

# **A study on the Fleet-type Overseas Expansion Strategy through mutual cooperation between Small & Medium and Large enterprises for the successful export of IT industry**

Seon-Bae Kim<sup>†</sup>

## **ABSTRACT**

IT is the core industry in Korea which has the most international competitiveness and counts for 35% of the total exports of Korea. Nevertheless, it tends to be concentrated in small range of items, a few countries and mostly large companies. Therefore, it is needed for small and medium-sized enterprises which can have prompt decision making processes and various changes to export wide range of items and to diverse countries. This study will introduce 'the fleet-type expansion strategy of overseas export' that is about large and small enterprises perform the appropriate role based on their own character, thus they produce the mutual benefit. This strategy will contribute to improve the export structure of Korea and perform the major role for Korea's IT industry to become the dynamic force for growth in the future.

**Key Words** : Fleet-type Overseas Expansion Strategy, Mutual cooperation,  
Small & Medium and Large enterprises, Successful export of IT industry

## 1. Introduction

IT industry in Korea counts for 35% of the total exports and results in trade surplus 3 times higher than the total trade surplus in the year 2009[10]. IT industry is the most competitive key nation industry based on the fact that IT exports and competitiveness of the IT manufacturing in Korea rank the top among the OECD nations. There are, however, several challenges to overcome in IT export structures. The first half of the 2009 revealed that out of total amount of IT export (\$527billion), semi-conductor, display, and mobile phone resulted in \$11.9b, \$11.1b, and \$14.4b, respectively. On the contrary, software and contents only resulted in export amount around \$1.6b[6]. Over 65% of the exports are focused on 5 countries, China (including HongKong), USA, Japan, Taiwan, and Germany. Furthermore, over 87% of the exports rely on large companies. In order for the successful export of IT industry, efforts are required to increase the diversity of export items and countries, and furthermore, supports are needed to activate small/medium enterprises which are capable of making prompt decisions and performing more diverse export activities compared to large companies. However, in order to activate small & medium enterprises, various supports accompanied with diverse strategy is required since they generally lack financial resource, organizational power, core technology, and oversea information[7]. Previous study "A study on the Successful Global Strategy through cooperation between Ventures and Large Enterprises", suggested IT overseas expansion model through mutual cooperation between large and small/medium enterprises[2]. However, noticeable synergy effects are not present to date since most of the expansion is still led by large companies whereas small/medium enterprises simply perform a role of subcontractor[5]. Current study, 'fleet-type

overseas expansion strategy', focused on synergy effects based on mutual cooperation of large and small/medium companies from various fields and therefore differ from the previously reported "A Study on Strengthening the Global Competitiveness of Korea's IT industry through exporting the IT Package-type service" [13] which focused on synergy effects rooting from combining various supports such as, financial/educational support, overseas roadshow opening, and training pro-Koreans. In this study, we investigate the 'fleet-type overseas expansion strategy', a promising method to earn mutual synergy effects through cooperation of service provider from large companies and contents providers, equipments & solution providers from small & medium enterprises.

## 2. Categorized role of overseas expanding companies

In this chapter, we analyze the characters and the roles of categorized overseas expanding companies based on the profit model and corresponding risk factors[11].

### 2.1 Service Provider

Service provider stands in the high status in terms of the level of contribution to overseas expansion. As a large enterprise, service provider possesses a high degree of reliability from the importers with its brand value. On the basis of this credibility, it is capable of working as a bridge-head during the initial expansion. Establishing partnership with local companies, domestic/overseas content providers, equipment & solution providers is essential. Understanding the local economical, social, cultural properties is also an important factor in expanding the service. Low level risk factors are expected in terms of securing

original technology/know-how, or expected income.

## 2.2 Contents Provider

Contents provider is more suitable with small/medium-sized enterprise with small-scale capital and technology. Although service provider is largely affected by various technical and political decisions, contents provider is relatively free from such limitations and can be in a favorable position when expanding abroad with original technology. Furthermore, not only considering its commercial success, exporting the technology itself to overseas is also meaningful in the area of contents.

