

**CAN THE TIGER CHANGE ITS STRIPES?:
BRIDGING THE INFORMATION-CHANNELING GAP
BETWEEN THE UNITED STATES AND KOREA**

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Because the locus of information in Korea differed from that in the United States, the two societies developed different patterns of organizational structure, recruitment systems, and career paths. Since the financial crisis of 1997, however, Korea has tried to emulate the American model in the reconstruction of its information channeling structures. We caution against the blind emulation of the American model, since it would require vast investments in education and could result in social disintegration among old and young generations. In this paper, we present a network-specific information system as an alternative. Multi-directional, autonomous, and decentralized, the network-specific information system will bridge the information-channeling gap between the United States and Korea.

INTRODUCTION

The competitiveness of industrialized countries increasingly depends on the quality and quantity of information they have compiled, and on how such information is utilized. Despite a strong tendency toward convergence in the structure of firms,¹ industrial societies have developed different methods to utilize societal information and knowledge.² In this sense, one may argue that capitalistic ideas, mechanisms, institutions, and organizations have revealed complex developmental patterns across most industrial-

*The order of authors has been randomly decided.

¹Although it would not be safe to say that its developmental mode is uni-directional, one distinctive feature of postwar capitalism is the rise of vertically integrated large firms. According to Williamson (1985), organizational devices such as vertical integration and the functional division of production units resulted from dealing with various sorts of informational uncertainty about the future.

²We treat information and knowledge as interchangeable in this paper. Knowledge may be defined as information that is systematically organized.

ized countries.

The basic premise of this paper is that social organizations — government bureaucracies or private corporations — are information channeling organizations constructed for the “efficient” creation of, response to, and processing of information within respective societies. Based on this premise, we make the following arguments, confined to the United States and Korea.³

First, because the locus of information in the United States is quite different from that in Korea, the two societies have developed distinct organizations and business practices to channel information. The United States, as we will show, relied upon ‘individual-specific’ knowledge as the basis for development whereas Korea has concerned itself with developing ‘organization-specific’ knowledge. Each organizational form fits its respective economic context with interest-maximization rationality, especially in an era of worldwide mass production.

Second, due to the recent financial crisis, Korean organizations — especially those in the private sector — have been forced to follow the “best practices” presented by American and Western firms. The Korean way of conducting business has been under attack for its lack of accountability and transparency. *Does Korea need to restructure its business practices based on Western models of sustainable growth?* We will argue that, rather than revamping the whole information-channeling system, Korea should focus on developing independent professional organizations to set competency standards for information processing. We also caution, however, that this process should be gradual. In other words, the tiger will not easily be able to change its stripes.

Countries emulate each other’s merits when one system is considered better than the other. However, to gain a competitive edge in today’s dramatically changing international situation, one should focus on a new competitive model that anticipates the future market.⁴ In addition, restructuring

³We confine this premise to market economies. In most planned economies, resource allocation decisions are made in response to commands from planners rather than in response to markets. In such cases, the enterprise is permeated by authority relationships from outside the firm itself and becomes a subdivision of a hierarchical bureaucracy (Naughton, 1995).

⁴Our argument is distinct from the “Gerschenkronian tradition” that formulated the idea of the advantages of backwardness and specific forms of institutional setting (Gerschenkron, 1962). Gerschenkron’s argument is valid only under Ricardo’s view of world trade (i.e. when a country develops a comparative advantage in international trade system). However, we are faced with a different world. Today, information and knowledge are disseminated all over the world, international markets are more integrated than before, resulting in incessant competition among countries. This makes it difficult for a particular country to develop comparative advantage by focusing on a specific industrial sector.

cannot ignore the old system, which contains built-in resources. This makes restructuring or transformation a matter of bounded resources rather than bounded rationality. Replacing the old setting of resources with a new setting of other resources is likely to be costly. Instead, the transformation should occur in the context of old industrialization while considering the new trend of industrialization. In this paper, we analyze the different informational systems developed by firms in the United States and Korea.

Third, and finally, as an alternative to the individual or organization-specific information systems, we propose a different model for information networks. We believe that in the world of the 21st century, information will be embedded within networks. In this paper, we develop a concept of 'network information systems' to suggest a way of easing the Korean transition process.

