



# New Challenges and Strategies in the Post-crisis Environments

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## Table of contents

### **Global trends post-crisis:**

**What do they mean for Korea's businesses?**

- How has Korea fared post-crisis?
- What are the long-term global trends that will shape opportunities over the next 20 years?

### **Post-crisis opportunities:**

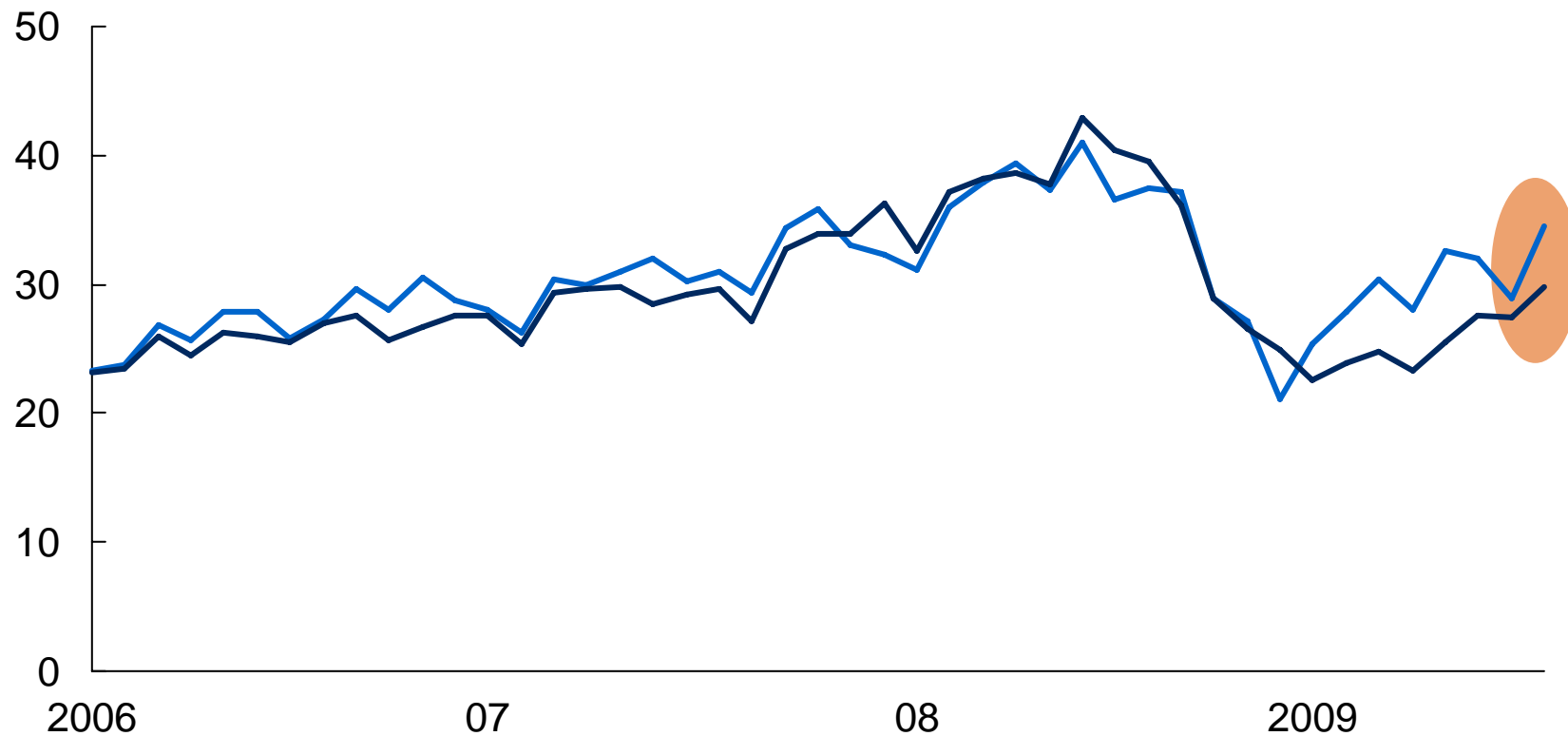
**How to convert it into an opportunity?**

- What enables transformation during crisis?
- How can Korean businesses positively deal with the post-crisis environment?
- What are the learnings from experiences of other companies?