## 2.3 Equipment and solution provider

Compared to service and contents providers, equipment providers have low risk when expanding overseas since they provide equipments upon request from service and contents providers while being less affected by cultural, political, and social factors of the importing countries. It is hard for equipment providers to solely expand abroad without support from service, contents providers, and they can expand overseas only after service or content provider comes up front for commercial service. For the case of solutions, it is recommendable for small & medium companies to take the role rather than large companies since specialized solution should be provided in a short time with rapidly changing situations.

## 3. Examples: Domestic-related enterprise overseas expansion

### 3.1 Peru IPTV

In January 2009, Institute of APEC Collaborative Education, IPTV Industry Association, made an agreement with Peru ALCoB-EC UNDAC

(Universidad Nacional Daniel Alcides Carrion) and expanded to Peru market in the form of compensation trade, trading IPTV network with natural resources. This is an example of fleet-type oversea expansion strategy where leading IPTV network company EGC&C is followed by education contents provider, Korea IVIStudy, and solution provider, SSangyong Information & Communication, KT network[4].

### 3.2 Helio American Communication Service

In February 2005, SK telecom established a joint venture SK-Earthlink along with USA ISP Earthlink for MVNO business and initiated a nationwide commercial service under the brand name 'Helio' starting May 2006 in USA. This is an example of overseas expansion strategy supported by differentiated service utilizing state-of-the-art multimedia contents based customized wireless internet services instead of conventional audio-communication dominant in the USA mobile communication field[3]. With launching of Helio, IT companies including domestic contents providers, cell-phone solution providers, and sales infra & operation supporters, expanded abroad simultaneously.

<Table 1> Example of SKT

| Provider         | Co.,                                  |
|------------------|---------------------------------------|
| Service          | SK-Earthlink                          |
| Contents         | Feelingk, BTBSolutions Inticube       |
| Equip / Solution | Digicabs, XCE, Infracore, Mediachorus |

### 3.3 Vietnam Financial Market Export

From 1990s, Hyundai Information Technology(HIT) along with domestic and international contents/solution providers had won a number of system projects from Vietnam Banks

and performed very well. In 2008, HIT contracted with Agricultural Bank of Vietnam for the system project amounting more than \$40million under mutual cooperation as shown in <Table 2>.

<Table 2> Example of HIT

| Provider         | Co.,  |
|------------------|---|
| Service          | HIT   |
| Contents         | KB Data System, MPlus, Ugens SNC              |
| Equip / Solution | Nicstech, FA Solution, ㅎ-core, ITPlus Vietnam |

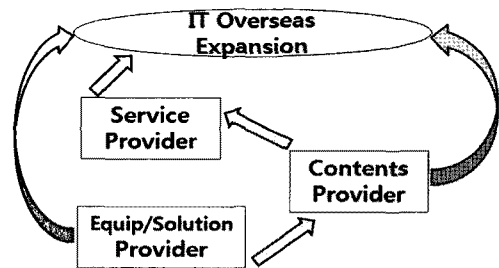
#### 4. Fleet-type overseas export strategy

##### 4.1 Definition

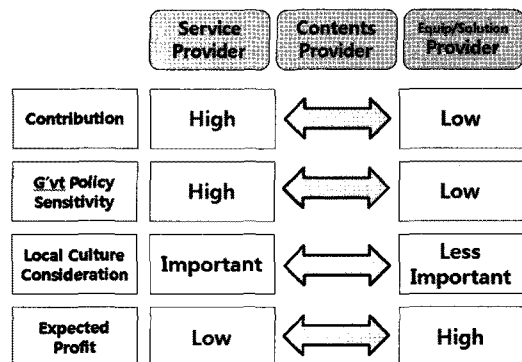
Fleet-type expansion strategy is to initially let the service providers, large enterprises, enter into the importing countries securing commercial service, then construct a fleet with medium sized enterprises such as contents provider, equipment & solution providers to expand overseas. Firstly, the service providers, large companies, with high brand value in the international market, make a breakthrough in overseas export, then medium-sized contents providers, equipment/solution providers follow and join the fleet with their original technology and specialized solutions respectively. The latter can also help the former when making a breakthrough by providing timely necessary technology or solutions. These providers form a hierarchy as in [Figure 1]. All providers maintain multifaced mutual cooperation structure for the successful overseas expansion.

[Figure 2] shows the weight analysis on role, considerations, profitability for each provider.