TRADITIONAL LOCI OF INFORMATION: INDIVIDUAL- SPECIFIC VS. ORGANIZATION-SPECIFIC FORMS

What types of individuals are preferred by enterprises in the United States and Korea, and why? Recruiting new human power is a crucial indicator of how information is structured in a society. As illustrated in the following advertisements, American and Korean enterprises seek different

A. THE YANKEE GROUP

The Yankee Group, rated No.1 for the credibility of its IT and telecommunications market studies and forecasts, provides subscription services and custom consulting, and is now looking for people to sell and support our strategic services to selected areas in Europe.

Country Manager – Germany

An accomplished professional with expertise in selling IT or telecom products or services at a senior level, you are self-motivated and an excellent communicator, with strong interpersonal and organizational skills. Experience in the sale of IT consulting or information services is a plus. After initial training at our UK office, you will be based in Frankfurt. Fluent German and English is essential.

Source: *The Economist* (15 May 1999)

B. THE TIGER GROUP	
TIGER GROUP SEEKING FOR TALENTED PERSONNEL	
Recruitment Sector	Business Administration/ International Trade/ Law/ English Literature/ Electronics/ Textile Engineering/ Chemical Engineering/ Mechanical Engineering
Recruitment Method	<ul style="list-style-type: none"> • Written Exam (English, Common Sense) • Oral Exam
Qualifications Required	4 year college graduate or those expected to graduate
Number	300 persons

Source: *Chosun Ilbo* (1 November 1992)

types of employees. Note the following advertisements:

These job advertisements are for two different types of corporations: the Yankee Group, a typical American firm, and the Tiger Group, one of the largest Korean business conglomerates. The job description and method of recruitment for the two companies reveal an interesting contrast. The Yankee Group advertises a differentiated job suited for a person with specialized knowledge and prefers people with experience. The Tiger Group, on the other hand, is seeking people with general knowledge and tends to prefer inexperienced university graduates rather than experienced professionals. Given the fact that business enterprises are profit-maximizing forces, we can assume that both the Yankee and Tiger Group are operating rationally — but under quite different institutional contexts. Inferring from the different job descriptions, we argue that information and knowledge are structured around quite different principles in the two societies. We will compare three important characteristics of information systems in the United States and Korea: organizational structure, recruitment, and career paths.

ORGANIZATIONAL STRUCTURE

Information becomes individual-specific when individuals are in control of their assets. Under the individual-specific information structure, such as found in the United States, individuals are relatively free to change the organization in which they desire to work. They have an incentive to specialize because individual jobs are defined by function, and this function is

considered interchangeable across organizations. Contracts between individuals and firms are most likely to be market-based. That is, contracts tend to be short-term (with the option for renewal), tend to involve extensive *ex ante* bargaining between the contracting parties, and can be freely terminated. Succinctly put, individuals are free agents possessing a systematic body of knowledge.

On the other hand, in an organization-specific information structure, the organization controls information. Under the organization-specific information structure, it becomes more difficult for individuals to move from one organization to another, because an individual's jobs are defined by the organization. The organization itself possesses the systematic body of knowledge. Here, contracts tend to be long-term, involve little *ex ante* bargaining, and are difficult to terminate. Whereas in the individual-specific information system, an individual's success is based on competitive knowledge and information, an individual's success in an organization-specific information system depends upon access to a powerful organization. We identify the United States as a typical case of an individual-specific information society and Korea as an organization-specific information society.⁵

RECRUITMENT

In the United States people enter and leave employment at all ages, though less frequently as they grow older. When recruiting new workers American firms are more pleased to attract candidates with job experience. The individual is expected to have mastered or attained the required specific knowledge *prior to* applying for a job position.⁶

In Korea where information and knowledge are regarded as organizational assets, the traditional way to enter a company is to be recruited immediately upon leaving the university. During the recruitment season (which falls towards the end of the year), firms contact university appointment bureaus that recommend a given quota of suitable students. Those not recommended must take entrance examinations (tests in English and common sense) and, in the case of technologists, tests in the candidate's special sub-

⁵Masahiko Aoki makes a similar observation with respect to American and Japanese firms:

Whereas American industrialization has generated an exceptionally high degree of job differentiation and attached a high value to specialization, the Japanese work organization seems to rely more on the versatility of workers and flexibility in job demarcation. In the Japanese work organization, problem-solving tasks — such as coping with absenteeism, malfunctioning machines, and defective products — tend to be entrusted to a team of operating workers, whereas in the American organization they are entrusted to specialists (Aoki, 1988: 10).