## Korea has fared well during crisis...

**Korea's trade account trend**  
USD Billions

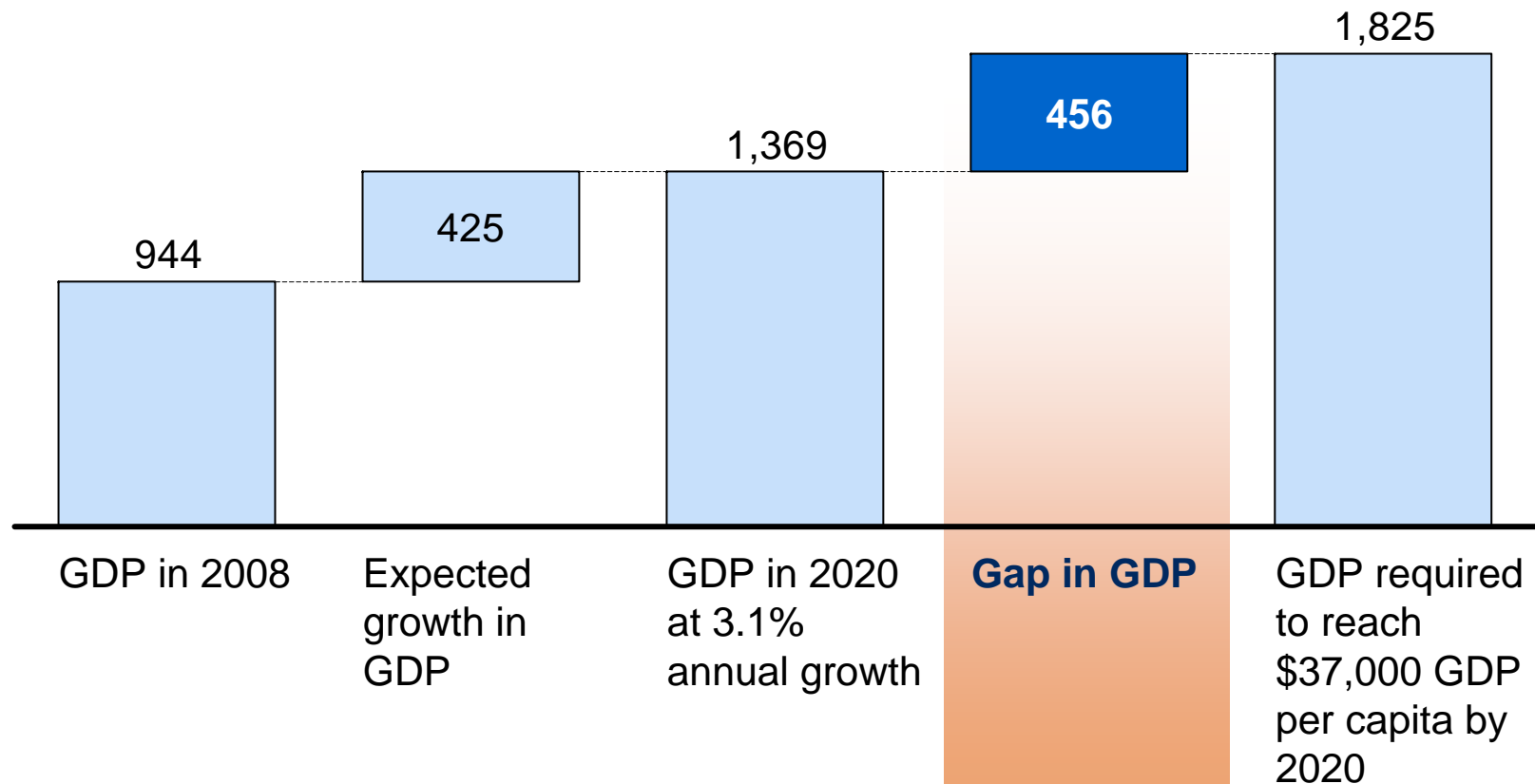
— Export  
— Import



## ... but giant GDP gap remains to reach \$37,000 GDP/capita

### Gap to reach GDP per capita of \$37,000

USD Billions, base year 2005



# Global forces and implications for Korea



**New centers of economic growth**



**Productivity revolution**



**Greater interconnectivity**



**Energy and resource productivity**



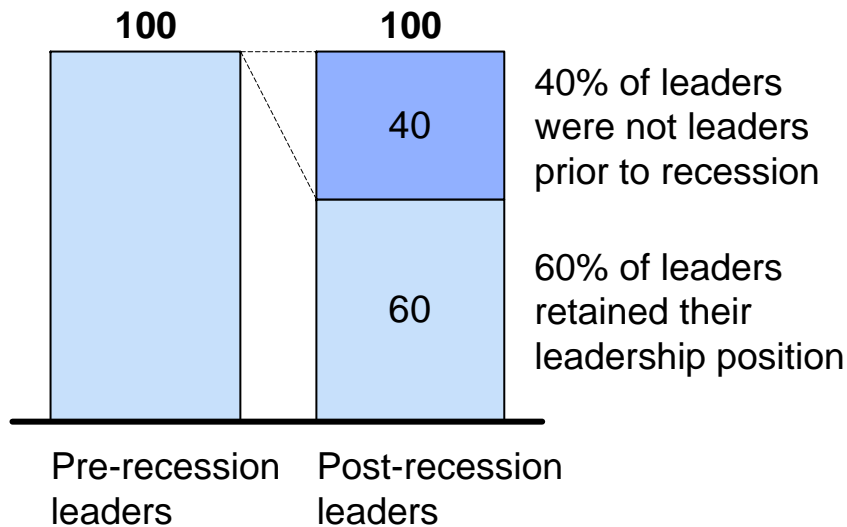
