

STAT WATCH



U.S. carmaker Ford's Focus was the world's best-selling passenger car in 2012 with 1.02 million sold, according to the U.S.-based car market researcher Polk. Corolla, manufactured by Japan's Toyota, followed in second place with 872,774 sales. Separately, Hyundai Motor said it sold 862,741 Avanta cars worldwide, the third-most sold vehicle. Ford registered three models — Focus, F-Series pickup trucks and Fiesta — in the top 10, the most among automakers.

WINNERS & LOSERS

Hyundai Heavy Industries announced Thursday it won a \$1.9 billion contract to build an offshore oil production facility for the U.S.-based energy group Chevron.

Under the deal, Hyundai Heavy will build a floating oil production and storage facility capable of processing 100,000 barrels of crude oil and 190 cubic meters of natural gas a day, and storing up to 1.05 million barrels of crude oil.

The 292-meter-long facility is scheduled to be installed by 2017 in the North Sea Rosebank oil field in Britain, according to Hyundai Heavy. The latest deal with Chevron helped the company earn \$5.1 billion in total orders for offshore facilities so far this year.

GS Engineering & Construction, Korea's fourth-largest builder, said Wednesday that its net loss reached 386 billion won (\$341 million) in the first three months of this year because of lower margins on overseas deals.

The net loss was a sharp decline from the last year's 74.6 billion won profit, the builder said. The company's sales dropped 13.49 percent to 1.8 trillion won during the period. GS E&C said low-priced overseas deals in recent years have contributed to the poor earnings performance.

The builder also posted a \$35.4 billion won in operating losses between January and March, compared to the 106.8 billion won gain in the same period a year earlier. Company shares closed at 35,700 won on the Seoul bourse Friday, down 15 percent from the previous session's close.

PHOTO OF THE WEEK



Spring cleaning A Korean Air A380 jumbo jet gets a wash at Incheon International Airport, Friday. It takes some 20 tons of water and 100 liters of cleaning fluid to wash the A380 plane, and around five hours to complete the task. The carrier regularly washes its planes to both make them clean and enhance their fuel economy. *Yonhap*

'Spec-free' recruitment not easy in reality

By Kim Bo-eun
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A growing number of corporate recruiters these days say credentials do not matter so much in recruitment, and that jobseekers should try to set themselves apart from other applicants.

In light of intense competition among job-seekers to acquire high English test scores and various licenses, some of the country's main corporations have implemented recruiting processes that do not take these into consideration.

However, applicants cannot afford to go without such credentials, for fear of lagging behind their competitors, and so they continue to pile up a variety of certificates and licenses, which cost a significant amount of time and money.

By the time they apply for jobs, they have at least several of these credentials — so-called "spec" in Korean. However, since most applicants have these credentials, having them makes little difference.

While companies try to lessen the burden of credentials on applicants, jobseekers say human resources managers cannot help evaluating applicants based on them. They believe these credentials give them an edge in a screening process where they compete with thousands of applicants.

As a result, despite the newly implemented employment processes, jobseekers are more intent than ever on getting better English scores and obtaining an additional license.

New recruitment methods

April is the peak of the annual corporate recruiting season, and jobseekers are busy submitting resumes, taking tests and preparing for interviews. Competition is intense, especially due to the prolonged economic slump, which has made companies cut down on the number of new recruits.

To get a better chance at landing a decent job, college students prepare English proficiency test scores as well as various licenses, which include those certifying one's knowledge of Chinese characters and one's ability to

use computer programs. The conventional recruiting process at major corporations involves applicants submitting a resume, taking an aptitude test and being interviewed. Additional criteria for evaluation may include giving presentations and participating in a group discussion. Despite the long, daunting process, countless applicants do not get to take part in the latter stages because they do not make the very first resume cut based on their credentials.

In 2011 Samsung Electronics initiated a new recruiting process for its software and design division that does not involve taking an aptitude test. Rather, it recruits employees solely based on their performance in interviews. The company says its aim is to recruit creative individuals through interviews that require exhibiting technical skills and producing ideas.

Hyundai Motor's "5-minute self-promotion" is a recruiting method in which applicants introduce themselves to potential interviewers in a limited time span. Those who are

exempted from submitting their resumes and can proceed to the interview stage. In the recruiting process for the second half of last year, the company recruited 134 employees out of 840 applicants through this method.