As shown in [Figure 2], upper-class service provider shows high level of contribution in overseas expansion, high risk depending on political, economical, social, and cultural aspects,



[Figure 1] Providers' hierarchy



[Figure 2] Roles, Considerations, Profitability

and low expected profit. As seen from the individual companies, service provider is essential for contents, equipment and solution provider, however, service provider may consider the cooperative expansion unattractive. Therefore, corresponding incentives should follow in any forms. For instance, government support is necessary to encourage ODA in establishing service and infrastructures and to secure national communication network through mutual government cooperation[9].

Compared to previous study, fleet-type export strategy has advantage to resolve the strict original and subcontractors like relationship between large and small/ medium enterprises due to the fact that participating companies freely self-regulate their role and let the government support them. The most important role in the fleet-type export strategy is assigned to the service provider since it will work as a bridge-head for all providers to

expand abroad. A service provider, capable of sufficient funding and strong organizational power, should work as a mother ship among the fleet of small/medium enterprises willing to expand overseas. Service provider performs the role of overall command, arbitrate, and supply. Contents provider organically cooperate with the service provider and land Korean IT technology to the importing countries. With the successful debarkation, equipment and solution suppliers follow to finish the overseas expansion.

However, fleet-type export strategy still has pros and cons as follows.

<Table 3> Pros and Cons of Fleet-type Expansion Strategy

| Pros  | Cons   |
|---|--|
| <ul style="list-style-type: none"> <li>- Cost Reduction</li> <li>- Risk Decrease</li> <li>- Enhance marketing ability</li> <li>- Enhance probability for export success</li> <li>- Easy selection of export countries and items</li> <li>- Negation of master-servant relation</li> </ul> | <ul style="list-style-type: none"> <li>- Conflict of interest among businesses</li> <li>- Delayed support due to un-unified government channel</li> <li>- Vestiges of master-servant relation</li> </ul> |

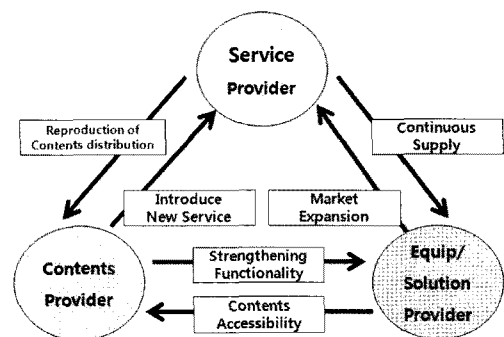
Our current study is to recognize such pros and cons to suggest the direction of win-win approach in industrial circles, to promote active government participation and to increase the effectiveness of government support program.

## 4.2 Expectation Effect

[Figure 3] shows the synergy effect of the export accompanied by mutual cooperation of 3 areas, compared to individual export. Service providers possess the opportunity to provide service inducing reproduction of contents distribution through networking, and provide

cell-phone parts provider a lock-in effect enabling continuous supply of service products[8].

Contents provider possess the mid-scale risk model between that of service and equipment/cell-phone providers, however, can introduce new service and induce strengthening of cell-phone functionality where new contents can be loaded in.



[Figure 3] Synergy effects of Fleet-type Expansion Strategy

Equipment/solution providers can enable market and contents-access expansion since they are relatively free from variable factors which depend on the inter-government cooperation.

Furthermore, fleet-type export strategy has the advantage of possible institutional government support since it is not based on an individual business support.

Service provider can enhance inter-government networking based upon diplomatic-channel utilizing support from the government and corresponding accessibility to the decision makers of the importing countries. This will contribute to the social atmosphere to encourage exports based on mutual cooperation of large and small & medium enterprises followed by administrative support, deregulation, and institutional support from the government.

Therefore, through fleet-type cooperation strategy from the 3 fields, we can expect

realization of exports with minimized investment costs and risks between the providers and suppliers.

### 5. Analysis on effectiveness of fleet-type overseas export strategy

In order to analyze the effect of fleet-type overseas export strategy, we investigated the overall present condition and awareness by performing survey studies where subjects are service, contents, equipments/software providers. The subjects in detail are total of 206 companies, with 53 service providers (25.7%), 73 contents providers (35.5%), and 80 equipments/software providers (38.8%).

166 companies (80.5%) replied on the importance of oversea market export to improve sales and profitability as "very important or somewhat important".