**Changes in roles of government**

# Recessions often bring big industry changes; performance gap between winners and losers is dramatic

Recessions lead to a significant re-shuffling of industry leaders ...

## Leadership changes in recession\*

1998-2002

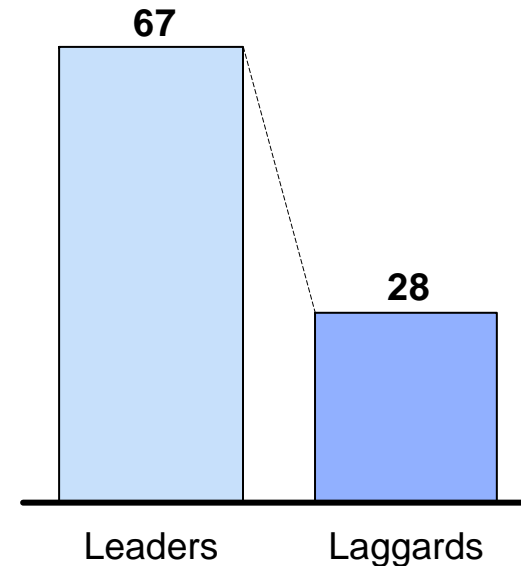


**Only 60% of companies that were top-quartile before the recession retained their leadership position after the recession**

