THE FACTORS DRIVING SUCCESS IN SOUTH KOREAN EXPORTS: A CASE STUDY OF SAMSUNG ELECTRONICS

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ABSTRACT

South Korea is one of the prosperous countries because it rose from its economic crisis in the 1990s. This ginseng country has made many efforts to maintain stability and economic development by using diplomacy in international relations. South Korea carries out diplomatic activities to communicate with other countries, one of which is economic diplomacy. South Korea's diplomacy is their tool to promote exchanges that increase trade, culture, wealth and knowledge. One is expanding and improving their exports through multinational companies such as Samsung Electronics. This study identifies the elements contributing to South Korea's export success. Currently, South Korea is an example of a country in the East Asia Region whose economy can increase yearly. This study uses qualitative research methods with literature studies to collect and analyze data or research objects written from the international relations perspective. The theory used in this study is the Porter-Diamond model and the concept of Export Oriented Development. The results of this study indicate that Samsung's global market dynamics have positively influenced South Korea's export success through Samsung's technological prowess, marketing approach, supply chain management, then political and international economic factors, as well as South Korea's economic diplomacy, which built and all are interconnected and strengthened.

Keywords: Economic Diplomacy; Export; South Korea; Samsung Electronics

INTRODUCTION

Today, South Korea is one of the countries with the most robust economy. This ginseng country is touted as the Asian tiger because of its high economic growth. South Korea has succeeded in becoming a New Industrial Country because of their enormous financial strength in the East Asia Region and even the world. However, besides the success of this significant economic growth, Korea was also one of the poorest countries in the world in the 1960s. Then it didn't end there; South Korea also experienced two monetary crises in 1997 and 2008, where the economic crisis significantly affected its financial stability.

Despite the monetary crisis, which greatly affected its economic stability, South Korea was one of the countries that succeeded in recovering its economy quickly. South Korea makes
The Factors Driving Success in South Korean Exports: A Case Study of Samsung Electronics

Nurwulan Rizkiya Anjani, Tulus Warsito

all the obstacles, challenges, and limitations as lessons learned and a way for their country's success, especially in the economic field. For example, South Korea has limitations in natural resources, but they are taking brilliant steps. Although their natural resources are few, they utilize and even increase them very well. Apart from that, the efforts made by the South Korean government deserve appreciation. One of South Korea's many efforts to maintain its economic stability is to increase activities in international business such as international trade, investment, export-import, etc.

Samsung is a company that was founded in 1938 in Daegu, South Korea (Jogja aja, 2023). Their electronic products were launched in 1969 under the company 'Samsung Electronics' (Risanti, 2022). This company is one of several companies that can develop and compete with companies in countries with very high economies, such as the United States of America, China, and Japan. This company is one of the largest electronics companies in the world because it can lead the current technology market with its extraordinary innovations. However, its current reputation is none other than because of the enormous struggle they have put forth, especially by the founders of Samsung, who have been trying to increase the company's expansion which started by marketing dried fish, vegetables, fruits, and plant fertilizers to military products to increase their sales. Until now, Samsung has been working on its quality to continue growing and competing in a very competitive global business environment. Now, Samsung is a very successful multinational company in international business that has contributed to South Korea's economic growth.

This research is based on several previous studies, one of which is the journal article "Global Trade of South Korea in Competitive Products and Their Impact on Regional Dependence" by Dongsuk Kang, Pil-sun Heo, and Duk Hee Lee (Kang et al., 2022), which discusses transaction positions, and evaluation the competitiveness of South Korean trade products and trade partner relations based on South Korean exports and imports. It also discusses Korea's high trade dependence in Asia, Africa, and South America, where they have a relatively significant role because of their portion as underdeveloped or developing countries. Another study by Ozlem Onaran and Engelbert Stockhammer in their article discussed a comparison of export-oriented growth strategies in Turkey and South Korea (Ozlem & Engelbert, 2005). Apart from the two journal articles mentioned, many other studies examine South Korean exports. Still, it isn't easy to find using case studies of Samsung as one of the large multinational companies owned by South Korea, especially those based on theories of international relations. This makes the research conducted by the author very different from previous research; because here, the author focuses on views from the science of international relations, not management sciences, which helps analyze the factors driving the success of South Korean exports.

