


# “Corporatism in Korea: a Yuhan case study”

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# CORPORATISM IN KOREA: A YUHAN CASE STUDY

## Abstract

Yuhan is a small-and-medium-size pharmaceutical manufacturing company in South Korea (Korea). It is well known in the industry as a paragon of credibility and sustainability. Concerning the small-but-powerful firm's remarkable triumph, over the past two decades, a number of academics and researchers have examined the model of management within the context of business management. Yet the firm's corporatist management in terms of validity should be considered beyond the area of business administration. Unlike previous academic works, this paper assesses the Yuhan experiments within the context of corporate corporatism.

The chief argument of this new approach is that corporatism and solidarity grounded Yuhan campaign (stark contrast concepts of neoliberal management) may offer meaningful lessons for the neoliberalism embedded Korean commercial society. While infrastructural conditions of both the public and private sectors are feeble to uphold corporatism, Yuhan style corporate corporatism, as a harbinger of social democratic corporatism, could be an alternative model to supplement such weakness. In rivalry with neoliberal campaigns that persistently creates social polarization and disunity; the solidarism-based Yuhan model would work a solution to overcome threadbare safety net for working and lower middle class in Korean society.

## Keywords

Corporatism, Corporate Social Responsibility (CSR),  
Creating Shared Value (CSV), and social democratic  
corporatism

## JEL Classification

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## INTRODUCTION

Yuhan Corp. (hereafter, Yuhan), a typical small-and-medium size pharmaceutical firm, has been a champion in the Korean pharmaceutical markets and for a long time has been known in industry as a paragon of credibility among Korean society as well as for its sustainability. In 2014, Yuhan ranked at No. 1 in the Korean pharmaceutical market in terms of annual sales. As far as social responsibility and social credit are concerned, in 2003, Yuhan Kimberly (one of the affiliated firm of Yuhan Corp.) ranked 6th for most favored working company in Asia according to the Asian Wall Street Journal. In 2004, it was awarded the golden prize for Corporate Ethics by Korean Association of Business Ethics (KAOBE). In 2007, it was awarded the Golden Prize for Sustainable Management (Korean Management Association: KMA). In 2010, it was awarded a prize for being the most respected company in Korea (KMA). In 2011, it was awarded for being a most favored working place (KMA). In 2012, it was again awarded Golden Prize for most respected company in Korea (KMA). In 2013, it was picked as most desired workplace in Korea yet again. Impressively, since 2004, KMA announced Yuhan as the most respected company for five consecutive years.

With regards to the small-but-powerful firm's remarkable triumph, over the past two decades, a number of academics and researchers paid attention to

the firm's management aspects that encompass constant innovation in technology and management, creative marketing policies, corporative culture between the labor and management, and so on. Yet the firm's corporatist management in terms of validity should be considered beyond the area of business administration. Unlike previous academic works, this paper assesses the Yuhan experiments within the context of corporate corporatism.

Meanwhile, as for literature review, this paper narrowed down to two perceptions, paternalism and liberalistic Corporate Social Responsibility (CSR). While reviewing such interpretations, this paper demonstrates couple of different perceptions like Progressive Corporatism and Social Democratic Corporatism. This comparative benchmark explanation assists us to understand the limitations of the context of paternalism and CSR in analysis of the Yuhan case.

The Yuhan campaigns verified that corporatist management ensures both sustainability (from a business point of view) and at the same time credibility (from a societal point of view). It is based on cooperation and solidarity between the labor-side and the management-side; therefore, the firm's ultimate goal in management distinguishes it from the majority of enterprises (serving shareholders) as it mainly corresponds to stakeholder (and social good) interests. Given this, the goal of this paper is to convince that the Yuhan case will be of great use for the Korean society in establishing cooperation and solidarity-based society. It has been argued that such solidarity-rooted management would provide inspiration to the Korean society, in which people suffer from a lack of solidarity among the major classes and groups.<sup>1</sup>

This paper consists of three sections: theoretical review, empirical evidence, and conclusion encompassing the shortcomings of the Yuhan campaigns and the potentiality. The first section covers the framework (theoretical review) and offers an answer to the origination of the Yuhan campaign that resembles the United States style in the war period focusing on the analysis of the two key leaders' (Yu Il-han and Moon Kuk-hyun) managerial philosophies and relevant practices. It has been argued that the Yuhan campaigns should not simply be understood within the context of paternalism or liberalism. The next section will demonstrate several pieces of empirical evidence that can back the claim that the Yuhan model contains Progressive Corporatism as in the United States in the 1960s. In conclusion, while Korean society suffers from low degree of solidarity among the major classes (labor and capital), such a fragile condition affects social and economic progress. Corporatism originated in the successful Yuhan model would be a very convincing role model for the influential groups of the society (capital and labor class per se). Yuhan corporatism is a harbinger of economic democracy embedded Western European style corporate corporatism.