In order to investigate how such survey results can affect in the real overseas expansion market, matrix analysis was performed on the providers and suppliers from 3 fields to analyze the mutual synergy effects.

Analysis on export drive methods revealed negative opinions from the 103 companies with 50% on the degree of linked exports and 84 companies with 40.8% on individual export methods. They showed opinions and requests to improve their current individual export drives.

The rankings why overseas exports are not active showed lack of marketing ability as 1stplace (85companies :41.3%), followed by lack of local market information (60companies:29.1%) and lack of funding (48companies :23.3%).

Regarding the survey on how much fleet-type expansion strategy is necessary for effective overseas export, 176 companies (85.4%) replied

"very much or quite needed" whereas only 6 companies (3.0%) replied "not required".

In order to analyze the recognition of how much risk is expected to decrease with fleet-type export strategy instead of individual overseas export method, survey study was performed under 5 categories (inter-government cooperation change factor, local market information, government support, linking investment among businesses, base marketing). As shown in Table 4, for inter-government cooperation change factor, 120 companies (58.3%) replied decrease of the risk will be huge. Response, "a lot of decrease in risk", was shown for local market information factor, 110 companies (53.4%), for linking investment among businesses, 101 (49.0%), and for government/large enterprise base marketing, 108 (52.4%). For administrative/institutional government support, most responses were from 87 companies (42.2%) with "normal range of risk decrease".

<Table 4> Awareness on risk decrease through Fleet-type Expansion Strategy

| Provider   |           | Inter Gov't cooperation | Local market information | Government support | Businesses Linking investint | Base marketing |      |
|--|-----------|-------------------------|--------------------------|--------------------|------------------------------|----------------|------|
| T<br>o<br>t<br>a<br>l  | very much | Respondents             | 18                       | 22                 | 22                           | 16             | 35   |
|  |           | Ratio(%)                | 8.7                      | 10.7               | 10.7                         | 7.8            | 17.0 |
|  | much      | Respondents             | 120                      | 110                | 73                           | 101            | 108  |
|  |           | Ratio(%)                | 58.3                     | 53.4               | 35.4                         | 49.0           | 52.4 |
|  | normal    | Respondents             | 56                       | 69                 | 87                           | 74             | 54   |
|  |           | Ratio(%)                | 27.2                     | 33.5               | 42.2                         | 35.9           | 26.2 |
|  | low       | Respondents             | 11                       | 5                  | 18                           | 13             | 8    |
|  |           | Ratio(%)                | 5.3                      | 2.4                | 8.7                          | 6.3            | 3.9  |
|  | None      | Respondents             | 1                        | 0                  | 6                            | 2              | 1    |
|  |           | Ratio(%)                | 0.5                      | 0.0                | 2.9                          | 1.0            | 0.5  |
| S<br>e<br>r<br>v<br>i<br>c<br>e                                    | very much | Respondents             | 5                        | 7                  | 4                            | 2              | 6    |
|  |           | Ratio(%)                | 9.4                      | 13.2               | 7.5                          | 3.8            | 11.3 |
|  | much      | Respondents             | 28                       | 26                 | 21                           | 26             | 24   |
|  |           | Ratio(%)                | 52.8                     | 49.1               | 39.6                         | 49.1           | 45.3 |
|  | normal    | Respondents             | 16                       | 18                 | 22                           | 21             | 20   |
|  |           | Ratio(%)                | 30.2                     | 34.0               | 41.5                         | 39.6           | 37.7 |
|  | low       | Respondents             | 3                        | 2                  | 5                            | 4              | 3    |
|  |           | Ratio(%)                | 5.7                      | 3.8                | 9.4                          | 7.5            | 5.7  |
|  | None      | Respondents             | 1                        | 0                  | 1                            | 0              | 0    |
|  |           | Ratio(%)                | 1.9                      | 0.0                | 1.9                          | 0.0            | 0.0  |
| C<br>o<br>n<br>t<br>e<br>n<br>t<br>s                               | very much | Respondents             | 9                        | 10                 | 10                           | 6              | 13   |
|  |           | Ratio(%)                | 12.3                     | 13.7               | 13.7                         | 8.2            | 17.8 |
|  | much      | Respondents             | 49                       | 39                 | 24                           | 39             | 46   |
|  |           | Ratio(%)                | 67.1                     | 53.4               | 32.9                         | 53.4           | 63.0 |
|  | normal    | Respondents             | 15                       | 24                 | 36                           | 27             | 14   |
|  |           | Ratio(%)                | 20.5                     | 32.9               | 49.3                         | 37.0           | 19.2 |
|  | low       | Respondents             | 0                        | 0                  | 1                            | 1              | 0    |
|  |           | Ratio(%)                | 0.0                      | 0.0                | 1.4                          | 1.4            | 0.0  |
|  | None      | Respondents             | 0                        | 0                  | 2                            | 0              | 0    |
|  |           | Ratio(%)                | 0.0                      | 0.0                | 2.7                          | 0.0            | 0.0  |
| E<br>q<br>u<br>i<br>p<br>/<br>S<br>o<br>l<br>u<br>t<br>i<br>o<br>n | very much | Respondents             | 4                        | 5                  | 8                            | 8              | 16   |
|  |           | Ratio(%)                | 5.0                      | 6.3                | 10.0                         | 10.0           | 20.0 |
|  | much      | Respondents             | 43                       | 45                 | 28                           | 36             | 38   |
|  |           | Ratio(%)                | 53.8                     | 56.3               | 35.0                         | 45.0           | 47.5 |
|  | normal    | Respondents             | 25                       | 27                 | 29                           | 26             | 20   |
|  |           | Ratio(%)                | 31.3                     | 33.8               | 36.3                         | 32.5           | 25.0 |
|  | low       | Respondents             | 8                        | 3                  | 12                           | 8              | 5    |
|  |           | Ratio(%)                | 10.0                     | 3.8                | 15.0                         | 10.0           | 6.3  |
|  | None      | Respondents             | 0                        | 0                  | 3                            | 2              | 1    |
|  |           | Ratio(%)                | 0.0                      | 0.0                | 3.8                          | 2.5            | 1.3  |

