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# RESEARCH FOCUS

**Special Issue SCSS, 1, 2021**

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# HOW TO REDUCE ABSENTEEISM IN THE WORKPLACE

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## Summary

Absenteeism at work is not without effect, especially when its level is high. This situation has negative consequences on the company's performance and productivity, which must be urgently addressed.

Absenteeism from work increased 3.6% year on year, according to a recent study. In addition to illness, this includes dissatisfaction, commitment to the company, and employees' personal situation.

The professions most affected by absenteeism are those in health, transportation, and commerce and services, with a substantial rate increases the absenteeism. For health, still, in the private sector, we are talking about establishments where most employees are women.

The most frequent absences are those lasting less than a week but they are those that have the least impact on the economy, unlike absences of more than six months (5% of total absences) (Fournies, 2018).

Keywords: absenteeism, causes, optimal solutions

## Abstract

Absenteeism is a reality that affects many companies, all economic sectors combined. It is a scourge for many companies: the absence of an employee disrupts the company's functioning and generates a high replacement cost. Therefore, we must look at the causes of absenteeism and determine the measures to be taken to avoid it. Also, a report by Randstad sets the average annual cost of absence, per employee per year, at £522. This figure varies depending on the sector, and a CIPD report in 2016 found that public sector absenteeism stood at 8.6 days per employee, in contrast to only 5.2 days per employee (Material, 2017).

## Introduction

Each company is more or less confronted with problems of absenteeism. This unsuccessful working time represents a high cost to the company, and its performance can be affected.

Absenteeism is a reality that affects many companies, all economic sectors combined. It is a scourge for many companies: the absence of an employee disrupts the company's functioning and generates a high replacement cost. Therefore, we must look at the causes of absenteeism and determine the measures to be taken to avoid it.

**Causes of absenteeism:**

The causes can be numerous, and the employer must carefully consider why the employee is absent.

- ✓ Difficulty (carrying heavy loads, stress, working outdoors, etc.)
- ✓ Poor work organization (time constraint, shifted schedules, difficulty in taking time off)
- ✓ Lack of employee involvement in their work
- ✓ Poor management (lack of recognition, dialogue, etc.)
- ✓ Employee's problem (deterioration of health, occupational disease, etc.)

- ✓ The remuneration (insufficient or not adapted)
- ✓ Absenteeism can be for work or personal reasons.
- ✓ At the professional level, the following problems can be encountered:
- ✓ A bad atmosphere or a stressful situation can lead to an unfavorable work environment
- ✓ Occupational diseases: for example, MSDs (Musculoskeletal Disorders) which are constantly increasing
- ✓ Accidents at work

**Absenteeism can be linked to the social climate.**

So, the absenteeism rate for women is slightly higher than that for men, mainly due to sick leave due to pregnancy and because more of them are the head of a single-parent family. In terms of age category, those over 50 are the most absent (5.5%), and non-managers (5%) are more missing than managers (1.9%).

But personal problems can also affect professional activity:

The family environment especially concerns with childcare. Health problems not related to work, for example, the last influenza epidemic. Finally, the lack of comfort, but any valid reason does not justify that.

As Albert Einstein said, "a problem without a solution is a problem poorly posed". Having now succinctly posed the causes of absenteeism, we can focus on the solutions to be provided.

To find out the absenteeism rate of one or more employees in the company, you should know that the absenteeism rate is a percentage that can be expressed as follows:

- ➢ Absenteeism rate = Number of days of absence (or hours) during a period X Number of theoretical days (or hours) during the same period

This will allow knowing when the absenteeism rate becomes too high and possibly dangerous for the company.

For example, we consider that an absenteeism rate of 4% is relatively normal, and that a rate greater than or equal to 8% is rather alarming. But it varies from company to company, and each company should consider its own factors to determine if their absenteeism rate is too high.

**Consequences of absenteeism for the company**

Absenteeism can quickly become problematic for the company and generate many problems:

- ✓ weakened productivity and business performance due to delay, lack of quality,
- ✓ poor customer service.

This can affect work teams and the general motivation of other employees. The company is forced to reorganize the work groups to fill the absences, often at the last minute the workload must be redistributed by distributing the absent employee's tasks to other employees, which is not always appreciated. It should be noted that the average annual cost of absenteeism at work in the UK is estimated at 25 billion euros, or around 3,500 euros per year per employee or around 7% of the payroll.

To limit absenteeism at work one must motivate the staff. Motivating the staff means limiting absenteeism. Setting up an attractive career plan can go in this direction. The attendance bonus is not always attractive and fair. On the one hand, it is costly for the company, and on the other hand, it also penalizes employees who have a justified absence. Thus, to effectively combat absenteeism, it is necessary to pay particular attention to employees. A high absenteeism rate is a significant problem in the company, leading to a decrease in productivity and therefore, profitability.

**Regarding the absenteeism in figures**

According to an OpinionWay study on work stoppages in France, the absenteeism rate increased by 17% between 2014 and 2015. In 2015, the sectors with the highest absenteeism rate were industry (a rate of 4.1%), transport (4.1%), and manual workers

(6.5%). However, be aware that there is a difference between the generations. Generation Y is the least affected by the phenomenon (only 3% of those under 30 are absent from work against more than 6% for those over 55 (https://www.opinion-way.com/fr/, n.d.).

At the European level, UK employees are the most absent from work. It is estimated that in more than half of the cases, working conditions are responsible for this lack of motivation.

## Solutions

Improving working conditions remains a major lever for reducing absences, but let's not forget the prospect of a real career plan that is a source of motivation, especially for those who have just been hired.

Concerning presenteeism: the employee is paid according to his actual working hours. Thus, some companies offer the attendance bonuses, but which have not really proven themselves: they are costly to the company and penalize employees forced to be absent for justified reasons. Support and monitoring of employees, therefore, remains the preferred educational choice. When it comes to comfort absenteeism, the company may also resort to a control solution, such as a medical check-up (Kaleta, 2003).

To act, it is necessary to clearly identify the causes but also the means that the company can implement to reduce this absenteeism.

- o Improving the layout of workstations (renewing equipment, changing the organization, etc.)
- o Implementation of preventive actions against work accidents
- o Establishment of professional training aimed at enhancing each person's experience
- o Development of versatility (internal training, etc.)
- o Use of teleworking
- o Establishment of a return to work interview after an absence

## Conclusions

The origins of absenteeism are numerous: we must distinguish absenteeism linked to individual health, that related to the work environment or the family environment, but also "comfort" (abusive) absenteeism.

A way of saying that work accidents are not the only causes of absenteeism. Occupational diseases are one of the recurring factors. Professional stress is also on the rise as one of the major absenteeism risks facing companies. The aging of the population also impacts the absenteeism rate, as revealed by a Social Security study, long-term work stoppages are persistent from the age of 55 (Quinley, 2003).

We can see causes of absenteeism related to the family environment, mainly for organizational problems (childcare, daily tasks, business travel, etc.). Finally, so-called comfort or excessive absenteeism is not the most important cause but cannot be eliminated, so it must be prevented.

According to some HR managers' experience, several causes are at the root of absenteeism at work. Poor health is often an external cause. Difficult working conditions, a restrictive or uncomfortable working environment can also be at the origin of the problem. But a bad atmosphere at work is also a reason for employee demotivation. The lack of prospects for professional development is also enough to cause repeated absenteeism.

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# MANAGEMENT TYPES AND STYLES ADAPTED TO REMOTE MANAGEMENT

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## Abstract

Considering the Sars-Cov-2 pandemic, managers should strive to improve themselves and adapt to their current situation. No company should accept or promote authoritative and controlling managers, even more so in the current climate. In the context of remote work, managers should focus more on their teams, focusing on how they can improve their employees' satisfaction and what drives them and what the employees require in terms of career prospects, work-life balance, company benefits, and others. In the following pages, we will examine a series of articles written by industry specialists and share our insights into what managers should do to adapt to the current situation.

*Keywords:* management, managers, remote, leadership, Covid

## Introduction

The context we find ourselves in has put a lot of stress in both personal and professional lives. We consider that adopting an empathetic view of management with one's people at the center of work is the proper way of moving forward. Thus, in the following pages we will dive into Management Types and Styles Adapted to Remote Management.

