

The Korea Business Interview Series:

Dick Warmington

"Uncovering Korean Potential at Chadwick School in Korea's New City of Songdo"

Dick Warmington is President of *Chadwick International* in Songdo, Korea, and previously CEO of *Hewlett-Packard Asia Pacific*, and before that, President of *HP Korea*.

Transcript of the interview by KBC's Tom Tucker on *Apr 29, 2011*.

Tom: Hello, and thanks for joining us once again today at KoreaBusinessCentral.com. My name is Tom Tucker. I'm the host today, and I'm pleased that you can join us for this latest discussion in our Korea Business Interview Series.

I'm pleased to welcome Dick Warmington. Dick spent 33 years with Hewlett-Packard, most recently as CEO of HP's Asia Pacific operations, during which time he steered the company through the Asian crisis of the late 90s growing the company's revenue in the region by more than 50% in 1999 and 2000.

Previously, Dick was president of HP Korea from 1988 to 1992, and just last year Dick returned to Korea to head up Chadwick International, a cutting-edge school for the international community in Songdo – an amazing city in its own right.

Dick, welcome and thanks for joining us. It's great to have you with us.

Dick: Tom, thanks for inviting me. I appreciate it.

Tom: Dick, let's start out by having you tell us a little bit more about yourself, your background and your experiences before joining Chadwick School.

Dick: Sure. It turns out that I actually went to Chadwick School in Los Angeles for high school, graduating back 50 years ago. Following that, I went to Stanford and finished my education at

Harvard Business School and then joined Hewlett-Packard at that time, and as you said, spent 33 years with the company – four years here in Korea in 1988 to 1992.

I was here to found HP's operation here in Korea. We were a joint venture at the time with Samsung Electronics. In 1997, we bought out their share, so it's actually a 100% owned subsidiary here in Korea.

Following my stay in Korea, I spent four years back in California and then four years in Hong Kong, finishing my career with HP as CEO of HP's Asia Pacific operations, that I think you mentioned.

Tom: Well, it certainly sounds like a terrific, fun, exciting and very interesting career for you up to this point. It's a real thrill for us to be able to talk with you about all these things that you've done and that you are doing right now.

You've been pretty active on the Asian business scene, obviously, for many years. What brought you out of retirement and into your current position as president of Chadwick International?

Dick: Yes, that's kind of an interesting story. I actually retired in 2000 from HP and moved back to Silicon Valley where my home is. From that time in 2000 until just this past year, I was retired, spending time raising my two children.

I spent time with independent schools. One was my son's school. I joined the board and ended up being chair of the board for a few years. Another school I had been associated with for many years. I was on their board for 15 years. So I spend a lot of my time involved with schools.

When Chadwick School in Los Angeles was approached in terms of finding out their interest in operating a new school that had been built here in Korea, the board worked through a whole process of evaluating the opportunity. Finally, the end of January last year, decided that they wanted to go ahead and set up a second campus here in Korea.

They needed somebody to operate it, and being an alum from the school, people were aware of my background. I got a call saying, "How would you like to go back to Korea and spend a few years helping to found this new campus of ours?"

It fit perfectly for me, because of my interest in independent education, as well as the four years I had spent here in Korea, as well as the fact that while here in Korea we adopted our two children that we have who are Korean.

All of the factors lined up saying this would be a really good thing for us to do, particularly because my son had just gone on to college. So we were looking for the next thing that we wanted to get engaged with. The timing was perfect.

Tom: It sounds like a terrific fit for you and for your background. It sounds like you have a real passion for it. Let's talk about getting the school set up. I understand the development of Songdo

has not been without challenges and that these even lead Chadwick International to open a little bit later than originally planned. Can you tell us a little bit about Songdo and where things stand now with the city's development?

Dick: Sure. Songdo is a brand new city that actually is an architected city. The center of it is being developed by a private corporation. Actually, this will be one of the largest privately developed cities in the world. It was started in around 2000, very close to the Incheon Airport, which is a hub in Northeast Asia.

We're sitting in the middle of an economic free zone, so actually the reason for this school being built was that the managers of the economic free zone are looking to draw in foreign direct investment into this area.

