



Globalization of Korean SMEs: 'Kobalization' Strategy in Emerging Markets

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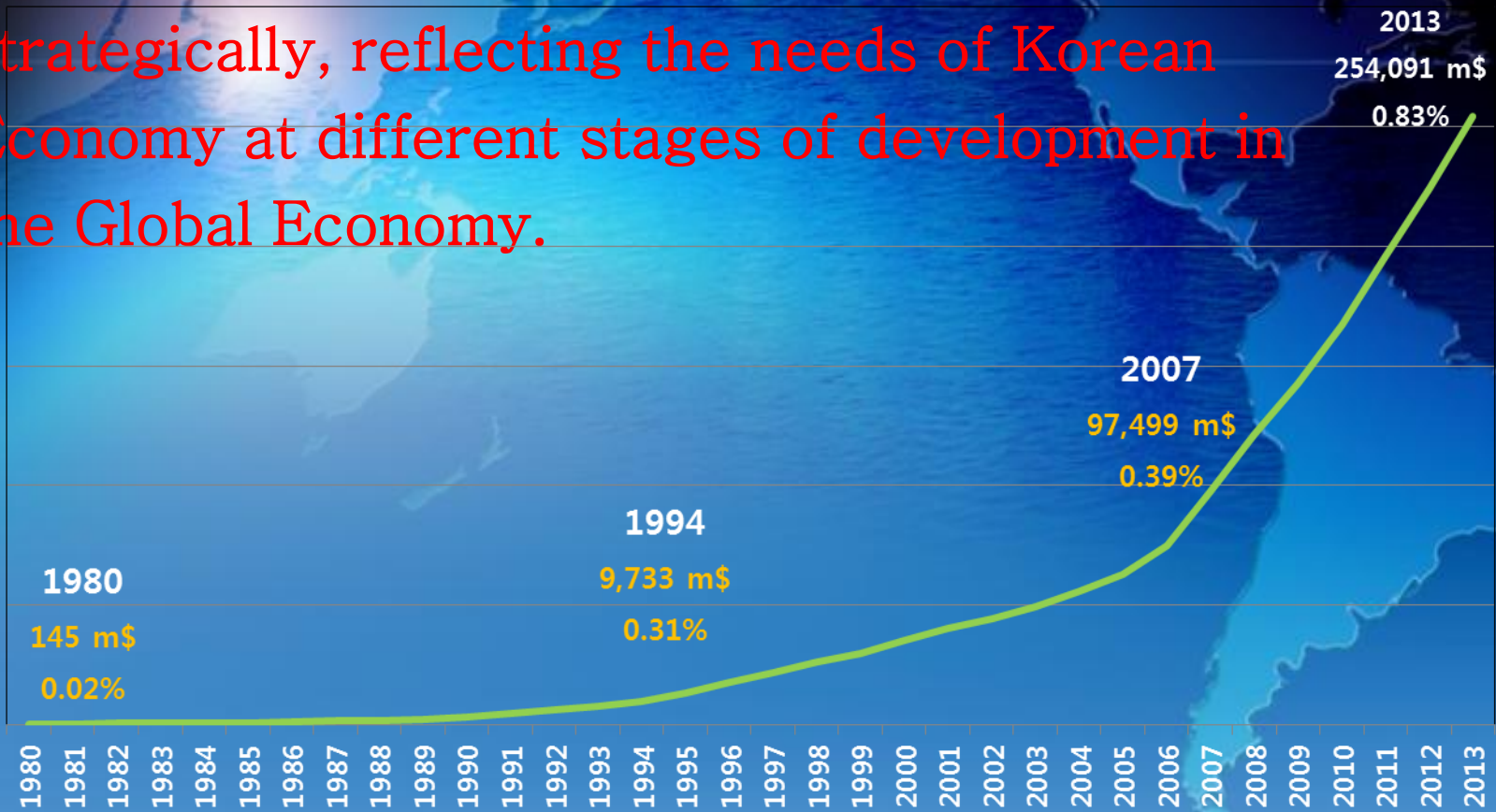
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I. Korean FDI

Korean FDI has been continuously increased and her Policies & Regulations have evolved strategically, reflecting the needs of Korean Economy at different stages of development in the Global Economy.