As such, this research aims to identify and analyze the main factors driving South Korea's export success, focusing on the Samsung Electronics case study and how these findings inform a broader understanding of the country's export-oriented development model.
LITERATURE REVIEW

The theoretical framework of this research can be built using relevant theories and concepts from international business, economic development, and innovation:

The Porter-Diamond Model and The Export-Oriented Development Concept

The first theory, The Porter-Diamond Model, often known as The Theory of National Competitive Advantage of Industries, is one potential theoretical framework. The Porter-Berlian model is significant for multinational companies like Samsung because, in theory, it can be used to measure company performance (Usmani, 2022). In addition, this model can help companies analyze what can affect their competitiveness; even this theory can help companies find indicators that can make changes or keep companies ahead of the competition. This means this theory is critical because it not only allows companies but also helps countries because it can identify the factors driving their success. This theory explains why specific industries in certain countries can compete globally. According to this model, a country's competitiveness is affected by four interrelated factors: factor conditions (such as skilled labour and infrastructure), demand conditions (such as sophisticated and demanding customers), related and supporting industries (such as suppliers and complements), and strategy, structure, and intense competition (such as solid organizations and matches) (Bruin, 2018). Thus, this theory assists the state in organizing its environment well and competitively to produce well-organized companies because they have excellent strategies to compete and excel. Using this framework, this research can analyze how Samsung's technological prowess, marketing approach, and supply chain management relate to each other and how these aspects affect South Korea's export competitiveness.

Then, this study can refer to the concept of export-oriented development, which proposes that countries can achieve economic growth and development by focusing on exports because this industrialization process is governed by economic policies aimed at increasing a country's export sector. Exports are also an indicator of cross-border trade, a form of international business activity playing its role in the global economy. Then, this framework can help explain how Samsung's success in global markets has contributed to South Korea's overall economic development and how the country's export-oriented development model has enabled Samsung and other companies to compete effectively in international markets. The role of international business is vital for the South Korean economy, one of which is to maintain its economic stability and avoid a monetary crisis.

METHODS

The research method used by the author is a qualitative approach to collect and analyze data and the object of research. The qualitative research used in this research involves using secondary data through a descriptive approach which aims to describe or explain a situation, event or object of this research, which is also associated with the theory used (Samsu, 2017). To find conceptions, ideas, arguments or findings related to the research object and subject
matter, the author uses secondary data sources from literature studies such as books, journal articles, websites, reports, and other research. The descriptive method in this study uses a case study approach to examine the specific factors that drive Samsung's success in South Korean exports. The case studies in this study include an analysis of the company's history, organizational structure, competitive landscape, and marketing strategy of Samsung as a South Korean multinational company. This research also examines the local South Korean community environment and government policies that have supported the development of export-oriented companies and industries in their country.

Overall, the qualitative research methods approach aims to comprehensively analyse the factors driving South Korea's export success, with a particular focus on Samsung products. Qualitative research methods can provide a more nuanced understanding of the complex factors contributing to South Korea's export success and the implications for the country's export-oriented development model.

RESULT AND DISCUSSION

Several factors driving the success of South Korea's exports have contributed to the country's economic growth. So, to make it easier to find out and understand the factors that can drive the success of South Korean exports, which focus on the analysis of Samsung products as a case study in this study, the authors highlight these factors into three sub-chapters below:

**Samsung's Global Market Dynamics**

Samsung's global market dynamics refer to the factors that affect the company's performance and competitiveness in international markets. Here are some of the critical aspects to consider when studying Samsung's global market dynamics:

1. Competitive Landscape:

   Quoted from Kompas.com that in the third quarter of 2022, Samsung became the number one supplier of smartphones in the world because it was recorded as sending 64 million units of cell phones to the global market (Riyanto, 2022). Samsung will dominate the world smartphone market share in the third quarter of 2022, even outperforming other large smartphone companies, such as Apple, Xiaomi, Oppo, and Vivo.

   Strategy is a plan or effort to determine one's position in the market. On the other hand, marketing is a set of policies, guidelines and objectives applied to a company's marketing initiatives to deal with competitors and their constantly changing environment (Febriansyah, 2018). Marketing strategy is essential for small to large companies like Samsung. Because marketing strategies can be used to determine ways to win the competition among other competitors. Samsung, a major electronics company in the world, has a perfect marketing strategy contained in the company's vision and mission.
Samsung Electronics is dedicated to developing and providing goods and services that increase convenience and promote a more avant-garde life for customers worldwide. Samsung is committed to improving the world by consistently developing breakthroughs and added value. Samsung Electronics is well-positioned as a recognized leader in the digital technology sector and views every difficulty as an opportunity. Its dedication to excellence places it at the top of the global market share rankings. To support this reality, Samsung Electronics enables its companies in products and services; a marketing plan is needed besides better service.

