

Woori Financial Group:

Becoming a World-Class Organization through OneDo

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Woori Financial Group: Becoming a World-Class Organization through OneDo

The case describes the plans of Mr. Pal-Seung Lee, Chairman and CEO of Woori Finance Holdings, South Korea's largest financial group, to turn his organization into one of Asia's top 10 financial institutions. In response to the global financial crisis, Woori Finance Holdings had launched its OneDo program to transform the group into a low-cost, highly-efficient and innovative organization. What role could OneDo play now in Mr. Lee's goal of becoming a leader in financial services industry in Asia?

December 2012, Seoul, South Korea

On a rainy day in December 2012, Pal-Seung Lee, Chairman of Woori Finance Holdings, sat down with case authors, at their request, to discuss the future of the holding company and the Woori brand.

Chairman Lee had met with the case authors before, almost five years ago, when he was CEO of Seoul Philharmonic Orchestra. Accordingly, it seemed natural to begin the conversation by talking about orchestras and classical music—whether Japanese orchestras still dominated the classical music scene in Asia, or whether other orchestras had caught up; how Chinese orchestras were fast gaining ground; how the competition among Singapore Symphony Orchestra and Hong Kong Philharmonics played out; and, most importantly, where the Seoul Philharmonics ranked by now in Asia. Because they were all avid classical music fans, the conversation carried on for almost 30 minutes and was only briefly interrupted by some quick exchange about the state of the world economy. “Looks gloomy indeed” Mr. Lee remarked. Auspiciously, outside, rain turned into snow, and the room became darker and darker.

As the conversation turned back to banking, and music, Mr. Lee suddenly drew an unexpected analogy, “You know, the banking landscape in Asia isn't that different from orchestras and classical music.”

Despite Korea's economic progress over the last two decades, among the top ten financial institutions in Asia, none was Korean. The financial landscape was dominated by other Asian banks and financial organizations: four were Japanese, four Chinese and two from Australia. South Korea had developed several major global brands in a variety of businesses, including Samsung and LG in consumer electronics; Hyundai and Kia in the automotive industry; and Amore Pacific in cosmetics and skin care. The country was increasingly seen as innovative and “hip,” as it also successfully exported its cultural products (movies, pop music and popular culture). Yet, none of its banks was well known in the world or even in the rest of Asia. In finance in Asia, Woori, Korea's top financial brand, ranked at a distant position 18.

Mr. Lee seemed disturbed by this fact and determined to change it. “Woori must become one of the top ten financial institutions in Asia over the next decade,” he told us. However, over the course of our conversation with him, he also touched on several issues that seem to be holding Woori back and that would need to be resolved to achieve this objective. For example, Woori was still owned 57 per cent by the Korean government. Some decisions were not made on commercial interests. Moreover, Woori had been slow and cautious in its expansion, having engaged in only 18 mergers and acquisitions in its entire history. How could Woori make progress? How could these issues be resolved?

Despite these obstacles, Mr. Lee believed that it was possible to become a top 10 Asian financial organization soon. And it became clear to us that he seemed to believe so, because of Woori’s strong corporate culture exemplified best by its recent “OneDo” program. “OneDo” seemed to be a key element in Mr. Lee’s strategy. He returned back to the “OneDo” theme over and over again. OneDo for original cost cutting. OneDo for process reengineering. OneDo as part of a new business model.

So, here is the story of how Mr. Lee, Chairman of Woori Finance Holdings, aims to turn his organization into the Asia top 10, and what role he feels OneDo plays in the transformation.

Establishment of Woori Financial Group

While Woori Financial Group was officially launched on April 2, 2001, its true foundation can be traced back to the Korean financial crisis that started on November 21, 1997. In exchange for financial support, the South Korean government followed strict terms and conditions set by the International Monetary Fund. The government imposed austerity measures and intensive restructuring of the entire financial sector. At that time, nine financial institutions faced insolvency and their business operations were subsequently suspended. Commercial banks were required to fulfill the Bank of International Settlement’s Basel I Accord mandate of an eight-percent capital adequacy ratio in order to achieve normalization. As a result of such austerity measures, the government stepped in and took control of five troubled banks (Dongnam, Donghwa, Gyeonggi, Chungcheong and Daedong), eventually selling their assets and operations to several large domestic banks. The Commercial Bank of Korea and Hanil Bank eventually merged in January 1999 to form Hanvit Bank.

By the end of 1999, the South Korean government aggressively pushed its first stage of restructuring: eliminating insolvency. This plan was orchestrated by merging relatively competitive financial institutions and allowing them

to absorb their weaker counter parties. However, this method of removing insolvency by way of mergers did not result in any substantial impact on the overall banking sector. The South Korean government had shifted its focus and attention on improving international competitiveness in its second stage of restructuring. At the time, the global trend was to establish a financial holdings company. So, with the assistance of the Korean Deposit Insurance Corporation, the government facilitated the merger of Hanvit Bank and several other banks to form South Korea's first financial holdings company, Woori Finance Holdings Co., Ltd. In April 2001, at the time of launch, the holdings company had total equity share capital of 3.6 trillion KRW and total assets of 97.0 trillion KRW. South Korea's first and largest financial group had been successfully launched.