Of course, if you're going to draw corporations in here, and there will be families moving here associated with this new investment, they needed to have a school locally to be able to educate their children, which is how this school was built originally.

This is a little background behind the building of it. This city has developed into an incredibly interesting city at its current state, and it's only about a third built at this point.

During this time, as we all know, there have been some economic difficulties in the world, say, over the last three or four years so that the ability to be able to draw companies here was limited. That plus a couple of other factors made it a bit difficult for us to get the school up and running as an international school.

It's an international K-12 school, but we were able to work through the process. This involved working with the developer as well as working with the Ministry of Education, Science and Technology. Every school that wants to operate in Korea needs to get a license from the Ministry to operate – a bit different than in the States where an independent school can start up without such government involvement.

So the combination of the two was a bit more complicated than we had originally expected. We had planned to get our license and be able to operate the school beginning in April of last year. We were finally able to get it in late June, June 24th. We got the license, and once we had the license we could promote the school, which we began to do in late June.

We opened up our admissions in early July and were able to get our initial student body set up during July. We have 280 students. We brought in all of our faculty in the first of August. We have 40 international educators. We got them to get rooms set up and open the school. Students arrived on September 7th, and we had an official opening on September 10th. So we're just finishing our first year of operation.

Tom: Well, congratulations on that. It sounds like it was certainly a huge undertaking and a lot of work there just to get the doors open. It's well known that business and government pretty

much go hand-in-hand in Korea and that large infrastructure projects always involved heavy government involvement. Can you talk a little bit about how the central Korean government and the city of Incheon were involved in Chadwick International's establishment?

Dick: Certainly. As I had mentioned, schools need to get license. The Ministry of Education, Science and Technology was one organization that we had to work with to be able to establish our presence here.

There is another organization called the Ministry of Knowledge Economy (MKE). They're responsible for the operation of what is called IFEZ, which is the Incheon Free Economic Zone that we're located in. They have been involved with the setup of our school here. We're in the city of Incheon, so we also have actively worked with the city in terms of getting the school set up.

All of these organizations, it took some time to build relationships and get an understanding of what it is that we're trying to accomplish. They have been very supportive of us, but it does take time to get those relationships set and to get an understanding of what it is that we're trying to accomplish and then get their support, which is necessary here, as you mentioned.

Tom: Following the loss in last year's election by the previous mayor and his party, did you find that the changing relationships at the top in Incheon affected the Songdo development, in general, and Chadwick International's position, specifically? If so, how was that the case?

Dick: It's interesting. When I decided to take this position, which was February of last year, I actually the next day happened to meet the mayor at the time, Mayor Ahn at Chadwick in Los Angeles. We had a really good support, good relationship with him and good support from him.

We were thinking that when the election occurred that he would be reelected. He is with the Grand National Party that the president is currently with that party. It turns out that he lost at the last minute, and Mayor Song took over. He is with the Democratic Party.

It turns out I have somebody on my staff that actually is quite close with him, and we got him engaged with our school very early. He also has been extremely supportive of the school, and that's been very helpful for us. So the changeover has actually not affected us one way or the other, since we were getting support from both.

Tom: Well, good for you. Let's talk a little bit more about Chadwick International. Can you tell us a little bit about Chadwick School and Chadwick International for those who are listening right now who might not be familiar with them?

Dick: Sure. Chadwick School is an independent private school in Los Angeles. It was founded 75 years ago. It's a K-12 school located in Palos Verdes in Los Angeles area, has about 850 students and has built quite a reputation primarily in the Los Angeles area as producing some very well-educated, talented students who have gone on to really great universities.

It has always had a very progressive educational program. It had that when I was there 50 years ago. It hasn't deviated much from that. This is the kind of education that we're being able to offer to our students here.

Our students here are mostly local Korean students at this point in time. We're an international school, but we can bring into the school 30% of our students on a local basis. The other 70% need to be international. Many of these international students are ethnic Koreans, so it's largely a Korean group of children that we're educating here at this point.

The basic mission of the school is to assure that our students receive an excellent academic background but also they develop into self-confident individuals of exemplary character, as we put it in our mission statement. We have core values – respect, responsibility, fairness, honesty and compassion – that are emphasized continuously through our educational program.

