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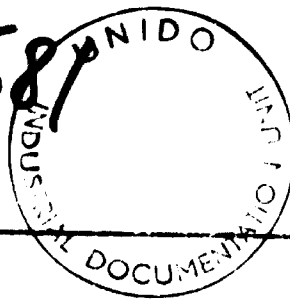
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PLANNING AND ESTABLISHMENT OF A MANAGEMENT INSTITUTE,  
(IS/ROK/72/033)

REPUBLIC OF KOREA . (1975).

Terminal report prepared for the Government of the Republic of Korea

by

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United Nations Development Programme

We regret that some of the pages in the microfiche copy of this report may not be up to the proper legibility standards even though the best possible copy was used for preparing the master fiche

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**A. SUMMARY**

1. Management development and management consultancy services in the "industrialized" countries grew naturally and gradually as a necessary component of natural growth in free-enterprise competitive environment. In Korea, where the industrial sector has expanded at such a phenomenal rate in the past fifteen years, this component has been slow to develop and has been unable to grow naturally to meet the needs of industry. In the early seventies leading industrialists voiced concern over this deficiency, and initiated a research project to determine how industry could help itself to fill this need. Following a request for assistance, a survey project commenced work in Seoul in September 1974 under sponsorship of the United Nations Development Programme.

2. By 1974 Korean industry was feeling the full effect of the international recession in world trade and, in consequence, priorities had shifted and interest in the project had waned. However, this change in business environment accentuated the very weakness in industry that had, up to that time, been recognized by but comparatively few industrialists. During the course of the six month assignment discussions were held with all interested parties. This activity raised the issue anew and revitalized resolutions. In consequence, negotiations commenced to finalize plans to construct an industrial services centre for completion by 1977 and the mission was thereby able to formulate specific recommendations to marry with these plans.

3. These recommendations detail a programme of work, to commence as soon as possible, as a preparatory phase for the management institute project. This first phase programme is detailed in Appendix IV. The main objectives of this phase are shown as:

- (a) To select, induct and train a nucleus of national staff, a core staffing upon which to build the management institute organization.
- (b) To complete an intensive promotional/consultancy programme in four selected sectors of industry, to stimulate interest and to gain

the support of the leading companies of Korean industry.

- (c) To develop specific management development programmes based on the practical experience gained in industry, programmes that would receive guaranteed support from the leading industrial companies.

4. These recommendations take into consideration, and are conditioned by, the specific findings of the survey covering the major points:

- (a) Availability of national staff with the necessary qualifications and experience.
- (b) The limited financial resources available to cover initial operational costs.
- (c) The general level of understanding and acceptance of industry concerning the value of management consultancy services.

## B. INTRODUCTION

5. On April 28, 1972 a General Meeting of the member organizations of the Federation of Korean Industries (FKI) adopted a resolution to establish a management institute

- to provide intensive training in modern management to modern managers and to upgrade and advance Korean management skills and practices.

This resolution followed events initiated in 1970-71 when certain industrialists first began to question the strength and scope of existing support services in management training and management consultancy fields. Two missions made exploratory surveys on the subject, one by UNIDO in February 1972, and one by the Educational Project Survey Mission of IERD in March 1972. Both confirmed that these specialized support services had not developed in step with industrial growth. Both missions recognized that external assistance would be necessary to help accelerate future development and recommended that industry deserved support in their efforts.

6. FKI submitted a request through the Ministry of Science and Technology

(MOST) in August 1972 for assistance from UNDP resources. Assistance was sought to research industry's requirements, to advise on the conceptual organization of the proposed management institute project, and to make recommendations concerning initiating programmes for the institute. (Terms of reference - Appendix I). This request was supported by the Government and UNDP, and field work commenced in Seoul in September 1974 with a planned completion date March 1975).

### C. FINDINGS

7. The main objectives of this assistance project could be divided into three major areas:

- (a) Survey of existing management development and management consultancy services.
- (b) Survey of management practices and problems in Korea's industry.
- (c) Advice and recommendations to FKI executives concerning strategy and tactics for developing the management institute project.

8. Following meetings and discussions with the major organizations operating in management development and management consultancy fields it was clear that all are experiencing similar operational problems. In general terms, industry is not currently investing in management development activities at a level necessary to support a full range of services. Certain "popular" activities can be promoted economically, such as quality control courses, top management seminars at resort locations, and a limited range of supervisory training courses. Unpopular or "new" activities, particularly those concerned with techniques to improve efficiency, to monitor and control performance levels, and to develop effective management information systems, prove difficult and expensive to promote. In consequence, a tendency exists for training organisations to over-supply in a limited range of popular activities and this competition limits revenues and thereby limits growth and expansion of activities. General agreement was reached that a way must be found to involve the large influential companies in management consultancy and management development activities. With assured support and participation

from this sector of industry on a long term basis it would be possible to expand and extend activities to meet the needs of the industrial sector as a whole. The concept of establishing a national management institute through the FKI, which represents all the major industrial organizations in Korea, would therefore assist all training organizations as the institute would take over the main burden of educating management and promoting modern management concepts.