Given the current economic situation and how companies are reacting to the Covid-19 pandemic and the premise of a financial crisis, managers have to assume a role higher than would have been required of them while working from the office. Since people now lack face to face interactions, they are becoming less confident in their work. They need to be reminded of their importance in the company more often while also being provided with steps to improving themselves in ways that can help both personally and the company overall.

We decided to approach the theme at hand by dividing it into three main chapters:

- *Management Styles* will focus on the wide variety of styles used within numerous industries and highlight the ones that are appreciated by employees and companies at the same time
- *Types of Managers* where we dive into information found in a variety of sources, analyze it, and provide our insights into which types of managers are best fit for managing teams remotely
- *Remote Management* pointing the tools used within the industry, employee expectations, and how these changed once people started working remotely

Since the current phenomenon is still new, there is limited specialty literature on remote management. However, management literature has been suggesting changes in how managers should treat their roles for more than 20 years. Hence, we will make use of various information sources: books, journal articles and online sources.

**Management Styles**

According to Indeed.com, the following are 10 of the most common leadership styles (10 Common Leadership Styles, 2020):

1. <u>Coach</u>
2. <u>Visionary</u>
3. <u>Servant</u>
4. Autocratic
5. Hands-Off
6. Democratic
7. Pacesetter
8. <u>Transformational</u>
9. Transactional
10. Bureaucratic

Considering these, we will dive further into details regarding the highlighted types as we believe these to be the most relevant for the current context and, in general, for the future of management.

### *Coach*

These are managers able to correctly recognize individual team members' strengths and weaknesses. They help their employees set reasonable goals and while this creates an overall positive working environment, it is also incredibly time-consuming.

### *Visionary*

With a drive to implement their vision for the company, these managers can inspire people and earn their trust. One of the minuses of this style of management, cited by Indeed, is that, a relentless focus on the future and big picture might come at the cost of day-to-day priorities.

### *Servant*

This style focuses on people first, with a firm belief that if employees are personally and professionally satisfied, it will show in their work through higher productivity, more creative ideas and a better ability to adapt. The only possible negative to this style of management

is the fact that, in some cases, it may put objectives or goals at risk if the manager is unable to be authoritative when needed.

### *Transformational*

Focusing on clear goals, open communication and employee satisfaction, this management style, while similar to the Coach, differs through a focus on the bigger picture, instead of individual 'employees' goals.

## Types of Managers

For the past couple of years, literature has tended to differentiate between managers and leaders in many ways, painting them in colors of black & white. Simon Sinek expresses this feeling very openly, saying that: "a manager is someone who has a title while a leader is someone who has the people" (Sinek, 2017). Of course, in its broader context, the sentence attempts to emphasize that all managers should focus their attention on their shortcomings and do all they can to become leaders.

At the beginning of the industrial era, companies realized they needed a lot more structure and systems to ensure completion for bigger, more complex projects. In doing so, they enabled managers as those with power to decide who is efficient and who is not, and fire employees in turn (Levitin, 2014). Unfortunately, the adverse effects of offering this much power to an individual was often not prepared for the role they were supposed to fit still follow us, albeit in isolated cases. Psychology Today, a magazine, suggests there are 4 types of 'bad' managers to work for (Riggio, 2014):

1. Incompetent bosses – lacking any skills in their area of competence and that often make bad decisions
2. Laissez-faire bosses – which rarely intervene, letting people manage themselves and providing no guidance or correction whatsoever
3. Bully bosses – hopefully, a category that is becoming less and less active, these managers are known for continually criticizing or even shaming their employees

4. Toxic leaders – these are people that are very often selfish, and more often than not, leave their companies and employees worse than when they started in the new role

The authors of this paper consider that the above manager types should not even be mentioned as they are deemed to be relics of older times. And if they still exist, we take re-assurance that the current context will pressure companies to correct this type of behavior or replace them completely.

Considering the overall theme of this paper, an issue from 2018 of Harvard Business Review, cites researchers at Gardner have gathered four profiles for existing managers (Managers Can't Be Great Coaches All by Themselves , 2018):

1. Teachers – prepare employees based on their own individual strengths and experiences. They offer feedback in the way of advice.
2. "Always-On" - These managers are always trying to pay attention and help their employees develop more skills offering feedback across varied topics.
3. Connectors focus on offering feedback in their area of expertise while connecting employees with other, more experienced colleagues from the company for different areas of expertise.
4. Cheerleaders – mostly offer positive feedback and want their employees to be responsible for their development. They are available but not as proactive as the other types mentioned here.

The profiles highlighted above are more in line with our beliefs on how managers should act and where their focus must be – their employees.

Looking once again at the traits that the new types of manager share, we feel compelled to recount Daniel Goleman's notable mention, suggesting that leaders are "emotional magnets, gathering talented people to work around them, awakening our passions and stimulating everything good in us."

In the end, the difference between managers and leaders is a linguistic one, and we feel that any manager can and should strive to be a leader and, unfortunately, many leaders

can also be toxic. To be a good leader and/or manager, you need a right mix of common sense, emotional intelligence as well as grit (Duckworth , 2017).

Due to the ease of access to information, in the past couple of years, we were all able to learn from many managers' experience and decide for ourselves which of them we should respect, strive to imitate and follow. In this sense, we would like to highlight several managers who made an impact on the authors of this paper:

**Robert Iger.** In his book, the former Disney CEO, highlights several principles that he considers have helped shape his legacy. Out of them, we would like to focus on five that we feel are the most relevant in the current context (Iger, 2019):

1. Always look for perfection – helping people refuse mediocrity and continually striving to improve oneself and those around you
2. Be responsible for your mistakes – people will respect you more when you own your mistakes
3. Be fair to people and offer clarity – it is impossible not to make mistakes when you have a management position but if your employees trust you and are aware of what you want to do, they will help implement your vision
4. Real integrity – having a strong moral compass
5. Be humble – it is easy to think your ideas are better than those of anyone else, but it is essential to listen to your employees and respect the fact that you hired intelligent people to come with new ideas and make decisions

**Jeff Weiner.** Currently acting as an executive chairman (previously CEO) of LinkedIn published an article on the platform in 2012 regarding what he feels, the most important values of a company should be (Weiner, 2012):

1. Members first
2. Relationships matter
3. Be open, honest and constructive
4. Demand excellence
5. Take intelligent risks
6. Act like an owner

However, in his recent course titled "On Leadership" (Weiner, 2020), he presents that at some point, after writing the above article, they realized that the word <u>demand</u> has to be replaced with <u>inspire</u>, the reason being that it spoke a lot of the company's values.

**Sir Richard Branson.** The founder of the Virgin Group mentioned in an interview for Forbes that he has three leadership principles that he finds most important (Schawbel , 2014):

- Listen
- Learn
- Laugh

Considering the number of common leadership qualities shared by these successful managers, we believe that the three most essential qualities for an amazing leader are:

1. Integrity
2. Inspire excellence
3. Never stop learning

**Remote Management**

*The reality of 2020 in business and management*

The Coronavirus crisis has determined that work needs to be done from home in more and more fields. Also, newly available technology drives humanity further away from the office every day. This new reality has its ups and downs and many entities, both public and private, have started to analyze the phenomenon.

According to experts from Harvard Business Review: "As we look to the future, it is time to unleash these new ways of working for the long-term, with a focus on well-being, equality, and productivity that can work for both employers and employees long after this crisis ends. It is time to embrace the truly global talent pool that is available to drive growth, regardless of where people call home" (Frankiewicz & Chamorro-Premuzic, 2020).

*Changes caused by the pandemic in numbers*

MKOR, a consulting company, recently published a study analyzing the Impact of COVID-19 in the Romanian business environment. The study "How is the Impact of the COVID-19 Epidemic felt in the Romanian Business Environment" (MKOR Research , 2020), quoted by Patria Bank, presents the complex situation of private organizations in our country and reflects the image of the business environment in the uncertain context we find ourselves in.

According to the study, 91% of Romanian companies feel affected by the COVID-19 epidemic, with an average total impact of -10.2% for 2020. This figure is in line with European Commission estimates, with a decrease forecast of -7.5% at EU level. The most visible effects of the COVID-19 epidemic are the reduction in turnover and the impact produced by the suspension of the company's activities.