That's the basic nature of it, which is this is a different kind of school here in Korea. We can talk about that, but this is the basic foundation of what Chadwick is about here.

Tom: A different kind of school in what regard? And by the way, that all sounds terrific. I think we can use quite a bit of that in our American public educational system here today. But talk a little bit more the education there in Korea.

Dick: Sure. Education in Korea, well first of all, let me just say this that education in Korea is an emphasized area of families. It comes from the Confucian background where education is fundamental to success. So families here are heavily engaged in getting an outstanding education for their kids.

The education system in Korea was traditionally a rote-based system. It primarily was created that way because of the way in which universities admit students into their colleges and universities, which is through tests primarily. An objective criteria but a rote-based system, which says memorize a lot of stuff so you can regurgitate this through your testing process. It is not oriented towards helping students develop their creative sense, helping them to develop their ability to think critically and so forth.

Korea is trying to change its system at this point in time. It's very difficult because of the history behind it. We're hoping that our school, which will be one of the largest independent schools here, can actually serve as an example of different ways of approaching education that will help children here to move more into the area of being able to think critically and to be creative in their thought processes and so forth.

What we're delivering here is, let's say, understood by Korean families in its basic elements, but they're not used to it. So a lot of what we do is educating families about what it is that we're getting done and why we're doing it, how we're doing it and so forth. It's new in its basic delivery of education for kids in the elementary and secondary school area.

Tom: Talk about what you're doing differently. Talk about some of the out-of-the-box approaches that you are taking at Chadwick that you feel especially proud about.

Dick: This education that we're delivering is an experiential-based educational program. It's where instead of having a teacher stand in front of a classroom and lecture to students who take notes, the teacher is really a facilitator. There is a lot of group work that's going on.

We're using the International Baccalaureate program structure, which is an inquiry-based structure, to deliver the various subjects within. That creates a very dynamic environment, very different than the traditional schooling environment.

Within that, we've incorporated technology. We have a one-to-one program, which means every student is required to buy a computer and bring a computer the computer to school from the first grade on through to the seventh grade.

We're right now a K-7 school. We're going to be adding a grade a year until we're a full K-12 school graduating our first students in 2016.

We require students as part of the entry requirements to bring a computer, and that computer is used to help support this project work that goes in within this inquiry-based system.

This is exciting stuff. The kids are absolutely enjoying their education. In fact, we've had some Korean parents say our kids are too happy. We're trying to help convince them that being happy is a good thing. They enjoy education then and can become lifelong learners in that regard. So that's the nature of what we're trying to deliver here.

Tom: It sounds terrific. Any other ideas, any other thoughts or comments, with regard to the approach with technology in the classroom? Anything else in that area?

Dick: At the lower grades, it's actually very new. Not many schools in the world are utilizing computer technology in the early years, so we're learning a lot. What we have found is kids, in this world in which we live today, they become computer literate very early through phone technology and use of computers and so forth.

It becomes an incredible assistance in terms of their ability to create written kinds of stories and material and so forth. That's been something that's been fun to watch how this has been used in that regard. We have first graders that are now at both a reading and writing level of a third grade level.

Again, English is the second language for most of our students, so their ability to be able to develop as rapidly as they are, computers are helping that out a lot. They need to learn how to write, clearly, but they're not constrained by that. They're actually facilitated by using computers, word processing and so forth. They also use it for acquisition of information that will help them with projects that they're working on and so forth.

We're learning a lot through this process. We're seeing how it really contributes towards our students learning what we're expecting them to learn in these units of inquiry as they go along. So far, we've been extremely pleased by what we've seen, but this will be an evolving process. The more we learn with it, the more we can see how to get it integrated continuously throughout the different subjects that they're taking.

Tom: I realize that Chadwick International is outside the standard Korean education system, given what you've just shared. But considering the attention that Korea gets, including repeated mentions by U.S. President Barack Obama, I'd really like to get your perspective on education in Korea, especially in light of your long background in Asia and Korea.