9. Management consultancy services are not yet established as a component part of the industrial infrastructure in Korea. In many cases management techniques are imported as part of the operational know-how of industrial processes. Also, the services of overseas consultants are sometimes utilized, usually through the partner organization of a joint-venture project, or as a component of a technical assistance agreement.

No Korean organization has emerged to pioneer a commercially based consultancy service. Any organization attempting to build up a commercial service must maintain a substantial proportion of its work in the larger companies. Here, assignments are usually of long durations, selling and operational costs are predictable, and the large company accepts that it has to pay professional fees for professional services. With a reputation made in the large companies, and a reasonable assurance of continuing revenue from this sector, a consultancy service could then extend operations to the medium and smaller industries where risk factors are higher and selling costs relatively unpredictable.

10. The major portion of the assignment was devoted to the survey work covering management practices and problems in Korea's industry. A preplanned tour of industries and industrial estates was completed, but proved to be valueless for the purposes of this study. A method was thereby formulated, with assistance from FKI, for the expert to conduct a management audit assignment at seven organizations selected from the group of large companies that dominate the industrial sector. With preparation, reporting, and travel time included, each assignment took approximately one week to complete. Reports were submitted to the top managements of all seven organizations (listed Appendix II).



These surveys covered in detail the major aspects of plant operations including:

Organization structure,  
Line and functional separation of responsibilities and activities,  
Major management techniques and principles employed,  
Staff development and succession plans.

Observations and recommendations were made covering problem areas through discussions with managers and executives. The areas covered included:

Organization of management of industrial operations,  
Quality control and inspection,  
Production planning and control,  
Management of engineering and maintenance services,  
Costing, cost control, budgetary control systems,  
Management of research and development and associated technical services,

Introduction of industrial engineering services and other "efficiency promoting" techniques,

Development of managerial skills in technically trained and technically oriented managers.

11. In general terms, the survey revealed that managements in Korea area currently facing what are to them new problems. The recent change from a soft "sellers-market" to a hard depressed "buyers-market" continues to raise questions which managers are unable to answer. Questions concerning pricing, profitability projection, product costing and product mix factors etc. can not be answered satisfactorily within their own organizations. Managements are also concerned with efficiency factors, labour costs which increase annually by at least 20%, operating costs that have escalated following the increased costs in fuel and power, and the fact that markets have shrunk and selling prices are depressed. Throughout the development of industry in Korea emphasis has been placed on marketing and technical aspects of industrial operations. Under the favourable conditions that have existed up until the

1973 recession, and further supported by Government policies geared to encourage industrial expansion, a company was successful if it was able to make and market its product. In consequence, operational management structures are heavily weighted on technical aspects, and functional services are underdeveloped.

12. Of the seven surveys completed, only one plant had developed an organization structure where specialized servicing functions were separate from line management. Even here, planning, engineering, personnel services and technical service functions were subordinate to production management and even further removed from the marketing and financial management functions. No examples were found where servicing functions were staffed by qualified specialists. No examples were found where functional managers were involved in the decision making process of operational management. No examples were found of the use of specialist staff engaged in efficiency promoting activities: industrial engineering, methods engineering, waste control, personnel administration, quality control, production planning and control, management information systems, management accounting and cost control systems for example. In general terms, all seven organizations were controlled through a marketing/financial management head office function, production established as a technical function under instruction from head office, and where the production function is assisted in its task by servicing sections attached to production departments to support operations. Whilst this style of management may be adequate in a favourable marketing environment and where production capacities are easily filled, a new approach is needed in a situation where it is necessary to maintain production at optimum lack of efficiency in order to ensure continuing viability and continuing growth. Korea's industry has experienced a sudden change in environment and whilst the future remains uncertain, it does appear certain that Korea will not regain its competitiveness in world markets that it has previously enjoyed.

D. RECOMMENDATIONS

13. In recent years industry has been Korea's most dynamic sector of the economy. Current national planning seeks a continuing growth of this sector at around 13 percent per annum, a growth rate almost twice that planned for the overall GNP. The sector's contribution to export targets is even more significant. By 1976 the sector is expected to produce 90 percent of total exports. Heavy reliance is thus placed on the continuing successful expansion of this private enterprise oriented sector of the economy. Recent changes in world economic and trading conditions make these targets appear over ambitious perhaps. Nevertheless, Korea must maintain its competitive position and ensure that its existing industrial resource is efficiently utilized. To this end, much will depend upon the competence and skills of managers at all levels.
14. On the surface there appears to be a proliferation of management training activities and a variety of organizations in this field of activity in Korea. The combined effort, however, lacks substance as the leaders of industry, the major industrial force, are not involved in it. The establishment of a national management institute, vigorously supported by the major industries in Korea, will provide the necessary spiritual and institutional leadership that is currently lacking. Our recommendations are therefore principally concerned with realizing this first objective, the establishment of a nucleus organization of top quality professional consultants to service the needs of large industries in the first place and to later extend these services, in cooperation with other training organizations, to supply the needs of the industrial sector as a whole.
15. It is recommended that the FKI seek further assistance from UNDP resources to complete a programme of work as a preparatory phase for the management institute project. Current planning anticipates permanent facilities to be completed by late 1977. The project is designed to commence an institute programme in advance of this date:
- (a) To select, induct and train a nucleus of national staff, a core staffing upon which to build the management institute organisation.

