Building a Creative Economy: Korea's Strategy towards Globalization

Introduction

In the race of economies pitting against each other, some have managed to rise above the competition not by responding to others' actions but by creating a new condition that will reshape the industry in their favor. For the past few decades, Korea has been able to achieve constant growth (Bae & Rowley, 2004; Dana, 2007; Waechter & Ratten, 2007). To cope with unstable environments, Korea has chosen to continually design technological and organizational architectures aside from simply innovating new products.

In a study by Kim and Mauborgne (1997), a number of organizations were able to achieve high growth in their respective industries by going beyond conventional business thinking and adopting management strategies they called value innovation. This research strengthens the importance of innovation and how it is cultivated through the concept of creativity. This study uses information from the Healthiness of Business Ecosystems (HeBEx) Report, and focuses on the Korean economy and its efforts towards globalization through creative innovation.

Theoretical Framework

Crisis exists for all markets and economies, but some manage to survive for decades through different periods of change and environmental shifts. They manage to survive through continuous innovation. As Schumpeter (1939) has defined the business cycle, explained by (Nunes & Breene, 2011a, 2011c), as the recurrent sequence of prosperity and recession, the successful companies are those who are able to reinvent themselves at end of their current life cycle. These survivors are the ones who are able to manage both existing business lines while

preparing for the inevitable change. Resilient organizations are capable of regaining stability by itself through changing its processes and structure (Elmqvist et al., 2003; Peterson, Allen, & Holling, 1998). Previous studies in relation to ecosystem health have been done in the conceptual level, but are rarely followed by empirical studies. These studies also have not tackled the path to growth that is brought about by each following:

Creativity through Exploration: Creativity is an explorative activity undertaken by an organization to overcome rigidity, active inertia, and competency dependency, achieved though utilizing dynamic capability.

Opportunity through Niche Creation: Opportunity is the result of the creation of an ecological niche, by establishing niche breadth and depth through market and product development, respectively.

Productivity through Exploitation: Productivity is an exploitative activity undertaken by an organization to maintain the cost effectiveness of its market niche, achieved through utilizing operational capabilities.

Combined, these rules conceptually form a virtuous cycle, as each is hypothesized to positively influence the other. This set of rules supports "organizational ambidexterity", it is the capability of a firm to effectively manage its current business while simultaneously preparing for changing conditions because a successful strategy for the current period may be completely ineffective for the next (Christensen, 1997; O'Reilly, 2013; O'Reilly, Tushman, & Harreld, 2009).

Methodology

Data from the World Bank, OECD, GEDI, and GEM databases have been used for the purposes of this research. Using the most recent available data from the databases (years 2011 to

2014) mentioned above, we have ranked these countries and assigned an index value for them. Three countries with the highest values get an assigned score (a maximum of 10 per index), with the other countries having the corresponding score counterpart in relation to how far their values are from the highest (country value/highest value*score weights). Those with negative values are adjusted, where the difference between the lowest and highest values as the highest score.

Results

Using information from the HeBEx Report, this research aims to show through the following sections that creativity is the driving force for the country's growth.