Simultaneously, 95% of companies took measures to survive the current crisis, and 90% took them immediately after the start of the emergency in March. The most common are financial measures, which protect cash flow in the short and medium-term, followed by efforts to protect employees and pivot the business.

Also, the companies that were on a downward trend on March 1, 2020, compared to March 1, 2019, estimate a business decrease for this year. The MKOR analysis also shows that representatives of the business environment have a low level of trust, of only 2.7 points out of 7 in what concerns state institutions.

*Advantages and disadvantages of work from home*

While for some people, working from home seem to be all they wanted, for others this has easily given rise to new challenges. Researchers who have studied this phenomenon highlighted some of the trends discovered and how they influence employees' behavior.

According to a Humanyze study, a technology firm specializing in social sensing, quoted by Harvard Business Review (Frankiewicz & Chamorro-Premuzic, 2020), working from home has reduced work-related stress and negative emotions, increasing trust, well-being and communication with colleagues by 40%.

Also, the global ManpowerGroup analysis by Harvard Business Review shows that 8 out of 10 employees want to work remotely in the future to achieve a healthier work-life balance. According to the same source, the companies could finally discover and collaborate with talented people regardless of the country in which they live. Industries like IT were already doing this to some degree, but this global pandemic has made the opportunity visible in many more industries.

On the other side, the Humanyze's study showed that working from home increased people's working hours by an average of 10-20%, making it clear that working from home threatens the distinction between professional and home life.

In Management Fundamentals, Steven Cohen and William Eimicke mention that: "Technology and the global economy mean that for some, work is now possible twenty-four hours a day, seven days a week. The internet, low-cost communication and information, and cloud computing mean that work can follow you wherever you go. You no longer need to commute to a workplace to do many of the tasks required to complete work…The larger problem is workaholism, where people are so obsessed with work, they become limited and one-dimensional. People must now self-consciously struggle to create boundaries between work and home" (Cohen, 2020).

The two authors also underline that the meetings through platforms are better than nothing. Still, they do not replace direct human contact and that the lack of face-to-face communication can reduce productivity and increase conflict. In their opinion, people have started to become more emotional than usual, partly due to the stress generated by the fear of illness and the breaking of daily routines. This is visible and has an impact on their activity.


*To do for the managers*

Steven Cohen, Senior Vice Dean of Columbia's School of Professional Studies and a Professor in the Practice of Public Affairs at Columbia University's School of International and Public Affairs, believes that managers should notice that some colleagues are more fragile than usual, and it is necessary to adapt communication in this regard. In his opinion,

leaders should make a habit from frequently asking about the well-being of their colleagues, about their work environment and their needs. The University's representative advices managers to ask their teams to postpone specific tasks if they are not necessarily urgent or even eliminate them if they do not prove relevant. Without a proper work-life balance, performance is likely to be exhausting and declining.

## Conclusions

A company's budget and strategy are generally based on history and prediction. Like many other activities, management operates today in an unprecedented environment, where the past is less useful in predicting the future. This is the central dilemma we now face in managing organizations in the midst of this global pandemic. Every decision made by management is a step forward towards a less predictable future than usual. However, management has always been and remains about overcoming obstacles.

While the technology has evolved considerably and the global workforce has proved capable of adapting to the current situation, people need more guidance and understanding than ever before. In this new context, managers find themselves in positions where their power is more significant than ever, this, in turn, can have 2 effects: going back to older, outdated styles of management and attempting to control all the actions of their employees or treating employees with empathy, striving to become a better manager and leader by taking inspiration from some of the most successful people in the world.

In our opinion, the first option is improbable as it is a time consuming and highly inefficient way of managing people resulting in low employee morale and lower productivity and quality of work. The second possible effect is the most likely – treating one's employees with empathy, concentrate their resources on improving the skills they lack, managers can become effective leaders and inspiring people to achieve greatness.

But connection is not the only thing that people require, and empathy does not mean always accepting what is being done regardless of the quality of work and deadlines. Another critical ability managers working in this new world is having difficult conversations

with their employees. In doing this, one of the most important things to remember is that "...it is best to keep your goals realistic. Eliminating fear and anxiety is an unrealistic goal. Reducing fear and anxiety and learning how to manage that which remains is more obtainable" (Stone et al., 2011).

In the end, the managers of today have all the resources needed to become proper leaders and adapt to any challenge; all they need is the will to do so.

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# WHAT ARE THE FACTORS THAT INFLUENCE THE SUCCESS OF A WORK TEAM

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## Summary

The constitution of a work team requires broad precautions to hope for optimal success. If the team is already formed, the goal is to get a group that best performs the task for which it was set up. If the team has not yet been put together (and we will be interested in this case), this is an opportunity to proceed in order by asking the right questions.

## Abstract

The main challenges in teamwork are: Let's find optimal solutions to achieve success; Overcoming the fear of not being good enough; Not knowing where to start; The fear of not integrating into the community; Lack of time; Not knowing how to express contribution needs so that the interested parties understand them.

That many of these problems can be solved by:

1) Clearly listing the needs for contributions, with the necessary skills, via an interface that is easier to access than a GitHub (which is really anxiety-provoking for non-developers)

2) Designating a welcoming person as the entry point for newcomers, who will be easy to talk to, and who will be able to direct everyone to simple tasks to discover the project.

3) Changes tend to make us feel insecure as they force us out of our comfort zone. They involve adapting to new circumstances and, in many cases changing everything we have been doing until now.

For example, consider the days when technology gained importance in businesses. Many people have had to adjust to the introduction of these tools, using training, learning through effort, sometimes feeling that they could not do more ... but they did. This usually happens when we have no other choice. Any change presupposes something new, maybe help, but indeed growth.

*Keywords:* teamwork, challenges, performance

## Introduction

In teamwork, focusing on consistency, cohesion, and efficiency requires each member to occupy their place on an equal footing with the other regardless of their role, function or status.

Being successful at work is one of the goals of the vast majority of people. For some, it is about devoting themselves to what excites them most; for others, achieving specific realistic and desirable goals to be able to develop, surpass themselves and reach the top. However, it doesn't matter whether we are in one position or another; success at work comes through a series of rules that must be fulfilled.

All these rules will generate a degree of satisfaction necessary to feel that we enjoy a balance and well-being in our working environment. It is essential that while our goal is to be successful at work, we do not neglect other areas of our lives. Family, friends and our personal growth are also important.

If any area of our life is not functioning correctly, we will feel an imbalance and, as a result, we will not feel that happiness that we all crave.

First of all, we must establish the importance of teamwork and then the challenges encountered. So, why does this matter? Because collaboration is essential for the growth of the individual, the team and the business. And let's be honest, collaboration is inevitable in business. If you treat collaboration like teamwork, you'll end up with a great team, but not always with a great result. Taking steps to make successful collaboration a priority for your team and other departments can help streamline efforts and ultimately save everyone's time.

## Topics

Next, I propose to look at some of the common challenges of team collaboration.

> ➢ The first challenge is the indecision that occurs when vital decisions have to be made.

Those who are supposed to provide a direct path to success end up having no idea which direction to take. This is common when multiple actors are involved, and all stakeholders are not on the same page. Indecision may seem like a small challenge at first, but it can lead to imprecise expectations and delayed deadlines, not to mention frustrated team members.

> ➢ For this challenge, I propose to make the decision-making process as easy as possible for your stakeholders. Instead of asking them what to do, come up with a few ideas, and have them choose.

To be successful at work, it is important to be aware that problems are challenges. We may encounter difficulties while looking for that job that we want so much or that we want to initiate a personal project. However, this is not an excuse to give up. The second challenge is "e-chess." This is a term that is used when email fails completely. It is used when you forget to click "reply", do not attach the latest file, forget to look in spam for important emails. It happens to the best of us. These mistakes are all too common when

working in teams. Eventually, attachments are lost, grammar dictators are on the prowl, and the project schedule goes off the rails.

To solve this problem, it is recommended to stop using email to collaborate because the emails will hurt your collaboration productivity. Instead, consider using a collaboration tool for project management and accountability tracking. Collaboration tools like Wrike help you archive and format files so you can always find the latest files.

> Another challenge is the lack of communication in the team.