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## 1. MAIN ARGUMENTS

There are three core arguments in this study. First, Yuhan corporatism goes beyond business management because the corporatism encompasses a number of indispensable social values, such as humanism and solidarity to construct a mature society. Second, the Yuhan campaign in terms of managerial characteristics should not be simply elucidated within the frame of paternalism or liberalistic CSR. Above all, the corporatist management as implemented corresponds to social demands (unity, solidarity, echo friendly, etc.) as well, so it is not merely paternalism originated within firm-specific operations. Furthermore, the Yuhan model designed to

serve for the stakeholder interests rather than to serve the shareholder interest. As for an example of this insistence, the leaders of the firm, particularly the founder Yu, deemed the firm's prime characteristic as 'sociality'. As explained in the following sections, Yu adopted "employee stock-ownership" for the first time in the history of Korean enterprise. Third, Yuhan corporatism has not yet qualified to the same level of Scandinavian corporatism, but with no doubt it is a meaningful prototypical model as it proved that a private firm is to be prosperous and sustainable, even though it did not employ neoliberalistic campaign (a widely accepted dogma among the majority groups of the Korean commercial society). As far as the nature of social democratic

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1 Regarding the index of solidarity in Korea, there is various evidence in the last section of this paper.

corporatism concerns, the Yuhan corporate corporatism has not yet reached the level of Scandinavian social democratic corporatism. Essentially, Yuhan corporatism went through with the pivotal role of the management side leadership, whereas the trade unions were usually subordinated. Although both of parties agreed upon compromise and corporative, it is true that such meaningful corporation was balance of power based institutional mechanism.

## 2. LITERATURE REVIEW

Several previously published literatures mainly stated that the managerial philosophy and relevant policies that implemented by the leaders of Yuhan like Yu Il-han (founder of Yuhan Group) and Moon Kuk-hyun (former president of Yuhan-Kimberly) are adjacent to paternalism. The insistence of a senior researcher from the Korea Labor Institution (KLI), Cho Sung-jae is an appropriate example. Regarding the characteristic of Yuhan leadership, Cho states “Based on the founder’s paternalism, Yuan Kimberly offered unusually high salary and treated the employees in humane manner” (Cho Sung-jae, 2004, p. 4). Basically, as Cho asserts, the leaders of Yuhan are humanists and also they are to be known as philanthropists. However, it does not mean their managerial philosophy is limited by such perceptions. As paternalism focuses on protecting people to give them what they need, such sympathy based approach neglects to the fact that basically, the generous management can hardly give the labors any responsibility or freedom of choice. The leadership of Yu (the founder of Yuhan Corp.) and Moon (Yu’s successor and the former president of Yuhan Kimberly from 1998 to 2005) are a far cry from simply paternalism. There is no evidence that can show that Moon’s management hung around with plain sympathy. Moon executed labor friendly policies based on a constant negotiation, compromise, and mutual agreement between the management and labor sides. Moon’s policy differs from the ordinary (majority) Korean management that mainly serves shareholder’s interests as it concerns the trade union as a strategic partner (one of the core stakeholders). When developing a new policy, such as a lifetime education system within the

perspective of a learning organization, before execution, Moon always tried to convince the trade union first (Cho Sung-jae, 2004, p. 8-10). Similar to the Scandinavian counterparts, Moon found that mutual agreement and compromise are significant resources to overcome such challenges that occurred during the severe economic recession in the late 1990s. Moon led to overcome the crisis by employing the combination of two contradicting objects, such as fundamentalism (or traditionalism) and innovation, sociality and efficiency. This solution is solid evidence that Yuhan management under Moon was not necessarily recognized as the category of fraternalism. Furthermore, the founder of Yuhan, Yu Il-han, adopted “employee ownership” for the first time (in the 1960s) in the history of Korean entrepreneurship. The chief reason for why Yu executed such dramatically progressive policy in the 1960s (in the wake of an infant level capitalism) is that Yu understands the essence of enterprise as of that the ultimate goal of enterprise is to serve society, not to serve the owners, so Yu’s managerial philosophy is far from paternalism.