A lot of people look at the Korean education system, and they say it's too competitive and too rote memory based, as you just mentioned. They point out that Korean students aren't well-prepared for many of the creative jobs in today's new economy. Do you think that these are fair characterizations, and why?

Dick: Yes, I would definitely say that they are fair comments about the system here. What is important is the Koreans really do value education extremely highly. In fact, teachers are looked at as being one of the most important professions here in the country. There are some anecdotal comments like a parent would never walk on the shadow of a teacher. They're held in high respect. That's the nature of the thinking about education here.

The way in which education has been delivered has been largely rote based, as we mentioned. The public education system is along those lines. Traditionally here, the classes have been large. We're talking 30 or 40 students per class. The actual delivery of what the students need through the public education system has been, let's say, not that strong.

So families have spent – are spending continuously – a lot of money on private education. They call them hagwons, which are private schools that the kids go to after hours. You can imagine a student going to school starting at 8:00 in the morning, finishing the public system at 4:00, moving on to the hagwon or private schooling from, say, 5:00 to 8:00 at night.

It's a very intensive program, so the kids aren't allowed to be kids – creative, fun, working on things that would really help them in terms of developing social skills, developing their creative skills, developing their critical thinking skills and so forth.

A lot of the families – actually it's been up to 25,000 to 30,000 families – will take their child to another country. This could be in Southeast Asia or it could be in the U.S., California, or Canada or Australia. Usually it's the wife will take the child to one of these locations and get them engaged in education either through public education or in international schools to help them gain what they're not getting here in this system in the country.

This has been a concern, obviously it would be, of the ministries and governments and family. What the country has been doing, what the government is doing over the last particularly five to ten years, they've been very aggressive at trying to attract international schools into Korea as a beginning step.

They're also changing the public system, which again is difficult as we know in the U.S. in terms of trying to change a system that has existed for some period of time. They're working to reduce the class sizes. They're working to basically move towards an experiential educational system, but it's slow in its movement.

So they've really encouraged schools like Chadwick to come here to deliver this new type of education system here locally so families don't have to split up and go off to some other country to be able to get this educational background.

Tom: Do you see Chadwick International playing a role in the national debate in Korea regarding education? What contributions can you make to Korea's efforts to become more competitive?

Dick: Yes, we're actually involved already in terms of trying to help support the changes that we've been talking about here, both through working with the Ministry of Education. One of the reasons that they wanted to stay close with us is basically to learn a lot about the way in which our education system is being delivered to students.

We also are having our people participate in documentary kinds of programs that are being developed that talk about the ways in which education is being delivered – the why and how and some of the benefits and so forth.

So we are actively engaged in that, and this has been exciting to be a part of. Because education is so important in this country and because we're able to bring into our school such actually well-prepared students, it's just exciting to be a part of what is going on here and getting our educational system implemented here as we have been experiencing over our first seven or eight months here. It's still very early, but families are quite excited by the results so far.

Tom: I would certainly imagine that's the case. Let's change gears a little bit and talk about Korean business. I'd like to take this opportunity to get your perspectives on Korean global business as well since you were in Korea back in the early 90s. You were there during the crisis of '97-'98, which Koreans uniformly call IMF – which I'm sure you know.

What was it like to be managing the operations of a multinational in Asia during that time, and what unique challenges and opportunities did you find in Korea specifically at that time?

Dick: Let me just take it from two parts. One is basically the challenges of setting up Hewlett-Packard's operations here, which actually I was involved with before the IMF period. I was running Asia Pacific during this 1997 IMF period, so I'll comment on that in just a second.

But just the formation of the company here, it was fascinating. It was probably the most interesting period of my 33 years at HP to spend those four years here creating and HP company in this environment. This is a very strongly Confucian-based culture. HP is a very Socratic Western culture. Trying to create a blended cultural element to our company was one of the most fascinating experiences I've had.

I can give you a few anecdotal evidences of that. For example, in the Confucian structure if you make mistakes, you get punished. Within a Hewlett-Packard way of operating if you don't make mistakes, you're not doing your job. Mistakes are learning opportunities. Actually they come from taking responsibility at a low level and making decisions there, rather than passing the buck up the chain. In a typical Korean company, decisions are tough to get made at a low level, because people don't want to make mistakes. They get punished.