In Stocks, Koran EXIM

II. Korean FDI Policy & Regulation

The Evolution of Korean FDI Policies & Regulations can be divided into 6 time periods according to Economic & Political Goals.

1. *Introduction* Period: 1968–1979
2. *Institutionalization* Period: 1980–1985
3. *Deregulation* Period: 1986–1990
4. *Liberalization* Period: 1991–1998
5. *Private-led Promotion* Period: 1999–2004
6. *Proactive Promotion* Period: 2005–current

II. Korean FDI Policy & Regulation

1. Introduction Period: 1968–1979

Foreign Capital Inducement and Promotion Act in 1968.

The Bank of Korea was in charge of giving **Prior Approval** to only qualified Investors (to develop Natural Resource & to secure Raw Materials).

II. Korean FDI Policy & Regulation

2. Institutionalization Period: 1980–1985

Prior Approval System was replaced by the *Committee of Investment Overseas* in 1981

Resource Nationalism & Trade Protectionism by the oil shocks

Government strongly supported Natural Resource Development Sectors

II. Korean FDI Policy & Regulation

3. Deregulation Period: 1986–1990

The Notification System in 1987

Individual Investors & FDI in Real Estates were allowed.

Lower International Financing Rates, Weaker Korean Won & lower Oil Price ➡ Surplus Balance of Payment & Increased Domestic labor cost ➡ stimulated FDI specially in labor intensive industries.

II. Korean FDI Policy & Regulation

4. Liberalization Period: 1991-1998

The Notification System was further simplified from 1994

Globalization, Korea's OECD Membership in 1996
More Liberalization

Stagnation by 1997 Asian Financial Crisis

II. Korean FDI Policy & Regulation

5. Private-led Promotion Period: 1999–2004

The Foreign Exchange Transaction Act to allow simplification of FDI procedures in 1999 & 2001.

Korean MNEs & SMEs invested heavily abroad.

The *Service Centre for Korean Overseas Investors* opened in Beijing in 2004.