Meanwhile, in the journal article titled “Lifelong Learning and Corporate Social Responsibility (CSR): Yuhan-Kimberly Story”, Lee and Chang explain the leadership of Yuhan within the context of CSR, along with what Peter Drucker has portrayed, as “knowledge workers” who contribute to social demand in a positive way. This Drucker’s doctrine embedded CSR centered approach seems better than previously mentioned paternalistic explanation. Unlike the CSR approach, the aforementioned paternalistic point of view merely focuses on the sympathy of ownership over labor. However, Lee and Chang point out the merit points of the Yuhan management as that the firm successfully combined both corporate level goal, gaining an above-average profit (so prosperous in the long time) and at the same time to gain respect from the society by corresponding the social demands. And, as Lee and Chang aptly examples, the life-long education program is a quintessential example of the Yuhan case of CSR<sup>2</sup>. As for the Yuhan lifetime education program, Lee and Chang claim that “...workers constantly learn something and accumulate knowledge in the work place through training program, communication

2 The life-long learning program offers the following subjects; economy, current affairs, culture (English) as well as job training.

with colleagues, or experiencing themselves; this continuous learning plays role to make knowledge workers; and then, cultivating knowledge workers is to perform corporate social responsibility” (Lee Kyung-hwa & Chang Young-chul, 2015, p. 2). It is likely that knowledge workers from Yuhan can contribute to the Korean society based on their knowledge rather than as people who are working for only their workplace.

However, the above-mentioned CSR approach has shortcomings as well, although there are meaningful explanations. Above all, the central player within the context of CSR is firm and the core goal of CSR is to maximize firm benefits. The academics at Harvard University found that CSR answers two fundamental inquiries; what companies do to gain their profit, and how they make it (Harvard Kennedy School, 2016). Therefore, inevitably CSR context-based assessment misses the fact that Yuhan corporatism originated from the founder, Yu’s managerial philosophy, which emphasizes ‘sociality’ as the nature of enterprise and solidarity as the core value of corporate culture. As I mention in the next section, Creating Shared Value (CSV) is a better context to elaborate on Yuhan leaders’ distinguished managerial philosophy and related policies.

### 3. THEORY OF CORPORATISM

Corporatism has been defined by numerous viewpoints. As for a political term, it refers ‘system of representation and a process of policy making’ (Oscar Molina & Martin Rhodes, 2002), whereas the economic viewpoint stresses combination of two key concepts, collective wage bargaining and state led social and economic policy bargaining (Oscar Molina and Martin Rhodes, 2002). In respect to political economic perception, corporatism should be understood within the context of social democratic perception as a system that escalates a collective bargaining between centrally representative institutions from employers and labors along with state’s arbitration. Essentially, state arbitration (governance) is a crucial resource, as social democratic corporatism refers to an evolutionary form of governance that consists of three parties, working, capitalist class, and state (Molina & Rhodes, 2002, p. 305). In sum, a social

democratic corporative system contains two key concepts; (1) complicated and consistent negotiation forms under the context of development of democracy; (2) an increase in the government role in arbitration.

To achieve successful collective or central bargaining between representative organizations of employers and employee, it is necessary to build a bargaining structure in achieving the following objectives; employment, income, inflation performance, and social welfare. Among these issues, in the case of Western Europe in the contemporary era, employment issues (wage bargaining and labor market regulation) have continued to be at the center of several European countries, such as the Scandinavian and Austrian industrial relations systems (Molina & Rhodes, 2002, p. 306). Under institutionalized balance of power condition, labor participation into a strategically significant management decision-making process that is known as a key point of economic democracy within the context of Scandinavian corporatism would also to be a realistic preposition.

Given the nature of social democratic corporatism, corporate level corporatism does not necessary focus on state governance. But, the institutionalized bargaining mechanism between labor and management, along with the option in which labor has right to participate in the management process, as a key member of stakeholder, is similar. In this sense, Yuhan corporatism distinguishes from the Scandinavian model as the model misses to obtain economic democracy based institutionalized negotiation tool. It is hard to say that there was an active role of trade union in the development of such a corporatist model.