So, when collaborating, there is always a place for misinterpretation. Sometimes mistakes are discovered until it is too late. Without a clear understanding of what is expected of stakeholders, energy is wasted, and time is running out. This can be caused by a lack of communication or simply missed communications.

To avoid this problem it is necessary to ask questions. If in doubt, raise your hand. Make sure you understand the goals and expectations of everyone involved. If something is late, let them know. Mistakes and delays are inevitable, so talking about them and being proactive provides time to find a solution.

> Negative people in the team.

These are phrases commonly used by those toxic people lurking around the office, also known as negative people. There is usually at least one on each team and their pessimistic attitude spreads like wildfire. They complain about almost everything, and whenever there is a challenge or a disagreement, they will be the first to talk about it and the last to think of a solution. These people can lower the productivity and morale of a team, leading to frustration and conflict.

For good results in the team, it is recommended the positivity. Put out their fire with a positive comment or suggestion because collaboration is essential for the individual, the team and the business.

If you are a negative person, take a step back, and assess your attitude. Simply changing the way you say things can convey your point without the unproductive and contagious negativity.

If I presented some challenges encountered in teamwork in the first part, now I will present the elements that lead to team performance.

Efficient teamwork is distinguished by:

➢ Synergy: all team members work in the same direction. View is unanimous as to the group's mission, objectives, and means to achieve it. There are no hidden intentions that stand in the way of the collective effort. The result of the whole is greater than the sum of the individualities.

➢ Healthy mutual aid: Everyone supports their colleagues when the need is there and respects their prerogatives. There is cooperation, but there is no invasion. There is trust between all team members: I feel safe to accept your assistance; I am reassured that I do not want to do your work for you or control what you do.

➢ Complementarity: the collective comprises individuals with different types of personalities and skills so that the team does not have weak points in certain areas. Everyone has the freedom to bring their specificities without being forced to conform to the lowest common denominator of the group.

➢ Effective, frank and constructive communication: differences of opinion are expressed frankly, without leading to harmful conflicts: there are no taboos or attacks. Everyone sets out their ideas clearly and checks that they have been understood. Interactions are geared toward problem solving, not complaint. This sometimes involves coaching individual members of the team or their line manager.

➢ How to improve the performance of a team?

We use the GPRI model (Goals, Process, Roles, Interactions). We take care to:

**Develop common goals** (Goals) by ensuring that everyone can express their opinion on the team's mission and deploy a shared vision.

**Define or standardize the processes** (Process): once the objectives have been clarified and accepted by all, the key functions can be established (how we decide, we work together, we prioritize our projects, we coordinate our activities, we communicate with each other) .

**Identify roles and ensure a balance between them** (Roles) in some organizations, some roles are missing (no one feels comfortable with this one) or are over-represented (too many team members are playing it). This can result in an innovation deficit or a difficulty in carrying out the missions, also direct or too little communication, a lack of supervision of newcomers.

**Improve interactions within the group**: when the work on the level of objectives, processes and roles is accomplished, the sources of blockages and the number of unproductive conflicts decrease considerably. It is fundamental that colleagues understand each other, despite individual differences in communication, leadership styles, and change management. One of the frequent tools at this stage of an intervention is the MBTI training (Steiner, 1972).

The success or effectiveness of a work team is defined by adequate group production and the level of interpersonal satisfaction that the group brings to members. The team's output must correspond to norms or standards of quantity and quality that allow a goal to be set.

These standards, defined by the organization (or better, in collaboration with the team), are essential for its adequate functioning because they will enable it to have a production objective and know its limits. But this dimension of success must be complemented by a social and personal dimension, in the sense that a team must meet the social and individual needs and objectives of its members and that this is one of the conditions for its sustainability. This satisfaction can be reflected in team members' tendency to work overtime voluntarily and work together cooperatively.

➢ How does the environment of a work team influence its success?

The external conditions imposed on the team are the fundamental organizational decisions that constrain the work teams (distribution of power and authority, work execution procedures, time limits, number of teams, work schedules, size of the group, rotation diagrams, machines used, assignment to work areas, work interdependence devices) (Goodman & al., 1990).

The human resources available for group activities are generally a product of the choice and selection processes within the team. Material resources (tools, consultation space,

etc.) and training, information, and various support also come from the organization. Performance feedback is one of the most important pieces of information for team members who can thus assess their performance against the performance of other members and the team's overall performance.

All team members have the means to influence work decisions, and the information is relatively open. Hierarchical differences are minimized (authority comes more from skills and experience than formal status) to foster in everyone the feeling of being a full member working towards shared goals. The sense of shared mission influences the types of norms that develop. Indeed, teams tend to create standards that encourage high productivity and promote the company's well-being as a whole. Teams must guide themselves within limits depending on the skills they have previously demonstrated. The organizations ensure the development of these skills through consultations and training.

The evolution of advanced technology will certainly reinforce a control strategy (by routinizing, directing and depersonalizing work), but it will also reinforce a strategy of involvement (by increasing employees' capacities, avoiding repetitive work and allowing decentralized decisions).

## Conclusion

This article is about setting up a work team, but it can serve as a basis for designing and developing a training program if the team is already in place. To this end, it is important that the trainer is well informed and experienced concerning the functions, tasks and processes of all phases of teamwork. It may also be useful for him to know the team in training, that is to say the skill level of the team and its members and the plethora of tasks and functions in which it is engaged.

For practical training, all team members should, as much as possible, be involved in all activities and phases of training. The scenarios should be created, taking into account the actual operating environment of the teams. Also, training should not focus on the typical learning of task-related skills while ignoring the development of soft skills. Finally, to

ensure that the training program is effective, it is advisable to evaluate the training program and its methods that can provide feedback.

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Photo by JR Korpa on Unsplash

# COMPARATIVE ANALYSIS OF THE ENTREPRENEURSHIP IN SOUTH KOREA AND JAPAN

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## Abstract

Chaebols[1] and their Japanese counterparts, zaibatsu[2], can easily be regarded as the pillars of the two East-Asian „miracle" economies that rose from the ashes, after the devastation suffered during WWII. This article aims to provide an in-depth analysis of the Korean and the Japanese entrepreneurship environment, taking into account the historical relationship between the two states and highlighting the factors which led to the booming development of both Korean and Japanese economies in the last few decades. It also aims to point out the facilities and the impediments entrepreneurs may encounter while starting a business in any of the considered countries and evaluate the current economic situation, given a global subject of interest, the COVID-19 pandemic. The research is

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[1] Korean term which refers to a type of business conglomerate, based on family relations. It implies multinational companies that control numerous subsidiaries across the country and whose president is in charge and has full authority over all transactions.

[2] Japanese term which refers to family conglomerates.

based on data provided by reputable sources such as The World Bank, Interbrand, IMF, Doing Business, as well as governmental and financial institutions from the analysed countries and relevant literature, concerning both cultural and social aspects. The findings illustrate the paternalistic economic behaviour of the two states and emphasize the crucial role of family conglomerates which empowered both South Korea and Japan to compete with the world's most innovative and performant economies.

Keywords: entrepreneurship; chaebol; South Korea; zaibatsu; Japan

## Introduction

An innovative and entrepreneurial mindset can be considered a pivotal economic neo factor that contributes to the economic growth of any modern state.

Considering the destructive and extremely brutal nature of the Korean War (1950-1953), both politicians and economists were rather skeptical whenever the rehabilitation issue was brought into the discussion. Nevertheless, it was nothing else than the family conglomerates that facilitated the spectacular transformation of a country whose population used to live in subsistence poverty and that currently ranks among the world's most performant economies, while maintaining its top global exporter statute.

The existence of chaebol businesses goes back to the beginning of the 20th century, more precisely back to the Japanese occupation of the Korean Peninsula. This period was characterized by a massive propaganda of the Japanese culture among the locals, which forced native Koreans to give up on their national identity, language and traditions for the sake of adopting the Japanese lifestyle and ideology. Initially, chaebols were the equivalent of the highly industrialized Japanese financial conglomerates, which had operated for a long time on the East-Asian market and bore the name of *zaibatsu* (Roibu Crucianu, 2017). Nonetheless, the family conglomerates had not gained momentum before the 1960s, when Park Chung-Hee stepped in. Despite the authoritarian nature of his regime, Park assisted the growth of local businesses, while preserving both import and export rate on an ascendent trend. Nonetheless, the family conglomerates had not gained momentum before the 1960s, when Park Chung-Hee stepped in. Despite the authoritarian

nature of his regime, Park assisted the growth of local businesses, while preserving both import and export rate on an ascendant trend. His export-oriented strategic economic development plan involved granting a series of preferential loans and incentives to a large number of projects, consider at that time both prolific and profitable in the long run. (Shim, 2010). This modernising practice is often referred to in the literature as „state capitalism".