⁶Notice that the Yankee Group seeks an "accomplished professional with expertise"

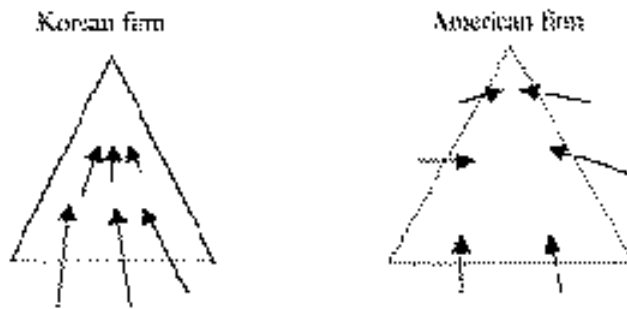


FIGURE 1. RECRUITMENT IN KOREAN AND AMERICAN FIRMS

ject. A very small number join the company in an “irregular fashion,” not from college but after leaving other companies.⁷ Korean firms also tend to recruit based on general knowledge (notice that the Tiger Group evaluates its employees through an entrance exam that tests general knowledge such as ‘English’ and ‘common sense’).

Multiple points of entry exist in the American firm. Managers are recruited from diverse backgrounds and possess functionally equivalent professional knowledge. They also are recruited at different levels in the organization. This is possible because skills and information belong to the individual. The Korean firm, on the other hand, restricts recruitment at the entry level. To be promoted to the upper hierarchy, Korean employees need to build organization-specific knowledge. This is because information is embedded in organizations (see Figure 1).

CAREER PATHS: LIFE-TIME EMPLOYMENT VS. MOVING FROM FIRM TO FIRM

Korean companies prefer to hire new graduates and train them *within* the firm. Those selected spend an average of three to four years as management trainees (*pyung-sa-won* or plain employees), performing jobs which could well be done by far less qualified people. After the “training period,” a worker is promoted to a managerial position (*dae-ri* or section chief) and with the proper work ethic moves up the corporate ladder.

Generally, Korean workers expect to stay with their chosen firms. A work-

⁷We refer only to the elite half of the dual labor market structure, the so-called white-collar employees on track towards managerial positions. There also are remarkable differences between American and Korean firms in their treatment and recruitment of the non-elite workforce.

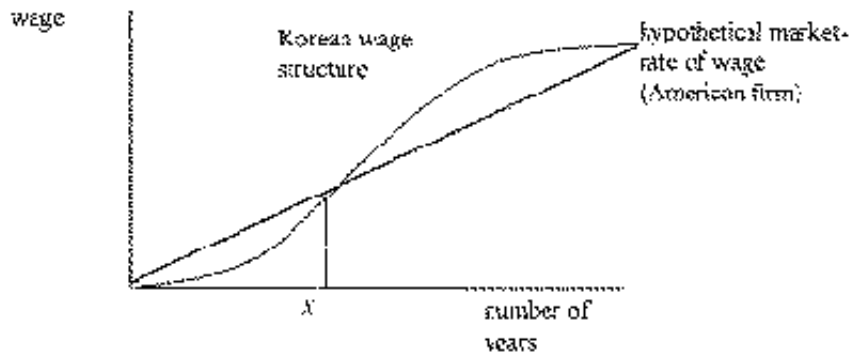


FIGURE 2. WAGE STRUCTURE IN KOREAN AND AMERICAN FIRMS

er's expectation to do so is conditioned by the fact that staying is the norm of Korean occupational life — the so-called "cultural explanation". This tendency is bolstered by the knowledge that the worker has a good deal to gain financially by staying on.⁸

Figure 2 compares the hypothetical market wage rate corresponding to years of service in the American context with that of the Korean wage structure for managerial professionals. We can see from the figure that for the first x number of years, the Korean employee is considered to be a trainee; hence, his wage level is below that prevailing in the hypothetical market. Beyond x years in service, the level of wages for the employee exceeds that of the hypothetical market level, reflecting the firm's desire to hold on to the asset-specific investment it has made.

In the United States, where career planning is not provided, mobility between firms is a common practice. A worker's chances of reaching the top of the corporate ladder are considered to be enhanced if the first ten or fifteen years of the career are spent moving from firm to firm, broadening experience and raising salary with each move (Dore, 1973: 70). It is the exceptional worker in the United States who has not previously worked for another firm; in Korea it is the exceptional worker who has.