Growth of Woori Finance Holdings

On September 29, 2003, Woori Finance Holdings Co. listed its IPO on the New York Stock Exchange taking the first step towards becoming a full-scale, global financial company. The organization had maintained steady revenue growth through extensive M&A. In 2012, the Group consisted of a financial holdings company and eleven subsidiaries with a combined asset value of 395 trillion KRW being the domestic market leader. Exhibit 1 presents a list of affiliates and subsidiaries of Woori Financial Group.

The subsidiaries covered all the major financial industries—including commercial banking, investment banking, insurance, consumer credit, asset management, private equity, NPL investment and management, financial IT solutions, and a savings bank. Woori Bank served as partner of leading Korean companies such as Samsung, LG and POSCO, Woori Investment & Securities, the Group's investment bank, was a leader in its own right with the best corporate network within the industry. With a global network of 14 subsidiaries, 15 branches and five representative offices in 16 countries, the Group had also embarked on globalization. Finally, Woori Financial Group was the first financial institution to develop and implement a group-wide consolidated risk management platform where risk management information can be assessed, shared and utilized by its subsidiary companies.

Table 1 compares Woori Finance Holdings and three of its domestic competitors.

Table 1: Four of the Largest South Korean Financial Holdings Companies

(In trillion KRW as of the end of 2011)*	Woori Financial Group	KB Financial Group	Shinhan Financial Group	Hana Financial Group
Total Assets	395	362	332	386
Total Debts	172	184	148	143
Total Deposits	184	185	154	146
Net Income	2.14	2.37	3.1	2.19
Bad Debt Expense (before Net Income)	4.02	3.67	3.77	2.96
Net Operating Income	9.32	9.05	9.29	8.23
Return on Assets (%)	0.7	0.9	1.1	1.1
Return on Equity (%)	12.9	11.4	12.6	13.6
Operating Income per capita (in bill. KRW)	0.48	0.49	0.52	0.49
BIS Capital Adequacy Ratio (%)	12.3	13.1	11.4	11.3

*Benchmark Currency Exchange Rate as of September 13, 2012: 1 USD to 1,128.86 KRW

In 2011, Woori Financial Group had decided to reserve a large chunk of income for writing off bad debt to strengthen its asset quality, which affected its net income significantly. However, Woori Financial Group's net operating income was the highest of the four financial groups in Korea. In addition, among the domestic financial holdings companies in Table 1, Woori Finance Holdings' proportion of non-interest income in 2011 was 26.8% (1.9 trillion KRW out of 7.1 trillion KRW of total net operating revenue) and second to Hana Finance Holdings' 35.7% share of non-interest income. Meanwhile, net income compared to the proportion of the non-banking sectors is 1.1 trillion KRW, or 11.7%. Group's subsidiary, Woori I&S, generated 788.9 billion KRW in revenue (highest among the domestic financial holding companies), cultivating a stable portfolio.

OneDo

"The future of the banking industry itself has changed. No longer can banks sit around waiting for customers. It is important for us to provide our clients with services they need more proactively in order to generate fees and other incoming opportunities in return. We want to be a low-cost, high efficiency and sustainable organization. By reducing our own costs, we can further lower our interest rates and fees and provide better services to our customers. The financial industry is the first to feel the effects of any

slow growth and low profit period. Thus, if we cannot overcome this cycle, it will be difficult to consistently grow.” - Woori Financial Group Chairman & CEO, Mr. Pal-Seung Lee

Start of OneDo

Woori Finance Holdings took preemptive actions in response to the rapidly changing business environment as a result of the global financial crisis in 2008/09. In 2009, Korean financial institution inevitably entered a low growth/low profit phase. To remain globally competitive, the company promoted a *Strategic Cost Reduction* program starting in May 2009. A special task force was formed to run the program and to promote the group-wide campaign of “Strong Organization through Low Cost and High Efficiency.” Eventually, this mantra would become the official motto of OneDo.

While the *Strategic Cost Reduction* was focused, in part, on cost-cutting, its broader objective was to improve the long-term competitiveness of the group and to become a competitive brand. The program thus incorporated aspects of organizational reform, including changes in the mindset and behavior of its workforce, its business processes and its waste elimination. The *Strategic Cost Reduction* task force identified four critical sectors (organization and workforce; processes; operational management; and, shared values) and began implementing ten strategic objectives. The selected strategic objectives are listed in Table 2.

