

Entrepreneurial Philosophy in Management Succession Mechanism:

The Case of Global Leader in Industrial Display

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This study examined the philosophy of an entrepreneur expressed in the process of succession of management rights. The target company Kortek is the world's No. 1 manufacturer of Gaming Video Display Monitors. Chairman Lee Han-Gu, founder of Kortek, struggled to manage the succession of the company for two years verifying three scenarios: Family succession, Recruitment of professional manager, and M&A. Finally the company inherited management rights by Kim Young-Dal, President of IDIS Holdings. Chairman Lee's choice is once again confirmed through Kortek's business performance, which is still growing auspicious. This study is an example of a company, but it is an in-depth analysis focusing on more than 20 interviews with an entrepreneur, corporate data and media articles. It will give effective implications for understanding the management succession mechanism that is desirable for all Korean entrepreneurs who are concerned about management succession.

Entrepreneur, Kortek, Industrial display, Management succession mechanism, M&A

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INTRODUCTION

Even though best practice might not be the easiest strategy for followers, benchmarking is the most important and systematic process to search for the best practice not only for academics but also for all businessmen (Drucker, 2007). In that sense, benchmarking is a valuable exercise for companies striving to improve their operational efficiency and effectiveness across the enterprise (Detouzos et al., 1989; Park, 2010). Are there then best practices in the succession of management rights, especially in a country like Korea where family business hereditary is prevalent?

This case study examines the succession of management right about the company Kortek which became a popular headline on many newspaper articles Forbes, 2010; Korea Exchange, 2011; KM, 2011; Hankyung, 2011; 2012; Fortune Korea, 2012; Enews, 2012; Economist, 2014; Sedaily, 2013; 2014; Hankyoreh, 2014; MK Weekly, 2019). Above all, we conducted more than twenty interviews with the Chairman Lee Han-Gu, an entrepreneur, who created this world leading company from scratch, now facing this succession epic.

A BUSINESSMAN EQUIPPED WITH CHALLENGE AND INNOVATION

Chairman Lee graduated from Incheon High School in 1968 and had no further educational background. It was a time when the South Korean people lived poorer than North Korea and the economic foundation was weak and at the country's lowest. Even the most talented students couldn't go to the best universities like Seoul National University simply because of poverty, so many had to give up on their studies and embarked on their careers seeking bread; even the young ones to support the family.

He recalls not having a single decent meal during his childhood. During summer seasons, he spent all of his time making money as a street vendor near Incheon Beach. In the first year of high school, he became a so-called housekeeper. He made a family living in place of his father, who suffered from illness. However, with the help of a relative, he was able to complete three years of high school while working as a private tutor. The most successful people often say, "I'm a lucky guy" (St. John, 2011; Park, 2015). He also often spoke that he was fortunate to have had the opportunities to have the business and experience he had in his difficulties and passion.

When the other students were mainly interested in entering university, military enlistment felt a graduation gift for him since he could then be fed and wear donated clothes. As part of life in the military, he was perfectly capable of serving as the Capital Defense Command in

Seoul, which was the envy of all soldiers, but he wanted to participate in the Vietnam War where soldiers' tears await. He volunteered for Vietnam, saying that it was the only way to earn money. His hope was to start a small business after his service in Vietnam.

The first vending machine business in Korea

The ROK army's participation in the Vietnam War ended with the final withdrawal in March 1973. When he returned from Vietnam, all of the money and items sent to his family were already spent to earn their living life. There was only one camera left (Canon F1), which became his most valued property. He later sold it for 75,000 won (\$ 70), which is equivalent to two months' wages for a small business worker in Korea back then.

In 1974, when he was 25 years old, his poor days started again and he wandered every day looking for a job but received no offers. In the meantime, one day, in order to use a public telephone outside the station, he tried to change a 10 won coin into 5 won coins, but each store sold 2 or 3 won chewing gum with a 5 won coin to be exchanged (a public telephone used a 5 won coin at the time). "Eureka! Exchanging coins would also be a good deal!"

He yelled at himself and for a moment, he looked at the phone and came back home. With a vending machine he saw in Vietnam, he designed a vending machine with a 5 won coin and an eraser to install next to a cafe or a payphone. He thought that the person who used it would be practical and that it would bring him money. His idea of developing a vending machine for chewing gum is comparable to the new "business model" we are talking about today. However, at that time, the vending machine was not familiar in Korea, and there was no benchmark hardware or technology, so it was a difficult process of twists and turns. Such a trial can be considered ridiculous these days when the Internet even shows you how to make a missile!

For its first stage, it was necessary to produce design drawings, injection molds and press molds to make automatic dispensers. For the vending machine sample, he obtained an acrylic panel, cut it with a saw, and attached it with an industrial tie. Hearing that the acrylic melts in the chlorofluorocresol anesthetic, he tried and could change the shape of the piece to make holes and boxes for the pieces. It was a three-month job, almost forgetting to even have food or drink, and finally his face beamed with his fascinating creation.

