

How East Asia Did It: The Basics

- A DRAMATIC CHANGE FROM SINCE 1945
 - Asia used to be LDCs before 1960 with problems of war and famine
 - . Typical predictions on Asia's future
 - . Hong Kong during 1945–1950 (population, from 600,000 to 2.2 million, trade with China, from 40% to 4%)
 - . Korea (War and ideological conflicts)

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- Today Asia accounts for 30% of world output
 - . Japan's real income increased fourfold during 1960 and 1985.
 - . By 1990 only 10% of East Asians in absolute poverty group (25% of Latin America, 50% of Africa and India).
 - . Growing middle class consumer (1 billion)
- A region-wide development

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- COMMON BACKGROUNDS AND STRATEGIES
 - Development from scratch (hungry spirit)
 - Rapid industrialization with traditional value system intact
 - Sharing the notion that "Let's be rich through hard work."
 - Strong leaders except Japan
 - Highly qualified government officials

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- CRITICAL GROWTH FACTORS
 - Quantity of labor
 - Quantity of capital
 - Human capital (quality, willingness)
 - Efficiency of combining inputs (goal, planning, consensus)

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– Quantity of labor

- . Baby boom after 1950 (labor force, people from 15–64)
- . Longer work hours (overtime)
- . Birthrate rose and fell

– Quantity of capital

- . Physical capital (roads, machine tools, telephone, and computers)
 - Financial capital
 - High savings ratio: 16% of GDP in 1960s but 35% in early 1990s (stick and carrot approach, no encouragement to debt unlike US, postal savings bank, negative real interest rate in Latin America)
 - Balance between public and private investment
 - Exchange rate and capital control

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- Human Capital (Quality of labor)
 - . Strong education traditions
 - . Universal, and undifferentiated educational programs for general public
 - . Particularly Asian NIEs:
 - public spending on education on primary and secondary education
 - educated girls as widely as boys
 - but discrimination in labor market
 - labor-intensive manufacturing and income equality
 - brutally meritocratic selection
 - discipline

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- Efficiency of combining inputs
 - . The issue of how efficiently turning inputs into outputs
 - . Total factor productivity (56% in Hong Kong, 10% in most poor countries)
 - . Selection process and career life cycle
 - . Tough competition
 - . A Comparison between Russia and East Asia

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- FACTORS AFFECTING ASIAN FUTURE
 - Coexistence of old and new culture.
 - . Collectivist culture with rigid social hierarchy <---->
Growing Individualism
 - . Rural society to urban society
 - Functioning of Government
 - Young Asian countries

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- ISSUES TO BE SOLVED FOR CONTINUED GROWTH

National level:

- Too self-confident (A frog in a well). May need to adapt to low-growth environment.
- Changing Gov't role from promoter to coordinator
- Lack of free market system
- Efficiency of combining inputs

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Company level:

Today

(High Growth Environ.)

Tomorrow

(Low Growth Environ.)

Corporate Strategy:

- | | |
|-------------------------|------------------------|
| – Market share (Volume) | – Quality of MS |
| – Production Efficiency | – Market Effectiveness |
| – Price | – Quality |
| – Diversification | – Competitiveness |

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Company level:

Management:

- National logic
- Centralization
- Management by Relationship
- Global logic
- Mix of centralization and Localization
- Management by System