Table 2: Strategic Cost Reduction: Four Sectors and Ten Strategic Objectives

4 Sectors	10 Strategic Objectives
Organization / Workforce	Organizational optimization
	Workforce operational efficiency
Processes	Business process improvement
	Customer service efficiency
	Bad debt expense reduction
Operational Management	Sourcing/outsourcing efficiency
	Internal demand optimization
	Capital investment rationalization
Shared Values	Activation of proposed plans
	Change management

Official Launch of OneDo

“During the Korean financial crisis, similar to Woori, many financial organizations had merged together, building up the idea that this new type of institution would be the building block to economic recovery. However, even after the consolidations, neither employees nor businesses had ever adopted the notion that ‘we are family.’ For instance, Woori Bank acted and operated completely independently of other subsidiaries. But I thought, ‘if there was something in common, like a singular language or identity, then businesses of the Group could relate to one another and eventually create some sort of synergy.’ So, I knew that OneDo could be the symbol for Woori Financial Group and as an innovative brand.” - Woori Financial Group Chairman & CEO, Mr. Pal-Seung Lee

The term OneDo had been chosen to represent a dual purpose. “One” came to symbolize *one* person, *one* organization striving to be number *one*. “Do” referred to *doing* proactive tasks like creative thinking and voluntary participation, where the underlying message and ultimate goal meant strengthening the future competitiveness. Financial performance goals were also infused into the concept of OneDo. Employees from all the affiliates took on the group-wide challenge to increase annual net income by 10% to 20% by executing various cost-cutting measures and pursuing other revenue-generating activities proactively.

The Group’s CEO and over 500 executives and major department heads from all the various subsidiaries attended the 2010 Strategic Management and Innovative Vision Conference on December 23, 2009, where the new initiative, OneDo, was unveiled. A newly formed and independently managed department within the holdings company, the Change & Innovation Department (CID), was given full governance to run a strong and effective campaign from the group-level.

1. OneDo’s Distinction from Existing Cost Reduction Activities

OneDo’s cost reduction activities were quite distinct from similar programs at other financial institutions and companies. The first distinction between OneDo and existing cost reduction activities, for example, saving copy paper or minimizing electricity consumption, is that these actions were basic and short-term in nature. They were not focused on improving the Group’s fundamental competitiveness or creating value for customers. During the financial crisis, the majority of big businesses had already chosen to cut labor costs on top of other traditional cost-saving methods. The Group CEO’s focus and philosophy of OneDo was based more on developing a world-class financial organization by continuously removing inefficient business processes and practices, which in turn provide customers with more convenient banking experiences. Mr. Lee believed that simply cutting wages or

consolidating branches to reduce overhead could improve the financial situation in the short run, however to maintain persistent growth over the long haul, business-minded people needs to be more creative. As CEO Lee said,

“Previously, when times got difficult, the bank would say things like, ‘use the copier more sparingly, reduce the number of international phone calls or save electricity,’ because saving was the only thing the bank cared about. Of course, these issues are important but now improving the business process through innovation is most critical. For example, one of the most important characteristics of a bank is the location of its safe, including its cash and valuables. If the safe is located in that corner on one side and the employees are located here on other, a lot of time is wasted throughout the day going back and forth. In addition, the bank needs to concentrate on the customer satisfaction by getting rid of any discomfort in the way the bank operates or performs its transactions. There are a variety of elements to address when identifying and eliminating wasteful processes. This is the core of OneDo.” - Woori Financial Group Chairman & CEO, Mr. Pal-Seung Lee

The roots of OneDo were embedded in this people-driven philosophy of consistently taking out the unreasonable and unnecessary aspects through innovation. This type of radical reformation is necessary to improve the organization and increase its competitive edge.

The second distinctive attribute of OneDo is its bottom-up, rather than top-down, approach. The executive management, including the Group and affiliate CEOs, had developed OneDo’s basic framework and communicated implementation guidelines. However, the employees themselves participated in OneDo’s activities voluntarily. Members of Woori Financial Group believed that this philosophy was centered on the idea that *it starts with me*. Change *starts with me*. The main reason why OneDo was successful was because of the input of its workforce. Employees were always bringing up fresh ideas to reduce inefficient business processes and deliver greater value and convenience to its customers.

Woori Financial Group thus attempted to reach world-class productivity through a corporate culture aimed at eliminating waste. An appropriate standard for removal involved continuous improvement through problem solving. This system could only work if employees felt respected, challenged and positively reinforced. These foundations were integral to the innovation approach pioneered by Toyota, aptly called the “Toyota Way.” This methodology was reinterpreted to fit the context of the organization and the financial industry. The basic

philosophy of OneDo emulated the Toyota Way but had its own unique goal to create its own DNA as a model of efficiency and productivity by advocating imagination and discretionary participation.

According to Mr. Soon-Woo Lee, the President and CEO of Woori Bank, the Group’s flagship affiliate, the differences between OneDo and existing cost-cutting exercises are as follows:

“There are three main differences between OneDo and existing cost reduction activities. First, the focus is on increasing customer value from the local or branch-level. We want customers to think that our bank and our business practices are the best and most convenient. It is nearly impossible to receive the same kind of global recognition unless changes in business systems and methods are always improving. Through OneDo, we want to be a financial institution that customers trust and rely on the most. Second, the focus is on facilitating employee workflow. We want our workforce to be thoroughly satisfied with not only the organization but also the daily tasks. Unhappy workers will not attract customer trust and loyalty. One goal of OneDo is to have the necessary systems in place to improve whatever process to satisfy the employees. Last, the focus is on listening to our clients. We do not want the head office to send out instructions from the top down. We believe that the client-facing employees are fully aware of what is most inconvenient or unreasonable from the customer’s standpoint.” – President and CEO of Woori Bank Mr. Soon-Woo Lee

2. The Four Action Principals and Three Pillars of OneDo

Exhibit 2 presents an overview of the OneDo’s innovation framework. The objective of OneDo is to systematically create an organizational culture grounded in individual participation and productivity. When mission-oriented employees perform their jobs, they are reminded to keep in mind four action principles of OneDo. The principles are stated as follows:

Table 3: Four Action Principles of OneDo

Principles	Content
Ask questions	Find waste in day-to-day operations
Change perspectives	Find causes of problems through shifting paradigm
Gather ideas	Collect wisdom to solve problems
Eliminate waste	Remove non-value-added work

The three Pillars of OneDo consist of core programs. WhyDea and WhyTing are established programs for practical application. The third program, termed “Maestro,” appoints designated administrators to lead a small group and to assume the roles and responsibilities as agents of change.

