



INTER-FIRM NETWORK STRATEGIES OF KOREAN FIRMS IN MALAYSIA

KIM WON IK

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By

Kim Won Ik

**Thesis Submitted to the Graduate School of Management, Universiti
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Doctor of Philosophy**

February 2020

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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirements for the degree of Doctor of Philosophy

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IN MALAYSIA**

By

**Kim Won Ik
February 2020**

**Chairman : Raja Nerina Raja Yusof, PhD
Faculty : Graduate School of Management, UPM**

Over the past few decades, outward investment has been brisk, with the aim of relocating production facilities to areas where the production costs are low or the sales market are expanding. With globalisation as the driving force of development, inter-firm network has become an important factor to continue business activities with relatively better competitiveness. Inter-firm networks are essential to procure necessary resources locally or from overseas and maximise profits for firms investing in developing countries.

This research, which focuses on Korean firms, aims to explore the intricacies of the network relationships between buyers and suppliers. Since the influence and strategies of the inter-firm network of overseas Korean firms have not been satisfactorily explored yet, this study attempts to fill the gap by exploring the motives and selection criteria, as well as the benefits and challenges of Korean inter-firm networks in Malaysia. In addition, the study also explores the influence of the inter-firm network towards organizational performance, role of parent company and sourcing strategies of Korean firms in the Malaysian electronics and steel manufacturing industry.

This study used the qualitative case study method to answer the research

questions. Firms were chosen from the Klang Valley area in Malaysia with a major concentration of Korean companies. Data were collected from in-depth interviews with key decision-makers at six electronics and steel Korean companies in Malaysia. This study investigated the nature of Korean inter-firm network by analysing the business activities of two types of Korean companies, namely Korean subsidiaries (with the headquarters in South Korea) and Korean companies founded in Malaysia.

The results of this study have shown that linkages with external entities are very important for the success of inter-firm network. The findings revealed that trust, capacity, reputation, and nationality were important factors among the Korean firms and these factors played an important role in strengthening the business network among Korean firms in Malaysia. Besides, there were three main motives for Korean firms to establish inter-firm networks with suppliers in Malaysia. The firms emphasised on locational decisions, low-cost sourcing, and easiness for procurement. In addition, long-term relationships would be helpful to strengthen and stabilise the network among the parties.

Furthermore, the benefits of Korean firms having inter-firm network can be summarised into seven points: improved lead time and availability, ease of communication, long-term relationship, lower stock holdings at Korean multinational corporations or other MNCs (end-user), routine material information, trust relationship, and information sharing. In contrast, Korean firms took a passive attitude towards local suppliers due to the concern of leakage of confidential information, leak of communication, and maladaptation of the typical Korean business style.

Theoretically, the study has applied the Industrial Network and Social Capital theories in explaining the various attitude and behaviour of Korean firms in networking with their suppliers. The study contributes also the the in-depth knowledge of the intricacies of overseas Korean inter-firm strategic behaviour. Practically, the study highlighted the favourable inclination of Korean firms to other Korean-owned firms as their suppliers. However, non-Korean companies are suggested to penetrate the networks of Korean firms by initiating informal relationships, building trust and focusing on long-term relationships.

Abstrak tesis yang dikemukakan kepada senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Doktor Falsafah

**STRATEGI JARINGAN ANTARA-SYARIKAT BAGI SYARIKAT
KOREA DI MALAYSIA**

Oleh

**Kim Won Ik
Februari 2020**

**Pengerusi : Raja Nerina Raja Yusof, PhD
Fakulti : Sekolah Pengajian Siswazah Pengurusan, UPM**

Selama beberapa dekad terakhir ini, pelaburan luar sangat memberangsangkan, dengan tujuan untuk memindahkan kemudahan pengeluaran ke lokasi di mana kos pengeluaran adalah rendah atau pasaran sedang berkembang. Dengan globalisasi sebagai kuasa pacuan pembangunan, rangkaian antara-syarikat telah menjadi faktor penting untuk meneruskan aktiviti perniagaan dengan daya saing yang lebih baik. Rangkaian antara-syarikat sangat penting untuk mendapatkan sumber yang diperlukan dari dalam atau luar negara dan memaksimumkan keuntungan bagi syarikat yang melabur di negara membangun.