However, the excitement was short lived as it was even more difficult to develop a device that distinguished a 10 won coin from another fake one. However, after undergoing many difficulties and trial and error for six months, he was able to invent a changing machine and obtain a patent for a vending machine with a 5 won coin and chewing gum. The patent application fee of 75,000 won was obtained by selling the Canon F1 camera he had brought with him from Vietnam.

The next step was to find a financier who would pay for the coin-change business, but each person he met only sneered about the vending machine itself. He did not even think it was so hard to meet a sponsor. Realizing that there were no one around him that can support the business, he decided to visit Lotte, Haitai and Orion, which were the top three chewing gum makers in Korea. The immediate task was to get 50 pieces of chewing gum in a bulk to install in the vending machine. At that time, chewing gum sales volume was higher than that of other confectionary, and Lotte (ranked first), Haitai (second), and Orion (third place) were the three main manufacturers of chewing gum. There he repeatedly explained that "You can sell at least 300 pieces of chewing gum per vending machine per day", "You can reduce the cost by 20% if you only remove the product box and individual packaging for each piece of chewing gum", and "There is also such a promotional effect that your company is the first one to sell chewing gum by vending machine."

Despite his serious requests, everything was in vain and he could not go across even one sales manager of a single company. The saying is true that "Faith is going to move a mountain!" When he failed to persuade himself and turned around to sag, someone called him and shouted "Hey, let's just try...!" It was the director of the Haitai's sales team who became a lifelong benefactor to Chairman Lee. Thus, the contract with Haitai was established, but funding was still an issue.

The person who stumbled upon the memories in his head was his old friend Mr. Kim. He supported Chairman Lee just by hearing that Haitai had accepted the deal. Mr. Kim understood that the profit of approximately 1,150 won per vending machine per day is a net profit of approximately 30,000 won per month, and mutual sympathy was shared with the profit model, that the payback period of the vending machine would only be three months old. But even before the business stabilized, the vending machines were down, and defective products were made here and there. In other words, the chewing gum vending machine beside the public telephone where there was no maintenance worker, became useless if it was hit and cracked by a punch of the bullies.

"Where is the right place where someone can take care of the vending machine?"

The answer, he thought, was a cafe, a bookstore or a stationery shop. Since the vending machines installed especially in the stationery store were wonderful in the eyes of children, the sales of each machine continuously increased, and he added something like another prize (lottery drawing) at the machine. With such incredible success, the stationery owner had to demand more vending machines.

When the competition for the sale of chewing gum between the three main confectionaries grew intense, Haitai threatened Lotte's market share thanks to vending machines. And, getting into the habit of chewing gum after meals, he also produced vending machines for restaurants.

In 1977-78, that is to say in two years after starting the business, he managed to form 50 agencies nationwide.

Followed by the development of ball-type confectionery vending machines, sanitary napkins and condom vending machines, the first vending machine business in Korea continued its success and growth. Chairman Lee has also accumulated a lot of money thanks to the replica of vending machines for drinks and coffees which he obtained the sample in Japan. He became a millionaire at the age of 29. But in the blink of an eye his first successful business collapsed.

The bankruptcy, caused by 'fraud and betrayal', took away all the goods that he gained in the meantime. Barely escaping imprisonment, he became a shameful person living in the house of his parents-in-law. The nightmare of failure that was hidden behind a big success came from a plan, making a company to build a machine factory by forming a partnership with the Haitai Confectionery, with Chairman Lee himself, and the Japanese Fuji Electric Vending Machine maker in Korea. However, a young businessman, who had been in the spotlight in the industry, got involved in the fraud of a tricky financier. Eventually, the three-part joint venture was not even created and went bankrupt.

Even after suffering such a terrible fraud, he invested all the funds he had entrusted to establish Joint Venture with Haitai Confectionery. But he failed to make a deposit in the bank and his company went bankrupt. At that time, seeing that the employees and their family ended up on the street, Chairman Lee decided, keeping the philosophy that "Companies should not be dead once they are born. And that is the very mission of the founders and of the top management!"

Peddler of Japanese products and game monitor business

After going bankrupt, he suffered immeasurable desperation in the house and a penniless life, but none of the hardships could make him give up on his dream. Then he flew to Japan, trying out commercial knowledge randomly back when he knew during his vending machine business to look for new business, but that was also in vain. On those days, he suffered with only a piece of bread for two days' meals. And he made his living by the small trade of the Japanese market selling goods to Korea. For him, it was not the poverty of the childhood where he learned to know the real hunger, but such days of petty trading.

One day, while traveling in Japan as a small trader, in search of a new business motive, his eyes were drawn to the monitor of the Pachinko game room where he entered with his friends. Back then in Korea, video game businesses like Space Invaders were starting to emerge by illegally copying the Japanese keyboard and software memory. Chairman Lee

expected the video game industry to grow in the future, and in fact there was no game monitor in Korea. He brought a Japanese game monitor as a commercial sample to a bonded warehouse and attempted to reproduce imitations with the support of various techniques from private engineers. The efforts of Chairman Lee, whom he did not know well about monitors, were limited to this extent. And as he negotiated with Lotte, Haitai and Orion for the chewing gum vending business, this time to find out more about the monitors, he searched Orion, Goldstar (now LG Electronics) and Samsung Electronics, the main manufacturers of CRT monitor in Korea.