#### 3.1. Progressive Corporatism

Yuhan management has concepts comparable with Progressive Corporatism, which developed in the United States in the 1960s due to the fact that both models stress consolidation of interests and values from different zones (stakeholders). Since its inception in the 1920s, Yuhan established the ultimate goal as to contribute the society. To realize the end, Yuhan developed a system in which the firm’s profits returns to the society through a non-profit organization. Second, Yuhan is a typical



enterprise that serves for stakeholder's interests. Third, the means of Yuhan management are based on corporatism (solidarity between management and labor). Lastly, while Korean society has persistently failed to create solidarity-based society (in terms of social trend and institutionalization), the Yuhan style corporatism will have greater implications for Korean society to transit from a neoliberal society to a social welfare society.

The central notion of the progressive corporatism in the United States is that "Liberalistic corporatism recognizes the bargaining interests of multiple groups within society, such as in the business, labor, and agricultural sectors and licenses them to engage in bargaining over economic policy with the state" (Frank Bealey, Richard, A., Chapman, & Michael Sheehan, 1999, p. 36). With regards to value share, Stephen claims, "Liberal corporatists believe that inclusion of all members in the election of management in effect reconciles ethics and efficiency, freedom and order, liberty and rationality" (Stephen, 1994, p. 193). As to the origination of progressive corporatism, in 1932 when the world was suffering from the Great Depression, U.S. President Herbert Hoover and business leaders conceived the "share-the-work movement" in a bid to create one million new jobs by cutting working hours of those who were employed and giving the hours to workers who had been laid off. Under the plan, sharing jobs meant that workers shared poverty as well, all of them working and earning less, while employers secured their jobs (Kim Sue-young, 2009). In Germany, a work sharing policy has been used as a critical tool to manage economic jeopardy. Work sharing has enabled German establishments to avoid layoffs and to practice flexibility by hours instead of flexibility by numbers as a human resource strategy. As a compensation for the reduction of working hours due to unavoidable loss of work, they receive short-time working compensation (*Kurzarbeitergeld*) from unemployment insurance, which is relayed to employees according to their individual wage reductions (International Labor Organization).

Concerning the above-mentioned progressive corporatism in terms of involvement of sharing value (job share), as mentioned earlier, Yuhan also implanted similar policies. In an interview, Kim Hun, the chairman of the committee of labor/capi-

tal cooperation of Korea Labor Institution, insists that 'although recession condition, in the long run, more active investment on human development is better than downsizing' (Choi Young-hae, 2005). However, in the wake of the financial crisis in the late 1990s, the majority of firms selected the so-called neoliberal prescription, downsizing. Unlike neoliberalism devotees, Moon from YK created a very creative solution that originated from the following beliefs; (1) keep the people, because they are our hope and at the same time they have the right to work; (2) work share by reducing working hour (four-lift system); (3) overhead costs can be offsetting by constant innovation in technology and management (Moon insists that let us be a world level producer so we can feed all of our men); and (4) better use of labor's spare time (aftermath of four-lift system) for re-education that aims to make as many knowledgeable workers as we can (Moon Kuk-hyun & Cho Dong-sung, 2005). They did not adopt austerity policies such as downsizing the labor force. Instead of executing lay-off policy, YK managers offered alternatives, such as permanent education and preliminary production system like four group shift system, an example of job sharing (Choi Young-hae, 2005). As a result, such progressive corporatism and Yuhan corporatism that specifically emphasizes the need of sharing jobs have proved its practical meaningfulness and such models share extensive aspects with currently emerging Creating Shared Values (CSV).

### 3.2. Creating Shared Value (CSV)

The Yuhan campaigns including the lifetime education program which reminds one of what Michael Porter deemed CSV. Value creation is one of the significant elements out of well-known five Yuhan management philosophies. CSV claims to be more community aware than CSR. Several companies are refining their collaboration with stakeholders accordingly. Under Moon's leadership, Yuhan Kimberly (YK) led social enterprises Recycling Pulp and Massena projects have been carried out the municipal communities (encompassing civil organizations) and these are shining examples of CSV (not CSR). CSV pays attention to the combination of two values, value of entrepreneurship and society. In other words, it consists of relentless efforts to reconcile social interests and corporate interest through a firm operation.