These kinds of different cultural elements were interesting to integrate into the operation. We clearly wanted Hewlett-Packard's operation here to emulate what HP has done successfully around the world. So we got our employees to experience this new environment.

At the time, we were a joint venture with Samsung Electronics. They actually evaluated our operation and thought it was chaos. From their viewpoint, it was chaos. However, we at the time were the most successful joint venture company they had and the most profitable, fastest growing operation. So they actually learned a lot from the way in which we were operating in terms of how Samsung Electronics themselves evolved. It was interesting to see that, but the challenge was just creating this environment. We were quite successful with it.

We started with 130 employees from Samsung Electronics to form the company. We gave them the opportunity to go back into Samsung Electronics five years after we got started, and we didn't lose an employee. They could have gone back into a job that would have been equivalent to what they would have been able to be doing if they had stayed with Samsung Electronics. We were able to get employees that basically really enjoyed the kind of environment that we had in place.

That whole experience was fascinating. What you do learn is – this is from a cultural viewpoint – you spend time getting agreement on objectives on what you're trying to get done. But how those objectives are accomplished can be done in a very different way, which is one of the lessons that I clearly learned when I was here.

This is serving me well in terms of setting up a school here. There are a number of elements that are quite similar in that regard. So that was the challenge of getting HP established here back in 1988.

The IMF period, 1997, fortunately Hewlett-Packard's top management had spent quite a bit of time in Korea over the previous 10 to 15 years, saw the potential. At the time, because I had

spent four years here and was responsible for Asia Pacific in total, we actually in 1997 that was the year that we made our heaviest investments in Korea.

We bought a building. We bought out our shares from Samsung. We did a number of things. we actually invested close to \$300 million in 1997 into our operations here in Korea because we understood where the country was going.

Since that time, it has been incredible to watch particularly the large groups – the LGs and Samsungs and Hyundais – watch what they've been able to do in the world. They're amazing in terms of how far they've been able to go. It has a lot to do with just their cultural background but their pragmatic nature of what is necessary to succeed in the world.

One of the elements is learning English. English is being taught in so many different ways here to help make the general employees literate and able to communicate in this international language. That has served them extremely well in that regard.

But it has just been incredible to watch how these companies have developed and moved from OEM suppliers to major recognized corporations in the world.

Tom: If you were to name the top three challenges for Korean business over the next ten years, what would they be?

Dick: It would probably start out with one of the real challenges is they have the lowest birthrate in the world – 1.12 children per family. They're going to have to figure out how to overcome that so that they don't have a declining population in the future. That's one major challenge.

From a business perspective, supporting the growth of smaller companies. The large companies known as chaebols, which are basically family-run groups of companies, have dominated the economic environment here. Yet smaller companies are beginning to emerge and beginning to be more fully supported by the government and so forth. I think that's another challenge in terms of maintaining a good healthy growth rate in the country.

Finally, education, moving from the traditional method of educating children to this more experiential-based method I think probably would be one of the top three challenges for them.

Tom: Let's shift gears here once again and talk a little bit about Songdo city. It has been described recently as the best example in the world of an aerotropolis. Do you see Songdo as another of Korea's new cities, certainly remarkable but maybe not different in any way? Or is there something truly remarkable and unique about the city?

Dick: You have to be here to see it. I'm just looking out the window here and watching the rise of these apartment buildings around the area here. As I said earlier, it's about a third built-out. It's being built to an architected plan that was completed back in the early 2000 period, and it's staying pretty close to its original architected plan.

It's going to be a high-dense populated area. We're in 1,500 acres here. There will eventually be 85,000 people living in this area, but you won't feel it. The avenues are wide. The parking is all underground. We're on actually filled wetlands. Just the ability to build what I'm looking at here has been unbelievable. The Koreans are incredible builders.

But this is, if you look at these buildings they are very modern, a lot of glass, a lot of letting light in. It's environmentally friendly in a lot of respects, the way in which things that its transportation, its trash, its sewage, the materials used and so forth. A lot of care has been given to being very environmentally friendly.