As a result of persistent negotiations, Samsung Electronics supplied him with 3,000 Braun tubes. Chairman of Samsung Group Lee Gun-Hee's second older brother, Mr. Lee Chang-Hee (general manager of Samsung Electronics: 1933 ~ 1991) signed an exclusive contract with Chairman Lee Han-Gu. And with the support of street store engineers, he turned CRT TV into game monitors. The success of the Gala Game (Space Invaders), which was a successful product over time, led to the explosive growth of the monitor activity, which was the second challenge of his professional life. As a result, he eventually returned to being a prominent businessman occupying more than 70% of the Korean domestic market for karaoke monitors, game rooms and music pubs.

As gaming screens became more successful than CRT TVs, Mr. Lee Chang-Hee, general manager of Samsung Electronics, filed a lawsuit, confirming that the Samsung CRT had been illegally transformed as a game monitor. Even though Chairman Lee won the lawsuit in a year, his business was affected by the breakup with Samsung. In an era where the emphasis is on mutual growth, many people today do not expect the trade power relationship between the strong and the weak, where the strong dominates the weak, to disappear. At that time, he successfully ran the business thanks to and dependent on Samsung Electronics, the solid company. But the breakup with Samsung was an inevitable crisis for him, even if he had no choice other than to leave the business. However, the crisis has provided him with other opportunities to go abroad.

Attempt to enter the overseas monitor business

Intellectual property rights litigation occurs everywhere in business. In 1984, Chairman Lee challenged a new overseas market by seeing fierce competition and the newly adopted intellectual property rights of the video game industry in Korea. His bold idea was to export game monitors to the Japanese market. Even the leaders of Samsung Electronics informed him that it was a reckless ambition for a small entrepreneur like him.

At that time, Japan dominated more than 80% of the world game market, but he thought that if he managed to export to Japan, he could easily succeed anywhere in the world. He decided that "Once I do my best for a year, and if I am successful, I will continue. And if I fail, I will stop." And he tried to challenge with 11 employees in the 120 m² underground space.

Honestly, he was convinced that he could make the monitor at a much lower price than Japanese products, but the problem was with the quality and reliability of the product. Good luck followed his decision to enter the Japanese market! The first appreciation of the Japanese yen, which had an impact on the world economy, appeared in 1985. It allowed to export game monitors with competitive prices to foreign markets at around 25% of the price of Japanese game monitors. And he created Saejoo Electronics and started mass production of monitors. The reason Kortek was founded in 1987 when Saejoo Electronics was launched is to commemorate the challenge for a new business of industrial monitors that even Samsung Electronics has declared impossible to meet the demand of buyers.

The history of Kortek is the history of industrial monitors

At the end of the 88 Seoul Olympic Games, the era of information technology began worldwide. (Murad et al., 2014) In parallel with the development of the computer industry and the semiconductor industry, advanced and professional monitors such as kiosk, fish finder, airport terminal information panel, medical monitor, broadcasting, aviation, ship, advertising and various entertainment appliance markets were booming. As such, monitors from different domains have appeared, but the software and the user environment were not compatible with each other. To be fair, there was no such competent monitor manufacturer in Korea at the time.

On the other hand, the main products of the Korean electronics industry, such as television monitors in general, computer parts and semiconductors, were run by large companies, and their products have become popular in the whole world. And also, the Korean government and some companies have taken advantage of these opportunities to specialize in high-value 'industrial monitors', now for the first time in the development of the specialization strategy, the term 'monitor industrial display' was introduced to the business world (Forbes, 2010).

In order to continuously develop specialized industrial monitors other than ordinary monitors, Kortek has acquired materials and samples from foreign countries and has accumulated technological competitiveness and market development experience with a stimulating attitude. Indeed, industrial display monitors such as game monitors, medical monitors and air traffic control (ATC) monitors, compared to general display products, required advanced technology in its relatively small market.

For the industrial monitor sector, SMEs dare not challenge because of their weak technology and expertise, and large companies such as LG Electronics and Samsung Electronics were hesitant to invest due to the small size of the market. As a result, industrial display products had to depend on imported foreign products for domestic demand.

Beginning of the success story: Casino and encounter with IGT

Kortek was previously Saejoo Electronics. It entered the field where large companies did not contest and was designated as a special military service company in 1991 by exporting game console screens to the United States and other countries for the first time in Korea. In 1994, the management team of International Gaming Technology (IGT), one of the world's leading manufacturers of gaming machines, came to visit Saejoo Electronics to expand suppliers and to compete with monitor suppliers for cost reduction. In 1994, mechanical slots in casino gambling halls were replaced by video slots, and American company Ceronix, which held a patent for Auto Bias Technology, took profits at an incredibly high price.