Similar trend was observed from data collected from service, contents, equipments/software providers, showing all types of the providers recognize that risk will decrease a lot if fleet-type export strategy is chosen rather than the individual overseas expansion method.

In order to investigate the marketing cost saving effect when using fleet-type export strategy compared to individual overseas expansion, survey study was performed under the same 5 categories chosen above. As shown in Table 5, 89 companies

(43.2%) replied 1% ~ 10% for the marketing cost reduction by inter-government cooperation, followed by 62 (30.1%) replies on 11%~20%, and 31 (15.0%) replies on more than 20%. For systematic market information acquisition, 91 companies (44.2%) replied 1% ~ 10%, followed by 61 (29.6%) replies on 11%~20%, and 32 (15.5%) replies on more than 20%. For administrative/institutional government support, 74 companies (35.9%) replied 1% ~ 10% of marketing cost will reduce, followed by 50 (24.3%) replies on 11%~20%, and 60 (29.1%) replies on less than 0%.

<Table 5> Awareness on cost savings through Fleet-type Expansion Strategy

| Classification  |          | Inter Gov't cooperation | market information | Government support | Businesses Linkage investmt | Base marketing |      |
|-----------------|----------|-------------------------|--------------------|--------------------|-----------------------------|----------------|------|
| T o t a l       | Over 20% | Respondents             | 31                 | 32                 | 22                          | 19             | 44   |
|                 |          | Ratio(%)                | 15.0               | 15.5               | 10.7                        | 9.2            | 21.4 |
|                 | 11-20%   | Respondents             | 62                 | 61                 | 50                          | 64             | 94   |
|                 |          | Ratio(%)                | 30.1               | 29.6               | 24.3                        | 31.1           | 45.6 |
|                 | 1-10%    | Respondents             | 89                 | 91                 | 74                          | 98             | 53   |
|                 |          | Ratio(%)                | 43.2               | 44.2               | 35.9                        | 47.6           | 25.7 |
|                 | 0%       | Respondents             | 23                 | 21                 | 48                          | 24             | 13   |
|                 |          | Ratio(%)                | 11.2               | 10.2               | 23.3                        | 11.7           | 6.3  |
|                 | -1% less | Respondents             | 1                  | 1                  | 12                          | 1              | 2    |
|                 |          | Ratio(%)                | 0.5                | 0.5                | 5.8                         | 0.5            | 1.0  |
| S e r v i c e   | Over 20% | Respondents             | 15                 | 9                  | 9                           | 5              | 9    |
|                 |          | Ratio(%)                | 28.3               | 17.0               | 17.0                        | 9.4            | 17.0 |
|                 | 11-20%   | Respondents             | 13                 | 17                 | 18                          | 18             | 13   |
|                 |          | Ratio(%)                | 24.5               | 32.1               | 34.0                        | 34.0           | 24.5 |
|                 | 1-10%    | Respondents             | 20                 | 24                 | 16                          | 21             | 22   |
|                 |          | Ratio(%)                | 37.7               | 45.3               | 30.2                        | 39.6           | 41.5 |
