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## Turning attention to human capital and ambitions in finance South Korean demand for adequately qualified and experienced financial personnel is set to exceed supply several times over, writes Anna Fifield

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Over the four decades of its spectacular economic transformation, South Korea has focused on promoting its manufacturing/heavy export sector and, following the 1997 financial crisis, structural reform. But in its rush to become a developed economy, the importance of human capital has often been overlooked.

That shortcoming is now being felt as the government pursues ambitions to turn the country into a financial hub of north-east Asia, specialising in asset management in particular.

Encouraging the development of the financial industry is part of a big effort to grow new areas of expertise as Korea's traditional strengths struggle to remain competitive against China.

"The time has come for the Korean economy to develop the financial industry as its new growth engine," says Han Duck-soo, finance minister.

While there is considerable scepticism as to whether Seoul will ever rival Singapore or Hong Kong, there is little doubt that the government, and the pro-market Mr Han in particular, is committed to moving in that direction. In recent months the government has taken steps to liberalise the capital account and significantly to cut regulations binding the financial sector. But one of the main challenges standing in the way of Korea becoming a financial centre is the shortage of adequately qualified and experienced industry professionals.

In a survey of 100 financial firms doing business in Korea, conducted by Synovate, the research consultancy, one-fifth of respondents named financial professionals as the most important factor in becoming a financial hub. A whopping 88 per cent said more financial professionals were needed.

Demand for financial personnel is set to exceed supply several times over. Last year there were about 19,300 professionals working for big domestic financial organisations, but Synovate found that companies expect to need an extra 5,000 employees within three years and almost 12,000 in the next 10 years.

"To make the Korean financial industry strong, we need more professionals in securities, banking and derivatives, and to teach more people about sophisticated products," says Kang Jong-man of the Korea Institute of Finance, a think-tank.

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According to the International Institute for Management Development business school's world competitiveness index, Korea falls behind its regional rivals when it comes to financial human resources.

On the ready availability of people with financial skills, Korea ranked 45th in the world, behind Hong Kong in 11th position, Singapore in 15th and China in 39th. Korea was also found lacking when it comes to foreign participation in the finance sector, placed 42nd behind Hong Kong which came second, Singapore in fifth place and China in 28th.

However, Korea fared well on the international experience of its senior financial industry managers, coming in close behind Singapore and Hong Kong. To try to meet some of the demand for high quality finance professionals, the government has supported the establishment of a new graduate school of finance at the Korean Advanced Institute of Science and Technology (Kaist), one of the country's leading universities and an important player in the development and promotion of science in Korea.

Korea's competitors are also trying to develop new generations of finance professionals. Singapore Management University hopes to become the educational centre for Chinese-dominated economies and Shanghai has opened the China-Europe International Business School.

"The level of financial service is determined by the level of professionals working in the industry and the extent of networks built by those professionals," Mr Han said during the official opening of the school late in February.

The school opens for lectures, which will be given in English, this month, with 100 students expected to enrol this year in the MBA and the same number in its six-month finance expert education course. Kaist hopes to attract professors and market specialists from abroad, while the government wants it to compete not just with regional rivals but model itself on world-class business colleges such as Wharton and the London Business School.

"After the crisis in 1997 and 1998, we recognised that the systems of our country were the most important thing," says Lim Seung-tae, one of the finance ministry officials in charge of the hub plan. "If the system is robust and efficient, then we can attract capital, labour and even technology but if our system is neither good nor inefficient, then they will leave our country."

Following the financial disaster, the government started to reform the financial market and tried to lower regulations and policies on global standards.

"What we didn't do at that time was human resources, which is very important for making our system robust and creating a financial hub," Mr Lim says.

But rather than trying to be an all-encompassing financial centre such as Hong Kong, Seoul is modelling itself on Singapore and wants to specialise. The government has identified derivatives, asset management, and financial restructuring as desired areas of expertise.

Kim Tong-suk, president of Kaist's graduate school of finance, says the college has been established partly to meet the new needs of the financial industry. "There have been requests from the industry asking for specific areas of expertise to be developed among future employees. So we are expanding our programme to include other areas of finance, including those relating to investment banking, asset management and insurance," Prof Kim says.

The government hopes Kaist's school will promote greater competition in the education sector. Already, 16 universities have applied for approval to establish professional business schools. "If we encourage one graduate school which becomes very competitive . . . we can stimulate other universities to become more competitive," says Mr Lim.

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