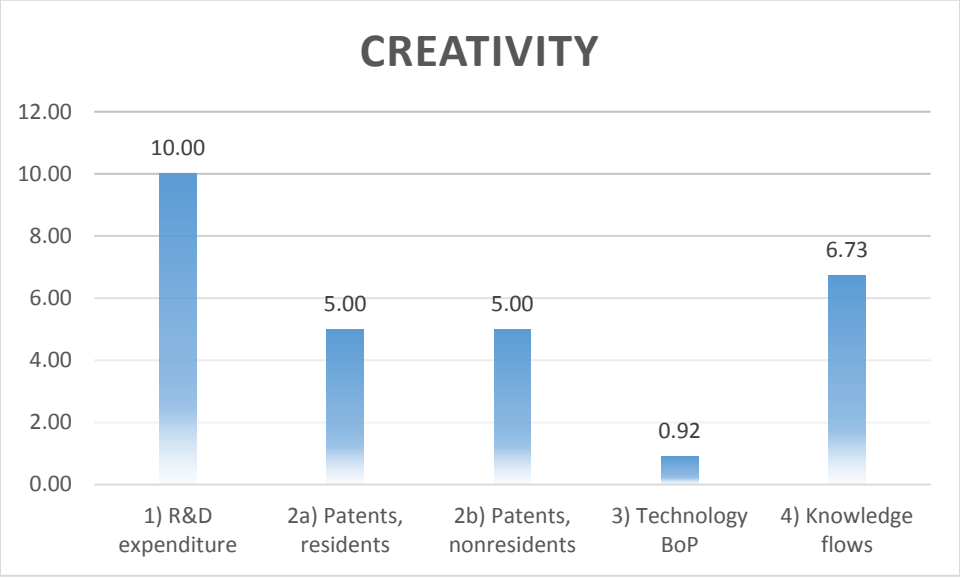
Table 1: HeBEx Results for Korea

Creativity	Year	Rank	Korea, Rep.	Average
1) Research and development expenditure (% of GDP)	2012	2	4.00%	1.75%
2a) Patent applications, residents	2012	4	148,136	16,564
2b) Patent applications, nonresidents	2012	4	40,779	7,808
3) Technology balance of payment	2012	36	0.36	1.08
4) Knowledge flows and commercialisation				
(Industry-financed public R&D by GDP)	2012	13	116.93	73.35
Opportunity				
5) Export per population	2012	22	12,764	16,020
6) Exports of goods and services (% of GDP)	2012	17	56.50	50.76
7) Market supremacy				
(Number of products with the best market share)	2012	12	64.00	83.13
8) Current account balance (BoP, current US$)	2012	10	43,335,100,000	3,623,859,103
Productivity				
9) Labor productivity (GDP per hour worked)	2012	30	45.00	63.63
10) GDP per person employed (constant 1990 PPP $)	2012	19	45,478	36,119
11) Exchange rate stability	2014	43	-4.51%	-0.41%
12) Total factor productivity	2011	29	68.29%	71.88%
Entrepreneurship & Reinvestment				
GEDI: Global entrepreneurship and development index	2014	24	46.70	49.43
GEM: Global entrepreneurship monitor	2013	28	6.85	9.49
PMR: Product Market Regulation	2013	32	1.22	1.39

Vitality and richness of business ecosystem				
(new registrations per 1,000 people ages 15-64)	2012	30	2.03	3.95
Feedback: Reinvestment of last year's profits				
to this year's R&D	2012	2	4.42	1.73

Korea has been able to grow to become one of the biggest economies of Asia over the past decades. The growth that it has experienced has confounded scholars from all over the world, and this study hopes to give further insights through the analysis of HeBEx. As can be seen in Figure 1, Korea has gotten relatively high marks for R&D and reinvestment. This would imply that the country heavily invests in innovation, or in the terms of this study, creativity.

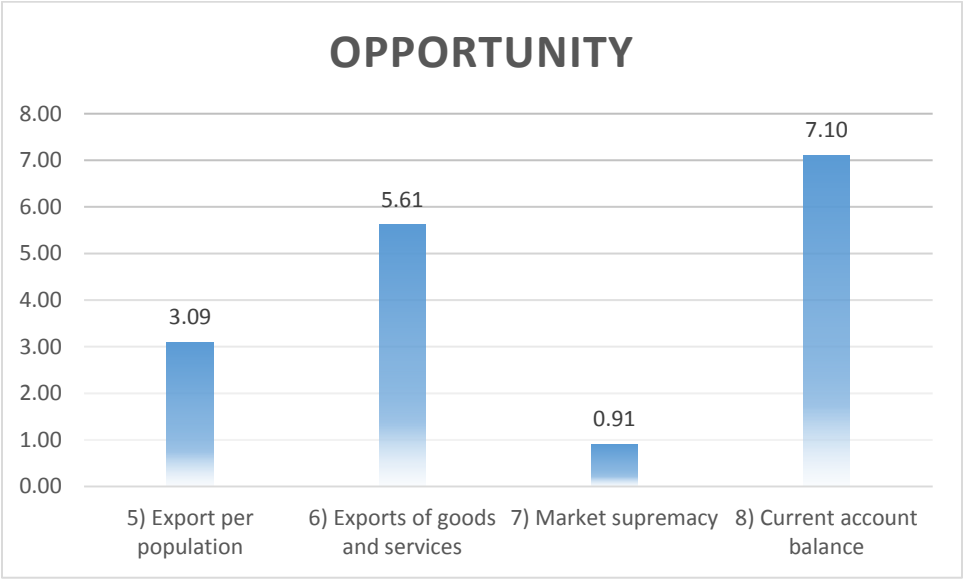
Figure 1: Creativity



Korea leads other countries in research and development expenditure, as well as patent applications. This holds true as the country has proven to be a technological powerhouse in various industries, producing global brands such as Samsung and Hyundai, among others. However, the country ranks low in technology balance of payments. This implies that the country still relies on technologies coming from outside the country, as opposed to those

domestically produced. However, this might come to change as the country has invested heavily in R&D, and is gaining more patents. It is through this that Korea can evolve to be more self-sufficient, and rely less on foreign technologies.