Interestingly, Cho Dong-sung asserts that regardless of vague and somewhat absurd aspects of ideology and political economic system in China, the Chinese Communists are prominent CSV pioneers (Cho Dong-sung, 2005). Since its inception in China in 1949, every organization or institution in both the public and private sector must have Communist Party secrets, even military organizations. In the case of private enterprise, such system allows a firm to harmonize its interest (profit) and at the same time state or society's interests (Cho Dong-sung, 2005, p. 120). However, Cho's argument misses that the Chinese Communist party secretaries mostly took care of their own private interests. According to Korea's news channel, in a CBS special documentary (Sisa Jaki) broadcasted on 26, November 2014, in the past 30 years, approximately 18,000 Chinese Communist Party officials' amount of flight of capital abroad was 3,000 trillion won. Not surprisingly, CBS also disclosed that those who became super-riches in China in the past three decades are (mostly) former Communist Party officials.

### 3.3. Scandinavian Corporatism

The above mentioned progressive corporatism is to be considered as a bridge to move on the Scandinavian style of corporate corporatism, as it emphasizes the pivotal role of governance as a core mediator. Within this progressive corporatism context, "the capitalist companies are social institutions that should require their managers to do more than maximize net income, by recognizing the needs of their employees" (Waring Stephen, 1994, p. 193). For reference, the origination of such progressive corporatism is an axiom of what English liberal philosopher John Stuart Mill referred to as corporatist-like economic associations as needing to "predominate" in society to create equality for laborers and give them influence with management by economic democracy (Samuel Gregg, 2007, p. 109). Concerning the necessary conditions for economic democracy in corporate corporatism, the crucial limitation of the possibility of Yuhan style corporatist practices to expand the Korean society is a lack of power balance between the management and labor or trade unions. There exists a management superiority in bargaining along with the disadvantageous conditions for the labor side; high employment rate, so

under the condition labor unity is an unrealistic preposition due to the absence of central bargaining mechanism because of missing centrally represented institutions for the capitals and labors, and an infant economic democracy.

In order to implement Progressive Corporatism and CSV, there must need a pivotal role of state governance (politics). The vital point for sustainability of corporatism in society as a whole is to answer on how consolidation to be a path dependent. Social democratic corporatism responds to that inquiry by focusing on the institutionalization of collective bargaining. Western European Social Democrats successfully employed "cooperative campaigns" to reconcile this puzzle by creating "voluntary and autonomous institutions, such as trade unions, cooperatives and mutual aid societies that constituted a recognised social force that in negotiated partnership with an enlightened state and responsible employers ran what was in effect a democratic corporatist system. They created publicly funded welfare states based on redistributive taxation, and the establishment of social partnership between capital and labour in the macro managing. Regulation of the market economy was the political outcome of such accommodations" (Robert Taylor, 2008, p. 3-4).

### 3.4. Yuhan Style Corporatism

Since its inception, the Yuhan managers rarely implemented such naked supply-side labor policies like a brutal downsizing. The life-learning program was adopted under the unprecedented financial and economic crisis in the 1990s in order to avoid a brutal neoliberals tic (supply-side) management, such as massive lay-off. The president of Yuhan-Kimberly (YK), Moon thought that life-long learning education would enhance overall productivity and at the same time expected that the obtained productivity would eventually ease negative side-effects like overload employee cost. It can be conceptualized in Moon's understanding on the life-long learning program that 'our knowledgeable workers will contribute to increase productivity and solidarity in the inside company' (Moon & Cho, 2005, p. 11-12). In this sense, the Yuhan lifetime learning program was a response to the demands of sustaining productivity and efficiency and at the same time it is connected with the very fundamental recognition

on labor that “labor is not simply commodity”. It is a harbinger of how T.H. Marshall portrayed social democratic insistence, in that labor is a social right.