The steel-making company POSCO said earlier this month that it is recruiting 850 interns, 400 of whom will be selected without having to disclose their alma mater or GPA.

These select interviews have the opportunity to get a permanent position. While these companies have created new recruitment methods, they, like other companies in general, still primarily use the conventional method.

Is it effective?

"It seems companies are taking a positive turn," said a 26-year-old job seeker surnamed Park, commenting on the companies' attempts to reduce the burden of credentials for applicants. "But in reality, they still expect appli-

cants to have them," he said. Recently, Park was at a final interview with corporate executives, along with five other applicants. One of the executives asked an applicant about why he didn't have a Test of

"If I had the time, I would take the TOEIC speaking test again to obtain a level 7 score. Companies seek applicants with speaking proficiency in English, and their very first judgment of an applicant's skill is based on

"It is impossible not to consider applicants' credentials at all, as it is a reflection of how hard they have worked. But what companies are doing is lowering the existing standard, to provide opportunities for more people."

English for International Communication (TOEIC) score on his resume. English proficiency scores had not been required of the applicants. The executive went further to ask what the applicant had done instead of studying for an English proficiency test, Park said.

English speaking test scores on resumes," he said. Even corporate officials say it is inevitable that companies look at applicants' credentials. Since recruitment at conglomerates involves selecting thousands of applicants in a limited period of time, an initial process of screening



Two university graduates look at recruitment information on a bulletin board on campus. It has become increasingly hard for graduates to land decent jobs as companies hire fewer recruits amid the sluggish economy. *Korea Times file*

JOB INFORMATION

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SERI REPORT

How cloud computing revolutionizes future

Tightened budgets in the precarious global economic environment are prompting more companies around the world to turn to cloud computing services as an alternative to investing in IT hardware and software. Their interest is underpinned by employees who already use cloud services to meet their personal and work needs. Ninety percent of all organizations worldwide were discussing adopting cloud services in 2012, an increase from 75 percent a year earlier. Cloud utilization is especially visible in the United States, where companies, schools, government and medical institutions bolstered their usage last year.

The cloud computing market is expected to expand by 44 percent annually from now until 2016, when it is forecast to account for more than 60 percent of all traffic of global data centers. By 2016, global data center traffic is expected to reach 6.6 zettabytes, a nearly four-fold increase from 1.8 zettabytes in 2011, with cloud traffic representing 4.3 zettabytes, compared to 683 exabytes in 2011.

The explosive growth and potential of the cloud market has sparked a slew of mergers and acquisitions (M&A) among IT giants, aimed at securing cloud capability. In 2012, cloud accounted for more than 15 percent of all M&As in the IT sector. IBM, SAP and HP have entered the cloud market where previously Amazon and Microsoft dominated. This will likely trigger a mixed landscape going forward.

Cloud computing is bringing rapid and diverse changes in the use of information. It has five characteristics: on-demand self service; broadband network access; resource pooling; rapid elasticity or expansion; and measured service. Accordingly, users can access and share data in real time through the cloud anytime and anywhere through an Internet-connected device, store and process large quantities of data at low prices, and gain access to new value.

This customer value will spur significant changes in existing services, devices, lifestyles and business management, and will create new markets and business models. Services that have been prohibitive are now rapidly appearing in the cloud environment. For example, services that required server-level specifications in real time are now becoming feasible, and are being driven by low spec devices like smartphones. S Voice from Samsung Electronics, Siri from Apple, and Voice Search from Google are leading examples of mobile voice recognition services. Previous mobile voice recognition services failed to become popular due to their low accuracy. But as voice recognition processing moved from mobile devices to the cloud, accuracy improved dramatically.

Google provides real time voice data on 230 billion English words classified according to gender, age and dialect. Furthermore, N-screen service has not been realized so that music and video can be enjoyed on a variety of devices without restrictions, and without worrying about storage on individual devices. And 3 Cloud services have also been launched that allow numerous people to share a single phone while maintaining each individual's unique phone number. Made for those who cannot afford their own phone, this service moves personal data such as

phone numbers to the cloud, which can be accessed online.

Diverse forms

Services that store large quantities of data or consume a considerable amount of battery power are being distributed to the cloud, enabling devices to become more diverse. Next-generation commercial devices will be ultra-small, wearable and flexible.