Figure 2: Opportunity

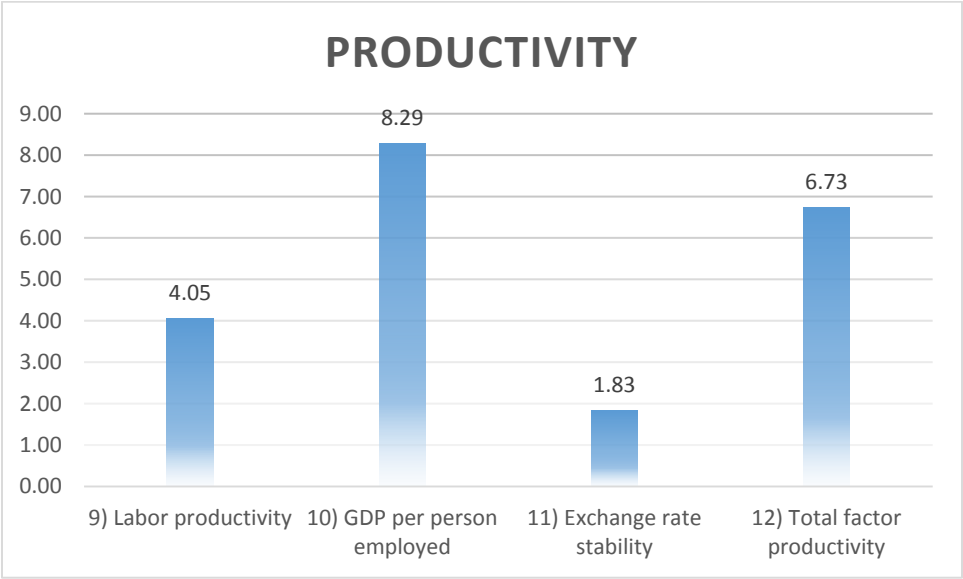


As Korea is making a move towards becoming a more creative economy, the most reasonable move is to find a market for these innovations. Creativity paves the way towards opportunity, and it is through opening itself up to new markets that Korea could gain hold of even better performance in the future. Efforts toward entering the global market can be seen in Figure 2, which shows relatively good marks for exports. However, market supremacy still remains to be a hurdle for Korea to pass through, as it is still difficult to gain the best market shares. However, the current account balance of the country proves to be positive, meaning that the country has a surplus of resources, and is reflective of a healthy economy.

It can be said that having a healthy economy has a direct impact on the lives and attitude of people. Similarly, these people prove to be the backbone of the economy, as they are the ones

who produce goods and services from which the country profits from. It can then be said that the opportunity brought about by creativity drives productivity, directly or indirectly, through the efforts of the people.

Figure 3: Productivity

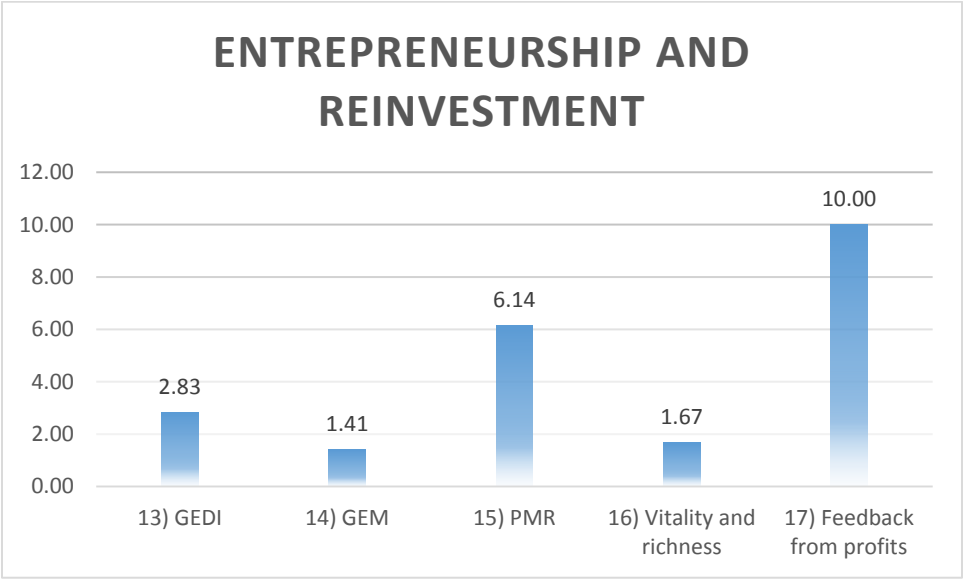


Although Korea has been known to have a stable economy, the same cannot be said about its exchange rate. Factors, political and economic, have been known to cause shifts in the value of the Korean Won, thereby resulting in a low score for exchange rate stability. Labor productivity is also quite problematic, which as can be seen in Figure 3, is below what would be considered as ideal. In order to achieve economic growth and sustainability, improvements in labor productivity should be made. This is so as not to hamper the growth which could possibly be achieved through the creative efforts made in the countries markets.