Accordingly, unlike ordinary entrepreneurs (capitalists and professions in management), Yu and Moon firmly identify the social characteristics of entrepreneurship. As for reasonable justification for this statement, there are several pieces of evidence, including Yu’s will that contains sociality and Yu’s solidarity-rooted policy that includes an employee-owned system. Moon was Yu’s successor and his policies include a permanent education system within learning organization context, labor welfare policies, and work share policy. In short, the two leaders of Yuhan, Yu Il-han and Moon Kook-hyun are close to social democratic means of corporatism (at the corporate level) due mainly to the fact that their managerial philosophy and relevant practices are rooted in sociality and solidarity, known as the core elements of social democratic corporatism. Social democratic corporatism offers a consistent tool to sustain dynamism in economy and at the same time social unity by the evolutionary governance mechanism, centrally bargaining system (particularly, balance of power between labor and capital beforehand) among state, labor and capitalist. Social democratic corporatism aims to eradicate excessively commercialized society and neglects to see the very necessary axioms like sociality, humanity and solidarity. Karl Polanyi insisted that market liberalism subordinates human purposes to the logic of an impersonal market mechanism. While quoting Franklin D. Roosevelt’s comments that “... in the midst of the Great Depression, we have nothing to fear but fear itself.” Polanyi discusses the significance not only of what Schumpeter portrays as the classical freedoms, such as free speech, free press, freedom of assemblage, and freedom of religion, but also freedom from fear and hunger. For this relationship between individual freedom and society per se, Joseph E. Stiglitz adds, “Regulations may take away someone’s freedom, but in doing so they may enhance another’s. The freedom to move capital in and out of a country at will is a freedom that some exercise, at enormous cost to others. In economists’ jargon, there are large externalities” (Karl Polanyi, 2001).

### 3.5. Yu Il-han: Sociality

As for individual interest a crucial engine of capitalism, there is nothing better than Adam Smith’s statement that “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest” (Adam Smith, 1994). This statement clarifies that pursuing individual interest is the crucial engine of market system. The explanation moves to the next account (logical jump) that without above-average returns private enterprises are not able to exist (no profit, no interest). The tragedy of the contemporary capitalist system begins when this means (profit) / ends (interest) formulation becomes a doctrine, “self-regulating market or economy”. This dogmatic and illogical mantra has dominated many industrialized economies since the 1980s, and the common consequences are vanished market vitality and social polarization. Above all, this formula misses that profit is not a sufficient resource, but a necessary one for sustainability. Such an account does not reflect the reality that market system prevails under social relations. This means that individual interests can be achieved and even guaranteed as long as they correspond to the public good. Therefore, entrepreneurs should understand that entrepreneurship comprises sociality.

With regards to sociality, Yu states that “Pursuit of profit is necessary precondition for firm, but it does not mean profit can be a tool of entrepreneur’s wealth and prosperity” (Gaemongsa, 2017). That is why Pope Benedict IV also insists “People [should] be served by wealth, not ruled by it” (Hankyoreh, 2015). Yu’s will is solid evidence to justify the account that Yu’s fundamental idea look like corporatism<sup>3</sup>. First of all, in his will, Yu asserts that entrepreneurship should not be departed from sociality. Thus, in 1936 based upon his will, Yuhan transferred from LLC type corp. to a “joint-stock-incorporation” and later adopted “Employee-Stock-based- Ownership”. Second, Yu firmly recognizes the fact that inheritance of wealth tackles to erect egalitarian society (Richard Wilkinson &

3 The following will is the evidence that can prove how much Yu was far from the idea of capitalism: “The fortune that I amassed should be spending for many people. Give US \$10,000 to my eldest son, Yu Il-sun’s daughter, Yu Il-ling for her college tuition. Give 5,000 sq. of land in the Yuhan High School to my daughter, Yu Jae-ra. Transfer 149,410 stock shares to The Foundation of Yuhan (non-profit educational foundation. I helped my son to finish college, thus, from now on, he should carve road upon himself”, quoted from Gaemongsa (2017) Yu Il-han, Namu wiki.



Kate Pickett, 2011). Yu transferred 52% of his stock share to the employees. The corporate structure of Yuhan is evidence that can uphold Yu's social democratic preference: 15.4% (Yuhan Foundation), 7.5% (Yuhan Institution), Shinhan Bank (7.47%), Yeon Manhee (0.16%) (Yuhan Corp, 2015). That is, the accumulation of wealth was injustice and such unfairness set of game worsened as such affluence was inherited (Thomas Piketty, 2013, p. 377-429). Piketty argues that inheritance is a core cause of intensifying inequality among developed economies (see).