To facilitate further execution effectiveness and information flow, a software application called OneDo System was created on the company intranet. Now, all companies and all employees had internal access where individuals could submit WhyDea proposals and where Maestros can easily post their WhyTing cases and examples to share with others.

WhyDea

WhyDea is a combination of the words “Why” and “Idea” and symbolizes the personal dimension of innovation activities. This concept includes a new proposal system that allows employees to improve their business processes by not only proposing but also implementing and executing these new ideas. WhyDea involves shifting the paradigm from “please do this for me” to “I will take the initiative and try this myself” attitude. WhyDea completely unifies the sense of responsibility between proposal submission and proposal execution.

WhyTing

WhyTing is a combination of the words “Why” and “Meeting” and symbolizes the innovation activities of specific sub-unit groups, *e.g.*, departments or branch offices. Using collective intelligence, WhyTing has the power to leverage individual wisdom and abilities to solve branch or department-level problems. It emphasizes self-developed and self-applied problem solving techniques to WhyTing rather than a dependency on existing and fragmented improvement mechanisms. On one hand, the scope of WhyDea is to find relatively simple ways to improve job processes by changing the individual's mindset and behavior. While on the other hand, the scope of WhyTing is to find a wide-ranged and elevated level of ideas that can only be fulfilled with the cooperation and assistance from other departments and subsidiaries.

Maestro

Maestro is a facilitator who supports and leads OneDo activities of department or branch employees. Maestros supervise regularly scheduled meetings and promote WhyDea and WhyTing initiatives. Responsibilities also include monitoring and providing feedback to individual WhyDea progress and WhyTing performance. These agents of change continuously promote OneDo and its innovative thinking. When necessary, maestros will collaborate with their counterparties from other departments and branches.

3. Organizational Support to Promote OneDo

Woori Financial Group deployed various OneDo support activities for the system to get well-nested into the organization as the most important framework for executives and employees to perform their jobs. The Group envisioned OneDo as the most important foundation for its corporate culture. The most emphasized components involve internal communication and training programs.

Internal Communication and Public Relations of OneDo

Executives and employees, who handled their jobs quite intensively, could perceive OneDo as just another directive from the head office. However, Group CEO Lee decided that the most important and most urgent issue was to justify the idea of the importance of OneDo, its distinction from existing cost reduction projects and its desire to be a world-class financial institution. So, CEO Lee opened an online communication channel called 'CEO Corner' where he started to share with fellow executive officers and employees the idea of OneDo, its innovation management and strategy. The composition of 'CEO Corner' is as follows:

Table 4: Composition of CEO Corner

Elements	Purpose	Content
CEO Message	To set the direction of Woori Financial Group	Communicating the Group CEO's management philosophy
OneDo Board	To steer the OneDo Management rudder	Presenting the direction of OneDo and encouraging voluntary participation
CEO News	To externally broadcast Woori Financial Group	Mass communicating, reflecting and sharing the CEO's management philosophy
CEO Photo	To showcase the Group's image	Displaying unity through the CEO's image and activities

Additionally, 'OneDo Magazine', a printed publication, started to introduce successful cases every month. OneDo Magazine featured a best practices section where other subsidiaries can follow and apply winning methods. These early publications of best practices helped firmly plant and unify the Group's identity.

As a part of internal communication and public relations in OneDo's second year (2011), the Group held an OneDo Innovation Presentation Tour to all subsidiary and branch office managers and maestros. The tour included 66

presentations in a span of eight weeks with over 2,700 attendees. Through topics such as 'OneDo's justification', 'Two-year outcome of OneDo', 'Sharing distinctive cases', and 'Functionality of manager/maestro', attendees were able to express their opinions on how to improve their own work habits and how to further develop OneDo.

Finally, outstanding cases and best practices were collected from the Group's subsidiaries and published in its "Collection of Distinctive Cases." The publication was then distributed among the various branches. An informational video was also produced based on the collected material.

Training Program of OneDo

To successfully execute the above-mentioned employee training, the senior management recognized the need for a specific methodology for what the training would actually entail. So after the introduction of OneDo, in its first initial phase, the employees became the focal point of a bottom-up method of innovation. For three months, starting from January to March 2010, each Woori affiliate implemented the TIME (Think-Indicate-Maximize-Execute) program to emphasize OneDo's innovation perspective, methodology and functionality as the operational guideline for WhyDea and WhyTing. This training program reflected the instruction and insight of the senior management. Every year, over 2,000 participants, including newly promoted and appointed employees and officers, were trained. Fresh hires were also trained from the onset of their employment in this manner to forge a deeper understanding and shared philosophy of OneDo. A tremendous amount of effort and resources was devoted to training and educating.