Google Glass, Samsung Electronics' Galaxy Watch and Apple's iWatch are opening up the future of wearable devices. A Google Glass wearer can access Internet searches, video recording, video chatting, real time mapping and real time interpretation with a voice command. This ability to handle all functions on a device smaller than a smartphone reflects Google's decision to limit internal functions and rely on the cloud.

Meanwhile, low spec and low cost devices optimized for services and content from the cloud are being released by Internet service companies. Amazon's Kindle and Kindle Fire, for example, have been very successful in parlaying Amazon's digital content, while Chinese Internet service companies like Baidu and Alibaba are entering the cloud based mobile device market as well.

Personalized information consumption

Cloud computing enables an individually tailored consumer lifestyle through analysis of large amounts of personal information. Names, career histories and behavioral records, i.e. "life logs," will move to the cloud. Yahoo Japan in 2012 developed a cloud-based smartphone application called "The Road I Came From," which records the user's movements in real time. Log data collected in the cloud is analyzed and users can manage a "designed" consumer lifestyle aligned with their own characteristics. Furthermore, with only an Internet-connected device, work can be performed by connecting to the cloud anytime, anywhere, creating "my own workspace" or "smart work." Inadequate storage space, the Achilles heel of mobile office work, is being solved by the cloud, leading to a rapid increase in the number of offsite workers. In 2010, the global mobile workforce surpassed 1 billion and by 2015 it will increase to 1.3 billion, accounting for 37.2 percent of all workers.

Greater accessibility

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Higher efficiency

Businesses can perform massive tasks at low cost and high speed through cloud computing, while greatly improving information sharing. There are already many case studies of dramatic cost and time savings through the cloud in IT, healthcare and distribution. One example is the fusion of genetic analysis and cloud computing.

U.S. pharmaceutical major Eli Lilly and Company has used cloud computing to analyze gene sequences. It thus avoided a 12-week process of purchasing and installing hardware alone. By using the cloud, the entire process took only 20 minutes and cost \$6-40, and Lilly was also able to overcome difficulties in information and work sharing between departments.

Hancom, a Korean software firm, has entered the worldwide cloud office market by combining its ThinkFree solution for documents, mail and groupware with cloud services from VMware, a global IT firm.

This article was provided by Samsung Economic Research Institute.

Outlook for Korean securities industry in era of slow economic growth

By Kim Yong-doo

The Korean securities industry is highly fragmented with about 60 firms in business. Without a distinct market leader, it has the perpetual possibility of restructuring or the sudden advent of an underdog to rule the market. While Samsung Life Insurance and Samsung Fire & Marine Insurance, each the leading player in their respective fields, have over a 20 percent market share, the share of each of the first-tier securities firms such as Samsung, Daewoo, Woori and Hyundai doesn't go beyond 10 percent. The share is still low when compared to the securities industry in Japan where Nomura has a 35 percent total share.

Korean securities firms have been seeking quantum leaps by going overseas, focusing on investment banking (IB), and expanding their asset management businesses. However, none of them has had tangible results yet, and the firms still feed mostly on retail brokerage fees. Securities companies' overseas expansion has been passive due to the lack of human resources, global networks and large-scale financing capability. They are focusing on IB, but deals of higher profitability remain as sacred realm for the few global investment banks, while local firms compete fiercely for low profitability deals. In their wealth management business, securities firms failed to increase their market size due to banks and insurance companies with strong sales channels.

Approaching threat of low-growth economy

In addition to their current struggles, Korean securities firms face the challenging environment of a low-growth economy in the coming years. And building a bulwark against future ordeals seems to be an inevitable choice. Korea is experiencing a slowdown of GDP increase, and long-term interest rate cuts. It has a

high chance of embodying a permanently slow growing economy with its increasing household debt, declining value of tangible assets including real estate, and the diminishing productive population. The emerging era of a low-growth economy will likely pose various threats to the securities industry. Companies' diminishing need for capital finance, withering investment needs of enterprises and individuals, and a limit on leverage set by government will all lead to declining income for securities business, lower profits from trading, and decreases in IB commissions. Moreover, events will appear as part of long-term downfall, unlike a momentary phenomenon caused by cyclical economic fluctuations. The Korean securities industry has rarely seen a player going out of business; most firms that record losses for a year or two used to make quick turnaround with the ascending economy. But the recent case of Apple Investment Securities' voluntary liquidation after five years of operations exhibits the potential threat posed by the long-term, low-growth economy.