Meanwhile, Yu transferred his stock shares to the employees. Yu adopted employee ownership and even emphasized that the firm's main goal is not to gain profit, but to assist society better. Later, the successor, Moon executed job sharing and constant education based active labor welfare policies. These are not examples of liberalistic corporatism, but rather of social democratic corporatism.

### 3.6. Moon Guk-hyun: Solidarity

Before explaining the leadership of Moon, it is worthwhile to address the issue of professional management for the following reasons. Moon (no relation to the founder's family), who succeeded the founder's corporatist management, was the most renowned professional manager of Yuhan group. Yuhan adopted a professional management system in 1932. Third, professional management system contributes to offset the limitations of capitalism, namely a lack of sociality. With regards to professional management, moderate socialists like Crosland perceive a progressive trend. Crosland claims "The most characteristic features of capitalism have disappeared – the absolute rule of private property, the subjection of all life to market influences, the domination of the profit motive, the neutrality of government, typical laissez-faire division of income and the ideology of individual rights" (Crosland Anthony, 1956). In this sense, it is fair to state that professional management is one of the tools that can enhance sociality characteristics in a capitalist system. Along with incorporation system, professional management system allows to enhance monitoring task against private enterprises' anti-social activities. Moreover, as Crosland suggested, the emergence of pivotal role

of professional management allows the Left possibly led to a gradual way of transition (reform, not revolution) without executing a radical solution like forceful socialization or nationalization of means of production. Private ownership and its negative aspect, anti-sociality, can be cured by diverse methods, such as a joint-stock corporation and a progressive taxation. Socialization of means of production in certain industries (transportation, defense, and education sectors) is one of the options (means not end).

Meanwhile, Moon's overall management can be conceptualized as follows; (1) Innovative management begins with the principle centered management (innovation vs. traditional principle); (2) Enhancing firm's sociality and publicity leads the improvement of profitability (sociality vs. private enterprise's interest); and (3) Firm efficiency is obtained not by reducing, but by sustaining and educating employees (lay off pressure vs. labor welfare) (Moon Guk-hyun & Cho Dong-sung, 2005). These elements seem somewhat paradoxical, but Moon managed the puzzle by developing (and later institutionalizing) several creative policies.

The two leaders of Yuhan conducted management with what Jim Collins has asserted (Collins & William C. Lazier, 1995). Values, honesty, social responsibility, and trusteeship among employees so that the firm could achieve sustainability. In particular, the key principles of Moon's management may be conceptualized as humanism, solidarity, and what T.H. Marshall deems as laboring as a social right. Above all, Moon states people are the key source of hope and also asserted "Entrepreneurs should eliminate any conditions that can cause dis-trusteeship. No trust, no democracy" (Moon & Cho, 2005, p. 103). Cho Sung-jae insists that the reform of labor/capital relationship is one of the vital engines for the success of the Yuhan case (Cho Sung-jae, 2004, p. 25). In this case, the key concept of the reform is revived trusteeship between labor and capital.

Indeed, Moon's distinguished characteristic of managerial philosophy (compared with the X theory devotees, the owners of chaebols) includes trusteeship over employees. Moon insists "in order to avoid conflict with trade union, managers need to build credibility first. Without respect

and trust, it is difficult to obtain labors' cooperation in the long run" (Moon & Cho, 2005, p. 10-11). Therefore, Moon states that the core element of future business is credibility based working environment. Moreover, according to a long time tradition of Yuhan group, Moon rejected such neoliberal embedded austerity labor policy, such as downsizing in the midst of the economic recession in the 1990s. Rather than cut-off manpower, similar to the work-share program in the corporatist countries in Western Europe, Moon offered a job-share/four-lift-system and lifetime education program (further explanation will be offered in the following section).

To supplement sociality characteristics in his firm, Moon developed a social enterprise style performance that created 3,000 new jobs by importing pulp-recycling system. Several players participated in the YK (under the leadership of Moon) conducted recycling social enterprise projects and the players were YK, municipal government, (pro-environment) and civil movement organization. Moreover, with regards to the important role of social enterprise for the society, Moon suggests that such social enterprise as a third sector may serve as a substitute for state oriented economic stimulus (Moon speech during the presidential election). Moon sees sociality and profit as both sides of coin (Moon & Cho, 2005, p. 12). Overall, Moon concludes that 'the primary mission of YK is creating profit, but it should be fulfilled within appropriate ways, particularly, in respect of the norms of society'.