Maestro Training Program: The training of Maestros was crucial to the future success and performance of OneDo. These change agents were selected from their respective branches. The interactive training and lectures included innovation methodology, how to deal with current WhyTing issues in local business units and how to mentor others effectively. Armed with this knowledge, Maestros formulated their own guidelines and protocols regarding how to proceed. Starting from June 2010, the Maestro program helped its newly-trained representatives raise the ability to inspect WhyTing problems and to review its direction. The program also made efforts to raise a Maestro's ability to practically lead organizational innovation from the group-level. This program reinforced the OneDo spirit by facilitating information-sharing among the various subsidiaries to encourage other examples of successful, management training methods.

4. Outcome of OneDo Innovation

"Since the launch of OneDo three years ago, know-how had amassed considerably and the employee mindset had started to change. Previously, employees would urge the head office to do this and do that. But now, employees bring it upon themselves to take the initiative to recognize the inefficiencies and wasteful business practices. Through group brainstorming, employees tried to come up with creative ways to improve everything. As a result, customers began to notice these subtle changes, time was being saved and expenses were being cut. Employees tried to implement these things and submitted these new proposals to the head office. The head office then reviewed and sent the approvals to the holdings company. The holdings company started to perform cross-sectional improvement activities within the affiliate businesses. The Group's eleven subsidiaries, consisting of over 26,000 employees, put forth an incredible amount of effort to reduce expenses and inefficient processes." - Woori Financial Group Chairman & CEO, Mr. Pal-Seung Lee

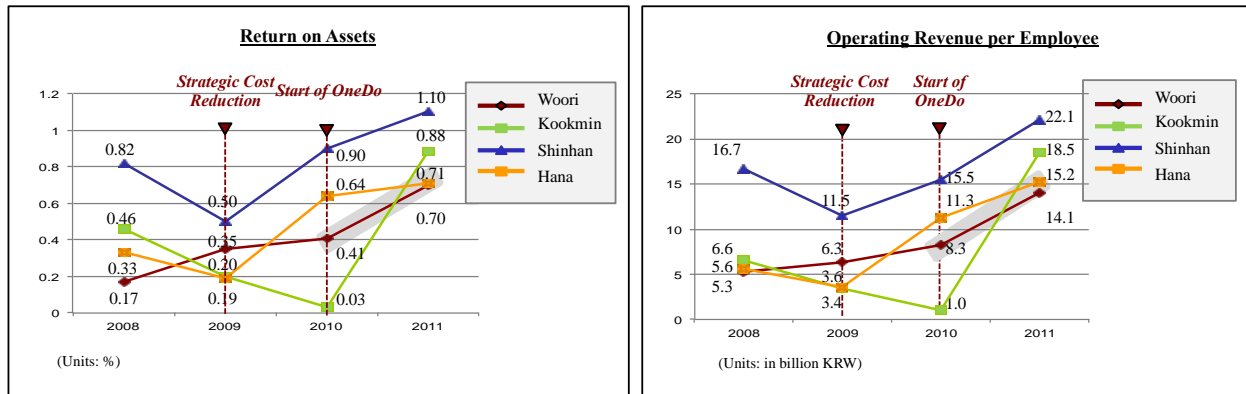
Financial Outcomes of OneDo

Two and a half years after the start of OneDo, the Group's 26,000 employees registered over 170,000 proposals for improvement through WhyDea (an average submission of 6.8 ideas per employee). Additionally, departments and branch offices proposed over 10,000 WhyTing improvement projects (an average submission of 6.8 per branch/department). These numbers provide strong evidence to support Group CEO Lee's desire for OneDo and its input to be a collective and bottom-up effort by all employees and all branches.

One of most tangible outcomes is the consistent participation of all the employees. However, the financial outcome of OneDo is also encouraging. Innovative ideas, the removal of inefficient habits and operational effectiveness are the driving factors for capturing increased revenue production and lowered overhead expenses. OneDo's financial outcome is estimated to be approximately 645.8 billion KRW. Exhibit 3 shows detailed results of OneDo's financial performance based on Woori Financial Group's own estimates.

During the last two and a half years, because of OneDo, job process inefficiencies had been removed and the Group's revenue and productivity improved considerably. The changes in gross revenue and productivity of Woori Financial Group for the last three years are shown in Table 5.

Table 5: Profitability and Productivity of Woori Financial Group and Competitors



Employee involvement

On June 2012, staff members of CID assessed the level of voluntary participation of a recently posted survey pertaining to the evaluation of OneDo. The members of CID had worked diligently for the past three years. Some were convinced that the turn-out would mirror the amount of hard work and effort that was put in while some were worried that a low participation rate would represent a lack of interest potentially jeopardizing the future of not only OneDo but also those of ensuing initiatives. Moreover, convincing employees of client-facing branches to voluntarily take ten to fifteen minutes out of their busy schedules was not an easy task.

