

# South korea's environmental analysis

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South Korea's Environmental Analysis Affiliation: Key characteristics of the market South Korea has one of the most improved and free economy not only in Asia but in the whole world as well. Its economic success has surpassed expectation and continues to flourish. The country has a free market system which is heavily characterized by a high risk high reward system. Entrepreneurship is highly encouraged and these entrepreneurial businesses most of which are run by families and are seen to develop to become multinational companies with government support (Mo & Brady, 2010).

Its free market system is not controlled by monopolies or cartels but can be said to be a socialized one. There exist tight knitted system between the government and businesses in the labor market with the government ensuring that the laws and regulations on getting business startup licenses and procedures take the shortest time possible. This is carried out in order to continue increasing the labor market and completely eliminate the low unemployment rate still remaining in the nation.

The only problem that the free market system has is that with the lack of strict market control by the government, corruption has been on the increase as people try to control the markets and monopolize it and especially the local market where the government does not bother much with. The corruption has rendered small and medium sized business had to flourish and succeed as the larger established businesses take up the larger share in the foreign investment and use their market stability to expand their wealth and sophistication making it hard to compete successfully (Mo & Brady, 2010).

What are the barriers to entering/exiting the market?

South Korea due to its establishment in the global market and economic success has it small and medium sized companies facing several entry and exit barriers. Some of these barriers include reputation, price discrimination, capital costs and organizational advantage among others (Mo & Brady, 2010).

With some of these companies having established themselves in the industry, the startup companies face a very high capital cost just so that they can be able to establish themselves even if not match to the same level in assets and competition. The high capital costs requires heavy borrowing from banks and this leads to the company starting on a high debt percentage and this affects its sustainability in the industry. Even if it wants to exit the market, the debts and other overhead charges will be too much for it leading it bankrupt.

With the large established organizations in South Korea such as Samsung and LG, they have cemented their organizational cultures and capabilities which provide it a great advantage. The new firms starting up however have to worry about employees' benefits and dealing with unions as well as establishing organizational culture favored by majority. All this takes up a lot of time and resources which drags the new business far behind. Most of these costs discourage the business owners and investors.

Lastly is the issue of reputation which is everything in terms of business sustainability. Reputation is built through experience which therefore disadvantages the new businesses starting up. With no reputation to show for their work, investors are hard to come by and hence impeding the growth

and expansion of the business.

#### References

Mo, J. & Brady, D. (2010). The Rule of Law in South Korea. Washington DC: Hoover Press.