In the meantime, it is argued that the Yuhan experiments, such as lifetime education system, reducing working hour along with work share program are harbinger of the corporatism in Western Europe. The lifetime education and job-sharing program originated from YK's 3H (hand, head, and heart). The main argument of this theory is that to obtain sustainability of enterprise, enhancing craftsmanship and creating knowledgeable employees are very necessary conditions, but not sufficient until they gain employee passion. This "passion" can be interpreted by "self-motivation". Indeed, Moon's basic "3H theory" contains a similar concept to that of the Y theory. Y Theory emphasizes self-motivation as a crucial engine of persistent productivity (Oleh Faruk Sahin, 2012).

Theory type managers develop a climate of trust between management and labor. Such trustee-ship-based management includes the condition that managers communicate openly with subordinates, minimizing tension in superior-subordinate relationship and creating a comfortable environment in which subordinates can develop and use their abilities. This environment also includes sharing of decision-making, so that subordinates have a say in decisions that influence them, a vital component of economic democracy. For reference, it is meaningful to introduce a stark contrast example to the Yuhan education program. For its pilot training program, Korean Air (one of the chaebols and one of the leading air-line companies in the world) has forced employees to pay the entire costs (Kim Gun-mo, 2015). This episode is not a surprise because such an unfair employee policy from the Korean chaebols has been an open secret for a long time.

Importantly, Moon's employee education program definitely needs to be understood more than just in a management context because Moon saw extensive potentiality and possibility with re-education mechanism. Moon envisioned "overall learning state" during his presidential campaign in 2007 as one of the main tenets. This is meaningful in concern with solidarity society because of the following reasons. First, education is a critical channel for layer upward. This means that education is one of the essential means to promote social mobility. For John Rawls, education is one of the key tools for realizing social justice. Education is an effective method to re-distribute wealth so that the fulfillment of equitable society can be a realistic preposition. No social mobility no social justice. Moreover, diffusion of knowledge contributes to wealth redistribution and an equitable society (Piketty 2014).

Second, in the wake of Knowledge Age, quality education ensures persistent innovation in technology and management. Furthermore, a competitive education system creates knowledge workers so that certain economy can offset diminishing returns (sustainable productivity ensured). As Piketty aptly states, knowledge and skill diffusion are the core engines to increase productivity, and at the same time, dynamics of wealth distribution (Picketty, 2013, p. 14).

## CONCLUSION

Yuhan is a champion of innovation and sustainability in recent years and this is clear evidence that corporatist management is also good for business. As for the central source of success, Yuhan leaders view sociality as a core characteristic of entrepreneurship. Therefore, Yuhan management and related operation are beyond customer satisfaction as it deeply integrated with the society's demands. As say one word, Yuhan serves for the stakeholders' interest. Another key cause of its success is systemized co-operation between the labors and management. The management originated from trust and respect of labor. This is also unique point as compared with the majority of Korean capitalists who barely respect the trade unions as a crucial partner in management. There is a UN resolution on cooperation that states that "Cooperatives help to create, improve and protect the income and employment opportunities of their members by pooling the limited individual resources of members to create business enterprises that enable them to participate in production, profit-sharing, cost-saving or risk-taking activities. Cooperatives promote social integration and cohesion in the face of inequalities in social capabilities by empowering and giving voice to the poor as well as marginalized groups and by promoting the organization of federations and alliances" (UN Resolution on Cooperatives). The Yuhan case is an excellent example of this.

Accordingly, Yuhan obtained both sustainability and social respect by mobilizing its sociality embedded management and corporatism tradition. Yuhan is a vaccine to inoculate Korean commercial society against social polarization and a lack of solidarity. Yuhan case should be reassessed in a large extend (not just simply management scope). It should be learnt and then implemented by society as a whole to build a solidarity economy. It is premature to expect the emergence of corporatist state in Korea. However, the realization of corporatism in corporate level is realistic as long as the management-side (or capitalist side) changes their anti-labor/anti-trade union mindset. When managers are acquainted with the sociality characteristic of entrepreneurship, Korean society will face a turning point that leads to a transition from a neoliberal to a social democratic society.

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