Then, Samsung succeeded in carrying out a transformation in the form of a corporate turn-around at the end of 1999. At that time, Samsung carried out a financial restructuring and focused on profit or cash flow issues, which meant that Samsung was more concerned with profit issues than market share or export production figures, streamlining organizations and processes (facilitating), and product diversification (Hasniaty, 2016). In addition to transforming corporate turn-around, Samsung has successfully changed corporate culture issues. Vice chairman and CEO of Samsung, Jong Yong Yun, managed to create a paranoid culture, which means he presented a sense of crisis to encourage change. He argued that if everything went smoothly, something must have gone wrong. This means it's better if there are mistakes or imperfections to present changes that become innovations to improve product quality and the company.

As for branding, we no longer need to doubt that about Samsung. Because Samsung has an excellent branding promotion strategy, Samsung, an electronics company originating from South Korea, is assisted by its own country in promoting its products. South Korea is a country that appreciates and is proud of its local products. One of the ways Samsung promotes its brand is through modern South Korean cultures, such as campaigning for its products through the South Korean film industry, such as in drama series and films where in their film production they use Samsung smartphones. Then, they also make many K-pop groups or their actors as Brand Ambassadors or collaborate like EXO, Blackpink, and BTS. We will not forget to pay attention to the international trade policy assistance South Korea has undertaken to assist Samsung's marketing to the global market.

2. Product Differentiation and Innovation

By emphasising its human capital and technology, Samsung aims to create superior service products for a better global society. The digital age has brought revolutionary changes and opportunities to international business, and Samsung Electronics has responded with advanced technologies, competitive products and continuous innovation (Hasniaty, 2016). Recent information indicates that Samsung is considering expanding its semiconductor manufacturing in Vietnam, an ASEAN country. This has been discussed at a meeting between Pham Minh Chinh, Prime
The Factors Driving Success in South Korean Exports: A Case Study of Samsung Electronics

Nurwulan Rizkiya Anjani, Tulus Warsito.

Minister of Vietnam, and TM Roh, President & Head of MX Business at Samsung, to prepare the following proposal. Nikkei Asia said that Samsung will start producing some of its semiconductor components at its factory in Vietnam in July 2023, as the US and China compete to control the world's multivariable supply chains.

The Samsung Electro-Mechanics Vietnam factory in North Thai Nguyen province is where Samsung is rumoured to be mass-producing BGA (ball grid array) chip substrates after testing its output. Vietnam has not been deemed critical for semiconductor chip supply (RS, 2022). China, Europe, Taiwan, Japan and Taiwan are the dominant competitors. Despite hosting testing and assembly company Intel since its founding in 2006, the communist-leaning country has not developed much. Unlike Intel, Marvell Technology and Seoul Semiconductor are two more semiconductor companies in Vietnam. After manufacturing household appliances and accounting for half of its global mobile phone production, this semiconductor manufacturing process is Samsung's third operation in Vietnam. According to Nikkei, Samsung Vietnam has not officially reacted to this latest news.

We can see Samsung product differentiation and innovation in everyday life because there are not a few who use Samsung electronics around us. Apart from that, we can see their advertisements and broadcasts related to their products which have innovations every year. An example is the Samsung Z Flip; Samsung always provides promising innovations and upgrades in the machine and its physical form. The unique shape of the Samsung Z Flip also inspires the world of smartphones worldwide. Samsung is touted as a trendsetter in the electronics industry. This means Samsung Electronics' innovations inspired many other smartphone brands and made their current versions.

Innovations provided by Samsung Electronics are not only once or twice a year but every year; since its establishment until now, Samsung Electronics has always tried to give the best to customers by providing many and varied innovations every year (Samsung, 2022).

3. Global Political and Economic Factors

When globalization began in the 1990s, many businesses in wealthy countries embraced a new idea called offshore or moved manufacturing to places with cheap and abundant labour. China has attracted the attention of many of these businesses because of its sizeable and skilled workforce population. Decades later, many companies are changing their strategies to reflect shifts in geopolitics in Asia, particularly in China. These businesses worry about how geopolitical events or getting caught up in unrest might affect their ability to produce goods.

Electronics giant Samsung is one business that might foresee supply chain disruptions caused by geopolitical unrest in a region, such as those recently seen in China and Taiwan. For example, its cellphone production factories are currently spread...
across many countries, including its home country of South Korea and Vietnam, China, India, Brazil, and India. Samsung even continues to expand its global production network, such as building a semiconductor facility in Texas, United States, worth $17 billion (RS, 2022).