Led by Rich Hilton, a former IBM executive who disliked the arrogant Ceronix, IGT executives visited companies in Taiwan, Japan and South Korea to find a new supplier. However, since the overall size of the slot machine market was small and the monitors used demanded high technology and quality, moreover, future purchases could not be guaranteed, so large companies refused to develop the auto-polarizing video monitor, and SMEs lacked the corresponding technology. IGT executives, who visited Saejoo Electronics on the recommendation of Samsung Electronics, were disappointed to see the shabby facilities and scale of Saejoo Electronics. In addition, most engineers and managers at Saejoo Electronics objected saying that it was impossible to develop Auto Bias in-house. Nevertheless, Chairman Lee challenged to propose the development of video monitor products.

He had two convictions in his choice: First, he was convinced that if the slot machine was replaced by a new video system from the mechanical system used for 100 years, the demand would be more explosive than expected. Second, Auto Bias is a blue ocean, a good opportunity with few competitors. And also, it has strategically taken into account the claims by IGT executives, such as Rich Hilton, that Ceronix's monopoly desperation should be seriously countered.

Troubles with IGT and successful overcome with trust

Obviously, Kortek's new automatic color correction product was superior in price and performance to Ceronix products, but the process of adapting to the market was never smooth. The Kortek monitor installed on the world market, in less than a year after its delivery,

immediately appeared to have full of complaints due to the poor functions of the main components. At that time, the quality level of the parts industry in Korea was too low to withstand the special environment of the casino game room, operating 24 hours a day throughout the year.

As such, IGT's purchasing managers and vice presidents were quick to visit Kortek to discuss such serious incidents. Chairman Lee, who experienced problems for several days after negotiations with IGT, notified IGT of a 100% recall with a decision that generally could not be taken as an SME like Kortek to mobilize all the funds and the workforce. IGT was aware, of course, that the financial situation and the size of Kortek's business were unstable but small enough to offset the cost of a full recall. In other words, if Kortek were to pay a 100% recall cost, it would be worrying that Kortek would go bankrupt.

Based on Kortek's response, the IGT Executive Board welcomed Kortek's commitment to be 100% responsible for the recall and concluded that IGT would reduce all costs of the recall. In addition to this favor, IGT made an incredible decision to increase the purchase price of Kortek by more than \$ 30 for each product and the purchase volume from 20% to more than 50%. In short, after the unexpected crisis, thanks to mutual trust, Kortek could have an unexpected opportunity for brilliant growth. As such, IGT's full support and trust in Kortek played a decisive role in the fact that Kortek has become the world's largest supplier (vendor) to the United States Ceronix. Kortek's decision, which solved the problem of the monitor (most important for the video slot machine) with full responsibility rather than avoiding profitability, subsequently became a principle and a core competence of Kortek. Kortek was ranked as the number one supplier (primary supplier) of IGT, still retaining the absolute position in the casino industry.

It also helped restore the 'relationship of trust' as a core skill and key to growth, and of course the most important business asset. Interestingly, IGT employees, who owned Ceronix shares, sold it and joined to support Kortek. In addition, around 40 global companies, including Hyundai Electronics, have attempted to enter the bloody competitive market, but all have failed. IGT appreciated Kortek for its concentration on the core technology of the slot machine as a video game, and rejected any other partnership requested from other companies, retaining the relationship of trust only with Kortek.

From Saejoo to Kortek and successful announcement on KOSDAK

Kortek's reputation and stable profitability as the industry leader in casino monitors has paved the way for pioneering new products such as the medical monitor, electronic blackboard, air traffic control monitor, PID and new business sectors. The invaluable experience of Chairman

Lee, learned at the time, was that "the difference between the first and second companies in the competition is just under 1 to 2%". Chairman Lee's "1% Plus" slogan came from the very insight. In addition, slogans such as "Let's improve the quality of our products by 1 to 2% better than the others", "Tomorrow than today, next month than this month" have been published everywhere in the company.

Saejoo Electronics began its full supply capacity to IGT in early 1999 and changed its company name to Kortek in September 1999. Despite the fact that the KOSDAQ market bubble started to sink in early 2000, Chairman Lee disputed the request for a preliminary examination of Registration at KOSDAQ. At the time, nobody in the company knew how to complete the registration process, the preparations and the request for examination. It also seemed like a carefree challenge. However, he formed a special team and began to study at times with the informal advice of his friends. In October 2000, Kortek finally responded to all requests to register a risky business on KOSDAK. Eight months is the shortest record in Korea.

On the other hand, in order to underline the fact that Kortek is a specialist in industrial monitors for 'individual investors' who wonder about the fact that the manufacturer of monitors Kortek registers with the KOSDAQ, Chairman Lee has ordered to exhibit an expensive (\$ 30,000) monitor piece, and much more expensive medical monitor samples together. The high branding strategy was sensational, and luck followed. In the first RI, which was traded at six times the face value (500 won x 6 = 3,000 won) per share, Kortek, as a manufacturer of monitors, began to be praised by investors with surprising 13 times the nominal value (6,500 won).