Penyelidikan ini, yang memberi tumpuan kepada syarikat Korea, bertujuan untuk meneroka selok-belok hubungan jaringan di antara pembeli dan pembekal. Oleh kerana pengaruh dan strategi rangkaian antara-syarikat Korea di luar negara belum banyak lagi diterokai, kajian ini cuba mengisi jurang dengan meneroka motif dan kriteria pemilihan, serta faedah dan cabaran rangkaian antara-syarikat Korea di Malaysia. Di samping itu, kajian ini juga mengkaji pengaruh rangkaian antara-syarikat terhadap prestasi organisasi, peranan syarikat induk dan strategi sumber syarikat Korea di dalam industri pembuatan elektronik dan keluli di Malaysia.

Kajian ini menggunakan kaedah kajian kes kualitatif untuk menjawab persoalan kajian. Syarikat dipilih dari kawasan Lembah Klang di Malaysia yang mendapat tumpuan syarikat Korea. Data dikumpulkan dari wawancara mendalam dengan pembuat keputusan utama di enam syarikat Korea elektronik dan keluli di Malaysia. Kajian ini meneliti sifat rangkaian antara-syarikat Korea dengan menganalisis aktiviti perniagaan dua jenis syarikat Korea, iaitu anak syarikat Korea (dengan ibu pejabat di Korea Selatan) dan syarikat Korea yang ditubuhkan di Malaysia.

Hasil kajian ini menunjukkan bahawa hubungan dengan entiti luaran sangat penting untuk kejayaan rangkaian antara-syarikat. Hasil kajian menunjukkan bahawa kepercayaan, kapasiti, reputasi, dan kewarganegaraan merupakan faktor penting di kalangan syarikat Korea dan faktor ini memainkan peranan penting di dalam memperkukuhkan jaringan perniagaan di kalangan syarikat Korea di Malaysia. Selain itu, terdapat tiga motif utama syarikat Korea untuk mewujudkan rangkaian antara-syarikat dengan pembekal di Malaysia. Syarikat-syarikat tersebut menekankan pada keputusan lokasi, sumber kos rendah, dan kemudahan untuk perolehan. Di samping itu, hubungan jangka panjang akan membantu untuk mengukuhkan dan menstabilkan jaringan di antara pihak yang terlibat.

Tambahan pula, manfaat kepada syarikat Korea yang mempunyai rangkaian antara-syarikat dapat diringkaskan menjadi tujuh perkara: peningkatan masa dan ketersediaan, kemudahan komunikasi, hubungan jangka panjang, pegangan saham yang lebih rendah di syarikat multinasional Korea atau syarikat multinasional lain (pengguna akhir), rutin maklumat material, hubungan kepercayaan, dan perkongsian maklumat. Sebaliknya, syarikat Korea mengambil sikap pasif terhadap pembekal tempatan kerana kebimbangan mengenai kebocoran maklumat sulit, kebocoran komunikasi, dan penyesuaian gaya perniagaan Korea yang salah.

Secara teorinya, kajian ini telah menerapkan teori Jaringan Industri dan Modal Sosial dalam menjelaskan pelbagai sikap dan tingkah laku syarikat Korea dalam menjalin hubungan dengan pembekal mereka. Kajian ini juga menyumbang pengetahuan mendalam mengenai selok-belok tingkah laku strategik antara-syarikat Korea di luar negara. Secara praktikal, kajian ini menunjukkan kecenderungan syarikat Korea terhadap syarikat

milik Korea lain sebagai pembekal mereka. Namun, syarikat bukan Korea disarankan untuk menembusi jaringan syarikat Korea dengan memulakan hubungan tidak formal, membina kepercayaan dan memfokuskan pada hubungan jangka panjang.



