The Policy of Win-Win Growth between Large and Small Enterprises: A South Korean Model

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Abstract: Since 2000, the employment rate of small and medium enterprises (SMEs) has dwindled while the creation of new jobs and the emergence of healthy SMEs have been stagnant. The fundamental reason for these symptoms is that the economic structure is disadvantageous to SMEs. In particular, the greater gap between SMEs and large enterprises has resulted in polarization, and the resulting imbalance has become the largest obstacle to improving SMEs' competitiveness. For example, the total productivity has continued to drop, and the average productivity of SMEs is now merely 30% of that of large enterprises, and the average wage of SMEs' employees is only 53% of that of large enterprises.

Along with polarization, rapid industrialization has also caused anti-enterprise consensus, the collapse of the middle class, hostility towards establishments, and other aftereffects. The general consensus is that unless these problems are solved, South Korea will not become an advanced country. Especially, South Korea is now facing issues that need urgent measures, such as the decline of its economic growth, the worsening distribution of profits, and the increased external volatility. Recognizing such negative trends, the MB administration proposed a win-win growth policy and recently introduced a new national value called "ecosystemic development." As the terms in such policy agenda are similar, however, the conceptual differences among such terms must first be fully understood. Therefore, in this study, the concepts of win-win growth policy and ecosystemic development, and the need for them, were surveyed, and their differences from and similarities with other policy concepts like win-win cooperation and symbiotic development were examined. Based on the results of the survey and examination, the study introduced a South Korean model of win-win growth, targeting the promotion of a sound balance between large enterprises and SMEs and an innovative ecosystem, and finally, proposing future policy tasks.

Win-win growth is not an academic term but a policy term. Thus, it is less advisable to give a theoretical definition of it than to understand its concept based on its objective and method as a policy. The core of the MB administration's win-win growth policy is the creation of a partnership between key economic subjects such as large enterprises and SMEs based on each subject's differentiated capacity, and such economic subjects' joint promotion of growth opportunities. Its objective is to contribute to the establishment of an advanced capitalistic system by securing the sustainability of the South Korean economy. Such win-win growth policy includes three core concepts. The first concept, ecosystem, is that win-win growth should be understood from the viewpoint of an industrial ecosystem and should be pursued by overcoming the issues of specific enterprises. An enterprise is not an independent entity but a social entity, meaning it exists in relationship with the society (Drucker, 2011). The second concept, balance, points to the fact that an effort should be made to establish a systemic and social infrastructure for a healthy balance in the industry. The social system and infrastructure should be established in such a way as to create a balance between short-term needs and long-term sustainability, between...

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freedom and responsibility, and between profitability and social obligations. Finally, the third concept is the behavioral change of economic entities. The win-win growth policy is not merely about simple transactional relationships or determining reasonable prices but more about the need for a behavior change on the part of economic entities, without which the objectives of the policy cannot be achieved.

Various advanced countries have developed different win-win growth models based on their respective cultures and economic development stages. Japan, whose culture is characterized by a relatively high level of group-centered trust, has developed a productivity improvement model based on such culture, whereas the U.S., which has a highly developed system of market capitalism, has developed a system that instigates or promotes market-oriented technological innovation. Unlike Japan or the U.S., Europe, a late starter, has not fully developed a trust-based culture or market capitalism and thus often uses a policy-led model based on which the government leads the improvement of productivity and promotes technological innovation. By modeling successful cases from these advanced countries, South Korea can establish its unique win-win growth system. For this, it needs to determine the method and tasks that suit its circumstances by examining the prerequisites for its success as well as the strengths and weaknesses of each advanced country.

This paper proposes a South Korean model of win-win growth, whose objective is to upgrade the country’s low-trust-level-based industrial structure, in which large enterprises and SMEs depend only on independent survival strategies, to a high-trust-level-based social ecosystem, in which large enterprises and SMEs develop a cooperative relationship as partners. Based on this objective, the model proposes the establishment of a sound balance of systems and infrastructure between large enterprises and SMEs, and to form a crenovative social ecosystem.

The South Korean model of win-win growth consists of three axes: utilization of the South Koreans’ potential, which creates community-oriented energy; fusion-style improvement of various control and self-regulated systems for establishing a high-trust-level-oriented social infrastructure; and behavioral change on the part of enterprises in terms of putting an end to their unfair business activities and promoting future-oriented cooperative relationships. This system will establish a dynamic industrial ecosystem that will generate creative energy and will thus contribute to the realization of a sustainable economy in the 21st century.

The South Korean model of win-win growth should pursue community-based self-regulation, which promotes the power of efficiency and competition that is fundamentally being pursued by capitalism while at the same time seeking the value of society and community. Already existing in Korea’s traditional roots, such objectives have become the bases of the Shinbaram culture, characterized by the South Koreans’ spontaneity, creativity, and optimism. In the process of a community’s gradual improvement of its rules and procedures, the trust among the community members increases, and the “social capital” that guarantees the successful control of shared resources can be established (Ostrom, 2010). This basic ideal can help reduce the gap between large enterprises and SMEs, alleviating the South Koreans’ victim mentality in the face of competition and the open-door policy, and creating crenovative corporate competitiveness.

The win-win growth policy emerged for the purpose of addressing the polarization and imbalance structure resulting from the evolution of 21st-century capitalism. It simultaneously pursues efficiency and fairness on one hand and economic and community values on the other, and aims to foster efficient interaction between the market and the government. This policy, however, is also evolving. The win-win growth policy can be considered an extension of the win-win cooperation that the past ‘Participatory Government’ promoted at the enterprise management level to the level of systems and culture. Also, the ecosystemic development agenda that has recently emerged is a further extension that has been presented as a national ideal of “a new development model that promotes the co-advancement of environmental conservation, growth, economic development, social integration, and national and individual development.”

[Keywords] Win-Win Growth, Shared Growth, Ecosystemic Development, Government Policy, Sustainable Development, Social Responsibility