Currently, there are more than 45 large enterprises which match the original description of the *chaebol*, out of which the richest 10 shares over 27% of the existing stocks in South Korea.  (Statistics Korea, 2020).

Furthermore, family conglomerates coordinate the majority of investments across the Korean Peninsula, sustaining at the same time the development of the national economy. (Shim, 2010). From another perspective, *chaebol* reflects the reality of worldwide acclaimed enterprises such as Samsung, Hyundai, Kia, LG that recruit professional labour force from all corners of the world and whose products are successfully sold and appreciated on a global scale. As the Korean population was rising from poverty on its way to prosperity, not only have family businesses witnessed an unprecedented evolution, but also increased in popularity while maintaining at the same time a key role in the so-called „rejuvenation" process of the South Korean economy. (Pae, 2019).

On the other hand, while Japan has proven itself extremely tenacious throughout history, its economy has also been remarkably independent (Zhang, 2000). From ancient times, Japanese entrepreneurs have never missed a single chance to expand and run businesses to their full potential, thus evoking a specific set of skills, which include financial management and planning for the unforeseen. Moreover, their ambition and constancy are enforced through the Japanese business etiquette which facilitated the establishment of a modern and highly industrialized state, based on dynamic economic strategies practiced by the Western governments, which were eventually carved according to the Japanese standards, traditions, and mentality (Zhang, 2000).

*Zaibatsus* are rumored to have emerged immediately after the *Meiji Restauration* (1868), as an economic instrument meant to accelerate Japan's industrialization throughout a new era. Among the companies established in the early times, we name *Mitsui* and *Mitsubishi*, which continued to control both the government and the military, while maneuvering the

entire industry and economic activity. After the Great Depression (1929), their influence increased significantly, as they secured Japan's reserve of foreign currency through monetary speculation while having a crucial role in maintaining labour cost at an absolute minimum level. Nonetheless, once with Japan's defeat in WWII, a new regime was rapidly instituted whose priority was that of „democratising" the economy by all means. In this context, family conglomerates were regarded not only as monopolist entities but also as an instrument of political propaganda. Therefore, the new government took a range of actions to restrict their activity. This decision was shortly followed by the dissolution of the majority of *zaibatsus*, and the enforced depriving of the owning families from all their shares (Addicott, 2017). As a consequence, an ideological revolution came only natural and provoked the arising of a new phenomenon, called *keiretsu*, which instead focused on promoting interhuman relations, in the detrimental of blood determined association. More precisely, a complex economic network is established with the participation of a large number of companies, involving at the same time their suppliers, producers and banking partners. The agents implicated in the network are believed to have a close relationship with their associates, sharing common ideas, economic and marketing strategies and in some certain circumstances even equities.

Although the original *zaibatsu* system has not made it to the present, its reminiscences are still occurring in the Japanese business mentality (Addicott, 2017). In fact, companies that initially operated as family businesses pursued their commercial activity on the *keiretsu* structure, witnessing a flourishing popularity during the 1980s, portraying a plausible premise of Japan's spectacular economic development, similarly to the way *chaebol* conglomerates surged in South Korea (Addicott, 2017).


## Starting up a business

South Korea is no exception when it comes to the list of countries affected by the 2008 Financial Crisis, facing severe issues with the considerably high unemployment rate, significant foreign debt, as well as the drastic decline of export rate. Hence, the government is forced to adopt a series of reforms and programs meant to urgently re-establish economic stability. Therefore, the country opens its borders in what concerns

the foreign investments, as well as the imports, stimulating a steady increase of the export rate at the same time, through expansionist fiscal policies (Wong, 2005). Currently, South Korea is a homogenous business venue and one of the most powerful economies worldwide, with a GDP estimated at over 1.6 trillion US dollars in 2019. (Statistics Korea, 2020). Furthermore, the Korean economic market has evolved at a rapid pace in the past decades, empowering South Korea to secure a place among the world's most performant 20 economies (G-20). From another perspective, the prevailing political class believes that the

**Table 1. Starting up a business in South Korea**
(advantages and drawbacks)

| Advantages | Disadvantages |
|---|---|
| Low fiscal obligations for the private sector | Dominance of large conglomerates |
| Generous subsidies for innovation | Theoretically based education system, narrowing creativity and critical thinking |
| Abundance of professional labour force | Difficulties in obtaining sponsorship for risky ventures |
| Powerful manufacturing base | Lack of natural resources |
| Severe control over supply-chains, enabling rapid economic growth | Significat gender gap among labour force |

(Source: adapted from (Roibu Crucianu, 2017)[3])

country still has untapped tourist potential, which is why numerous feasibility studies have been conducted. Moreover, a substantial amount of money was allocated for this issue, enhancing at the same time the economic growth in the long run. (Roibu Crucianu, 2017).

South Korea entices entrepreneurs with its accessible and friendly business environment. Following the 1997 Financial Crisis, which drove the country to utter bankruptcy, the government enacted a series of laws that stipulate foreign investments, ultimately aiming for a prompt rehabilitation of the national economy. (Mukoyama, 2012). These legislative acts regulate various benefits for economic agents, such as reasonable start-up fees, reduced taxes and duties during the financial year, as well as governmental subsidies. At the same time, the authorities shall undertake to help not only large companies in difficulty but also small business owners, regardless of their nationality. In this way, the Korean market effectively situates national citizens and foreign investors on an equal legal position. Furthermore, considerable efforts have been made to digitalise the existent databases and simplify the setting up procedures for new companies, thus diminishing the overall bureaucracy.

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[3] Roibu Crucianu, P.A. (2017). *Entrepreneurship and Innovation in South Korea*. Bari, Italy: RCIC17 International Conference Publishers.

Currently, South Korea holds a leading position in both micro- and macroeconomic statistics, serving as a global benchmark for other countries when it comes to the ease of establishing a new business. (Doing Business, 2020). While aiming high to achieve an honorable place in international rankings, South Korea witnessed numerous governmental reforms which expanded the state organs' functionality by streamlining legislation, increasing the transparency of the stock market, as well as encouraging overseas entrepreneurs to materialise their innovative business plans, while attracting at the same time foreign capital into the country.

Starting a business in South Korea implies the fulfilment of three straight-forward procedures, which do not involve exorbitant costs and are as follows: obtaining the company seal, registering the company with the *Start-Biz* database and eventually registering with the National Tax Office (Doing Business, 2020). While it might be considered bizarre within the European business environment, the company seal is mandatory for all legal persons engaged in commercial activities, as it comprises both their identity and legal rights. Moreover, it serves as a unique identification method, that can legitimately replace the bearer's signature when it comes to concluding legislative acts or business agreements. Nevertheless, the loss or deterioration of the company seal is deemed as a contravention, according to current legislation and implies the penal sanctions on their owners. Contrary to popular belief, obtaining the corporative seal should not take more than 24 hours and implies following a relatively uncomplicated procedure. The *Start-Biz* service represents an integrated digital platform which comprises various fiscal institutions and allows users to carry out the incorporation process exclusively online, avoiding the tedious queue waiting times and diminishing unnecessary bureaucracy. Furthermore, it gives entrepreneurs multiple advantages, inter alia, checking the availability of their trade name, opening a corporate bank account, registering online websites domains, obtaining the unique tax identification number, as well as registering for the Public Health Insurance Program and the National Pension Fund. Following the completion of the online incorporation process, a company is required to enroll with the appropriate tax office, in accordance with the current regulations on corporate and value added tax. The documents must be submitted within 20 days from the commencement of business. Generally, the fulfilment of all these procedures is estimated at a maximum of

8 working days, thus proving the efficiency of the Korean fiscal system (Doing Business, 2020).

