



## COMPETITIVE EDGE AN INFLUENCE OF POLITICAL AND ECONOMIC DYNAMICS – STUDY WITH REFERENCE TO KOREAN ELECTRONIC INDUSTRY

Dr. Mohamed Zaheeruddin

Faculty, Shinas College of Technology

### ABSTRACT

Today's industrial market is dominant of competition where the defeating and winning strategies are played by every company. The stimulus of governmental and economic factors has a major role to play in this competitive world. Some companies has an edge over the others that helps the company to succeed over the other in the prevailing high end competition. The electronic industry is a dominant industrial sector of today's world economy that encompasses a wide range of products starting from small switchboard manufacture to heavy computer components, consumer durables, and industrial apparatuses. The electronic industry is considered as one of the most remarkable success stories in its industrialization process of Korea. The present study focus on the influence and its extent of advantage the Korean electronic industry derives through the political and economic dynamics.

**KEYWORDS :** Competitive edge, political, economic, centralization, marketers.

### INTRODUCTION:

The electronic industry is a dominant industrial sector of today's world economy that encompasses a wide range of products starting from small switchboard manufacture to heavy computer components, consumer durables, and industrial apparatuses (Porter, M, 2008). The studies indicate that the electronic industry is a backbone for the macroeconomic factors of economic development. In South Korea, the electronic industry is considered as one of the most remarkable success stories in its industrialization process. It can provide ample employment opportunities to major populations over widespread electronic industrial units all over the country. The data reveals that at present in South Korea the technological advancements of electronic industry enabled a trend of smart homes and smart offices where even the consumer goods are so smart that they can be operated at home staying in offices by way of its smart electronic devices. The electronic industry has a major market share of 67.3% in the overall South Korean economy. The studies conducted by Goldstein Research analyst estimates that the South Korean electronics industry would reach by 15.3billion USD by 2024 and grows at a Compound Annual Growth Rate (CAGR) of 7.6% by 2025. Unlike the other industries, the electronics industry also has strongly influenced by Political, Economic, Social, Technological and Legal factors enabling major trends and patterns in its business environment (Guy, F. 2009).

### REVIEW OF LITERATURE:

PEST factors enable the highlighted awareness regarding the external environment to the industries. The increased industry orientation allows the investment opportunities and unlocks the employment avenues. The better understanding of the framework and influence of political and economic dynamics of the industry would likely change the future of it and enables the firms to have a competitive edge (Sammot Bonnici, Tanya & Galea, David 2015).

A study conducted by Jeffery, John and Mirjam 2011 to evaluate the influence of firms on the government studying about 6000 firms from 60 countries found that Governmental decision making is incontrovertible. The legal system have pronounced effects on the degree of stimulus that firms observe they have over governmental decision-making bodies regarding the establishment of new rules, regulations and laws. They also concluded that both industry and firms significantly affect by their Government.

The Government supports the industries by way of educating, developing new technologies, infrastructural, fiscal subsidies etc. these support mechanisms will have an impact on the industries at different levels majorly to SME's. The different

countries support the industries in different manners, the more the support the more competitive confidence exists in corporates (Hye Young Joo and Hyunsuk Suh 2017).

(Kanagal, Nagasimha. 2018), the industries cognizance the market forces that stimulus the payoffs of the firms. To build a competitive advantage it is crucial for the policy makers i.e. Government and economic system to regulate the competitive environment in the country. "A key component of competitiveness is the capacity of a national economy to leverage talent and enhancing the ability to compete is a process with difficult trade-offs, and careful consideration for sequencing reforms".

### OBJECTIVE OF THE STUDY:

Today's industrial market is dominant of competition where the defeating and winning strategies are played by every company. The stimulus of governmental and economic factors has a major role to play in this competitive world. Some industries have an edge over the others that help the companies to succeed over the other in the prevailing high end competition. The present study focus on the influence and its extent of advantage the Korean electronic industry derives through the political and economic dynamics.

### SCOPE OF THE STUDY:

The electronic industry is a dominant industrial sector of today's world economy that encompasses a wide range of products. Korea is considered as to be the market leader in the electronic industrial segment. Hence the study is confined to analyze the Korean electronic market and how does it influenced and affected by the political and economic factors.

### Discussions of Trends, Patterns, and Consistencies of political and economic factors in the Industry

South Korea is considered as one of the stable democratic states, strong economic and financial strategies and reforms enable the country to come up with the worst situations all the time. At present, the country has become one of the leading technology markets in the world. In the present section, a detailed analysis is carried out by way of the country's Political and Economic factors its trends, patterns, and consistencies and its effect on the electronic industry.

Referring to the Political Trends, patterns and consistencies, South Korea has an unsettled past with little political freedom and regular Government change till 1986. The scenario has been changed after this period where the political system has been streamlined by way of authority centralization and proper committee formations enabling faster and easier decision making. This helped the country to get support with

big country giants like the United States. Still, there is a disturbance in political stability found due to tension prevailed with North Korea, with no consensus between them (Li, M., Wei, J., & McKiernan, P.2015).

The patterns appeared in the political environment of South Korea is appeared in its strong power centralization enabling to 7% growth and doubling per-capita income to \$40,000, carryout of easy and fast economic reforms which was held since 1997 with liberalized policy markets, healthier foreign relations viz., free trade agreements with the US in 2007 (M2 Presswire. 2016). The current challenges for the Korean political system are high military influence allowing an arrangement of improved relations with North Korea. When it comes to future trends, a high confidence level of the political system is predicted with a strong relation with Economic Union but still, it is expected to find a nervous relation with North Korea.

