South Korean SME's Entrepreneurship in the Globalizing Economic System and Market Entering Strategies in the EU

SANG-CHUL PARK* and SANG OK KIM**
Korea Polytechnic University, Korea and Gothenburg University, Sweden and Yuyang DNU, Korea

It may be safe to say that few SMEs could benefit on global markets under the rapid changing business environment owing to their scarcity of market information, financial resources and technological capability etc. However, some SMEs could succeed in breaking through their business activities on domestic and global markets by using their unique strengths such as development of components for TNCs and exercising vigorous entrepreneurship in the globalizing economic system. Due to the intensive competitions between SMEs, they need to develop either the only one or the best product for markets that may be one of the most important survival factors. Yuyang DNU represents one of these cases which indicate how a SME made a break through to access to Samsung Electronics and LG Electronics for delivering its high-tech components instead of simple parts. This strategy enables the company to overcome all hurdles to enter the EU market along with South Korean conglomerates. This paper focuses on strategies and entrepreneurships of Yuyang DNU how it made a quantum jump from a small business to a medium sized company in order to generate a shared growth with TNC continuously. It also argues which role of entrepreneurship has played in taking high risks to be chosen as a trustful partner for Samsung Electronics and LG Electronics.

Keywords: Globalization, Strategy, Entrepreneurship, SMEs, TNCs, Shared Growth, Globalizing Economic System

I. INTRODUCTION

The globalization processes have intensified competitions not only be-
between nations but also between companies around the world. With a globalizing economic system, the most of large sized transnational companies (TNCs) could expand their market shares and develop their technological capabilities further. Strength of TNCs is mainly based on its comparative competitiveness in terms of finance, organization and high technology compared to SMEs. In fact, it may be safe to say that few SMEs could benefit on global markets under the rapid changing business environment owing to their scarcity of market information, financial resource and technological capability etc.¹ However, some SMEs could succeed in breaking through their business activities on domestic and global markets by using their unique strengths such as development of components for TNCs and exercising vigorous entrepreneurship in the globalizing economic system. Due to the intensive competitions between SMEs, they need to develop either the only one or the best product for markets that may be one of the most important survival factors.

Moreover, some high-tech SMEs have followed the globalization strategies of conglomerates such as Samsung, LG and Hyundai. Many SMEs became subcontracting companies for the conglomerates, and some of them are located in the areas nearby where the conglomerates are operating abroad. The relationship between the conglomerates and SMEs can be characterized as vertical rather than as horizontal in the Korean context. Such a strong network based relationship between the conglomerates and SMEs can reduce the first stage of investment risks of SMEs to be located abroad and begin global business activities. At the same time, however, this pattern of global business may cause a high dependency of SMEs on the conglomerates.

In fact, the conglomerates use to demand a contract based unilateral relationship toward SMEs in order to minimize supplying costs and stabilize supply chains. By doing that, SMEs are limited to extend their business activities to other global competitors of South Korean conglomerates. This is a sort of dilemma for many of South Korean SMEs whether they have to continue the hierarchical relationship with the conglomerates that guarantee at least minimum profit or to overcome this kind of hurdle for creating their own markets at a global scale. Certainly, there is another solution. SMEs have to develop high-tech components with quality and price competitiveness that the conglomerates absolutely need. This third method can create an equal partnership between the two actors, which is regarded as a rare case in the South Korean context. In order to realize this solution, SMEs need to develop extraordinary and unique entrepreneurship that is shared by all employees. Additionally, it is equally important that owners

¹ Dicken (2007); Park (2010).