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APPROVAL

I certify that a Thesis Examination Committee has met on **13 February 2020** to conduct the final examination of Kim Won Ik on his thesis entitled "Inter-Firm Network Strategies Korean Firms in Malaysia" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.(A) 106] 15 March 1998. The Committee recommends that the student be awarded the Doctor of Philosophy.

Members of the Thesis Examination Committee were as follows:

Devika Nadarajah, PhD

Associate Professor
Putra Business School
Universiti Putra Malaysia
(Chairman)

Serene Ng Siew Imm, PhD

Associate Professor
School of Business and Economics
Universiti Putra Malaysia
(Internal Examiner)

Maslin Masrom, PhD

Associate Professor
Razak School of Engineering & Advanced Technology
UTM Kuala Lumpur
Jalan Sultan Yahya Petra, Kuala Lumpur
(External Examiner)

Susan Freeman, PhD

Professor
School of Management
University of South Australia
Adelaide, Australia
(External Examiner)

PROF. Ts. Dr. M. IQBAL SARIPAN

Deputy Vice Chancellor (Academic and International)
Universiti Putra Malaysia

Date :

On behalf of,
Graduate School of Management, UPM

This thesis was submitted to the Senate of Universiti Putra Malaysia and has been accepted as fulfillment of the requirement for the Degree of Doctor of Philosophy. The members of the Supervisory Committee were as follows:

Raja Nerina Raja Yusof, PhD

Associate Professor
School of Business and Economics
Universiti Putra Malaysia
(Chairman)

Yee Choy Leong, PhD

Senior Lecturer
School of Business and Economics
Universiti Putra Malaysia
(Member)

Zainal Abidin Mohamed, PhD

Professor
Putra Business School
(Member)

PROF. Ts. Dr. M. IQBAL SARIPAN

Deputy Vice Chancellor (Academic and International)
Universiti Putra Malaysia

Date :

On behalf of,
Graduate School of Management, UPM

Declaration by Members of Supervisory Committee

This is to confirm that:

- the research conducted and the writing of this thesis was under our supervision;
- supervision responsibilities as stated in the PUTRA Graduate Studies Rules (Part 47) are adhered to.

Chairman of Supervisory Committee

Signature : _____
Name : Assoc. Prof. Dr. Raja Nerina Raja Yusof
Faculty : School of Business and Economics, UPM

Members of Supervisory Committee

Signature : _____
Name : Dr. Yee Choy Leong
Faculty : School of Business and Economics, UPM

Signature : _____
Name : Prof. Dr. Zainal Abidin Mohamed
Faculty : Putra Business School

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CHAPTER 1: INTRODUCTION

1.0 Introduction

The importance of networks has emerged as one of the domain frameworks to explain the global phenomenon of internationalisation across most industrial sectors (Johanson & Kao, 2010). There has been increased attention on inter-firm networks from organisations and the management within the business network.

Companies seeking to enter foreign markets make important strategic decisions about how to use networks in a specific market (Lu, 2002). Although the inter-firm network may differ for every industrial sector due to differences in their reaction to transaction cost based variables and risks, when firms conduct business in foreign markets, they use a variety of networks, such as finance, supply, transportation, content, service, and social (Keith, 2003). These different types of networks are important in the early stage of international expansion for strategic decision concerning control, risk, and supply chain.

Dicken (1998) has defined inter-firm networks as something taking place *'between firms belonging to separate but overlapping business networks as part of customer-supplier relationships'*. Besides, inter-firm network is also defined as voluntary agreements between companies relating to the exchange, sharing or joint development of products, technologies or services (Gulati, 1998; Yangfeng Zheng, 2010). Thus, inter-firm network is composed of sets of independent parties, which cooperate for mutual benefits with shared information and frequent interactions.