The trend and pattern of Economic factors are found to be strong and well supportive reforms. The export sector was found to be the major reason for the prosperity of the country's economy (M2 Presswire 2003, Jan 2). The imports and Foreign Direct Investments suffer from rigid policy frameworks that do not allow the countries free flow of goods and investments from outside; these rigid policies hinder the competitive edge of the county at the international level. The conduction of frequent nuclear tests in 2006, 2009, 2013 and 2017 has created the uncertainty level in the investors creating a large hinder for economic stability.

The strong pattern of economic analysis is found in its powerful and stable export segment doubling in export volume year by year. The electronic is the largest export sector found in South Korea contributing to the \$91 billion in recent years. The stable and quick feasibility of economic reforms enabled the GDP growth to a large extent equalizing to 1.531 trillion USD in 2017. The tariffs and duties on imports are levied at a high rate restricting the foreign market knowledge and competitive advantage (Ronald J. Ebert & Ricky W. Griffin 2017). The future assessment analysis reveals there is a competitive tax policy expectation cutting the cost of production by 20% in future years (M2 Presswire 2003, Feb 3). Still, there is a high risk of nuclear crisis found in the future with an increasing home-grown disgust of foreign companies.

### Important Synergies

The study indicates the streamline of the political system by way of authority centralization and proper committee formations enabling faster and easier decision making, free trade agreements with the US. Stable export segments, stable and quick feasibility of economic reforms are the major synergies that enabled South Korea to have a strong electronic industry (Porter, M, 2008).

### Critical Trend and Pattern Related To Electronic Industry's Future Success in South Korea

A forecast analysis identifies that, a high confidence level of political system which is predicted with a strong relation with Economic Union under political aspect of the country and competitive tax policy expectation which enables in the reduction of cost of production by 20% under economic aspect are most critical future trends and patterns that enable the electronics industry to prosper (Das, T.K. and Teng, B.S. 2000). This has been identified because, when there is a strong and confident political system is found the industrialist will be enough confident to start up their business and spend a large amount of money on research and developments. Moreover, the reduction in tax enables many marketers to enter into the market enabling a strong competitive edge (Ireland, R.D., Hitt, M.A. and Vaidyanath, D. 2002).

### Future prospects

The future of the electronics industry appears to be more

prosperous due to the high Government supports and strong economic union relations (Snowden, D. J., & Boone, M. E. 2007). Also, a highly predictable increase in demand for electronic products is found in the global marketplace and South Korea is a major export contributor to the global market sees a flourishing future period.

### CONCLUSION:

The electronic industry is considered as one of the most remarkable success stories in its industrialization process of Korea. The country has become one of the leading technology markets in the world. The political environment of South Korea is appeared in its strong power centric, carryout of easy and fast economic reforms, liberalized policy markets, healthier foreign relations. The economic factors are found to be strong with well supportive reforms, the tariffs and duties on imports are levied at a high rate restricting the foreign market knowledge and competitive advantage. The flexible and highly accommodating environment of South Korea enabled increase in demand for electronic products in the global marketplace and South Korea is a major export contributor.

### REFERENCES

1. Das, T.K. and Teng, B.S. (2000), "A resource-based theory of strategic alliances", *Journal of Management*, Vol. 26 No. 1, pp. 31-61.
2. Electronic component market in South Korea to 2020 - market size, development, and forecasts. (2016, Jan 19). M2 Presswire.
3. ELECTRONICS: Samsung develops industry's first SiP; stacking processor with NAND flash and SDRAM.2003, Feb 03). M2 Presswire, pp. 1.
4. Guy, F. (2009). The global environment of business.
5. Hye-Young Joo and Hyunsuk Suh (2017). The Effects of Government Support on Corporate Performance Hedging against International Environmental Regulation. MDPI, October 2017.
6. Ireland, R.D., Hitt, M.A. and Vaidyanath, D. (2002), "Alliance management as a source of competitive advantage", *Journal of Management*, Vol. 28 No. 3, pp. 413-46.
7. Kanagal, Nagasimha. (2018). Building Competitive Edge. *International Journal of Marketing Studies*. 10. 91. 10.5539/ijms.v10n3p91.
8. Li, M., Wei, J., & McKiernan, P. (Eds.). (2015). *Innovation: Business environment, government policy and firm strategy*.
9. Macher, Jeffrey & Mayo, John & Schiffer, Mirjam. (2011). The Influence of Firms on Government. *The B.E. Journal of Economic Analysis & Policy*. 11. 1-1. 10.2202/1935-1682.2153.
10. Porter, M. (2008), "The five competitive forces that shape strategy" *Harvard Business Review*, Jan 2008, p80.
11. Ronald J. Ebert & Ricky W. Griffin (2017). *Business Essentials*.
12. Sammut-Bonnici, Tanya & Galea, David. (2015). PEST analysis. 10.1002/9781118785317.weom120113.
13. SAMSUNG ELECTRONICS: Samsung electronics receives industry-standard security certification for smart cards.2003, Jan 02). M2 Presswire, pp. 1.
14. Snowden, D. J., & Boone, M. E. (2007). *A Leader's Framework for Decision Making* -Harvard Business Review, (November 2007).