|                 | 0%       | Respondents             | 4                  | 3                  | 6                           | 9              | 8    |
|                 |          | Ratio(%)                | 7.5                | 5.7                | 11.3                        | 17.0           | 15.1 |
|                 | -1% less | Respondents             | 1                  | 0                  | 4                           | 0              | 1    |
|                 |          | Ratio(%)                | 1.9                | 0.0                | 7.5                         | 0.0            | 1.9  |
| C o n t e n t s | Over 20% | Respondents             | 8                  | 7                  | 7                           | 6              | 13   |
|                 |          | Ratio(%)                | 11.0               | 9.6                | 9.6                         | 8.2            | 17.8 |
|                 | 11-20%   | Respondents             | 24                 | 24                 | 13                          | 22             | 39   |
|                 |          | Ratio(%)                | 32.9               | 32.9               | 17.8                        | 30.1           | 53.4 |
|                 | 1-10%    | Respondents             | 36                 | 34                 | 31                          | 40             | 18   |
|                 |          | Ratio(%)                | 49.3               | 46.6               | 42.5                        | 54.8           | 24.7 |
|                 | 0%       | Respondents             | 5                  | 8                  | 18                          | 5              | 2    |



|  |             |             |      |      |      |      |      |
|--|-------------|-------------|------|------|------|------|------|
| E<br>q<br>u<br>i<br>p<br>/<br>S<br>o<br>l<br>u<br>t<br>i<br>o<br>n<br>P<br>r<br>o<br>v<br>i<br>d<br>e<br>r | 0%          | Ratio(%)    | 6.8  | 11.0 | 24.7 | 6.8  | 2.7  |
|  | -1%<br>less | Respondents | 0    | 0    | 4    | 0    | 1    |
|  |             | Ratio(%)    | 0.0  | 0.0  | 5.5  | 0.0  | 1.4  |
|  | Over 20%    | Respondents | 8    | 16   | 6    | 8    | 22   |
|  |             | Ratio(%)    | 10.0 | 20.0 | 7.5  | 10.0 | 27.5 |
|  | 11~20%      | Respondents | 25   | 20   | 19   | 24   | 42   |
|  |             | Ratio(%)    | 31.3 | 25.0 | 23.8 | 30.0 | 52.5 |
|  | 1~10%       | Respondents | 33   | 33   | 27   | 37   | 13   |
|  |             | Ratio(%)    | 41.3 | 41.3 | 33.8 | 46.3 | 16.3 |
|  | 0%          | Respondents | 14   | 10   | 24   | 10   | 3    |
|  |             | Ratio(%)    | 17.5 | 12.5 | 30.0 | 12.5 | 3.8  |
|  | -1%<br>less | Respondents | 0    | 1    | 4    | 1    | 0    |
|  |             | Ratio(%)    | 0.0  | 1.3  | 5.0  | 1.3  | 0.0  |

For business-to-business linkage between service, contents, equipment & solution providers to reduce investment cost, 98 companies (47.6%) replied 1% ~ 10% of marketing cost will reduce, followed by 64 (31.1%) replies on 11%~20%, and 25 (12.2%) replies on less than 0%. For government/large enterprise base marketing effect on reduction of marketing cost, 94 companies (45.6%) replied 11% ~ 20%, followed by 53 (25.7%) replies on 1%~10%, and 44 (21.4%) replies on more than 20%.

From the data obtained per types of providers, the dominant response from the service providers on base marketing effect on reduction of marketing cost were 1%~10% from 22 companies (41.5%) which showed slightly different responses of 11~20% dominantly from contents/equipment providers, however, most providers of all-types recognized that marketing cost reduction will be more effective when choosing fleet-type export strategy instead of individual overseas expansion method.

