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Governance reform to accelerate SMEs’ growth in Korea

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Per Stenius

The Korean industrial ecosystem needs to reduce its excessive reliance on conglomerates and enhance the independence of SMEs. This shift would benefit individual companies and contribute to the value enhancement of the Korean economy.

Dr. Per Stenius, founder and Client Director of Reddal, was interviewed by The Digital Times (□□□□□□). In an article published on December 23, 2024, Per discussed strategies for Korean SMEs on how to grow beyond their current position, where many are fully reliant on conglomerates. He highlighted the need for SMEs to break away from conglomerate-dominated value chains and seek new global business opportunities, in order to improve their profitability and ability to innovate. The advice is timely, particularly given the uncertainties surrounding the second term of the Trump administration. The interview originally appeared in Korean language and can be accessed online from The Digital Times (□□□□□□). Below are selected excerpts translated into English.



Photo taken by The Digital Times (□□□□□□)

Per highlighted that improving governance and professionalism is essential for enabling SMEs to expand globally. Improved governance is not only relevant to SMEs, it also applies to the large chaebols and affects the entire Korean economy. Enhanced governance structures can lead to greater transparency, accountability, more accurate evaluation of expected returns and stock values, better capital allocation and increased accessibility to foreign capital. He noted that adopting good governance principles could potentially increase stock prices by 5-30% and overall market value by 10-15%.

Although SMEs account for approximately 90% of total employment in Korea, their contribution to GDP is only 30-40%. To address this disparity, Per urged narrowing the productivity gap with global standards and enhancing competitiveness in international markets. Drawing parallels with Finland's economic transformation, he explained how the country moved from a closed governance system dominated by financial institutions to an open and transparent structure in the late 1990s and early 2000s, which bolstered its economic development. Part of this was driven by Finland joining EU in 1995.

Per acknowledged that it could take a long time for Korea’s governance framework to change. However, such a transformation would enable startups and SMEs to enter global markets, attract venture capital, and establish the foundation for new global enterprises. It would also help improve capital allocation processes across all sizes of companies. Korea has reached the end of its current development path, so a change to a new level of professionalism is necessary.