Yet within twenty minutes after the survey was posted on the intranet, over 500 employees had taken it. By the end of the business day, the total number had risen to 2,772 employees. To draw more involvement, CID decided to launch a pop-up reminder on June 15, on the first page of the portal website used by Woori Bank, the Group’s flagship affiliate which accounts for more than 60% of its total employees. By 9:00 AM on June 15, the total had grown to 3,646 participants. In all, the survey period lasted for seven days (from June 14 until June 22, excluding the weekend) and out of the Group’s total 26,630 employees, 6,253 had completed the evaluation resulting in an astonishing 23% participation rate. Where previous intranet surveys usually netted about 5% participation, this high level of employee participation symbolized employees’ strong involvement and support, and its importance to their daily operation.

Increased Customer Value

All executive officers and employees contributed to the above-mentioned financial outcome through their active participation of OneDo. However from the beginning, Group CEO Lee emphasized that the most important outcome should be an increase in customer value through efficient business processes. Although the financial

results may not be that large on paper, Woori tried to enhance the image perceived by its customers as a company dedicated to adding value and removing inconvenience. This considerably improved the whole group's image.

One example is the process improvements in inheritance deposits by modifying previously cumbersome processes. Up until OneDo, when an existing customer passed away, bank protocol required all heirs to physically go to a specifically designated branch (inheritance management office). Heirs who lived abroad or ones who could not afford the time to stop by the specified office voiced numerous complaints about this cumbersome policy. To tackle this issue and improve the overall inheritance guidelines, Woori Bank's Private Business Strategy team leveraged WhyTing, analyzed the root of the problem and realized that the Ministry of Public Administration and Security required strict verification of an heir's seal and proof of identity. However, accessibility to this type of verification process and information system was not possible by the bank. Furthermore, an integrated, intra-bank system did not exist where each transaction could be recognized for resubmissions, reissues or cancellations. An effective process was not in place to facilitate customers' needs and their inheritance transfers.

The Private Business Strategy team came up with an idea to develop an internal data processing system that required only one representative heir to visit the designated management office while the other heirs could subsequently go to any branch of their choice. Also, after an inheritance transfer, the account would be immediately closed avoiding unnecessary hold ups, such as a reissuance, improving customer satisfaction and operational efficiency. As a result, inheritance deposit-related complaints ceased while more than an hour's worth of work was reduced down to twenty minutes per transaction measuring increased productivity to an equivalent of 200 million KRW. This is a prime example of OneDo delivering in the spirit of value and continuously improving for greater convenience to bank customers while simultaneously reducing costs.

Intangible Outcomes

"I think that biggest and most intangible result of our company, via OneDo's innovation, is finding significance in work and changing the attitude to put in the effort to understand the bigger picture. The employees are supposed to see the overall context of work. They should also question why certain tasks need to be done in a certain way. However, in the past, employees did not think this far ahead... Previously, I did not have much interest in the work of other departments. But now, since I can see cases of best practices and WhyTing proposals, I started to become more curious. Because of this phenomenon,

it had greatly affected the level of interest in my own work.” - A Woori Financial Group employee and Maestro

Although OneDo contributed greatly to Woori Financial Group’s financial performance, employee involvement, and increased customer value, the intangible outcomes are also worth mentioning. OneDo has inspired an organizational culture, change in employee’ work attitudes and camaraderie among Group members.

Customer-oriented Organizational Culture: As OneDo was initiated, the organizational culture of Woori Financial Group underwent a positive transformation. Traditionally, financial institutions in South Korea were far from nurturing any type of innovation and customer-oriented service. These companies were subject to much criticism from customers for simply generating revenue by taking deposits and lending. In the past, there were a lot of people who needed money, so the average borrower was usually in a difficult position. The high demand reinforced an arrogant culture where bankers were more concerned with their own convenience rather than the convenience of customers. But, after the launch of OneDo, a noticeable and remarkable change had emerged within the branches: employees started to focus on creative ways to enhance customer convenience and value in day-to-day activities. Through OneDo, employees were more aware about the organization as a whole and about their own work assignments to increase efficiency.

Inspiration for Camaraderie among Group Members: As mentioned earlier, Woori Financial Group was formed after the Korean financial crisis in 1997. The Group is now an integrated financial institution composed of a number of organizations. It seemed fairly difficult for executive officers and employees from the eleven different subsidiaries to feel a sense of common identity or true kinship with other members within the Group. For example, employees from Woori Bank never had the opportunity to interact with employees from Woori Investment & Securities (Woori I&S). Moreover, since the businesses were so different, group-wide synergy was also not very high. However, by each unit striving to achieve OneDo objectives and increase customer value, employees from differing affiliates started to naturally collaborate with one another.

Set up of Securities-Backed Loan Management and Joint-marketing : Woori Financial Group is number one in terms of domestic asset size but was not a prominent player in the securities-backed loan market. Traditionally, when the Group's subsidiary banks loaned money through securities-backed loan, these banks insisted that the

securities have registered collateral pledges.¹ Registered pledge costs, compared to those of provisional pledges², had higher securities maintenance and other incidental fees for customers. However, Woori Group's subsidiary banks still insisted on these registered pledges and as a result, there was a limited number of borrowers since the procedures for loan repayment from the sale of securities were complicated.