Thanks to this, Kortek developed MLD (multilayer display) with Samsung Electronics to stimulate technological development with stable profits and to play 3D games without wearing special glasses. As a result, overseas buyers have also emphasized the technological excellence that equates to the technological levels of Samsung Electronics and Kortek. IGT also stressed that "businesses that have not won the trust of customers and the community can never grow". In other words, as a leader in business ethics, like Siemens in Germany and GE in the United States, IGT has focused on ethical standards of "keeping profits at 5%, keeping information undisclosed to competitors". It was also a great support for Kortek to prevent the 'rifle competition' or 'bleeding competition' that could frequently occur from everywhere.

Kortek's stable industrial monitor product development activities were favorably promoted by the synergy with the 'product-market' portfolio strategy linked to the development of new markets. In 2001, Kortek opened a branch in the United States and registered a utility model of the video control system using the automatic bias circuit. In 2002, Kortek opened offices in

Europe and obtained a patent for the Auto Bias system using a microcomputer, winning the Korean government's Top 50 Million Dollar Export Tower award.

In 2004, Kortek's LCD touchscreen monitors were finally approved by IGT in the United States and Kortek was designated as the exclusive supplier of IGT. The following year, Kortek developed a medical monitor overcoming such failure as the president of Medison Co., Ltd.

In March 2006, Kortek was appointed supplier of Siemens monitors and began mass production of ultrasonic diagnostic monitors. Kortek was awarded the 'Export Tower of US \$ 70 million' and the Silver Tower Order of Merit. In May 2007, Kortek was registered as a company with foreign capital. In April 2009, IGT selected Kortek as the best supplier. Kortek moved to Incheon Songdo New Town while waiting for a new leap (Fortune Korea, 2012).

Kortek's cutting edge technology combined with a future image

The result of the move to Incheon created another smart business model. Foreign buyers have recognized advanced technology at the Kortek Research Institute. And increased productivity, tax advantages and favorable contracts with global companies have helped Kortek usher in the golden age of the global 'hidden champion' of Korea.

In order to show an 'advanced and special image' like this, Chairman Lee has built a display screen manufacturing plant, like a 20,000m² global research institute, combined with the image of the Incheon Free Economic Zone. It also allowed Kortek to take a leap forward. The industrial LCD screen inherently has a very short life cycle. In fact, the Las Vegas game room replaces the entire monitor every two years. As the image of high-tech facilities and equipment lines has changed the eyes of strangers, and the amount of product orders has steadily increased.

Nobuhiro Endo, President of NEC Japan, the world's number one semiconductor in the 1990s (NEC currently operates a joint venture with more than half of its stake in DELL computers), also visited the new Kortek plant and appreciated Kortek as the world's best company. The combination of the product image, the factory image and the Songdo New Town image created a virtuous cycle effect which is directly linked to the growth in Kortek sales.

Kortek's main activity is the manufacture and sale of industrial color monitors such as TFT-LCD touch screen monitors, which are export oriented with more than 90% of them (Korea Exchange, 2011). Above all, Kortek continues its success story as a company that has never been in deficit since its foundation in 1999, as is the case of Southwest Airlines since 1967. It is also the result of the concentration on industrial monitors for 27 years since its launch under the name of Saejoo Electronics in March 1987. Kortek, demonstrating the value of the "high growth and high profit" activity, and was selected as one of the top 30 companies in Korea as

'300 world class companies' (Hankyung, 2011). Indeed, Kortek is a remarkable case since it serves as an excellent example of a hidden champion where SME entrepreneurs usually suffer disadvantages in terms of labor, bank loan, productivity, tax advantage and annual salary level compared to large enterprises that only occupy only 1% of the total number of enterprises (Hankyoreh, 2014).

PHILOSOPHY ON THE SUSTAINABILITY AND MANAGEMENT SUCCESSION MECHANISM

There are two types of management succession: internal and external (Hitt et al., 2017). Internal succession tends to benefit from its (1) clear understanding of the staff and the company's own capabilities (2) appreciation of the company's culture and the fundamental values associated with it (3) in-depth knowledge of skills essentials of the business (4) what will and will not work in the business.

External succession, on the contrary, expects (1) the need for the business to improve its capacity to innovate (2) the need for the business to reverse recent poor performance (3) to the fact that the industry in which the company competes is experiencing rapid growth (4) need for strategic change. Table 1 shows the composition of the management team and the source of succession for the CEO.

Table 1.
Effects of CEO succession and top management team composition on strategy

		Managerial Labor Market: CEO Succession	
		Internal Succession	External Succession
Top Management Team Composition	Homogeneous	Stable Strategy	Possible change in Top Management and Strategy
	Heterogeneous	Stable Strategy with Innovation	Strategic Change

Source: Hitt et al. (2017)

However, this typology generally comes from the expectations of the board of directors of a large company, and not in SMEs like Kortek where only the CEO has full responsibility in all aspects of management, including decisions even in the succession of management. (Lim, 2010)

Social responsibility of Kortek and entrepreneur's goal in life

After registering with KOSDAQ, Kortek's reputation and solidity of capital increased considerably. Chairman Lee stressed that "Kortek is not the property of an individual, but a concern for sustainable growth in the future as a constituent of society". The first consideration is that one day Kortek must be led by someone other than himself. The second is the fact that if he were to be busy with business and management, he would eventually have to retire when he became a languid old man or the situation suddenly changed. The question was whether to prepare for the succession or to manage the business until the end of his life.