- (b) To complete an intensive promotional/training programme in four selected sectors of industry, to stimulate interest and to gain the support of the leading companies of Korean industry.
  - (c) To develop specific training programmes based on the practical experience gained in industry, programmes that would receive guaranteed support from the leading industrial companies.
- (Draft Project Document and Summary - Appendices III and IV).

16. At this stage it would be pure conjective to attempt to allocate priorities for programmes to be implemented in 1978. Industry must support this institute in the long term and, therefore, industry must be allowed to establish its own priorities in the long term. In the initial stages, however, the larger companies will be called upon to take the lead and support the embryo and infant phases of the institute's growth. Planning must therefore first take into consideration the specific needs of this sector of industry and establish priorities in accordance with this sector's view of its own needs. With the large companies supporting the institute and participating fully in its programmes, the necessary foundation will be established upon which to build an institute of national status.

17. These remarks refer mainly to planning and programming during the preparation phase and establishment stage of the institute. In the long term, however, the institute must aspire to be recognized, both nationally and internationally, as Korea's principal authority and accredited leader in management fields. It is therefore recommended that one single predetermined objective is established to fulfil this aspiration. We consider this objective should be to establish a programme or programmes offering accredited training for managers and executives who are destined to occupy industry's top level positions in due course of time. Research and preparations work for this activity should therefore be included in the institute's programme from inception, and the objective maintained as a permanent objective of the institute. By so doing, the institute will establish its status nationally and also ensure that it maintains the necessary long-term linkage with industry's leaders.

APPENDIX I

JOB DESCRIPTION

IS/ROK/72/033/11-01/10

Post title: Corporate Planning Adviser

Duration: Six months

Date Commenced: 14 September 1974

Date Completed: 4 April 1975

Duty Station: Seoul

Purpose of Project:

To assist the Federation of Korean Industries to explore the possibility of establishing an institution designed to provide intensive industrial management development, to advance and upgrade management skills and practices in Korea, and to co-ordinate, integrate, and improve existing and relevant management assistance programmes.

Duties:

The expert will be attached to the Federation of Korean Industries (FKI) and specifically, he will be expected to:

- (1) Carry out a preliminary survey of management practices and problems in Korea's industry;
- (2) Advise FKI on the finalisation of an organization structure of the proposed management institute;
- (3) Recommend appropriate means and programmes for a services of management clinics, management consultancy services, management development and training.

APPENDIX II

List of Companies Participating in the In-Depth Survey  
of Management Practices and Problems

1. Lucky Ltd. Established 1947. Manufacturer of chemical goods; luggage, vinyl sheets; tooth paste, toilet and laundry soap, glycerine, stearic acid, synthetic detergents.
2. Chonbang Co., Ltd. Established 1952. Manufacturer of cotton yarns and fabrics, blended spun yarn and fabrics and worsted spun yarn.
3. Hankuk Glass Industry Co., Ltd. Established 1957. Manufacturer of sheet glass, tube glass and glass block.
4. Whashin Sony Co., Ltd. Member of Whashin Industrial Co. Inc. Established 1931. Manufacturer of Television sets, Transistor radios and amplifiers, loudspeakers.
5. Whashin Renown, Inc. Member of Whashin Industrial Co., Inc. Established 1931. Manufacturer of polyester jersey, polyester textured yarn, cotton corduroy, knitted fabrics, textiles, various ready made garments, sweaters, etc.
6. Ilshin Spinning, Co., Ltd. Established 1961. Manufacturer of Cotton yarn, cotton fabrics, cotton and synthetic fibre, blended yarn and fabrics, raw cotton, textile machinery and spare parts.
7. Kyungbang, Ltd. Established 1919. Manufacturer cotton yarn and fabrics, cotton blended yarn and fabrics, synthetic yarn and fabrics.

APPENDIX III

United Nations Development Programme  
Project of the Government of  
Republic of Korea

**Title:** Industrial Management Institute

**Number:** \_\_\_\_\_ **Duration:** Three years

**Section:** Industry

**Subsection:**

**Government Co-operating Agency:**

**Executing Agency:**

**Date of submission:**

**Starting Date:** July, 1975

**Government Contribution:** Won 330,800,000.-  
(US\$ 682,000.- equivalent)

**UNDP Contribution:** US\$ 393,800.-

**Approved** \_\_\_\_\_ **Date:** \_\_\_\_\_

\_\_\_\_\_ **Date:** \_\_\_\_\_

\_\_\_\_\_ **Date:** \_\_\_\_\_

I. BACKGROUND AND SUPPORTING INTRODUCTION

A. Justification for the Project

1. In recent years industry had been Korea's most dynamic sector of the economy. Current national planning seeks a continuing growth of this sector at around 13 percent per annum, a growth rate almost twice that planned for the overall GNP. The sector's contribution to export targets is even more significant. By 1976 the sector is expected to produce 90 percent of total exports. Heavy reliance is thus placed on the continuing successful expansion of this private enterprise oriented sector of the economy.
  