Woori I&S, who had a lot of experience in securities-backed loan, recognized the situation of the subsidiary banks and suggested securities-backed loan lending through informal pledges to increase market share and customer convenience. Woori I&S, utilizing its own experiences and know-how, set up a securities-backed loan management system. Using this management system, the Group subsidiary banks could utilize informal pledges in lieu of registered pledges while maintaining the right of privilege to collateral. At the same time, the system made it possible to manage funds from securities sales and price changes. The customers could now receive securities-backed loan, via informal pledges from the subsidiary banks without inconvenient procedures and additional fees. Using this new system, Woori I&S also increased its brokerage fees by selling securities in alliance with the Group's banks.

Moving beyond OneDo's Past Success

Within 2-3 years, OneDo caused a transformation within Woori Financial Group. OneDo played the most important role in not only changing the perspective of all executive officers and employees but also establishing a customer-oriented, innovative organizational culture. In this way, OneDo brought various positive outcomes but some issues also needed to be addressed in order for Woori Financial Group to continue OneDo and grow as a world-class financial organization.

First, in order to proceed with consistent innovation, the organizational culture and change in perspectives were most important. Simultaneously, the employee evaluation and compensation system needed to be deeply rooted to promote OneDo. Even now, if an employee's suggestion is registered on WhyDea and selected for OneDo, he or she will receive 10,000 mileage points (however, if registered but not selected, these mileage points received may be reduced). If the idea is selected again as the month's top idea, an additional 200,000 mileage points will be rewarded. Via WhyTing, employees are now recognized for their distinguished performance and degree of importance of their ideas. Recognition and monetary compensation can be effective but there is a limitation because these benefits can only be given to a small number of recipients. In order for OneDo to actively work,

¹ The objectives of the registered pledges are set in writing by the institution.

² Pledger shares as securities as collateral but does not indicate the list of stockholders and stock certificates.

employees must be encouraged to participate with a strong will. That is why it is desirable for key performance indicator (KPI) evaluations to officially include OneDo contributions by each employee. In one of the Group's subsidiaries, an employee's active participation in OneDo constitutes 20% of KPI. But, a consistent evaluation system on a group-level is still needed.

Second, the focus was on the financial issues regarding the expense reduction through OneDo's evaluation. But, in the future, to sublimate the organizational culture of Woori Financial Group and advocate OneDo from a cultural viewpoint, a stronger effort is needed to evaluate OneDo's success based on employee inputs. For example, surveys regarding employee attitudes and sentiments towards this initiative should be conducted regularly (for example, every six months). A consistent effort needs to be put in to manage these evaluations so that OneDo could firmly root itself as the culture of Woori Financial Group. An evaluation committee should include current employees, outside consultants, customers and management experts to objectively evaluate progress.

Third, when observing various change management and innovative cases, the most important element that determines whether the project is successful or not rests on the change agents' or Maestros' desire to take responsibility for change and innovation and their efforts to proceed. Accordingly, the selection criteria of Maestros needs be enhanced. If Maestros are selected by the organization itself, then they will perform the job without strong personal commitment. Hence, in the future, if the selection process can be modified to find people who are more capable and have distinguished leadership skills, becoming a Maestro can be an enormous boost in any career. This position needs to be elevated to a point where expectations of successful leaders of the Group require this particular type of experience as a Maestro. If so, a Maestro may have more authority to carry out OneDo activities confidently. If the financial support and time allocated for OneDo-related activities increase, it may help a Maestro great deal to implement pending projects.

Fourth, OneDo is basically an internal exercise of Woori Financial Group but OneDo's intention is that through job process innovation, customers will have more comfortable banking experiences and receive greater value. Furthermore, communicating with customers through OneDo related activities and active public relations, will give positive effects to improve the Group's image and attract new clientele. Through this, a positive image can be established in the minds of customers that Woori Financial Group, compared to other financial institutions, is more customer and innovation-oriented. Then it is possible for Woori Financial Group to have an edge over its competitors.

Outlook

OneDo was launched as a key initiative that would help Woori Financial Group to become a global, world-class institution. Through OneDo, the Group also aimed to be seen as a top innovative brand. OneDo had been launched successfully and more than 26,000 employees passionately carried out OneDo programs and activities.

Mr. Lee was wondering what role OneDo may play in the future challenges that he and the Group were facing. He felt that in the near future, the Group needed full privatization to remain and enhance its competitive status. This would allow the Group to make independent decisions on key issues such as mergers and acquisitions for the benefit of its shareholders.