These differing characteristics of organizational structure, recruitment, and career pathways result from different degrees of asset-specificity developed in each country. That is, the more specific the asset is, the more likely individuals are to remain with their organizations. In the Korean information structure, the higher an employee climbs on the corporate ladder (usually related to the number of years in service), the greater becomes that

⁸For the compensation rate, see Figure 2

worker's asset-specificity. This is because the information attained is specific to the organization and cannot be easily transferred to other organizations.⁹

An individual with a specific asset (i.e., organization-specific information) is more exposed to the uncertainties surrounding his environment. The lifetime employment system in Korea is a practice that functions to compensate for or reduce the uncertainty faced by the employee as he climbs the corporate ladder.

STRUCTURAL ADJUSTMENT: KOREA IN TRANSITION

In the previous section, we analyzed different characteristics of informational systems that are embedded in relationships between organizations and individuals in the United States and Korea. During the recent economic crisis, the Korean government and firms attempted to restructure their organizations using the U.S. informational system as a model. Here we review the process of economic reform in Korea.

Korea is a country whose economy grew more rapidly in the last three decades than any other, a country where recession was defined as a year when the growth rate fell to around five percent. Cutting production until the economy improved, and in the process making workers idle, was not a necessity. If a worker became redundant because of technological progress, he was simply retrained for another, perhaps totally different type of job.

Indeed, for the past three decades Korea was engaged in a 'race to the swift' (i.e., growth-at-all-costs strategy), epitomized by the government's channeling of seemingly indefinite credit toward large enterprises. Repeated bailouts of large enterprises by state-controlled financial institutions have resulted in serious problems. Nonetheless, anyone with a decent memory can recall, however, that the same academicians had until recently praised the Korean (or East Asian, to be exact) model of development with

⁹Asset-specificity can be defined according to the extent to which a certain asset can be put to alternative uses. An asset is fully specific when it cannot be employed in any other activity; at the other end, an asset is less specific when it can be transferred from one use to another or if it can be used for purposes other than its original use (Frieden, 1991: 19-22). Generally, we can infer that an owner of a specific asset will have more incentive than an owner of a less specific asset to be affected by a policy change or to influence policy in his favor. For example, the owner of a steel mill that can produce only one type of steel (i.e., asset-specific actor) will be much more sensitive to policy changes than an owner of a steel mill that can produce many different types of steel. In general, industries or production-lines characterized by significant fixed costs (e.g. due to specialized machinery), economies of scale, or other barriers to free entry will, other things being equal, have a greater ability to influence policy toward their interest.

TABLE 1. POST-IMF JOB ADVERTISEMENT

SK LOOKING FOR FINANCIAL ELITE	
Recruitment Sector	Fund Manager/ Analyst/ Risk Management/ Compliance/ Product Development/ Financial Engineering/ Marketing/ IT
Recruitment Method	<ul style="list-style-type: none"> • Document screening (Resume, Personal History) • Oral Exam
Qualifications Required	<ul style="list-style-type: none"> • 3 years experience in related field • IT (Experience in Oracle and Powerbuilder) • Experience in Foreign Financial Institutions will receive Preferential Treatment

Source: *Maeil Kyungje Shinmun*, 25 March 1999.

phrases such as “developmental state,” the “advantages of latecomers” or “state-led industrialization.” Was the Korean model effective in inducing growth but defective in sustaining it?

Korean Restructuring both at the Organizational and Individual Level

Confronted by the financial crisis of 1997, which forced Korea to submit to IMF management, Korean society has attempted to restructure its entire system to be compatible with advanced industrial societies. At the organizational level, the main thrust of Korean restructuring has been to shift the locus of information channeling from one based on the organization to one based on the individual. As shown in Table 1, Korean business companies have started to exhibit the Western style of recruitment.

At the individual level, many Korean companies have introduced an incentive pay systems at the expense of traditional year-and-merit based pay systems. Individual Koreans attempt to build professional competency. According to a current survey, many young, high-ranking government bureaucrats desire to attend graduate school to acquire professional knowledge.