2. It has long been acknowledged by Government that the successful development of the industrial sector requires support in number of fields. One of these covers the provision of facilities and programmes to help supply industry with the managerial talent it requires. The development of management education facilities has been promoted successfully, and there are currently more than forty in Korea. However, the typical manager in industry is not a business graduate. Industry usually requires its managers to possess an engineering/technical educational background; industry also requires its managers to be equipped with specialised managerial skills tailored to suit the needs of each industrial plant.
  
3. The development of facilities and services in Korea to assist industry establish and maintain its core of managers has not followed in step with the growth of this sector. In the past ten to fifteen years industry has developed in a "sellers market" environment. The sector has been built up by businessmen and trading organisations motivated and supported by Government policies. In this period the major concern of the pioneer industrialist has been to gain maximum



advantage from Government policies to support his project; to establish suitable marketing arrangements for his product; and to acquire the necessary technical "know how" to manufacture his product. Success in these areas ensured a successful venture. Throughout this period therefore, the sector as a whole has not been forced to strive to maximize efficiency in the managerial sense. The sector has been slow to adopt modern management techniques; and slow to accept the need to train its technically oriented managers and business oriented top management in the new skills required to run industrial organizations at optimum efficiency. In this environment Government efforts to assist in establishing management development facilities and management consultancy services in Korea have not received support from industry at the level necessary to ensure their continuation as viable ventures. Major projects, such as the Korea Productivity Center and the Medium Industries Bank Extension Services, have made significant contributions in promoting management development and management consultancy concepts. Also, in recent years, a number of privately sponsored organizations have entered this field and offer a variety of management courses and seminars. Nevertheless, since around 1970 many leading industrialists have come to realize that the real needs of industry were not being met by this proliferation of unco-ordinated activities. A growing criticism emerged following the recognition of the gap that exists between the business and academic communities in Korea, of the gap that exists between theory and practice.

4. Industry first raised the question concerning management development needs within their own federation, the Federation of Korean Industries (FKI), in 1970. The FKI Board of Directors took up the question officially in 1971 when the possibility of setting up a national management development facility was first discussed. Following reports

from preliminary surveys undertaken by the IBRD Educational Development Project Survey Mission (March 1972) and an exploratory UNIDO mission (Feb. 1972), the FKI resolved to establish a management institute (General Meeting April 28, 1972). Since 1972, little tangible progress has been made to establish the institute, although various tentative plans have been drafted by FKI staff. Following a request through the United Nations Development Programme for assistance to further explore the establishment of a facility designed, "to provide intensive training in modern management to modern managers and to upgrade and advance Korean management skills and practices", a UNIDO mission commenced operations in September 1974.

5. By late 1974 however, the effect of the international recession trend had completely changed the business environment in Korea. Under the "buyers' market" condition and diminishing demand prospects, industry faced a new and challenging problem. In turning to assist industry meet this challenge, the FKI has had to relax priorities on its management institute project. The changed environment has however tended to highlight the very weakness in industry that has been of major concern of the FKI and industrial leaders since 1970, the very weakness that initiated the original proposal to establish a management institute. Managements in industry are currently seeking solutions to real operational management problems, perhaps for the first time. Even in the largest and most progressive industrial enterprises information systems are unable to supply managements with the data on which to base decisions. The latest UNDP/UNIDO mission has experienced the benefit of working in this changed environment. During the survey of manufacturing plants undertaken by the expert, plant managers

were found to be questioning efficiency factors, cost criteria, cost control systems, profitability budgeting, pricing policies etc. Although this survey covered a selected group of manufacturers from amongst the largest and most progressive units, the general situation at plant management level clearly identifies a lack of experience and expertise in functional management specializations. The survey also clearly indicates that, through experiencing the change in business environment, management are more than ever aware of their deficiencies and are more receptive than in the past on accepting innovation and change in managerial practices.

**B. Institutional Framework**

6. Management development and management consultancy activities have been encouraged and supported in Korea from Government resources since the establishment of the pioneer Korea Productivity Centre project in 1957. The second major organization in this field commenced operations in 1967 as the Extension Services Department of the Government sponsored Medium Industries Bank. In addition to Government support, both projects have also received substantial assistance from the United Nations Development Programme and the US Agency for International Development.
  
7. Whilst both projects have achieved much in this period in promoting concepts and in educating managements, neither has received the degree of support from the industrial sector as a whole that was originally expected. In recent years the combined activities of both organizations have declined and Government support of the KPC has been withdrawn. None of the privately sponsored organizations that have entered this field of activity in recent years undertake programmes of significant magnitude or scope to cover national needs. No single institution

has envisaged with the status and support necessary to aspire for recognition as a centralized authority concerned with meeting the needs of industry in management training and management development fields.

8. In view of the growing proliferation of unco-ordinated activities, industrialists first raised the question of establishing a national institute of management in 1970 through their own federation, the Federation of Korea Industries. It was inevitable that, in this private enterprise oriented sector, no Government sponsored or Government influenced body would be accepted by industry as a national management institute in the long term. Industry therefore delegated the responsibility of establishing an institute to support their needs to the FKI, and pledged their financial support (General Meeting April 28, 1972). In its attempts to fulfill this obligation to the members the FKI sought assistance from UNDP resources.
  
