that the representatives gained at Scania is the fact that the ten (10) largest corporations in the country generates roughly 84 % of the entire GDP, but only employs five (5) % of the population. The conclusion is that the large domestic conglomerates and dragons including Samsung, Hyundai and LG all apply an extreme level of outsourcing from smaller independent actors.

When asking what kind of management style Scania practices, Kaj and Ola explained a fusion between the traditional Korean management style and the western ditto. At the same time, the executives explained how they saw themselves be in a favourable position regarding the attraction of young talents to the company. A slowly shifting attitude away from the total work commitment and more towards a balance between work and free time is a trend that Scania sense beneficial to what they offer.

Finally, the visit ended with our hosts sharing their own way to where they are today. Kaj explained how he had joined Scania in Finland as a manager and thereafter stayed at the company for 20 years, with duties also in Australia and Sweden before arriving to South Korea. Meanwhile, Ola is a Chalmers alumni who combined studies within electrical engineering with studies at Handelshögskolan in Gothenburg. After been working for two years, Ola joined Scania and ended up in Seoul after serving in Malaysia and Norway. Both executives agreed upon the fact that the ways into the organization of Scania are several, but specifically addressed the trainee spots in Södertälje which is possible to apply for each year as a possible entrance for interested students. Possibilities to write master theses is also mainly providing in Södertälje.

The CITO representatives would officially like to direct their sincere gratitude towards Kaj and Ola for taking their time to host us and generously sharing their knowledge and interpretations, and for providing rewarding discussions in a relaxed environment. To conclude, the CITO representatives are more than satisfied with the visit.



*CITO representatives together with Kaj (left) and Ola (right) at Scania Korea.*