**Figure 1. Starting up a business in South Korea**

(procedures, duration, costs) (Source: (Doing Business, 2020)[4])
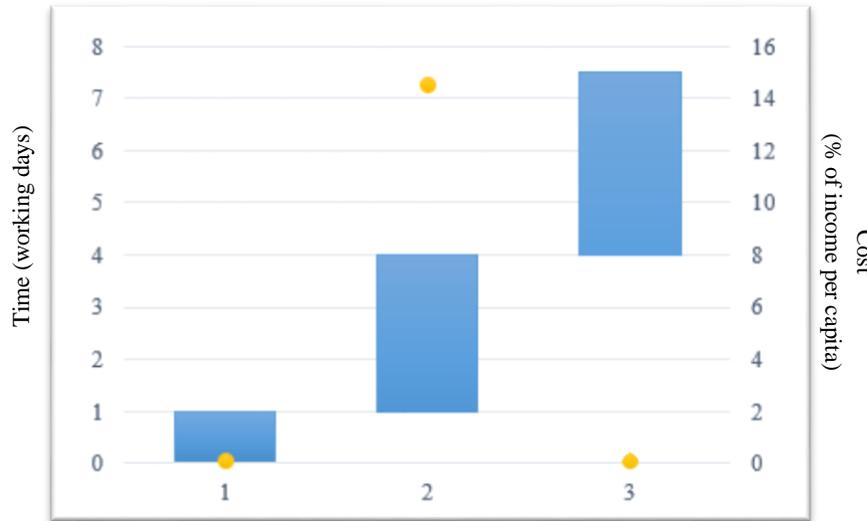


Another advantage of the Korean business environment is the abundant professional labour force. In the light of a rigorous educational system, prestigious higher education institutions and social norms surging from the Confucianist ideology, South Korea annually produces an impressive number of specialists in most fields of activity. It is nothing, but their enthusiasm and diligence that effectively contribute to the national economic growth, while they broaden at the same time their horizons through innovative and ambitious business plans (McKenna, 2018) (Solow, 1956).

From another perspective, starting up a business in Japan may seem an impossible objective to achieve for both Japanese citizens and foreign investors. Despite the government's continuous efforts to ensure a smoother running of the incorporation process in the past decade, there are still many impediments of either procedural, financial

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[4] Doing Business 2020. Economy Profile of Korea, Rep., Doing Business, World Bank Group. Retrieved October 28, 2020, from
https://www.doingbusiness.org/content/dam/doingBusiness/country/k/korea/KOR.pdf.

or cultural nature which classify Japan as an austere business environment. In this train of thoughts, every potential investor, regardless of whether he is foreign or not, should take into consideration the inaccessibility of the Japanese business venue, that is owed to several characteristic and static factors.

Firstly, complying with the existent rules, maintaining a consistency in the rendered services, as well as treating both clients and trade partners with uttermost respect are essential points of the Japanese business etiquette (Maclachlan, 2010). Japanese entrepreneurs are conscientious, detail-oriented, yet they manifest some form of aversion to individualist behaviours or non-conformist ideas. Moreover, they do not stand as risk-takers, which sometimes causes the restrain of innovation, followed by lack of creativity and diminished profitability (Karlin, 2013). Additionally, the Japanese popular culture does not encourage the concept of entrepreneurship either, as the society's perception of companies started from scratch is relatively neutral. In fact, parents constrain their children to attend elite universities, so they eventually become civil servants or develop highly esteemed careers within existent large conglomerates that assure life-long stable jobs, rewarded with generous incomes and recognition within the community (Karlin, 2013). Another aspect of customary nature refers to the redistribution of debts – in the unfortunate event of the founder's death, both legal and financial obligations are passed on to the descendants or associates, regardless of their direct implication in the company's activity. As a consequence of that, the young generation tends to be rather reticent when it comes to opening a business, as they take into consideration the long-term effects as well (Karlin, 2013). Ultimately, due to the unequal distribution of wealth and social stratification impediments of financial nature are bound to occur. The most common among them refers to finding a suitable guarantor. While governmental subsidies are extremely scarce or inexistent and banks refuse to grant long-term loans, it is the smaller businesses' only chance to launch themselves on the market to negotiate less profitable arrangements with the large conglomerates. In this way, leading corporations manage to monopolise the business environment, to the detriment of early-stage companies (Karlin, 2013).

Furthermore, the state declares itself circumspect when it comes to foreign investors, who are discouraged indirectly through significant taxes, tedious procedures. Besides that, another impediment would be the linguistic barrier (SME Japan, 2020) and the investor visa requirements, according to which overseas citizens must entrust at least 5 million yen (approx. $50,000) as paid-in capital that can be accessed as soon as the incorporation process is complete. The investor visa is a primordial document which allows legal persons to conduct commercial activity in Japan. (Plaza Homes, 2020) (MOFA Japan, 2020).

Starting up a business in Japan comprises a total of 8 procedures which imply the registration at several fiscal authorities, the enrollment with the public health insurance system and the pension fund, as well as obtaining insurance for the personnel and introducing their employment records into the national database (Doing Business, 2020). Since there is no centralised system, all these démarches involve going physically to the institutions concerned, in addition to a series of duties which must be paid off separately. Similar to South Korea, the corporate seal is mandatory and constitutes the first step when establishing a business. Moreover, companies must hold an incorporation certificate, that is issued as soon as the enlisting with the Legal Affairs Bureau of the Ministry of Justice is complete.

Afterwards, entrepreneurs must notify both the District Tax Office and the Local Tax Agency about their company's registration. As the Japanese government enacted a series of normative acts on employees' protection protocol and transparency of terms and conditions during the employment process, business owners are required to issue insurance policies for the personnel. Eventually, a statistical analysis of the approximate value of the insurances and the annual contributions paid by the staff must be submitted to the competent institutions, along with a statement that includes both workers' rights and obligations and the entity's code of conduct. All these procedures are mandatory for all newly established companies, and their completion should take approximately 11 working days (Doing Business, 2020).

**Figure 2. Starting up a business in Japan** (procedures, duration, costs)

(Source: (Doing Business, 2020)[5])
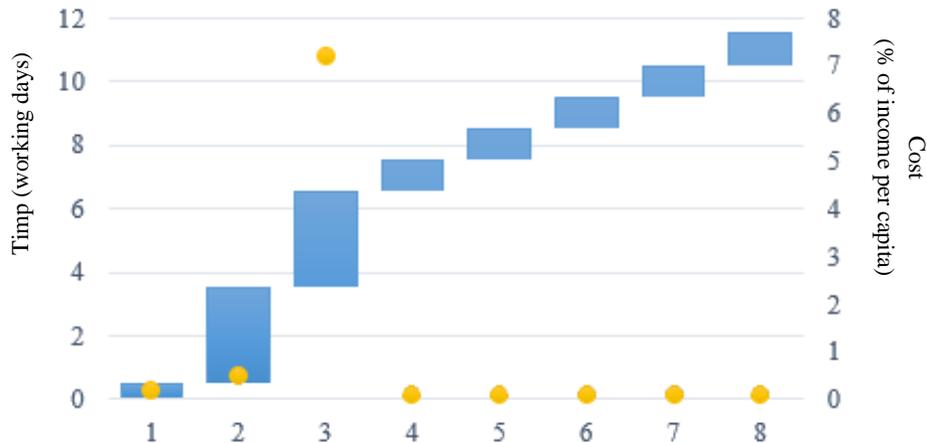


Taking into account both the complexity and the multitude of fiscal procedures, the incorporation fees, the governmental policies which affect the business environment, as well as the social-cultural aspects, Japan cannot be considered a global benchmark when it comes to opening a new company. Furthermore, it is still far from being acknowledged as an auspicious business venue for overseas investors.

New business density refers to the number of new limited liability companies registered in a specific calendar year (The World Bank, 2019). This microeconomic indicator can be considered extremely valuable, as it quantifies the impact of economic policies, macroeconomic factors, the national tax system, as well as the customary aspects distinct to each nation on the progress of the entrepreneurship, remaining a vital component of any dynamic private sector. According to this 2018 estimate, South Korea registered 8 times more new businesses than Japan, exceeding the global average and securing a leading position among the other East-Asian countries (The World Bank, 2019). Hence, the values stand as a point of reference for potential entrepreneurs, reflecting from an objective perspective the efficiency of both political and economic systems from each

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state. Additionally, they represent a starting point in what concerns the changes and the amendments governments from each country should take into consideration to streamline the activity and the development of the private sector.