CONSULTING

Japanese securities industry during long-term recession

Japan, the country known as Korea's close yet distant neighbor, is what comes to many people's mind when they hear the term "long-term, low-growth economy." Despite its similarities to the Korean securities industry, Japan's firms have seldom intrigued their Korean counterparts that have aspired to mimic global investment banks and their growth paths. Yet Japan has not only undergone the hardship of longstanding weak economic growth but is also home to Nomura Securities, the only company from non-Western economies to have successfully joined big-name global investment banks. This Japanese case provides implications on the future of Korean securities firms.

After the Plaza Accord of 1985, the agreement among five nations aimed at mitigating trade imbalances, the value of the yen doubled, prompting "yentaka," or a



Korea has a high chance of embodying a permanently slow growing economy with its increasing household debt, declining value of tangible assets including real estate, and the diminishing productive population. The emerging era of a low-growth economy will likely pose various threats to the securities industry. *Korea Times file*

strong yen. An immense amount of surplus funds accumulated as the Bank of Japan slashed its discount rate, which in turn generated investment bubbles in the Japanese real estate and stock market. The fund was also directed to real estate and other high-profit investment products overseas as part of foreign direct investment (FDI). The Japanese economic bubbles burst around the late '80s when the discount rate climbed to 3.5 percent from 2.5 percent. Banks restricted loan approvals for land purchases, and the U.S. fell into economic recession. After 20 years, Japan has not over-

come the prevailing shadow of weak economic growth and a low interest rate.

Japanese financial institutions thrived in their volume of assets and profits during the pre-'90s economic boom. Nomura Securities was even the largest securities firm in the world with \$379 billion in assets in 1987. The ballooning of its assets was mainly due to yentaka. With the onset of long-term economic recession in the '90s, the securities industry was confronted by industry-wide restructuring and intensified competition. It was then that Japanese securities firms

began to search for survival strategies to weather the longstanding low-interest rate and weak economic growth.

Differentiated survival strategy in Japanese securities industry

Although only five Japanese securities firms were liquidated or merged between 1976 and 1995, the number rose to 85 in the 10 years from 1996 when the impact of the economic crash became pervasive. Diminishing trade volume for retail brokerage and decreasing brokerage fees triggered a slowdown in the retail brokerage business, which firms relied on as their major profit source. The failure of business investment and duplicative management were also named as the main causes of this large-scale industry restructuring.

At the onset of this, Yamaichi, one of four major securities firms — Nomura, Yamaichi, Nikko, Daiwa — and numerous small- and medium-sized firms went bankrupt, soon to be replaced by foreign securities and online firms. Surviving companies strived to improve cost efficiency by restructuring their business portfolios to focus on retail wealth management, expanding their overseas businesses, creating synergy among affiliate companies, and actively joining in partnerships and alliances.

Of all Japanese securities firms that have survived the decades of the low-growth economy, Nomura stands out with its exceptional results; its case suggests a potential development model for Korean securities firms. Nomura Securities successfully built up its retail assets to 85 trillion yen, as of the pre-financial crisis, from 30 trillion yen by reshuffling and centering its strategy on wealth management in 1998. Through this movement, it stabilized its business, which had largely depended on stock market conditions, and took a step further to strengthen its wholesale business and globalization by acquiring Lehman Brothers. Nomura is seen as having joined the global bulge bracket at a sweep through the Lehman acquisition, but global and wholesale business expansion that guarantees no stable

income could have only been conceivable by making the retail business its stable source of income.

Nomura predicted that clients' assets would move from low-interest bank and insurance products to securities products including bonds. It initiated a whole scale overhaul of its retail channels in order to respond to the upcoming trend. The company dismissed its broker-centered organizational structure; instead, it created a wealth management organization with a strong outbound sales force. It expanded its retail assets by launching market leading products in cooperation with Nomura Asset Management and attracting clients at various levels.

Pre-emptive measures for era of slow growth

Korean securities firms need to prepare in advance for the approaching era of a long-term, low-growth economy and industry restructuring. Small and medium securities firms should target niche markets with differentiated business models, while large firms must strengthen their wealth management business to secure economies of scale. Yet, the case of the Japanese securities industry is what deserves a thorough review before Korean securities firms deliver their new business strategies.



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