Geopolitical phenomena significantly influence all aspects of the world, including multinational companies. Such is the tension between the United States and China. Since the presidency of Donald Trump, many policy changes have been implemented, including tariffs on Chinese exports and imports. The tension that occurred between the two superpowers led to a trade war. The trade war that occurred was caused by the United States and China imposing customs tariffs and suppressing external economic growth (Sitorus, 2021). This has impacted declining economic growth in countries worldwide, including Samsung, a prominent South Korean electronics company that has established economic cooperation with both countries. Samsung estimates that profits in the second quarter will fall from 50% to 6.5 trillion Korean won (Isna, 2019). Even though Samsung had experienced a decline in sales, Samsung was able to rise by trying to return to its display business. This shows that Samsung has a perfect global marketing strategy.

South Korean Government Export Promotion and Support

Initially, the South Korean economy was oriented towards the agricultural sector before switching to the trading industry (Ika, 2013). Because the South Korean government has the view that the trade industry can be South Korea's strategy for maintaining stability and increasing its economic growth. South Korea is a country that has few human and natural resources. So, they will preserve everything that is theirs and improve its quality. Just as Samsung is one of the largest electronics companies in the world, South Korea will make various efforts to help Samsung Electronics succeed in the global market. Thus, the economy of the ginseng country will also increase. And that is one form of the South Korean government advancing its nation.

The South Korean government has adopted policies and incentives to boost exports and support the export sector's growth. Support in subsidies, tax facilities, trade promotions, and research and development assistance has provided a positive stimulus for export companies. South Korea has experienced tremendous economic growth and transformation in recent decades, primarily driven by its export-oriented development strategy. South Korea, one of the countries that are very active in their export activities, even in 2017, became the 6th biggest exporting country in the world (databoks, 2018). Stakeholders such as the Korean government cannot be separated from their responsibility to strive for their country's economic stability. They promise to support exporters by focusing policy resources on re-enabling exports (Jihoon & Choonsik, 2023).
South Korea has a cooperation network with countries worldwide to develop their exports. South Korea's exports are in the form of goods and services, including electronics. Samsung is one of the electronic products exported by South Korea and generates many benefits for the country that gave birth to it. And this is one form of support from the South Korean government that benefits exporting companies such as Samsung. The country's increasing growth can also feel these benefits always prioritizes the country's economy because the economy is crucial. So, South Korea will carry out various efforts if it can increase the country's economic growth. In the October to December period, the central bank estimates that South Korea's gross domestic product (GDP) decreased by 0.4% from the previous quarter (Suyanto, 2023). At that time, the South Korean government immediately focused on policy resources to activate and increase exports and investment by encouraging deregulation efforts and providing tax and financial support.

Apart from that, South Korea supports their local products by encouraging domestic branding. As with Samsung products, based on the author's experience, who has lived in South Korea for six months, South Koreans use more smartphones made by Samsung than Apple; even though there are not a few people who use iPhones, there are more Samsung users. Then, South Korea's support for the payment system in shops or e-commerce is in the form of a payment system that can be made through Samsung Pay, a mobile payment or digital wallet operated by Samsung Electronics. This is a form of support from the South Korean government for marketing Samsung products in their own country. And not a few Koreans use Samsung Pay as their means of payment, which means the South Korean government's marketing support for Samsung Electronics is a success.

With the consistency of South Korea's support for the trading industry, especially in the export sector, this country can dominate the world market. South Korea will focus first on its entrepreneurship so that it can grow stronger and be able to take part in international business, which is a factor that can contribute to South Korea's economic development and stability—Samsung Electronics is a South Korean-owned company that plays a vital role in the country's economic growth.

South Korean Economic Diplomacy

South Korea is an example of a country in the East Asia Region whose economic growth is increasing yearly. This ginseng country has made many efforts to maintain its financial stability and development by using diplomacy in international relations. South Korea carries out Diplomacy activities as a communication tool with other countries. So it can be concluded that the diplomacy carried out by South Korea is their tool to promote exchanges that increase trade, culture, wealth and knowledge.

Diplomacy is not foreign policy but part of foreign policy (McGlinchey, 2017). Every nation-state makes a definite foreign policy for its national interest. When a nation-state makes foreign policy, there must be interaction within it. And the exchange of one country with
another country is considered a form of foreign policy action, which usually occurs in interactions between governments through diplomacy.

Diplomacy is an action carried out by state actors such as diplomats, representatives of the state or state leaders with other state actors. Diplomacy is where state actors interact, communicate, negotiate, or convey their national interests. Diplomacy is usually carried out to achieve the goals of each country. Currently, International Relations are very dynamic, so all forms of interaction between countries can be called diplomacy. But it must be underlined that diplomacy exists if the parties concerned have a common interest (Jackson & Sorensen, 2013). Currently, state actors are both the government and outside the government, such as non-governmental organizations, multinational corporations, and individuals. And in international relations, there are two kinds of diplomacy: private and public.