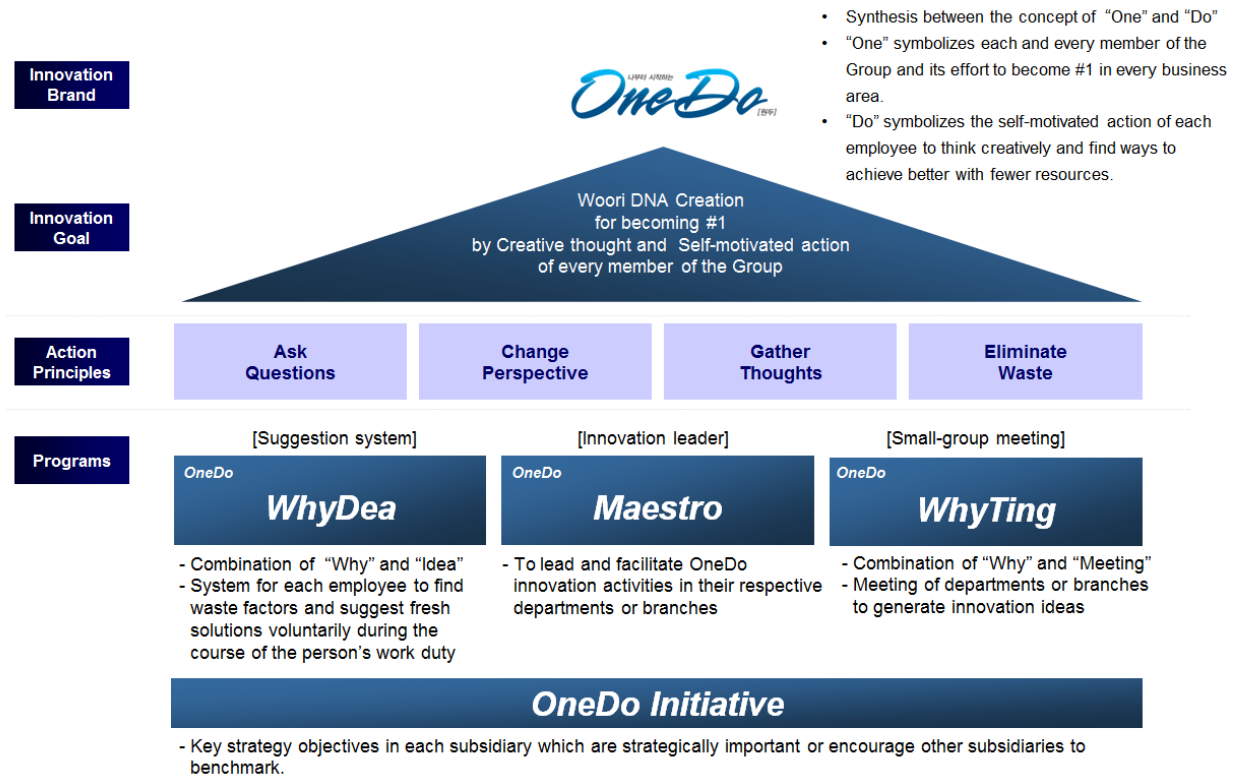
Moreover, the Group would need to become a truly global player, such as other Asian banks (e.g., HSBC). Thus far, overseas business was largely generated by Korean firms and Korean expatriates. In the future, the Group intended to be more localized and attract customers in local markets. In addition, The Group subsidiaries were expected to engage in cross-selling of products within the Group and increase its non-banking revenues.

Finally, Woori Group's stated objective was to become a top 10 Asian bank. OneDo had played a key role in transforming the Group into a low-cost and highly-efficient organization. What role could OneDo play in the Woori's goal of becoming a top 10 Asian bank?

Exhibit 1: Woori Finance Holdings Co. and Subsidiaries

Name of Organization	Date Incorporated to WFH Co.	No. of Employees (as of Mar 2012)	Gross Revenue (as of 2011, in million KRW)	Operating Profit (as of 2011, in million KRW)
Woori Bank	2001.03.27	16,519	28,455,440	2,069,371
Kwangju Bank	2001.03.27	1,991	1,137,243	136,328
Kyongnam Bank	2001.03.27	2,584	1,719,453	195,647
Woori Investment & Securities	2002.07.29	3,057	3,910,525	164,621
Woori AVIVA Life Insurance	2008.04.04	350	1,368,266	7,534
Woori Asset Management	2004.12.24	141	32,111	1,462
Woori Financial	2007.09.14	584	334,453	51,702
Woori FG Savings Bank	2011.03.16	123	55,320	(32,352)
Woori FIS	2001.09.29	1,021	287,856	(3,480)
Woori F&I	2001.12.03	30	172,100	43,145
Woori Private Equity	2005.10.21	23	382,597	651

Exhibit 2: OneDo Framework



- Synthesis between the concept of "One" and "Do"
- "One" symbolizes each and every member of the Group and its effort to become #1 in every business area.
- "Do" symbolizes the self-motivated action of each employee to think creatively and find ways to achieve better with fewer resources.

Exhibit 3: Details of OneDo's Financial Performance

(Units: in billion KRW)

Year	Division	Revenue Increase	Cost Savings	Opportunity Costs	Total
2010	WhyTing	59	38	41	138
	OneDo Task	38	18	5	60
	WhyDea	1	5	9	15
	Subtotal	98	60	55	214
2011	WhyTing	61	17	27	106
	OneDo Task	11	3	33	46
	WhyDea	7	4	16	28
	Subtotal	79	25	76	180
2012 (First Half)	WhyTing	7	14	27	48
	OneDo Task	6	5	6	17
	WhyDea	0.2	1	4	5
	Enhanced Profitability	182		-	182
	Subtotal				252

*Enhanced Profitability in 2012 collected from the Change & Innovation Department's Task Force Team.

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