"It is the business scene which is more severe than the war that fights and truces. What choice should we make and how should we act to survive here?" If you are an executive or a leader, you should be able to answer this question: "How to return the money earned from society to society again?" And "To whom should I entrust it to continue to grow the business?" These are the questions directly linked to the sustainability management and the succession of management rights of any CEO or entrepreneur. "How long should the entrepreneur play his role and how far?" Although the business is considered to be a 'going concern', the lifespan of businesses is much shorter than that of entrepreneurs. A wise manager therefore takes a day off, given the time of retirement, but a foolish executive will lack time.

"It is the duty and responsibility of business leaders to enable the business to continue to grow," said Chairman Lee, who has had great success in the vending machine business and has also experienced miserable bankrupt. He believes that the sustainability of the business has been measured in three ways.

Table 2. Three alternatives in management succession mechanism

Alternative 1 (Family Succession)	Choose one of your children, relatives, or employees to favor as a as successor, then succeed
Alternative 2 (Expert Succession)	Find and get an outside professional manager to continue developing the business
Alternative 3 (M&A Succession)	If these two alternatives are rejected, the last option is to establish a new enterprise and management system by M&A

Chairman Lee, who had envisioned Kortek's future and sustainable growth, had met many people, focusing on the first and second alternatives of these three succession alternatives. But he couldn't find a qualified person after all. He also consulted with other entrepreneurs, but they also concluded that it was really difficult to find a successor. In other words, a large company can apply a business succession program, so even if a bad decision is occasionally

made by the second generation successor, it is often rechecked by the system established in a large organization and can be corrected immediately. However, there is no such succession program in small and medium-sized businesses, and a single bad judgment will bankrupt a startup that has worked out for decades.

Problems inherent in the succession mechanism mode

The 'Art of War' of Sun Tzu (544-496 BC) remarked that "They must win if the king chooses a great general and does not interfere with him". As such, Chairman Lee focused on recruiting excellent executives and hired Executive Director of Samsung Electronics as the President of KorteK. And he asked the employees of the company to follow the new President's strategy and directions without any doubt over the next year. Then, he left KorteK, where he had all his affection and soul, and self-engaged himself as CEO of one-man company in his Seoul office room, reminding himself that "an organization should not have two Suns."

In less than a year, however, having another experience that "In Korea, the owner manager and professional manager are too different when taking care of the business and in preparing for the future", and he was obliged to return to the management line again. This was also precious experience for him to realize himself that the lively changing corporate organization requires a CEO to bear all the capabilities and responsibilities for sustainable management, regardless of the firm size or strength. The problem was that even though the top executive of technology expert in Samsung Electronics was recruited, he only knew well about his own profession and neglected comprehensive strategic approaches for overall management aspects.

Such examples are common in the United States. One of the famous examples is Texas Air (Park, 2010). Frank Lorenzo, president of Texas Air, who was named as the eminent expert in M&A, succeeded in the merger of Continental, Eastern, Frontier, New York and People Express from 1983 to 1990. But at the end, Texas Air went bankrupt, leaving lessons that "The genius in finance is not the genius in management" and "The same strategy cannot always be successfully applied to different situations" (Park et al., 2005) In fact, sustainability management is far more difficult than beginning start-up business, and in those process of sustainability management, there lies a difficulty of management succession.

Looking for a proactive CEO – 2 years of efforts for M&A

Chairman Lee expected the professional executive, who came from Samsung Electronics, will transform KorteK into a new management style like Samsung. However, in the past two years, although it has not been in deficit, KorteK's performance has declined for the first time in its

history. Chairman Lee concluded that the decision in which the successor is chosen from among children, employees or outside specialists would never be successful in the Korean business environment.

As a last resort, Chairman Lee made a public announcement to promote management succession through M&A and interviewed approximately 50 candidates, including emerging venture capital directors. The key point of the interview was to present Kortek's development strategy. His only evaluation criterion was, rather intuitive, that of "knowing if this person would be expected by the shareholders and the employees to manage Kortek well." In other words, he first asked to present Kortek's future vision in the field of industrial monitors and the growth strategy, then the overall assessment was made by his confidence and intuition.

Chairman Lee summed up Kortek's strengths according to the following three factors: First, Kortek is a company with solid fundamentals that started with non-recourse management and has never had a deficit since its inception. Second, Kortek owns a business that guarantees the future value of the business with sufficient cash reserves and stable profit generation. Third, Kortek, which has the best technological competitiveness in the world, continues to increase the number of buyers as the market for industrial screens grows.

As Peter Drucker claims: "You cannot succeed with your own weaknesses. Strengths only lead to success. So, first of all, we must identify and strengthen our strengths before filling in our own weaknesses" (Drucker, 2007; Nemethy, 2011; Cohen, 2018), Chairman Lee was looking for a person and a candidate company for the merger and acquisition that would drive Kortek's sustainable growth, combining its strengths with new opportunities.