This productivity however could be fueled by a shift in the country's attitude towards entrepreneurship. Being a country overrun by large multinational companies, there is little motivation for the people to become entrepreneurial. If the country pushes for creativity, not only

in terms of products, but also in business strategies, then more opportunities could pave the way for better growth and productivity. Having a more open mind towards creating new businesses, through entrepreneurship, would reap better rewards for the country.

Figure 4: Entrepreneurship and Reinvestment



With reinvestment ranking high for Korea, one would expect that the rates for entrepreneurship would also increase along with it. However, the ratings in relation to them have been lagging for the country. The economic environment in Korea still leaves little to be desired for the entrepreneurs. In order to improve this, the creative efforts made towards research and development should also push for a more creative environment for entrepreneurship.

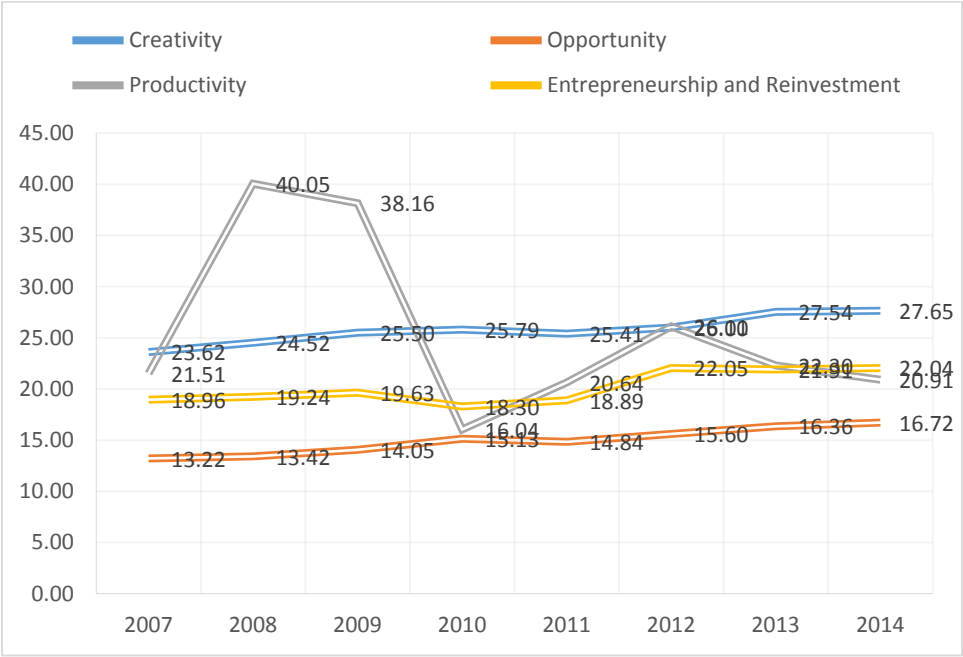
Business development and continuous innovation has been emphasized by the Korean government, and in terms of readiness, it appears more than prepared to provide an appropriate environment to propagate entrepreneurship through small and medium-sized enterprises, which the country truly needs at the moment (Waechter & Ratten, 2007). Better government support and a more encouraging attitude towards this would not only fuel the economy, but also lead

towards empowering the people. This empowerment, in turn, could hopefully improve the country's labor productivity dilemma as well.

Conclusions and Strategic Implications

The Korean economy has grown by leaps and bounds and has left other countries trailing behind it for decades. This growth has been driven by creative innovation. The performance of Korea as measured by the HeBEx report puts the country's economy among one of the healthiest around the world. However, Korea still struggles in some aspects as depicted in Figure 5.

Figure 5: Korea's HeBEx Timeline



The country's scores for opportunity, as well as entrepreneurship and reinvestment are considerably low, despite having some growth throughout the years. This study suggests that the country should foster a spirit of innovation, not only in terms of technological advances, or product development, but also that in an entrepreneurial sense. It is through creativity, that the country could penetrate the global market, and it is through entrepreneurship that the country's

creativity could be nurtured. It is through a building a creative economy that Korea would be able to achieve even more in the future.

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