**Figure 3. New business density** (new registrations per 1,000 people aged 15-64 in 2018)

(Source: (The World Bank, 2019)[6])
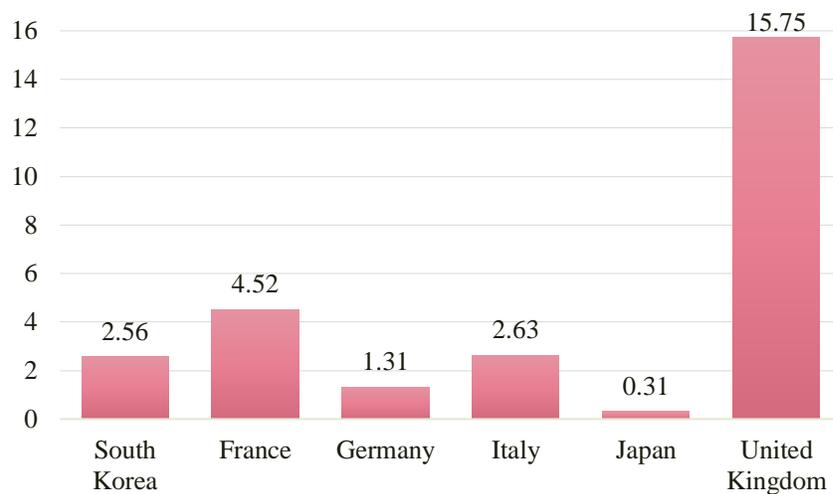


## Interstate economic relations

Throughout history, bilateral relations between South Korea and Japan were characterised by specific factors, such as cultural or economic trades, conflicts of political nature and military confrontations which contributed to their current mutual liaison. According to a series of studies conducted by *East Asia Institute* as concerning the general impression between the two states, both Japanese and Koreans manifest hostility to a certain extent for the neighbouring country (East Asia Institute, 2018). Broadening the

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[6] The World Bank Indicators, TCdata 360, New Business Density. The World Bank. Retrieved October 28, 2020, from https://tcdata360.worldbank.org/indicators/IC.BUS.NDNS.ZS.

research topic, according to a second study carried by the same institution, the mutual animosity between South Korean and Japan seems to have a historical-political background, more precisely the Japanese Occupation period (1910-1945).

**Figure 4. Korea's hostility towards Japan**

(2019 poll, percent) (Source: (East Asia Institute, 2018))
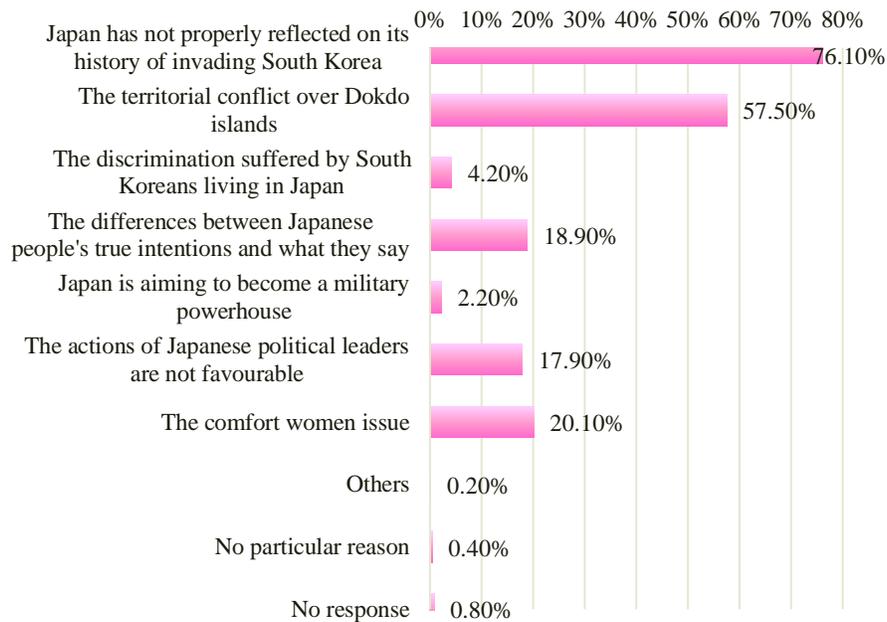


In essence, the majority of Korean citizens (76,1%) criticise the Japanese attitude towards this historical event, considering they should have been way more conciliatory, while reconsidering their regrettable actions (East Asia Institute, 2018).

At the same time, in Japan over 52% of the total population considers that the neighbouring country continues to criticise them over a relic from the past and they should overlook the historical conflicts the two countries have witnessed throughout history (East Asia Institute, 2018).

**Figure 5. Japan's hostlity towards Korea**

(2019 poll, percent) (Source: (East Asia Institute, 2018))
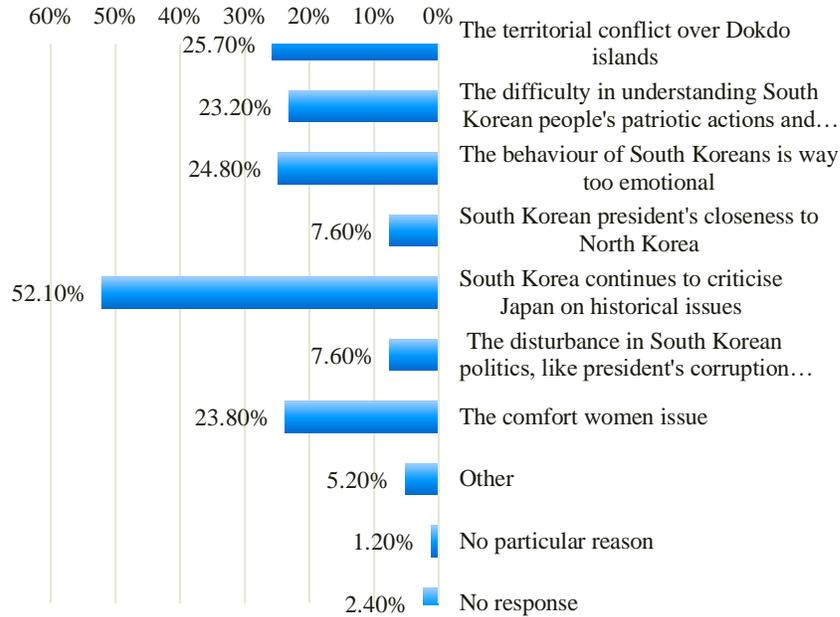


This mutual antipathy has inevitably reflected upon the economic relations between the two states. During the past year, a large-scale political and economic conflict has emerged between South Korea and Japan, thus creating trade barriers among them. While the reciprocal tension is assignable to the aforementioned historical events, the dispute has been augmented by a series of recent legislative acts. In July 2019, Japan decided to remove South Korea from its close partner list, thus generating a vague feeling of uncertainty in what concerns the interstate economic relations (Ma, 2019). This event may be considered a premiere since 1965, when South Korea and Japan signed a treaty for normalisation of diplomatic relations, which stipulated the spirit of equality, mutual advantage, as well as the cultivation of a cordial relationship.

As a consequence, Japan restricts the export of hydrogen fluoride, fluorinated polyimide and photoresistors to the neighbouring country, which were considered crucial raw materials used in the production of semiconductors. With the Korean economy depending

to a significant extent on the semiconductors industry and South Korea ranking second globally in their production, these measures turned out to be rather devastating for the majority of the existent conglomerates, as they were eventually forced to procure the respective chemicals or materials from other countries at a higher cost or to produce them locally (Ma, 2019). Nevertheless, the conflict provoked by the Japanese government witnessed an undesirable twist, hitting in a „boomerang" effect the major car producers, which relied on imports from South Korea. Hence, the lack of semiconductors generated a long-run decline in production. On the other hand, as a response to the radical, yet unfair policies practised by the Japanese government, several Korean supermarket chains ceased to display products originating in the neighbouring country, exhorting customers to no longer purchase Japanese merchandise. Moreover, massive street protests emerged in most major cities. The events were immediately broadcasted all across the world and thoroughly debated in the foreign press (Choi, 2019). This revolutionary movement was regarded to as the *„boycott of Japanese products"* and caused not only a sharp decline in the sales rate of numerous companies but also a drop in the number of tourists intending to visit „The Land of the Rising Sun". Surprisingly, the most severely affected field turned out to be the industry of alcoholic beverages. While 55% of the beer existing on the Korean market was of Japanese origin, the prohibition measures caused a trade deficit of over 40%. Consequently, alcohol export was outwitted by Chinese competitors (Buchholz, 2019).