The development of telecommunications and transportation technologies tends to limit the possibilities of the economies of scale and economies of scope and high-speed interactions between companies; hence, inter-firm networks have been considered to be far less important than business groups until the 20th century (Fruin, 2009).

By contrast, today's blending of better information, communication, and transportation, and technological change in relation to finance, risk management, and corporate governance drives inter-firm network-based collaboration, particularly between companies looking for complex solutions (Fruin, 2009). Inter-firm network is the adaptability to the rapidly changing business environment and competitive advantages are achieved by synergy effectiveness through networks with cooperation (Rahatullah, 2008).

The issue of inter-firm network and its effect on the performance of firms are propounded to adjust networks to achieve better performance with optimal strategy (MacDuffie & Helper, 2006). Researchers have identified a strategy for network operationalisation based on the social network theory. This network theory emphasises on the characteristics (density, size, type, level, structure, etc.) of the inter-firm network

and its effect on business performance. Inter-firm network is prevalent in the emerging economies because of the presence of a strong and unique collective organisation culture (Moses Acquah, 2007). Nevertheless, only a few empirical studies on the performance and strategies of inter-firm network from networking relationship on firms' activities in developing countries are available (Michael, 2005).

The process of forming a network relationship in business and the resulting structure of inter-firm network has likely played an important role in shaping the Korean firms' business structure in Malaysia. After making a great effort to establish the inter-firm network, 29.5% of the Korean firms increased their sales but only 3.8% of Japanese firms did the same (Yozi, 1997). One of the reasons very few Japanese firms could increase their sale is that many Japanese parts suppliers only deal with one or two assemblers. The mutual relationship is reliable between the parts suppliers and assemblers, so there is not much of an impact in increasing the inter-firm networks with Japanese firms (Yozi, 1997, Lee, 2004). Generalising the results of a certain industry to every industry may be difficult, however, relatively speaking, inter-firm network did help Korean firms to increase communication and sales (Lee, 2004).

This study has focused on the inter-firm networks of Korean firms in the Malaysian market, whereby the survey assumed the nodes of the networks as firms and the linkages as formal or informal relationships or other types of network in Malaysia. The study has examined how network theory contributed to the international expansion of Korean firms in the Malaysian market. It is confined to multinational corporations (MNCs) and small and medium-sized firms across the electronics and steel industry.

1.1 Problem Statement

Existing research on inter-firm network of Korean firms is focused on the business network within Korea only (Kwon, 2010). The Korean network activities concern documents showing that a large part of forms of business structures and practices remain the property of the local business environment. Nonetheless, some network practices that can be reproduced outside of Korea have not been explicitly studied (Juan et al., 2008). As Korean firms become more internationalised and have struggled to invest overseas, they established production networks and acquired local companies in certain countries to expand their business. Nevertheless, little research is done on the business network of Korean firms' subsidiaries and locally founded Korean firms as well as the relationship between both business parties (Gress, 2005).

Many empirical studies have focused on the impact of network structures on supplier capacity enhancement in mature industries in developed countries (MacDuffie & Helper, 2006; Pham 2008). Although the network approach has been used to study firms' strategies for addressing market uncertainty, those studies have tended to focus on big emerging markets such as China and India (Nathaniel Boso, 2013). Little empirical

research has been done on integrating theoretical perspectives with cultural influences in Asia. In terms of network study, the emerging markets have been addressed in some of the studies (Elango & Pattnaik, 2007; Zhou et al., 2007). The network approach can make a strong contribution towards understanding the international expansion of firms in emerging markets as in this study.

Gress and Poon (2007) have researched firm networks and locational decisions through their mail survey of 32 Korean MNCs' subsidiaries in the United States. They emphasised that intra-firm relationships based on parental knowledge of host countries and inter-firm networks (customers and suppliers) played an important role in doing business in the United States. According to Birkinshaw and Hood (1998), subsidiaries of the parent company can develop their own strategic decisions and directions regarding the local environment or network. However, these studies could not ascertain the influence of the headquarters in managing the inter-firm network in the host country in terms of control and subsidiary autonomy. Thus, this research has attempted to fill the gap of empirical studies on the nature of inter-firm network strategy of Korean subsidiaries in the host country, i.e. Malaysia.