... and the impact of “winning” or “losing” on shareholder value is substantial

## TRS (Total Return to Shareholders)

1989-1993



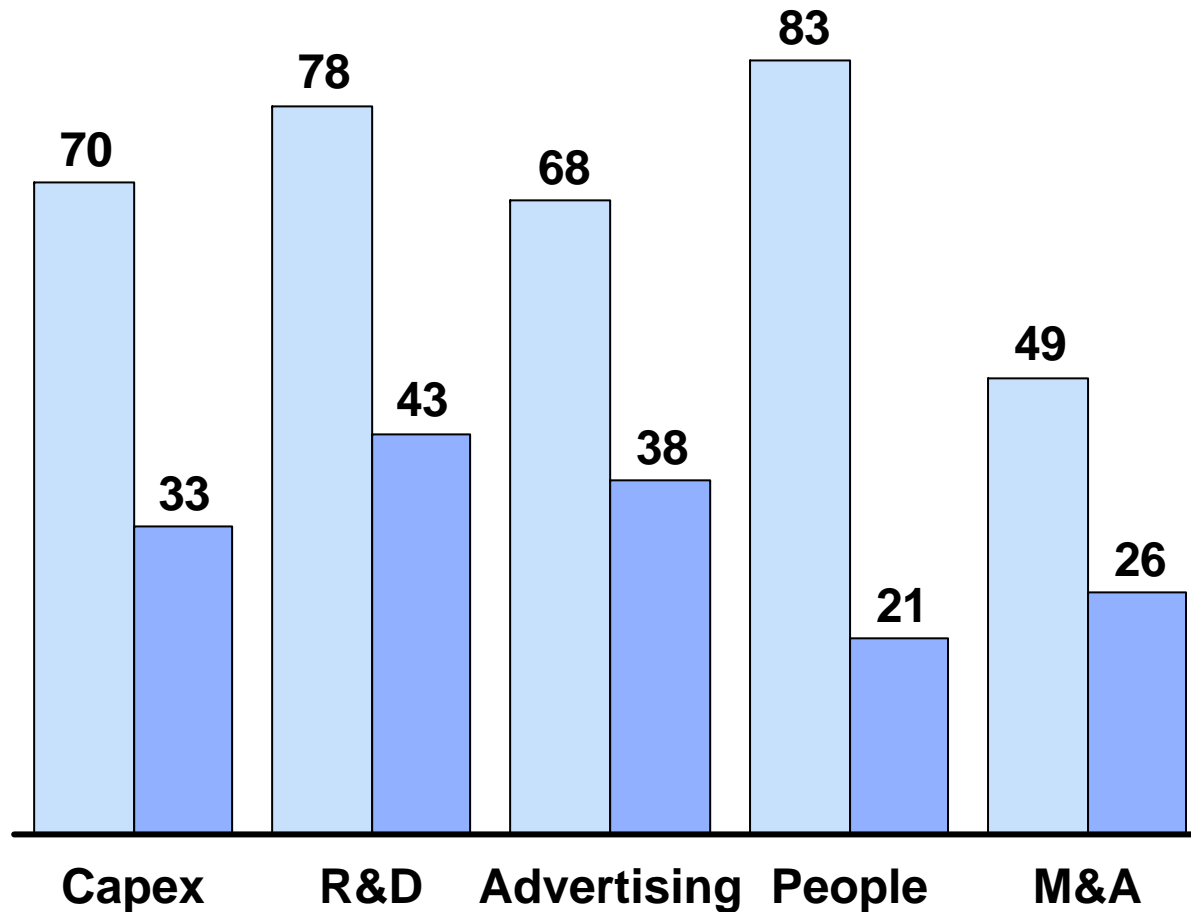
**TRS gap between ‘Leaders’ and ‘Laggards’ is 2X. 2 years post-recession\***

\* Before recession ranking based on 1998 and 1999, after recession ranking on 2001 and 2002; evaluating change in position of 1,024 US industrial companies

# In managing downturns, some companies invest across multiple dimensions while others pull back

Leaders  
Laggards

Per cent of companies increasing investment during recession








- Leaders were substantially more likely to continue investment during recession
- Some laggards also continued to invest, indicating that these levers, although an important part of success, do not by themselves guarantee success

## Converting crisis into opportunity – five themes emerge

1		Operations	<b>“Burn fat . . . ... but build muscle”</b>
2		Innovation	<b>“Give a different steer for innovation ... ... don’t take your foot off the pedal”</b>
3		Business strategy	<b>“Rejuvenate the business experiment lab ... ... to refocus the portfolio and strategic direction”</b>
4		Talent	<b>“Hire specialised skills ... ... and strengthen leadership bench strength”</b>
5		M&A/Business development	<b>“Acquire what you require ... ... and be creative in business development”</b>

# Potential levers to drive the emerging themes

1		<b>Operations</b>	<ul style="list-style-type: none"> <li>• Tighten operations (e.g., manufacturing, supply chain)</li> <li>• Ensure cash sufficiency and accelerate cash flow (e.g., streamline and prioritise planned capex)</li> </ul>
2		<b>Innovation</b>	<ul style="list-style-type: none"> <li>• Sustain innovation momentum by leveraging lower costs</li> <li>• Change the innovation model (e.g., external partnerships and creative deal structures)</li> </ul>
3		<b>Business strategy</b>	<ul style="list-style-type: none"> <li>• Reinvest obsolete business models and practices</li> <li>• Drive structural changes in the business portfolio</li> <li>• Launch targeted business experiments</li> </ul>
4		<b>Talent</b>	<ul style="list-style-type: none"> <li>• Drive skill building and specialised hiring to bridge key gaps</li> <li>• Develop next generation leaders</li> <li>• Strengthen performance management processes</li> </ul>
5		<b>M&amp;A/Business development</b>	<ul style="list-style-type: none"> <li>• Acquire assets/capabilities to build competitive advantage</li> <li>• Strengthen footprint in priority market (ideally “small” deals that don’t require too much senior management focus)</li> <li>• Scout for new customer acquisition opportunities</li> <li>• Explore creative business development and deal structures</li> </ul>

# Adopt a crisis response approach that meets near term needs and yet prepare you for the future





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