Problems of Current Korean Restructuring

As discussed above, Korea is currently revamping its information-channeling structure following the American model. However, we caution against a restructuring process that does not take into consideration the following potential problems. First, because recruitment patterns are closely related to the form of the educational system, a shift from an organizational to an individual-specific information system can be costly. The educational system in the United States emphasizes a broad-based and more flexible

theoretical education. U.S. specialists, therefore, receive general education, which prepares them to deal with future problems and goals. In Korea, by contrast, the educational system emphasizes more narrowly specialized education. Currently, the Korean government is attempting to change the educational system and encourage a more general education in college, similar to the American model. However, the system will require a huge investment by the government. Without this investment, the broad education system cannot easily be achieved.

As Okimoto discusses, modern industrial economies have faced the difficult problem of encouraging the socially optimal level of skill acquisition. Until the postwar period, there were few alternatives to self- or family financing for the acquisition of new skills. This heavy dependence on personal skills has been resolved by heavy government investment. As Okimoto notes out,

The growing complexities of industrial life have come to require a more rapid accumulation of individual skills. Immediately after World War II, a number of extremely significant programs were organized in the United States to subsidize skill accumulation directly or to facilitate the use of financial intermediaries to underwrite advanced training. ... Thanks to these programs, the demand for, and supply of, vocational undergraduate and graduate education in the United States has expanded enormously. (Okimoto, 1987: 411-12).

Second, the Korean government and core firms have superimposed the shift from the organizational-specific to an individual-specific information structure without general agreement from society at large. The current restructuring of information systems does not take into consideration the particular historical background from which the organization-based information system developed in Korea.

In the United States and Western countries, individual-specific information systems developed for centuries through the gradual and adaptive processes of various professional organizations that achieved early autonomy from the state. For example, professional associations have performed the function of validating and setting standards of competence for professional level workers. These organizations formed their societies to protect the status of members *prior to* the first state-sponsored courses in related fields (Silberman, 1993; Dore, 1973).

Professional associations have made possible extra-firm training programs and extra-market means of allocating skilled scientific and engineering personnel. In turn, a large amount of potentially proprietary scientific

information readily becomes a public good in the United States. Strong professional identity makes possible the use of professional associations as a lever for job mobility. In Japan as well as in Korea, these possibilities are less extensive.

By contrast, Korea followed the late-industrializing model of Japan. Practicing professionals themselves did not create modern professions; rather, modern professions were developed to convey an already systematized body of knowledge through educational institutions controlled by the state. Therefore, the apprenticeship/mid-career qualification route to professional status was never established in either Japan or Korea (Dore, 1973). In sum, professional associations do not function to disseminate information and ideas in Korea. In the absence of such independent and voluntary professional associations, the mere installation of American 'hire and fire' industrial practices amounts to asking the 'tiger to change its stripes' within a short period of time.

Third, careless restructuring may lead to social divisions and conflicts between those who are relatively young and can acquire competency based on individual information and those who are relatively old with company-specific knowledge only. It is especially important to note that those who cannot build individual-specific knowledge will not be able to adapt to the new system. Those who leave companies with organization-specific knowledge will not be as successful in finding other positions in areas related to their previous jobs. Instead, these people will tend to wind up in totally unrelated occupations such as shop-keeping or gate-keeping (e.g., security guards). Even worse, many of them may become jobless. Thus, the cleavage between those who adapt and those who do not will become greater and greater under restructuring, a development that may lead to social unrest.

BRIDGING THE GAP BETWEEN THE KOREAN AND U.S. INFORMATION STRUCTURES: TOWARD A NETWORK-BASED INFORMATION SYSTEM

In this section, we suggest an alternative way of restructuring the Korean information system that will benefit both Korea and the United States. First, it is not easy to say which system is better. As mentioned earlier, both the Yankee and Tiger Group, as business enterprises, operate rationally. Why do their systems differ? It is because they pursue different goals in the prevalent mass production system. Originally, during the 1950s and 1960s, the U.S. dominated the world market through its superior technology. New products were developed and produced by an optimal mass production sys-

tem (Herrigel, 1996) The individual asset system obviously sustained U.S. hegemony. [Stuka2]

On the other hand, Korea and Japan pursued mass production without costly investment in new technologies and products. Once American technologies and products streamed down to them, they established mass production systems with the given technologies. In their case, the firm organization itself channeled the information of technologies to individuals.

The key problem is that U.S. hegemony has gradually declined since the 1970s. Today we are witnessing the emergence of flexible production. This is because countries have mastered U.S. technologies and are able to develop competing or superior products and technologies. Consequently, product cycles and international markets have become more competitive and involve more innovative participants.