9. The Federation of Korean Industries (FKI) is an independent, non-profit organization composed of leading industrial and commercial firms and business organizations in Korea. Its 246 regular members and about 1,200 associate members currently constitute over 70 percent of Korea's Gross National Product. The goals of FKI are:
  - the enhance economic and industrial development, preserve

and strengthen free enterprise, maintain economic stability and increase employment, improve productivity and living standards, and ensure maximum opportunity for the Korean people.

- To encourage private foreign investment, increase exports, and promote closer economic co-operation and friendly relations with and amongst business circles throughout the world.

**C. Provision for Government follow-up:**

As it is envisaged that long-term support of the project will be undertaken entirely by the industrial sector, no specific provision for Government follow-up is envisaged. Growth and development of the institute will depend on what the industrial sector requires and what support it gives to the institute.

**D. Other Related Activities**

As an established centralized authority, the proposed management institute would link directly with the academic sector on all aspect of management education. The institute would automatically establish links at national level with sister organizations both in the industrially development world and amongst the developing nations. The institute would also act as an advisor to the FKI on the federation's role as the linking mechanism between industry and government.

**E. Future UNDP Assistance**

As one of the institute's major roles is envisaged as a channel for industry in Korea to import new management concepts and techniques from overseas, a long-term association with international technical assistance agencies is anticipated. It is to be expected that assistance would be sought from any area to help to meet the needs of the industrial sector as and when they are identified or requested.

## II. OBJECTIVES OF PROJECT

### A. Long-term objectives

1. The project is intended to improve the quality of professional managers in the industrial sector and thereby improve the overall efficiency of industry as a whole. Korea's industry must constantly strive to maintain its competitive position in international markets in order to grow in accordance with national planning expectations. Success in this endeavour will, to a large extent, depend upon the quality of industrial management at all levels.
2. The project will provide spiritual and institutional leadership devoted to the upgrading and advancement of Korean management skills and practices.

### B. Immediate objectives

The immediate objectives of the project are summarized as follows:

1. To select, train and develop the small team of Korean professional specialists which will constitute the core staffing of the proposed management institute organization.
2. To plan and implement a two-year work programme designed to promote the principles of scientific management through practical demonstrations in chosen industrial sectors. Each demonstration, or management clinic exercise, would undertake a pre-prepared series of consultancy assignments in pre-selected plants chosen from the companies collaborating in each clinic activity. This approach will allow a range of assignments to be completed simultaneously and in sufficient depth and detail for use as patterns of real practical value to participating companies. Whilst these cases would be used to develop case-studies for future use in general training activities.

This work programme would also promote the management institute project, and provide the practical experience component for developing the professional experience of the national staff.

3. To develop, in the basis of the experience gained in industry, suitable training programmes for top management and middle management.
4. To assist in the planning and establishment of the proposed management institute facility.
5. To establish a national management institute devoted to supporting management and improving the quality of managers in the industrial sector of Korea; to act as a co-ordinating body for all activities in its field of interest; and to act as the link between industry and the academic community appertaining to current and future needs.

### III. WORK PLAN

#### A. Location and durations of the activities:

Preparatory activities to be carried out by the Federation of Korean Industries to ensure the timely implementation of the project.

<u>Activity</u>	<u>Location</u>	<u>Duration</u>
A) Complete financing arrangement (foundation for the insitute)	Seoul	by end 1975
B) Complete arrangements concerning enactment of law or charter in establihsing the institute	Seoul	by end 1975
C) Establish composition of the beard of Governors/advisory council or suitable policy guiding body	Seoul	by end 1975
D) Arrangements concerning accomo- dation and support services for project	Seoul	by end 1975

To commence following arrival of project team leader (mid 1975)

<u>Activity</u>	<u>Location</u>	<u>Duration starting date</u>
a) Recruitment and induction of Korean professional specialists (with FKI)	Seoul	3-6 months, mid '75
b) Planning and preparation work for first management clinic	Seoul	6 months, Aug. '75
c) Promotional work for institute and management clinic series	Seoul	6 months, Aug. '75
d) Establishment of temporary accomodation and support services	Seoul	2-3 months, July '75
e) Planning and programming of fellowship programme	Seoul	8 months, Aug. '75
f) Training and development of Korean staff, including initial familiarization period in local industries; a fellowship programme and selected consultancy training assignments in local industries	Seoul	24 months, Aug. '75
g) Planning and programming clinics - Management clinic I (spinning and weaving sector) on site - Management clinic II (to be planned) - Management clinic III (to be planned) - Management clinic IV (to be planned)	Seoul	4-6 months Aug. '75 March '76 Oct. '76 March '77
h) Conduction of clinic programme - Management clinic I - Management clinic II - Management clinic III - Management clinic IV	on site	3 months Mar. '76 Aug. '76 Mar. '77 Aug. '77
i) Preparation and design of course material, including collection and writing of cases	Seoul	18 months July '76