## 6. Suggestions for successful fleet-type overseas expansion

Fleet-type overseas expansion strategy is expected to reduce overall cost and risk compared to exclusive expansion led by an individual enterprise. Not only efforts from the participants are important factor, but also supports from the government are crucial. Efforts to overcome the limits of the previous studies, to encourage the advantages of fleet-type expansion strategy, and to supplement the disadvantages with systematic supports is essential. As explained previously, we suggest what kinds of efforts are necessary for government and large enterprises as the service providers and small/medium-sized enterprises as contents, equipment & solution providers. As shown on table 6, government, large and small&medium companies are respectively suggested to do enough roles in compliance with their characters[12].

<Table 6> Proposal; roles of government, enterprise and SMB

| issue                               | Government   | Large Enterprise  | SMB   |
|-------------------------------------|--|---|---|
| inter-government cooperation        | <ul style="list-style-type: none"> <li>-establish and distribute the standard framework in different countries</li> <li>-government level's advertisement</li> <li>-support for overseas market development team, exhibition and conference</li> <li>-support for patent application by country</li> <li>-connect with aid programs such as ODA</li> </ul> | <ul style="list-style-type: none"> <li>- provide network</li> <li>- suggest idea and opinion</li> <li>- collaborate for international standardization and expansion to overseas markets</li> </ul>  | <ul style="list-style-type: none"> <li>-strengthen internal technologies and innovation capabilities</li> <li>-make a request</li> </ul>  |
| market information                  | <ul style="list-style-type: none"> <li>-operate market information site of government organizations</li> <li>-provide market and risk information of major countries</li> </ul>  | <ul style="list-style-type: none"> <li>-build and share market and risk information site for major countries</li> <li>-experience in major overseas markets</li> <li>-share information</li> </ul>  | <ul style="list-style-type: none"> <li>-secure talents ready for global business</li> <li>-share information</li> </ul>   |
| government support                  | <ul style="list-style-type: none"> <li>-compensate for market failure</li> <li>-deregulation in Fair Trade Act</li> <li>-capital, tax incentive</li> <li>-provide regulations/ guidelines for contracts between enterprise and SMB</li> </ul>  | <ul style="list-style-type: none"> <li>-adjust the price of materials and parts supplied by SMB</li> <li>-introduce benefit sharing systems</li> </ul>  | <ul style="list-style-type: none"> <li>-make full use of government support policies</li> </ul>   |
| linking investment among businesses | <ul style="list-style-type: none"> <li>-provide incentives for best practices</li> <li>-training support through customized training programs</li> <li>-develop and distribute customized innovation technologies in manufacturing</li> <li>-preferred purchasing of SMB products by public institutions</li> </ul>  | <ul style="list-style-type: none"> <li>-mutual benefit management</li> <li>-recognise SMB as a partner</li> <li>-joint R&amp;D and share test infrastructure</li> <li>-technical support, dispatch human resources</li> <li>-new product development with purchase condition</li> </ul> | <ul style="list-style-type: none"> <li>-develop and secure technology in specific field through continuous R&amp;D</li> <li>-strengthen internal innovation capability</li> <li>-network closely with local businesses</li> <li>-share responsibility as a partner</li> </ul> |
| base marketing                      | <ul style="list-style-type: none"> <li>-utilize Korean Embassies in overseas countries</li> <li>-build overseas marketing infrastructure for SMB</li> <li>- operate local support centers</li> <li>-provide incentives for best practices</li> </ul>   | <ul style="list-style-type: none"> <li>-provide network in major overseas hubs</li> <li>-support for SMB's establishment of overseas offices</li> <li>-cooperate in entering overseas markets and marketing</li> </ul>  | <ul style="list-style-type: none"> <li>-secure talents ready for global business</li> </ul>   |

Government should try to arrange the environments where large and small & medium sized companies do their enough roles by providing proper guidelines or regulations.