Although inter-firm network has been emphasised as an essential requirement for company management, the network activities of Korean firms have been vulnerable compared to western firms or Japanese firms. Korean firms tend to face a lack of experience and workforce who can manage the inter-firm network due to the company culture factor, in which internal solution is preferred compared to utilising external resource (Yoon, 2010). This research has tried to examine other points such as the selection criteria and motives of subsidiaries that can affect the inter-firm network of Korean firms.

According to Kapasuwan (2006), there is still a research gap concerning the connection between business network and firm performance. Many studies on inter-firm network have been conducted in terms of its relationship with firm performance and a positive relationship has been reported. For example, Stuart (2000) discovered that a company with an excellent network resource achieved higher sales and showed better innovation. In the same vein, a diverse inter-firm network improves the performance of multinational companies (Goerzen & Beamish, 2005). Nonetheless, there is little understanding of how inter-firm network influences the operation and strategy of companies through the mechanism of governed network strategies (Rethemeyer & Hatmaker, 2007). Hence, this study has aimed to delve into the impact of inter-firm network on the operational performance of Korean firms in Malaysia.

1.2 Research questions

This study has investigated the nature of Korean inter-firm networks by analysing the inter-firm network activities of Korean multinational subsidiaries and Korean companies founded in Malaysia to explore the selection criteria and motives of Korean subsidiaries in establishing inter-firm network with local suppliers. In addition,

this study has explored the benefits and challenges of having inter-firm network to the subsidiaries. Lastly, the study has looked at the influence of inter-firm network on organisational performance and the role of parent company as well as the sourcing strategy.

The research questions were as follows:

1. What are the motives and selection criteria of Korean firms in establishing inter-firm network with suppliers?
2. What are the benefits of Korean firms having inter-firm network with suppliers in Malaysia?
3. What are the challenges of Korean firms having inter-firm network with suppliers in Malaysia?
4. How does the inter-firm network with suppliers in Malaysia influence the organisational performance of Korean firms?
5. How does the inter-firm network with suppliers influence the role of parent company and the sourcing strategy?

1.3 Methodology

This study was conducted using the qualitative case study method. The qualitative method was used with the case study approach for data collection, which was done through in-depth face-to-face interviews.

Qualitative research results are more useful, and the findings would provide a better understanding of the behaviour of firms (Charmaz, K., 2008). From this perspective, networks contribute to the micro-level inter-company network analysis. This study has argued that a practical and inquisitive approach is needed to better understand the inter-firm network phenomenon in Malaysia.

1.4 Significance of the Study

Numerous researchers have made a positive conclusion that there are chances for firms to increase their performance by collaborating with their inter-firm networks, locally or internationally, and using scarce resources more effectively and efficiently (Gertude, 2009; Zain, 2006). These studies have identified several important conditions under which the inter-firm networks have welfare-enhancing effects. Despite the arguments in favour of the inter-firm network and most of the studied literature has presumed the network's benefits, there has been little empirical evidence of the performance of business network activities.

Among the purposes of this research were to examine the impact of network strategies on company performance and to address the differences in the existing literature. Thus far, most research regarding inter-firm network has focused on the nature and structure of the network itself rather than how inter-firm network impacts the performance of companies (Ranjay Gulat et al., 2000; Jorge Walter, 2007). Hence, this study would contribute in terms of highlighting the influence of the inter-firm network

of Korean firms with their suppliers on the companies' performance, specifically in terms of operational performance.