<u>Activity</u>	<u>Location</u>	<u>Duration starting date</u>
j) Planning and scheduling of institute's regular programme following establishment of permanent facilities	Seoul	continuous Jan. '77
k) Support to FKI in establishing facilities for institute	Seoul	continuous
l) Progressing selection recruitment and training staff required following establishment of permanent facilities	Seoul	continuous from mid '77
<b>B. Description of UNDP Inputs</b>		
<b>1. Assignment of international staff:</b>		
a) Senior Management Consultant (team leader) Job requirement: all round knowledge and experience in management consultancy in a range of varied industries: experience in management development and training fields: proven administrative ability. Will be responsible for co-ordinating the work of the international team and work undertaken by sub-contracted (or short-term) elements	Seoul	36 m/m July '75
b) Industrial Accounting Expert Job requirements: broad experience in a wide range of industries in industrial accounting, costing, and cost control systems: experience in management consultancy, consultancy training, and management development programmes.	Seoul	24 m/m Jan. '76
c) Industrial Engineering Expert: Job requirements: broad experience in introducing industrial engineering concepts and techniques and associated modern management techniques in a wide range of industries. Management consultancy, consultancy training, and management development experience.	Seoul	24 m/m Jan. '76

- |   |                     |                          |
|---|---------------------|--------------------------|
| d) Techno/managerial consultants<br>(sub-contracted, or through agency<br>channels). Job requirement:<br>possessing specialized techno-<br>logical/managerial skills to<br>support special needs of management<br>clinic programme as identified<br>during planning and preparation<br>periods. It is anticipated that<br>all short term consultants would<br>possess specific in-depth experience<br>in the various industries participating<br>in each clinic programme | Seoul<br>or on site | 24 m/m<br>from March '76 |
|---|---------------------|--------------------------|

2. Training Provisions:

Four fellowship programmes, each of four months duration, for studies and tuition at management institutes and management consultancy organizations abroad. Fellowship holders will be selected from the team of Korean specialists appointed at the commencement of the project.

3. UNDP provided supplies and equipment:

a) Expendable equipment	US\$ 3,000.-
i) Books	
ii) Subscriptions to periodicals (2 years)	1,000.-
iii) Office equipment	1,000.-
b) Non-expendable equipment	
i) Vehicles - 1 car	4,000.-
1 mini bus	6,000.-
ii) Office equipment - electric typewriter and dictation machine	1,000.-

4. Miscellaneous

a) Operation and maintenance of equipment	500.-
b) Reporting costs	1,500.-
c) Sundry	3,000.-
d) Mid project review	4,000.-

**C. Description of Government inputs:**

**1. Financial Obligations**

As it is envisaged that all local inputs will accrue from private sector sources, no provision is made for direct Government support.

Inputs from private sector funding will include the following:

- a) A trust or foundation to cover cost of land, buildings, equipment, and furnishing of the management institute facility planned for completion by mid 1977.
- b) An annual contribution from FKI members (plus grants, etc.) to support the cost of operation of the institute. This will be required to cover the local input support of the project programme initially, and the support of the management institute in the long-term. (whilst all major activities of the Institute will eventually be revenue generating, it is unlikely that this source of income will cover all operating cost in the short to medium term. It would therefore be prudent to anticipate the need to establish some source of regular income as a permanent requirement, to be reviewed as and when necessary).

**2. Assignment of national staff:**

Initially, the small team of local staff and project support administration staff, secretarial staff, and drivers will be sufficient to support the programme planned.

It is envisaged however that additional staff will be recruited prior to the establishment of the permanent facility for preparation work and for training, and further staffing additions will be required to support the regular programme and services provided by the institute.

**Initial complement:**

	<u>Location</u>	<u>Starting Date</u>
a) Director (designate) of the Institute acting as team leader of local staff and co-manager of project activities	Seoul	July 1975
b) Management Consultant (Trainee) General Management/marketing	Seoul	by July 75
c) Management Consultant (Trainee) Industrial Accounting	Seoul	By Dec. 75
d) Management Consultant (Trainee) Industrial Engineering	Seoul	by Dec. 75
e) Management Consultant (Trainee) Personnel Administration	Seoul	by Dec. 76
f) Management Consultant (Trainee) Industrial Engineering	Seoul	by Dec. 76
g) Senior Administrative Officer	Seoul	by Aug. 75
h) Assistant Administrative Officer		by Dec. 75
i) Secretaries and Clerical Staff as required		

**3. Buildings, equipment and supplies**

a) Land, buildings and premises (permanent)	W 228 million
b) Rent of temporary premises	W 15 million
c) Equipment and furnishing	W 15 million
d) Vehicles	W 4 million

**4. Miscellaneous**

a) Operation and maintenance of equipment	W 6 million
b) Travel and contingencies	W 6 million

1975

1976

1977

1978

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Financial Arrangements

Charter Arrangement for Institute (FKI)