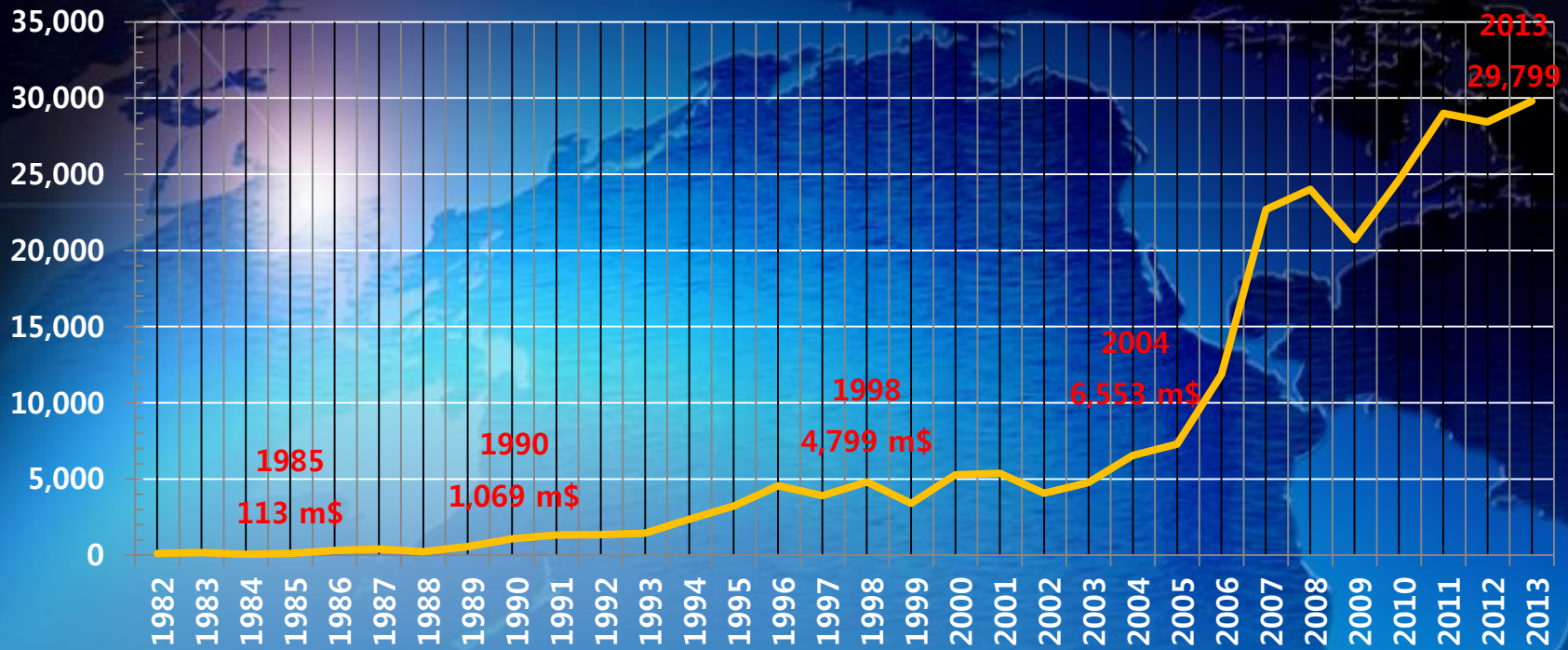
II. Korean FDI Policy & Regulation

6. Proactive Promotion Period: 2005–current

The Committee for Global Business Operation chaired by the Prime Minister was established in 2007.

The Keynote of Korean FDI Policies & Regulations has been changed from fragmented deregulation into assertive promotion.

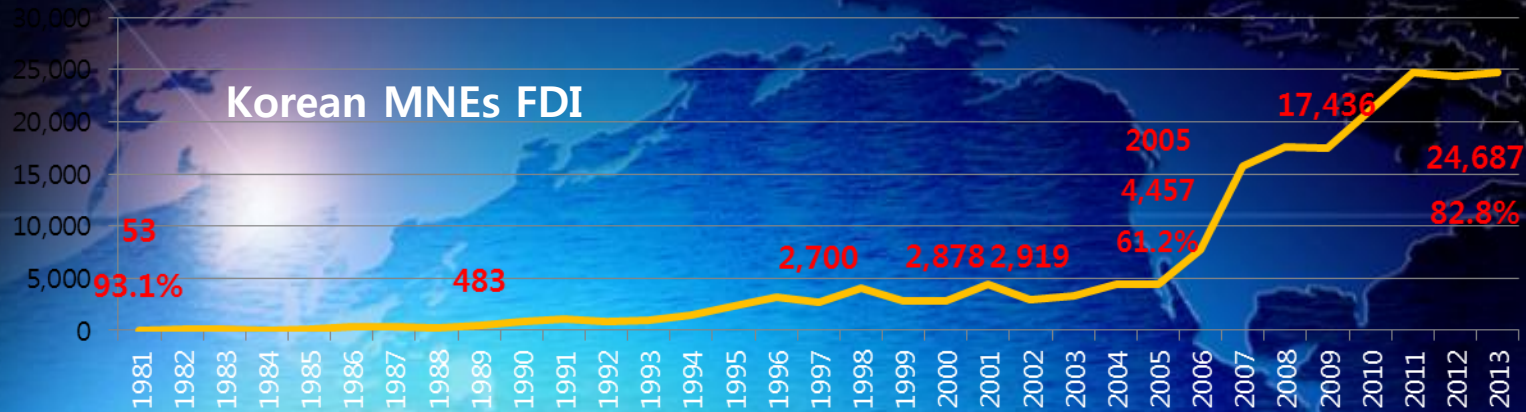
III. Korean Total, MNEs & SMEs FDI



1980-1985	1986-1990	1991-1998	1999-2004	2005-current
Institution alization	Deregulation	Liberalization	Private-led Promotion	Proactive Promotion

In Flows, US m\$, Korean EXIM

III. Korean Total, MNEs & SMEs FDI



1980-1985 Institutionalization	1986-1990 Deregulation	1991-1998 Liberalization	1999-2004 Private-led Promotion	2005-current Proactive Promotion
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In Flows, US m\$, Korean EXIM

IV. Strategies by Korean SMEs

Kobalization= Korea + Globalization (Chosun.com, 2007.10.15.)