## 7. Conclusion

For Korean IT industry to have competitiveness in the process of liberalization and globalization of the environment, it is necessary to secure foreign market and to achieve the economy of scale. However, competing with global communication enterprises having preoccupation of foreign market

is getting difficult to overcome[1]. This study investigated the way of earning mutual synergy effect through cooperation of large companies and small/medium enterprises by 'fleet-type oversea expansion strategy'. This strategy suggests to negate the master-servant relationship between large companies and small & medium companies and to have the government support to be effective. This study proposes government, large companies and small & medium sized enterprises to do their roles in horizontal relationships not being fulfilled despite existing similar preceding research. Introducing this strategy will help Korean

IT industry expand overseas and enable Korean IT to continue as growth driving engine of Korean economy. According to results from the survey, majority of companies had negative opinion towards current exclusive export and were aware of the necessity of connection export. The necessity was more apparent for contents, equipment/software enterprises than for service provider. The primary reason for inactivity of the export trade was the ineffectual marketing for all three areas. The secondary reason was the lack of adjustment to new technology for the service provider and the shortage of information on local market for contents and equipment & software enterprises. And majority of respondents (85.4%) felt the necessity of the 'fleet-type oversea expansion strategy'. Majority of enterprises responded that ratio of risk would decrease and marketing cost would be reduced by around 10% when expand overseas by fleet-type than by exclusive export. For small & medium enterprises, 53% of respondents showed the opinion that utilizing large company base would reduce marketing cost by 11~20%. As explained in above with the results of survey and as analysed in pros and cons by table 3, all providers can expect the merits of remarkable cost reduction, risk decrease and enhanced market ability, probability for export success and easy selection of export countries and items. In the meantime, there are still demerits, which are limitations of the 'fleet-type oversea expansion strategy', it is difficult to fully negate the master-servant relationship between large and small/medium enterprises and there are un-unified government support issues and conflict of interest among fleet composing enterprises. Continuous and supplementing research to improve and resolve these issues need to be conducted. We need to try to maximize the effects of the pros points and minimize those of the demerit points. Hereafter, further indepth study analyzing fleet-type overseas expansion strategy for its concrete effectiveness by

constructing detailed strategy matrix in 3 areas are in need. In addition, preparation of political, institutional supporting systems for promoting Korean IT development such as increasing export and relieving too much focus on specific countries, items and emphasis on large companies through fleet-type oversea expansion strategy are anticipated.

## References

- [1] Gartner(2006), "Global IT Service Prospectus, 2006-2010".
- [2] KAIST, ATM Kim, Sun-Bae, "A Study on the Successful Global Strategy through cooperation between Ventures and Large Enterprises", 2002.
- [3] Korea Communication Commission(2009), "Overseas Expansion Driving Strategy"
- [4] Korea Digital Media Industry Association, "IPTV Guide", 2009.
- [5] Korea IT International Cooperation Agency (2007), "Guide for prospectus overseas IT market"
- [6] Korea Software Promotion Agency(2009), "Software Import and Export Trend"
- [7] KOTRA(2007), "Conference for Global Expansion Strategy, 2007"
- [8] Merrill Lynch(2007), "Market dislocations, emerging markets & commodities",
- [9] Ministry of Communication(2007), "Guideline for Selection of Countries for Strategic IT cooperation in 2007"
- [10] Ministry of Knowledge Economy(2009), "Export & Import status and prospect of IT industry"
- [11] Soongsil Univ.(2007), "Proposal on IT Package Research Project",
- [12] The Korean Association of Small Business studies(2006), Mutual Development Model between

Large and Small Enterprises, 2006. 9

- [13] The Korea Society of Computer and Information, Kim, Sun-Bae, "A Study on Strengthening the Global Competitiveness of Korea's IT industry through exporting the IT Package-type service", 2009.



Seon-Bae Kim

1973 Bachelor of Business Administration

Yon-Sei University, Seoul, Korea

1991 MBA, Finance, New York

Univ(Stern), New York, USA

2006 PHD, Computer & Information Engineering, Konkuk Univ. Seoul, Korea

1993-2004 President & CEO, Hyundai Information Technology

2005-2007 President, ICA(International Communication Agency of Korean IT)

2007-2009 Jan President, KIICA(Korea IT International Communication Agency)

2009 Mar-Present Professor, Hoseo University

<Interest Area> : Telecommunication Policy, MIS, Internet Business, Mobile Business, Social Media

This research was supported by the Academic Research fund of Hoseo University in 2009 (20090155)