The Korean system of organizational assets that developed in the age of mass production faced difficulty in competing with those of other countries. In other words, the Korean system became obsolete due to external market changes. What is needed now is to adjust to a changing market context [Stuka3].

In the following section, we first describe new economic phenomena in the informational and global economy and then explain how these lead to a new, network based information system. We also suggest how both Korea and the U.S. can adapt to the new network-based information system to achieve mutual benefits.

New Features in the Informational and Global Economy

Distinctive new tendencies of the informational and global economy including the emergence of competitive small and medium firms and their vital networking, the rise of the network enterprise, and a dramatic shift from vertical corporations to strategic horizontal alliances. First, it is now well known that small and medium-size firms have a comparative advantage over large corporations in adapting to rapidly changing economic environments. With the decline of mass production and the rise of customized production and flexible specialization, small and medium-size firms are the main agents of innovation. In particular, the focus on small firms is closely related to the emergence of a new form of organization for production. The old form of mass production has been replaced by flexible specialization with a high emphasis on more dynamic information and technologies (Piore and Sabel, 1984).

As found by Harrison (1994), the size of a firm itself does not guarantee

success for the enterprise. Although large corporations tend to control small and medium-size firms financially, commercially, and technologically, small and medium-size firms can compete effectively with large firms if they are connected in a horizontal network. If small and medium-size firms conduct licensing or subcontracting production with large corporations, the network becomes less traditional or vertical, but more horizontal. The firms also have greater autonomy.

There are numerous cases where private firms have retained their small size and overcome their size "disadvantage." They have utilized collaborative production arrangements that are neither market transactions (where information is individual-specific) nor hierarchical governance structures (where information is organization-specific). Instead, they are characterized by separate and different modes of exchange.¹⁰ In the "industrial districts" of Northern Italy, manufacturers were often linked to particular communities through subcontracting networks extending to individual households. In Taiwan, firms have been known to organize in what is called the *weixing gongchang* or satellite factories, a system of factories that produce and market together a finished product (Hamilton and Biggart, 1988).

Second, structural changes facing corporations in the global economy will eventually lead to an era of the network enterprise. In the network enterprise, actual operating units are not individual business enterprises but business projects enacted by networks of companies that share common interests and noise-free communication. Companies in the network are autonomous, but they also depend on the network. Since the network acts as a gatekeeper and since, outside the network, survival becomes increasingly difficult, companies are dependent upon the network. At the same time, however, companies are autonomous from any specific network because they are, or may become, connected with other networks aiming at different goals (Castells, 1996: 165-71).

Third, to adapt to rapidly changing economic environments formed by ongoing and evolving technological developments, corporations are changing their organizational models from vertical bureaucracy to horizontal enterprise (Castells, 1996: 164). Alliances between corporations are less likely to utilize vertical mergers where one corporation carries the other under its vertical hierarchy. Instead, horizontal strategic alliances are utilized, with both corporations enhancing a common network. Recent examples of such

¹⁰Sociologists have called these arrangements "networks." Powell (1990: 301) speaks figuratively of such collaborative arrangements as marriages "without a marriage license" (i.e., no common household, no pooling of assets).

strategic alliances include code sharing in the airline business and the global alliance of automobile companies.

The Network-Based Information System for Bridging Korean and American Information Systems

The features of the informational and global economy suggest the future of information systems. Information, be it individual-specific or organization-specific, will be obsolete or difficult to utilize if not connected to the appropriate networks. On the other hand, if information is connected to the network, it can be thoroughly utilized and its value amplified by the network. Therefore, we can say that, in the future, it is the network — not individuals or organizations — that will channel and drive information technologies.¹¹ As shown in Figure 3, the network will be the locus of information channeling in the future as can be seen in the conceptual models of the old and new network systems

The network-based information system will play an important role in bridging the gap between the information systems of Korea and the United States for two reasons. First, network-based information systems are multi-