It is a globalization strategy by Korean firms who are maintaining Korean management style.

In 2001, USA Cargil merged Purina Korea. Then, Cargil scouted Purina's CEO & managers as managers in Cargil Korea & other Asian countries.

		Business Area	
		<i>Global</i>	<i>Local</i>
Management Style	<i>Global</i>	Globalization	Glocalization
	<i>Local</i>	Kobalization	Localization

IV. Strategies by Korean SMEs

Premium (Differentiated) Localization

1. Localization of Product Development
2. Localization of Production
3. Localization of HRM
4. Localization of Marketing
5. Localization of Distribution Channel

V. Case 1: Localization of HRM : Simone Ltd.



V. Case 1: Localization of HRM : Simone Ltd.

- Established in 1987
- Luxury Handbag OEM & ODM
- Total Sales: 503 m\$ in 2012
- *DKNY, GIVENCHY, BURBERRY, COACH, MARC JACOBS, MICHAEL KORS, 25 Luxury Brand ODM*
- COACH 25%, , MICHAEL KORS 90%, MARC JACOBS 80%
- Total 40% of Luxury Brand in the World
- Produces 12 million bags from China, Vietnam, Indonesia Annually

V. Case 1: Localization of HRM : Simone Ltd.

Competitiveness:

‘Full Service Company’ (From materials to production)

Design Capability (140,000 Design Patterns) in HQ

Localization of HRM in China

In 2006, select Guangzhou (more skilled labor & higher wage)

Escape from a simple ‘Sewing Factory’

Provide a fast-paced, professional work environment with an excellent compensation and benefits

V. Case 2: Localization of Product & Marketing : LOCK & LOCK Co. Ltd.



V. Case 2: Localization of Product & Marketing : LOCK & LOCK Co. Ltd.

Established in 1978

Plastic Airtight Containers

Total Sales: 500 m\$ in 2013 (30% world market share)

Exports more than 100 countries

Plants: Korea, China(3), Vietnam(2)

In 2004, Weihai in China

In 2006, 1st in Consumer Satisfaction in China

V. Case 2: Localization of Product & Marketing : LOCK & LOCK Co. Ltd.

Competitiveness

Air tightening & Switching Technology in HQ

Localization of Product

Korea: Functional Container for Refrigerator

China & Vietnam: Lunch Box & Tea Caddy

Localization of Marketing

In Suzhou, China, erect the status of 伍子胥 (One of admired Politian)

In China, emphasize on Corporate Social Responsibility (From 2005, donate to 希望工程, environmental movement organization.

V. Case 3: Localization: ORION Co. Ltd



V. Case 3: Localization: ORION Co. Ltd

Established in 1956

Cookie Company

Total Sales: 2.5 b\$ in 2013

Annual Growth Rate: 49.3% in China, 45.5% in Vietnam, 8.5% in Russia

Foreign Sales: 650m\$ (1st) in China, 87m\$(1st) in Vietnam, 2nd in Russia

V. Case 3: Localization: ORION Co. Ltd

Competitiveness

Product Quality & Mgt. Capability

Localization in China (1997)

More Local Employees (99% of 4,600)

Different Box Color (Blue in Korea, Red in China)

Different Logo (精 to 仁)

Localization in Vietnam (2006)

Different marketing in Ho Chi Minh (Focus on Corner Shops)

Localization in Russia (2006)

Recipe change (More eggs)

VI. Conclusion