As a criterion for selecting a target company suitable for mergers and acquisitions with Kortek, the first point was that employees, shareholders, customers and people in the company trust the candidate who can develop Kortek better than the Chairman Lee himself. And the second criterion was the evaluation of the business plan that Kortek, which is the world leader in the field of industrial screens such as entertainment, casino, medical ultrasound and electronic cards, can continue to develop in as the best company in the world.

Moment of truth – M&A just 3 minutes of negotiation

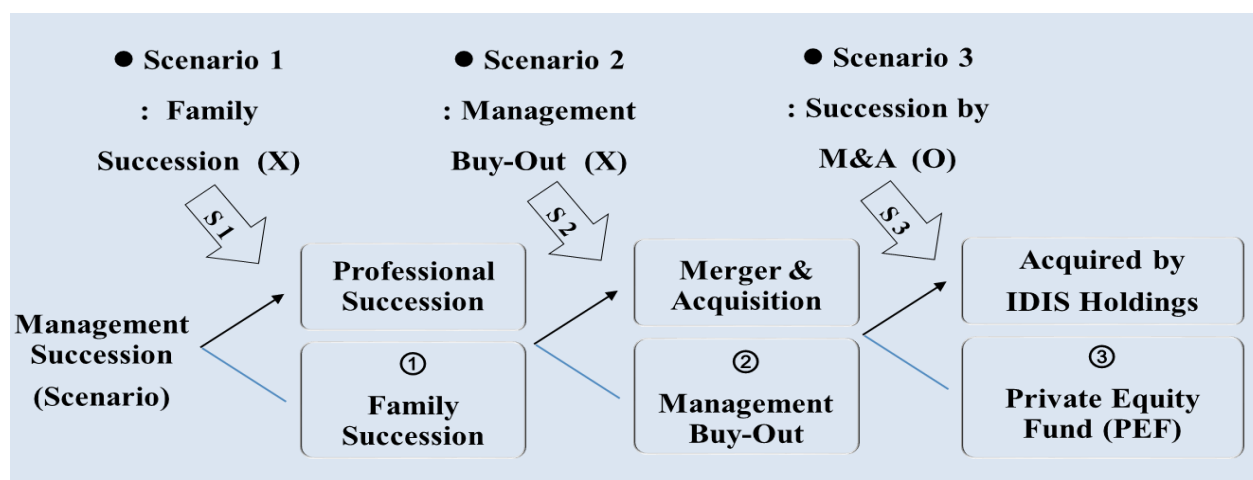
Over half of the candidates interviewed during the two years of research did not master industrial displays. And most of the others did not have the specificity and the feasibility of the development vision presented by the second stage. Among the few candidates who reached the final phase was Mr. Kim Young-Dal, President of IDIS Holdings, which was the world's leading manufacturer of digital CCTV recorder manufacturer.

The reason that IDIS Holdings has become a desirable candidate for Kortek was that it was the number 1 company in the world with commercial capabilities in the field of digital security cameras. Moreover, the world's largest digital companies, Sony, GE, Honeywell and Samsung Electronics used IDIS video surveillance. He drew Chairman Lee as a small but strong "hidden champion". 80 of IDIS' 150 employees have carried out research and development, and around 40 of them were master's and doctoral engineers. And IDIS Holdings already enjoyed a good reputation in the KOSDAQ market.

The second reason was that Mr. Kim Young-Dal, born in 1968 and earned Ph.D in Computer Science from KAIST, gained credibility by the fact that Mr. Kim Jung-Joo, President of the gaming company Nexon, was his best former student in KAIST. In particular, Mr. Kim Young-Dal's most distinguished colleagues entered the software and games industries, but he was the only professional executive to have entered the manufacturing industry, with beliefs of hardware and manufacturing industry.

In two years, more than 500 companies have knocked on the door of Kortek offering mergers and acquisitions, but only President Kim of IDIS Holdings confirmed Chairman Lee's spirit in just three minutes from the first meeting. President Kim was also looking for target M&A companies for new business development as he examined the limits of the IDIS asset security market. He has analyzed around 1,000 companies as candidates for mergers and acquisitions in the past three years, but he had no real candidate companies like Kortek.

However, as the owner of Kortek, Chairman Lee was compelled to worry about deciding the sale price of Kortek to IDIS Holdings, which was a key condition for mergers and acquisitions. Chairman Lee asked a direct question, "How much is it going to be?" President Kim's response to the question was "I would like 70 billion won". The negotiation ended in 3 minutes. Chairman Lee's point of view on the optimal selling price was the level of being able to maintain the idea of thanking himself even after the fact. This means for Chairman Lee, the level of the selling price itself was not so important.