Harris and Wheeler (2005) have emphasised on the role of personal relationships of firms on the business, which highlights the function of relationships and the impact on business strategies (Mary, 2009). Typical social networks are those that are formed under the influence of family ties, friendships, alumni associations or same hometown, and other professional relations made within an organisation and business community (Kim, 2005). Family, school, and regional ties have been regarded as important to establish and expand business networks in Korean businesses.

The idea of studying overseas Korean business groups that could affect business practices and management strategies was to examine and understand that most of the literature on Korean nationalism or other studies, especially of overseas Koreans, did not consider particular social groups. Thus, this study has highlighted the behaviour of Korean firms in an international setting and provided understanding regarding their behaviour in choosing inter-firm network companies as well as exploring the benefits and challenges they face as a result of this.

Another contribution of this study is the recognition of the importance of inter-firm network. This study has shown the characteristics and motives of inter-firm network and identified that the strong networking relationship is a firm's potential key resource under the resource-based view. This study has contributed to the understanding of the current inter-firm network phenomenon and business network literature. The study has grasped the inter-firm network level of overseas Korean firms and suggested an integrated network framework that highlights the important factors and impacts of inter-firm network.

1.5 Scope of the Study

This study has focused on Korean firms in Malaysia. Two types of Korean firms were selected as case studies, namely Korean multinational subsidiaries and Korean firms founded in Malaysia. Only Korean firms in the Klang Valley were chosen as participants of this study.

The inter-firm network researched in this study mainly comprised the network of companies involved in the supplier-customer relationships of the Korean firms.

1.6 Key Terms and Definition

This section provides the definition of key terms used throughout this thesis. These definitions are provided to position the researcher's assumptions regarding the terms used in this study. Defining the terms and concepts is crucial because different scholars have adopted different interpretations of these concepts and terms.

Table 1.1 Definition of key concepts and terms

Term	Definition
Multinational corporation (MNC)	A corporation that engages in foreign direct investment (FDI) and owns or controls value-adding activities in more than one country (Dunning, 1992, p. 3).
Subsidiary	A subsidiary is a firm in a second country that belongs to a parent company or a holding company, which has invested in other countries.
Korean subsidiary	A Korean subsidiary is any operational unit controlled by an MNC located outside of Korea and is differentiated from the organisation's headquarters and its other subsidiaries in terms of the activities carried out, including strategic focus and operational responsibilities.
Korean firms founded in Malaysia	A firm established in Malaysia by a Korean immigrant to Malaysia.
Inter-firm network	Network between firms belonging to separate but overlapping business networks as part of the customer-supplier relationship (Dicken, 1998).
Organisational performance	Comprises the actual output or results of an organisation as measured against its intended outputs (Satwinder, 2015).
Operational performance	Operational performance is the performance of an organisation against its set standards such as waste reduction, productivity, cycle time, environmental responsibility, and regulatory compliance (O'Brien, 2009).
Sourcing strategy	An approach to supply chain management that formalises the way information is gathered and used so an organisation can use its consolidated purchasing power to find the best possible values in the marketplace and align its purchasing strategy to business goals (Nojan, 2014).

Motives	The factors that determine the grounds for engagement in a particular behaviour by a person or organisation. It is attached with the beginning, route, the level of involvement and sustaining at a specific level of behaviour of a person or organisation. The grounds for a particular behaviour may include the determinants, which vary from basic human needs to a higher level of social needs (Joseph, 1989).
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1.7 Chapter Summary

This chapter has briefly outlined the research reported in this thesis. First, the problem statement of the research was explained, leading to an overview of the research problem and an examination of the objectives. Then, the research was justified, the methodology briefly described, and the significance and contribution outlined. Upon this foundation, the thesis proceeds to a comprehensive literature review in the next chapter.

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Introduction

I appreciate you taking the time to participate in this research

Purpose of this research

The purpose of this study is twofold. The first purpose is to compare between Korean firms' subsidiaries and Malaysia-born Korean firms in terms of inter-firm network strategy. And a secondary purpose is to study motivating factors and patterns of internationalizations, and to address a major gap in the extant literature by examining the impact of network effects on firm performance in Malaysia market. This study seeks to examine, using the context of the electronics and steel in Malaysia.