Recruitment of Local Staff

Preparation & Planning, Clinic No. I

Conduction, Clinic No. I

Preparation & Planning, Clinic No. II

Conduction, Clinic No. II

Preparation & Planning, Clinic No. III

Conduction, Clinic No. III

Preparation & Planning, Clinic No. IV

Conduction, Clinic No. IV

Training & Development of Local Staff

Fellowship Programmes

Design and Development of Course Material

Planning of Institute Programmes

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IV

Project Budget Covering UNDP Contributions

in US Dollars

Country Project No. Title	Total		1975		1976		1977		1978	
	m/m	\$	m/m	\$	m/m	\$	m/m	\$	m/m	\$
Project Personnel Component Exports										
Senior Consultant (team leader)	26		6		12		12		6	
Expert-Industrial Accounting	24				12		12			
Expert-Industrial Engineering	24				12		12			
Component Total	(84)	232,000	(6)	18,000	(36)	108,000	(36)	108,000	(6)	18,000
Subcontract Component Short Term Consultants	24	100,000			12	50,000	12	50,000		
Training Component Individual Fellowships	16	16,800			8	8,400	8	8,400		
Equipment		16,000		11,000		4,000		1,000		
Miscellaneous		9,000		500		1,000		6,000		1,500
Grand Total	124	393,800	6	29,500	56	171,400	56	173,400	6	19,500

**Project Budget Summary Co. Annual Contribution in Man**

(Local currency) Man x 1,000,000

	Total m/m man	1975 m/m man	1976 m/m man	1977 m/m man	1978 m/m man
<b>Project Personnel</b>					
Director (designate) (co-Manager)	36	6	12	12	6
Consultant (general Management)	36	6	12	12	6
Consultant (Industrial Accounting)	30		12	12	6
Consultant (Industrial Engineering)	30		12	12	6
Consultant (Industrial Engineering)	18			12	6
Consultant (Personnel Management)	18			12	6
<b>Component Total</b>	<b>(168)</b>	<b>(12)</b>	<b>(48)</b>	<b>(72)</b>	<b>(36)</b>
			14.4	18.0	10.8
<b>Support Staff</b>	<b>10</b>	<b>1.0</b>	<b>3.0</b>	<b>4.0</b>	<b>2.0</b>
<b>Land, Buildings, Equipment</b>	<b>262</b>	<b>4.0</b>	<b>7.0</b>	<b>231</b>	
<b>Miscellaneous</b>	<b>12</b>	<b>1.0</b>	<b>4.0</b>	<b>4.0</b>	<b>3.0</b>
<b>General Total Man 330,000,000.--</b>	<b>168</b>	<b>12</b>	<b>43</b>	<b>72</b>	<b>36</b>
<b>(Equiv. US\$ 632,000.--)</b>			28.4	277	15.8

APPENDIX IV

United Nations Development Programme  
Project Summary Government of  
Republic of Korea

Project Title: Industrial Management Institute

Number: Date of Submission:

Sector: Industry Subsector:

Proposed Duration: Three years

Proposed starting date for full project operations: July 1975

Amount requested from UNDP: US\$ 393,800

Proposed Government Counterpart Contribution:

Won 330,800,00 (total US\$ 682,00)

Project Applicant: The Federation of Korean Industries

Chairman: Kim Yong Man

10, Kwanchul-dong, Chongro-Ku, Seoul, Korea



I. Background

- 1) In recent years industry has been Korea's most dynamic sector of the economy. Current national planning seeks a continuing growth of this sector at around 13 percent per annum, a growth rate almost twice that planned for the overall GNP. The sector's contribution to export targets is even more significant. By 1976 the sector is expected to produce 90 percent of total exports. Heavy reliance is thus placed on the continuing successful expansion of this private-enterprise oriented sector of the economy.
  
- 2) It has long been acknowledged by Government that the successful development of the industrial sector requires support in a number of fields. One of these covers the provision of facilities and programmes to help supply industry with the managerial talent it requires. With Government's support, management education programmes have multiplied in recent years to where there are currently more than forty higher institutions offering business management courses in Korea. Government has also supported the promotion of management training and management consultancy services for industry since the late fifties. Although industry has been slow to recognise the essential value of such services, the sector now aspires to take the lead in this field and create a national institute devoted to the upgrading and advancement of Korean Management skills and practices.
  
- 3) Industry seeks to establish this institute through their own federation, the Federation of Korea Industries (FKI). FKI is an independent, non-profit organization composed of leading industrial

and commercial firms and business organizations in Korea.

It's 246 regular members and about 1200 associate members currently constitutes over 70 percent of Korean Gross National Product. The goals of FKI are,

- to enhance economic and industrial development, preserve and strengthen free enterprises, maintain economic stability and increase employment, improve productivity and living standards, and ensure maximum opportunities for the Korean people.
- to encourage private foreign investments, increase exports, and promote close economic co-operation and friendly relations with and amongst business circles throughout the world.

Plans are currently in hand to construct an integrated centralized service facility for industry. Industry seeks to include management training and management consultancy services as a major activity of this centre under an institute of national status.

- 4) In view of the above, the Government requests UNDP to assist the Federation of Korean Industries establish the management institute. Although industry has already pledged their general support of the project, it will nevertheless be necessary to undertake in - depth promotional programmes to gain specific support from the major industries and large companies that lead the industrial sector. It will also be necessary to create the highly qualified and experienced human resource required to staff the institute. The UNDP is asked to provide international expertise to assist industry, through the FKI, to establish their own management institute.