Figure 1. Succession scenarios and the choice of Chairman Lee

The bulk of the problem has been agreed, but as with any M&A process, due diligence has been the most difficult problem. Even here, Chairman Lee proposed to pay 20 billion won as a security deposit, and President Kim took over management of Kortek for three months of actual audit work on the financial statements. Fortunately, there were no complaints during the three months and there were more than 10 future treatments and conditions at the time of the contract, but all were withdrawn so as not to be responsible for maintaining a mutually superior relationship. As the founder of Kortek, Chairman Lee was able to see the growth of his own company at a close distance. President Kim of IDIS Holdings may also accept the advice and assistance of Chairman Lee as a joint representative who appreciates each other.

The negotiation strategy usually requires a cover-up, push and pull. However, the moment of truth where Chairman Lee showed his honesty and frankness seemed far better and more effective than such negotiation tricks.

Creating shared value – synergy created by honesty

Chairman Lee's strategic point was that the creation of shared value (CSV) also stems from a reciprocal and direct attitude. It also actively approved the plan to create a new holding company that produces new products with a convergence method such as the touch screen, the camera and the decoder display among the future growth strategies of Kortek presented by President Kim. And in three minutes of the interview, he decisively concluded the delivery of Kortek. It was a 'moment of truth' that he again identified his management philosophy: even if he created a start-up to earn money, sustainable development is much more important and difficult.

To sum up, Chairman Lee first heard a clear answer on how to grow President Kim's Kortek. Second, he also confirmed the expertise on why President Kim is interested in Kortek's

products. Finally, he only received 70 billion won, one third of the current share price, and handed in Kortek's future to President Kim. The reason why M&A with IDIS Holdings is assessed as a representative CSV case, can be proven by the commercial achievements that have been demonstrated for two years after the mergers and acquisitions: First, the stock price of Kortek was 8,000 won at the time of mergers and acquisitions and now it is 15,000 won. Second, people applaud it as an example of a nice M&A where employees, customers, shareholders and others around each other benefited mutually.

Chairman Lee, President Kim, Kortek and IDIS Holdings all thank each other so far. Finally, President Kim has decided to make Kortek a global company of industrial monitors and maintains his confidence in the future market of industrial monitors. Kortek launched a M&A joint venture between Chairman Lee, a high school graduate, and President Kim, a Ph.D. technology entrepreneur from KAIST. This gave President Lee another blessing.

CONCLUSION

Throughout his life, Chairman Lee Han-Gu had two hard-to-sacrifice successes in business, but the first success has suffered many other people involved in the bitter pain of being bankrupt. The other gave a very different result giving a happy and honored life as an entrepreneur with ideas and choices in accordance with his management philosophy composed of three virtues of innovation comparable to the concept of Schumpeter (1976) and Drucker (1985): "Best, Knowledge, and New Technology". (Park et al., 2014)

Based on the spirit of "Best-Knowledge-New technology", Chairman Lee, for a generation, has achieved many achievements as an entrepreneur and as a hidden champion in the field of industrial monitors in Korea. Chairman Lee, who handed over the management by M&A, is determined to make our society understand that many entrepreneurs who have started a business in a difficult situation like him should not give their business to their families or relatives. Now, Chairman Lee is considering a second life to strengthen relationships with the people around him and do what he really likes and wants, while empowering the society.

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창업가의 경영철학과 경영권 승계 메커니즘

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본 연구는 경영권 승계과정에서 표출된 창업기업가의 삶과 경영의 철학에 대하여 사례분석 방법으로 살펴보았다. 대상 기업인 (주)코텍은 게임 모니터 세계 1 위의 제조업체로서 미국 비디오 슬롯머신 시장점유율이 70% 이상되는 성장을 이룩하였다. 하지만 국내 제 1 세대 창업가들이 흔히 그러하듯 코텍의 창업자 이한구 회장 역시 혼신을 다해 키워온 기업의 경영승계를 어떻게 해야 할 것인지 고민에 빠졌다. 또한 가족승계, 전문경영자 영입, 그리고 M&A라는 세가지 시나리오를 모두 검증해 보는 2 년의 기간 후 IDIS Holdings의 김영달 사장에게 M&A 방식으로 경영권을 승계하였다. 본 사례는 아들에게도 맡겨 보았고, 삼성전자 임원을 영입해서 전권을 부여해 보기도 했지만 코텍의 지속가능한 성장을 찾기 어려웠다는 결론과 함께 기업가정신으로 공감적 경영철학을 보여준 KAIST 출신 젊은 창업기업가에게 M&A로 경영승계를 마무리한 과정을 담았다. 이와 같은 (주)코텍 이한구 회장의 선택은 지금도 성장을 지속하고 있는 회사의 경영성과를 통해서 다시 한번 확인되고 있다. 비록 창업 1 세대가 겪어 온 한 기업의 사례이지만 본 연구는 창업가와 20 회 이상의 인터뷰, 기업자료 및 언론매체 기사를 중심으로 심층분석한 것으로 경영승계의 고민을 안고 있는 모든 기업가들에게 바람직한 경영권 승계 메커니즘을 이해하는데 공감적 시사점을 줄 것으로 기대하는 바이다.

주제어: 창업기업가, (주)코텍, 산업용 디스플레이, 경영권 승계 메커니즘, M&A