**Figure 6. The „boycott of Japanese products"**

(sales losses, percent) (Source: (Buchholz, 2019))

| Category | Value |
|---|---|
| Travel bookings | -70.00% |
| Beer | -40.00% |
| Instant noodles | -31.40% |
| Seasoning sauces | -29.70% |
| Snacks | -21.40% |
| Natto | -11.40% |
| Cancellation of booked holidays | +50.00% |

## The Covid-19 pandemic effects on the business environment

South Korea was one of the first countries that faced with the COVID-19 pandemic. Nonetheless, taking into consideration the statistics and the economic indicators reported for the first quarter of the current year, South Korea can proudly represent a global benchmark for the other states, as a result of how it managed with the sanitary crisis. In this way, the authorities' first objective was to assure both the population and the companies in difficulty, as far as their financial status was concerned. Hence, the government allocated subsidies worth over 14% of their GDP not only to sustain the enterprises at risk but also to prevent a drastic decrease in economic activity (Embassy of New Zealand in Seoul, 2020). More precisely, it has granted numerous convenient loans and insurance policies to businesses which had become bankrupt, along with food coupons and vouchers destinated to its citizens. Furthermore, it has offered both deferrals and exemptions for properties and vehicles subject to fiscal duties and assigned grants to stabilise the unemployment rate, a widely known issue in South Korea. (Embassy of New Zealand in Seoul, 2020).

From another perspective, the Korean government signed the pact known as the „Digital New Deal", which implied conducting feasibility studies, informing the population, promoting digitalisation within several fields of activity, as well as the implementation of 5G technologies, which would ensure a smoother experience for both online and mobile users. Simultaneously, the „Green New Deal" strives for the reduction of carbon dioxide emissions by 2020, the encouragement of sustainable development, as well as massive investments in renewable energy sources, designated to power on the country in the following years. (Embassy of New Zealand in Seoul, 2020).

Another crucial aspect of managing the COVID-19 crisis was the considerable investments in what concerned the construction of specialised testing centres, as well as the recruitment of professional medical staff for the efficient screening and tracking of patients carrying the SARS-COV2 virus. Surprisingly, South Korea, unlike other states of the world, refrained from declaring the state of emergency and did not enforce activity limitation on companies' or travel restrictions, leaving the situation to the latitude of its well-informed and cautious citizens. (Embassy of New Zealand in Seoul, 2020).

Despite the continuous efforts of the government to maintain a proper running of the economy, the export rates witnessed a historical minimum, while financial conglomerates like Samsung, LG, Hyundai and Kia suffered from a considerable global decrease in sales volume. (Burke, 2020). Nevertheless, the exports have shown signs of recovery, as the biopharmaceutical industry experienced a substantial increase in the first quarter of 2020. On the other hand, the COVID-19 pandemic contributed to the rise of the unemployment rate and the decrease of short-term jobs, thus augmenting the income inequality nationwide (Lee, 2020). At the same time, it intensified another alarming issue South Korea was facing with, more precisely the low birth rate and the ageing population phenomenon accordingly.

**Table 2. Macroeconomic comparison**

(Source: (MOFA Japan, 2020)[7], (Statistics Korea, 2020)[8])

| | Japan | South Korea |
|---|---|---|
| **Nominal GDP (2019, Calendar Year)** | 553,8 trillion yen (≈5 trillion $) | 1 916 trillio won (≈1,6 trillion $) |
| **Annual Real Growth Rate (2020, Quarter 2)** | -7,9% | -2,7% |
| **Inflation Rate** | 1% | 1,5% |
| **Consumer Price Index (CPI)** | 0,2% | 0,7% |
| **Unemployment Rate** | 2,5% | 3,8% |

Japan makes no exception either when it comes to the damage caused by COVID-19. (Kuroda, 2020). Currently, it is dealing with the most severe economic decline from the past 40 years, resented in the latest GDP estimate, which decreased with roughly 8 percentage points at the beginning of the current year and a ratio 4 times bigger than the values reported in the neighbouring country. Despite the significant differences acknowledgeable through the macroeconomic indicators and an overall more performant

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[7]Japanese Economy. Japan's Ministry of Foreign Affairs. Retrieved October 28, 2020, from https://www.mofa.go.jp/policy/economy/japan/index.html.
[8] Press Releases. South Korea's National Institute of Statistics. Retrieved October 28, 2020, from https://kostat.go.kr/portal/eng/pressReleases/9/1/index.board.

economy, Japan has unsatisfactorily managed the sanitary crisis, remaining with conspicuous scars attributable to the pandemic (Kuroda, 2020).

Contrary to the South Korean authorities, the Japanese government declared itself rather reticent when it comes to granting incentives to both individual and legal entities affected by the current context. Instead, they encouraged the acquisition of treasury bonds, while pledging for future benefits, such as profitable annual interest rates and enhanced bonuses upon liquidation. (Kazuto, 2020).

Another enigma of the COVID-19 crisis in Japan is the low testing rate, owed to relatively reduced testing capacity. Hence, medical units investigate people with obvious symptoms of the SARS-COV2 virus exclusively, to the detrimental of asymptomatic patients. Nevertheless, the government made a serious démarche in what concerns the supplementation of specialised clinics responsible for testing, while ensuring a sufficient number of beds in the medical units across the country. Although there has never been a so-called lockdown and no fines have been imposed for non-compliance with quarantine rules, the executive established the state of emergency, while massively discouraging activities in public spaces. (Kazuto, 2020).

Surprisingly, the population pursued their jobs within normal limits, as reflected by the almost constant unemployment rate (MOFA Japan, 2020). This stems from the Japanese custom according to which employment is permanent, as long as the recruits demonstrate solid knowledge in their field of activity and bring nothing but fame and recognition to the company they serve.

Nonetheless, the effects of the health crisis referred preponderantly to the dramatically decreasing rate of exports. Japan faces difficulties in fulfilling trades with its major merchandise importers, the United States of America and China, thus confronting with delays in honouring contracts. The majority of the affected subjects belong to the car manufacturing industry or the IT sector, while local and international logistic companies encounter hardships likewise (Gardner, 2020).

## Final thoughts

Taking into consideration the aforementioned aspects, I regard the present research as a comprehensive paper, that constitutes a starting point for all eager entrepreneurs who are looking forward to investing in either the Korean or the Japanese market, providing them with the right set of knowledge in what concerns the historical, social and economic context that contributed to the nature of the two East-Asian cultures. Moreover, it focuses on a minimum set of data regarding concrete ways of establishing a business in the countries concerned, including at the same time, the fiscal policies stipulated by the current legislation. The article also comprehends the fundamental concepts of both South-Korean and Japanese entrepreneurship, while emphasizing the paternalist economic behaviour of the two states. Additionally, it demonstrates the influence of family conglomerates, which expanded in close relation with the Confucianist traditionalism and served as generative factors of progress in the last decades, aligning South Korea and Japan with the international regulations and standards. In this study, we also depict essential information regarding the bilateral relations between the two states, as well as the negative impact of the governmental policies enacted over the past few years. On the contrary, a much more disruptive factor for the economic progress of the two countries was the COVID-19 crisis, which is currently a subject of debate all across the world. The impact of the relentless pandemic was resented differently, as a result of the measures taken by the legislative and executive chambers in both South Korea and Japan. In this way, the macroeconomic indicators accurately reflect not only the current situation, but also the efficiency with which the two states managed the health crisis.

For an enhanced understanding of the previously described aspects, it is mandatory to collect both specific and relevant data, published by the domestic and international economic bodies, while assuring at the same time adequate and perpetual processing. Despite, the uncertain and volatile nature of the long-term economic estimates, related to either progress, stagnation or regression, the trade mechanism of the two countries is bound to continue on the same trajectory based on the close observance of the values imposed by the conservative ideology, to which will inevitably be added the technological achievements and the future directions of global mercantilism.

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