Then, South Korea carried out economic diplomacy as a form of the South Korean government's efforts to promote its national economic interests through diplomatic relations, international cooperation and foreign trade, such as exports made by Samsung Electronics. This economic diplomacy aims to expand market access, increase foreign investment, strengthen cooperation with other countries, and increase South Korea's global economic competitiveness. And this is also a form of support from the South Korean government for multinational companies from South Korea, such as Samsung Electronics. The following are some essential elements of South Korea's economic diplomacy:

1. Free Trade Agreements (FTAs):

   South Korea has been active in negotiating and signing FTAs with various countries and economic blocs; some of them are ASEAN, Indonesia, Singapore, Vietnam, Cambodia, RCEP, China, Australia, New Zealand, European Union, United Kingdom, EFTA, Turkey, Israel, Canada, United States of America, Central America, Colombia, Peru, Chile, and India (Ministry of Trade, n.d.). As a country active in international trade, FTAs play an essential role in economic diplomacy. They can help reduce or even remove trade barriers, such as tariffs and quotas, which provide competitive advantages for South Korean companies in international markets. And from this FTA itself, South Korea can expand its market network, build strong business relationships, and facilitate South Korea in trade missions and export promotions to destination countries.

2. Regional and Multilateral Economic Cooperation:

   South Korea actively participates in regional and multilateral economic cooperation, such as ASEAN, European Union, APEC, and WTO. Through participation in these forums, South Korea seeks to strengthen trade cooperation, share knowledge and technology related to marketing strategies, improve export quality and so on, and influence the formation of global economic policies which can impact South Korea itself. However, South Korea limits foreign investment to provide more
The Factors Driving Success in South Korean Exports: A Case Study of Samsung Electronics

Nurwulan Rizkiya Anjani, Tulus Warsito

protection to the local industry and strengthen it so that it can compete for exports (Aziz et al., 2021).

3. Public Diplomacy:

South Korea is one of the countries that carries out a lot of public diplomacy as a tool to introduce their country to the positive image they have. South Korea seeks to build good relations with other countries and increase its economic attractiveness through branding campaigns, tourism promotion, cultural exchanges, and sports diplomacy. South Korea carries out public diplomacy through their modern culture, namely the Korean Wave or Korean Hallyu. The Korean wave here acts as a public diplomacy tool used by South Korea to instill the image of the ginseng country worldwide through its entertainment industry (Veri et al., 2023). And not only that, but the South Korean government also has a strategy regarding creative industry exports. The creative sector is the right strategy to fulfill South Korea's national interests (Berliantika, 2022). This creative industry export is in the form of the Korean Wave, which is divided into five categories: music through K-pop, broadcasting (films and dramas), animation, cartoons, and games. The Korean Wave is not just their culture but a form of cultural diplomacy the South Korean government carries out to promote their country, including their exports. South Korea has made culture an export commodity since 1992. The Korean wave has helped South Korea communicate with other countries worldwide.

Economic diplomacy is an essential instrument for South Korea, especially now that South Korea has an export orientation which is separate support from the South Korean government for the industries there, such as exports of Samsung Electronics products because, from this economic diplomacy, they are very helpful in formulating policies and trade regulations that support their exports. They monitor changes in international trade policies and work closely with relevant agencies to ensure an enabling environment exists for export companies such as Samsung.

CONCLUSION

South Korea is currently a country whose economy has stolen a lot of world attention because of its success in maintaining the stability of the country's economy and how it rose from the economic crisis several years ago. Currently, South Korea is oriented towards the export industry; they have the principle to cultivate and strengthen their local initiatives to prepare them for the global market. Samsung Electronics is the output of South Korea's efforts due to its success in the global market. The factors that drive the success of South Korea's exports are internal and external to the Samsung Electronics company. The competitive landscape in the form of marketing strategy, supply chain management, product differentiation and innovation, and the technology used by Samsung, are factors driving the success of South Korea's exports.
Meanwhile, from outside the company, factors include political and global economic factors, support and promotion of South Korea, and South Korea's economic diplomacy. South Korea helps Samsung Electronics with various support so that their products can be successful, and the benefits of this success significantly affect South Korea's economic growth. Then, the author's suggestions for future researchers can start with research on the role of other industries in South Korea, such as the agricultural industry, in maintaining the stability of the South Korean economy.

REFERENCES

Book


Book chapter

Journal article


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