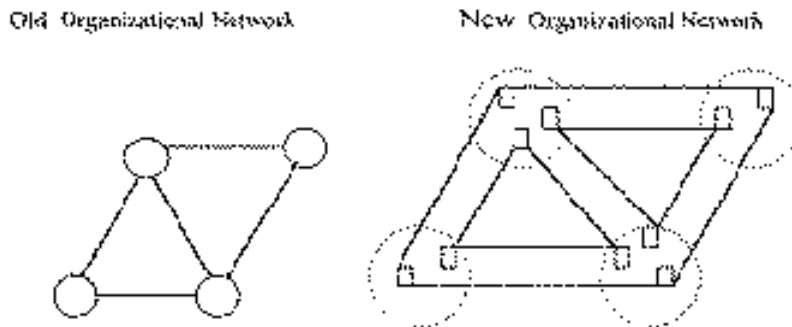


FIGURE 3. OLD ORGANIZATIONAL NETWORK AND NEW ORGANIZATIONAL NETWORK

¹¹In the individual-specific information system, an individual's career is based on his level of competitive knowledge and information. In an organization-specific information system, an individual's success depends on whether s/he can access a powerful organization. This is why most newly recruited bureaucrats who pass the national administrative examination (*ko-shi*) in Korea prefer to enter the Ministries of Finance and Economy, the most powerful ministries. However, in the network-based information system, any information or knowledge without or outside the network connection is less likely to be competitive. For example, developing a program that enhances the capacity of "Microsoft Word" by five percent is much more competitive than developing a program enhancing the capacity of "Hangul", the Korean local word processing software, by even 100 percent.

directional so that individual organizations can be parts of a diverse network with differing goals. This allows individual organizations more autonomy and flexibility. In the multi-directional network, the organization-specific information system that Korea currently possesses can be used as a node in the network. Although at the beginning, Korean organizations may enter the periphery of the network due to their organization-specific information channeling, network influence will eventually allow them to develop their own webs of connections and move toward the center of the network. This process will lead to a smoother transformation of the Korean organization-specific information systems to network-based information systems.

Second, network-based information systems are preferable because of their decentralized organization. By decentralization, we mean two things. First, the node of the network is decentralized in such a way that *several parts of the organization — rather than only the entire organization — can act as independent nodes in the network*. This would help Korean organizations enter the network at relatively low cost. If only the entire organization could enter a network, it would be a high-cost and high-risk venture requiring changes in the entire organization. However, if parts of the organization can be nodes of a network, Korean organizations can manage change more on their own terms, having some parts of their organizations participate in the network while others prepare for the changes or facilitate the adjustment process.

By decentralization, we also mean a *highly abstract level of control* exercised by a superior organization over an inferior one. That is, ample autonomy is granted to the inferior or lower levels of a network or organization. Consequently, the lower levels of a network or an organization can contain crucial information that serves as the basis for horizontal - not vertical - alliances. In a decentralized network, where all the nodes are relatively autonomous and contain crucial information, the best way to enhance organizational influence is to enhance network capacity through horizontal alliances. This concept of horizontal alliances between Korea and the United States can overcome the present unidirectional flow of information where Korea is the only player required to adjust.

In the present unidirectional information flow, both Korean and American organizations face high costs and risks. American organizations must invest heavily to make Korean systems meet their standards, and there will be problems of maladjustment for the Korean side. In a network-based horizontal alliance, however, both Korean and American organizations can cooperate in a mutually beneficial way by enhancing their network capacity.

CONCLUSION

The Korean economic crisis of 1997 has invoked many doubts — in both the scholarly and the real world — about the validity of Korea's traditional information-channeling system. Korean policymakers diagnosed that the economic crisis resulted from a lack of transparency and accountability, which was closely related to its organization-based information structure. The solution, according to them, was to restructure Korea's information system to be compatible with the individual-based information system practiced by advanced industrial societies.

In this paper, we have carefully cautioned that revamping Korea's information-channeling system could be dysfunctional, as it would require vast investments and could result in social disintegration among old and young generations. As an alternative, we proposed a network-based information system that could play an important role in bridging the gap between the information systems of Korea and the United States for three reasons. First, the multi-directionality of the network-based information system would allow individual organizations to be connected to the diverse network with differing goals. Second, the decentralized organization provided by network-based information systems is preferable because several parts of the organization can act as independent nodes. Third, the decentralized organization can also provide ample autonomy to the inferior or lower levels of the network. Consequently, the lower levels of a network or an organization can contain crucial information that serves as the basis for horizontal alliances.

We, therefore, suggest that, in the informational and global economy where international system is changing dramatically, both Korea and the United States could achieve mutual benefits by adapting to network-based information systems.

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