It's an integrated city. There is a lot of work being done for integration of communications, transportation and so forth. It is a city that you really has earned the right to be looked at as being the city of the future. The expo in Shanghai that just finished the end of this last year – the largest expo ever in the world, I think China put \$40 billion dollars into building that – its theme was “better city, better life.” This city, more than almost any other city in the world, exemplifies what this can be about.

We are very fortunate to be right in the middle of this city. As I say, I'm looking out the window. I'm looking at the tallest building in Korea that's been built here. I'm looking at the headquarters of POSCO Engineering & Construction. It's a \$300 million two-building, and it's a fascinating architected building. You look at all this, and it just works. It works in terms of being a safe, pleasant city to be in. People ride bikes here, and the air is clean. All the elements are just actually fantastic.

I lived in Seoul for four years, and I am very pleased to be living here in Songdo now. I can get to Seoul in 45 minutes. Still a lot of the entertainment and so forth goes on in Seoul, but it's close enough and yet this is a great place to be living.

There is a Jack Nicklaus golf course here that was built. They actually – again, as I mentioned, it's filled land – they put three million cubic meters of earth into building this Jack Nicklaus Signature Golf Course. They held the first Senior PGA Tour at that course four days after our school opened. The course was not opened yet to members. They had just completed it. It will be again in this September timeframe on the PGA Tour. But it's just an absolutely incredible golf course right on the Yellow Sea.

So there are elements here that, as I say, you just have to take a tour around and look at it and then you truly appreciate it, particularly at a sunset or a sunrise.

Tom: It certainly sounds wonderful. It sounds terrific. You've shared a lot of really neat and interesting things. We've covered a lot of territory here about Chadwick International, Korean education, Korean business in Songdo. As we wrap up, what are your top goals with Chadwick International for the next five to ten years?

Dick: Top goal is to have our graduating students in 2015 basically have the same characteristics as our students graduating from Chadwick in Palos Verdes in terms of their development, in terms of their ability to qualify to go into the top universities throughout the world, primarily through the self-confident nature that we help to nurture as well as to help them with the kinds of skills and ways of operating that will serve them lifetime.

It's really getting to that point. That will be when we have our first graduating class, so that's clearly my top goal. We're doing all the preparatory work and right now getting our high school started in a couple of years and just making that an incredible experience for our students.

At the same time, it's getting parents to truly appreciate all that their students are being able to get through this educational program and feel confident that's what they continue to want to have for students. Word of mouth is big here so if we are able to accomplish that, the school will thrive as it goes forward.

Those are probably the two most important things that I'm going to be working towards.

Tom: It all sounds delightful. It sounds like a lot of fun. I imagine for you it sounds like a lot of fun. For the kids, it sounds like what a wonderful learning environment, what a great experience and an honor I think it's going to be for these kids who are lucky enough to participate in the education that you guys it sounds like you're providing.

Dick: Right, yes, that's exactly it. I'm just so pleased to have this second career doing something that I've always really enjoyed being a participant in from a governance perspective. It's great to be on the operational side and be able to create something like this and see the kinds of results that we're already beginning to see. It's just very exciting.

Tom: Any further thoughts in closing that you would like to leave the members of Korea Business Central with before we wrap up the talk?

Dick: Yes, come visit Songdo. You'll see a new city that is something that I think is going to serve as an example to city developers in the future. It's just an incredible experience. It's very difficult to describe in words or even to take pictures of and to share that. You just really need to be here to experience it. I think that would be beneficial for as many people as would be interested in doing so. That would be the only comment I would make I think at this point.

Tom: Alright, well, it certainly sounds interesting. I would love to come see it someday myself. Dick, it's been a pleasure speaking with you. We really appreciate the time.

Dick: Tom, I appreciate it, thanks. Thanks for this opportunity.

Tom: You bet. Thanks again to Dick Warmington, the president of Chadwick International, for visiting with us today in this Korea Business Central interview series.

This has been the latest in our ongoing Korea Business interview series. I'm your host, Tom Tucker, inviting you to improve your business results in Korea by joining KoreaBusinessCentral.com today. Thanks for listening, and have a great day.