## II. The Project

- 5) The major long-term objective of the project will be improve the quality of professional managers in the industrial sector and thereby improve the overall efficiency of industry as a whole. The project will also provide spiritual and institutional leadership devoted to the upgrading and advancement of Korean management skills and practices.
  
- 6) The immediate objectives of the UNDP assisted component of the project are as follows;
  - i. To select, train, and develop the small team of Korean professional specialists which will constitute the core staffing of the proposed management institute organisation.
  - ii. To plan and implement a two-year work programme designed to promote the principles of scientific management through practical demonstrations in chosen industrial sectors. This work programme would also promote the management institute project, provide the practical experience component for developing the professional experience of the national staff, and also provide case material for use in future training programmes.
  - iii. To develop, on the basis of the experience gained in industry, suitable training programmes for top management and middle management.
  - iv. To assist in the planning and establishment of the proposed management institute facility and in the design and development of management institute programmes.

III. Financial Data

A. Contribution requested from UNDP

Project Personnel Component

total  
m/m      US\$

Experts

Senior Consultant (team leader)	36	
Industrial Accounting expert	24	
Industrial Engineering expert	24	
	<hr/>	
Component total	84	252,000

Subcontract Component

Short - term consultant	24	100,000
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Training Component

Fellowship programme	16	16,800
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Equipment Component

Expendable equipment		9,000
Non-expendable equipment		<hr/> 11,000
Component total		16,000

Miscellaneous

Operation and maintenance of equipment		500
Reporting costs		1,500
Sundry		3,000
Mid project review		<hr/> 4,000
Component total		9,000

Grand Total

US\$ 323,800  
~~252,000~~

B. Proposed Government Counterpart Contribution in kind

	<u>total</u>	
	m/m	Won x 1000
<b><u>Project Personnel Component</u></b>		
Co-manager (Director designate)	36	
Consultant (General Management)	36	
Consultant (Industrial Accounting)	30	
Consultant (Industrial Engineering)	30	
Consultant (Industrial Engineering)	18	
Consultant (Personnel Administration)	<u>18</u>	
Component Subtotal	168	46,800
 <b><u>Support Personnel</u></b>		
Secretary, administrative officers, drivers		10,000
 <b><u>Equipment Component</u></b>		
Premises (land, building)		288,000
Rental, temporary premises		15,000
Equipment and furnishings		15,000
Vehicles		<u>4,000</u>
Component total		322,000
 <b><u>Miscellaneous</u></b>		
Operation and maintenance of equipment		6,000
Travel and contingencies		<u>6,000</u>
Component total		12,000
<b><u>Grand Total</u></b>		<b><u>W 330,800,000.-</u></b>

25 April 1975

Dr. Richard Carter  
Chief  
Industrial Management and  
Consulting Services Section

Reference: IS/ROK/72/033/11-01

Dear Dr. Carter,

With reference to my mission in the Republic of Korea, I hereby submit the required draft copies of my terminal report.

This report includes as appendices two documents written during the course of my mission; a draft project document proposal, and a summary of this proposal. These documents were completed on the basis of discussions with executives of the Federation of Korean Industries and in collaboration with the office of the Resident Representative.

Both documents have been in existence for over two months, and it should be noted that in this period the following sequence of events took place:

**January 1975:** Draft Project Document completed in collaboration with FKI executive staff and following discussions with major organisations in related fields of activities; in particular:

Korea Management Association -  
Mr. Kim Sook Dong (Vice President)  
Korea Productivity Centre -  
Mr. Evm Bok Rhee (President)  
Korea Institute of Science and Technology -  
Mr. Yun Yeo Gyeong (Head of Industrial  
Economic Division)  
Extension Services Dept. Medium Industries Bank

**February 1975:** Detailed discussions with Executive Vice President of FKI (Mr. Ip Sam Kim) and with the office of the UNDP Resident Representative. Agreement reached to draft a summary of the project proposal as a basis of an official request to Government. Draft summary compiled in English and Korean.

**March 1975:** Mr. Ip Sam Kim discussed draft proposal with board members of FKI and the summary document was then formally submitted to the Ministry of Commerce and Industry.

April 1975: Mr. Ip San Kim has personally followed up this formal submission through discussions with the Minister of Commerce and Industry. He informed me that the Minister supports the proposal and the request will be channeled through to the Ministry of Science and Technology. During April the draft project document was translated into Korean for use if required in further discussions with Government authorities.

At the time of leaving mission station copies of both documents were with the UNDP Resident Representative. Copies of both documents, in English and Korean were left with FKI, and the Korean summary document was being processed through the Ministries of Commerce and Industry.

I was also informed that negotiations had been finalized for financing the Industrial Centre Building (4 billion won, which includes a 1.5 billion won contribution from Government) (equivalent to about 8.5 million US dollars), and that site work should start in two to three months.

In conclusion, may I take this opportunity to submit for your information a copy of a letter of appreciation presented to me by the President of FKI on my departure from Korea.

Yours sincerely,

William B. Howells





**76.01.13**