Ethical consideration

All questionnaires returned will be carefully analyzed and data compiled. Observations and findings generated from this study will be reported in form of aggregated means, ensuring individual respondent's views and opinions are treated anonymously. For the safety and benefit of your company and yourself, I will disguise your company's and your name in the final research report in order to achieve anonymity, along with any other identifying details. Your responses will be kept strictly confidential and make no use of any commercial purpose.

This protocol is not a questionnaire but provides a framework for the interview.

Date: _____

Time commenced: _____

Interviewee's name: _____

Company's name: _____

Current position: _____

Working experience in this company: _____

Average annual sales turnover: _____

Interview question

The interview questions consist of 7 parts. These questions will help to further understand the relationship and network Korean firms in Malaysia that they require.

The first part consists of 7 questions regarding the company profile as below;

Part A

Company profile

1. Company name: _____
2. Company category
Overseas subsidiary: _____ Local born company: _____
3. How many employees are there in your company?
Malaysian and others: _____ Korean: _____
4. What is your company's average annual sales turnover?
5. How long has the company been established?
6. What are the characteristics and product categories of your product?

7. What is market share of your products?

Local: _____ Overseas: _____

Part B

The nature of network relation

- How many key suppliers do your companies have? _____
- What is the duration of maintaining relationship? _____

Part C

Network Characteristics

Frequency of transaction

Local companies: _____ Korean companies: _____

Length of the relationship

Local companies: _____ Korean companies: _____

Motive

- Low cost procuring material
- Easiness of procurement
- Improving capacity utilization
- Strengthening core competencies
- Improving information and communication
- Locational decision

- Increasing turnover outside regular business
- Improving supply capability
- Etc.

Process

- How have you contacted new suppliers/buyers?
- When do you create new partner?
- How do you develop potential network partner?
- How do you maintain the existing relationship with partner?
- When do you make a decision to terminate relationship?

Selection

- What are the criteria for selecting partner?
- What is selection process of developing network relationship with suppliers?
- What is the advantage for selecting the same nationality partner?
- What is the disadvantage for selecting the same nationality partner?

Structure

- Is horizontal or vertical network with your partner?
- What kinds of relationship with your business partners are?

Benefits

- What is main benefits of inter-firm network?
- What is any good cases of inter-firm network?

Challenges

- What is main challenges of inter-firm network?
- What is any challenges cases of inter-firm network?

Sourcing strategy

- What is sourcing strategy in terms of inter-firm network?
- Is there any possibility that your sourcing strategy will be changed?
If so, why?

Part D

Network operation

Please comment the partnership between your company and suppliers.

What is the difference doing business with between local companies or Korean companies?

Please describe the major factors in order to continue inter-firm network relationship with your business partners in the future

What factors do you consider for the success of inter-firm network?

Part E

Operational performance

- What is the sales growth over last 5 years?
- What benefits have you gotten from each type of networks?
- What kind of mutual agreement with regarding to supplying and procuring product?
- How do you set prices and quantity for product?
- Kindly state the factors which you think affect performance measurement in your organization

i. _____

ii. _____

iii. _____

iv. _____

Other. _____

Part F

Respondent Information

What position do you have in your company?

Which department do you work for?

How long have you been working for your company?

_____ Year(s)

Part G

Comments

If respondent has any additional clarification or comments about above those questions or this research, please feel free to write them down in below;

Your contribution to this survey is greatly appreciated.



APPENDIX II

Company profile

1. SAMSUNG Malaysia

1991 Established SAMSUNG Electronics (M) Sdn Bhd

Commenced operation to manufacture micro wave Setup 1 line

1996 PCB line operation

1998 Setup MGT assy line operation

2001 MGT factory setup & establish 6 lines operation

2002 Introduce OTR model production

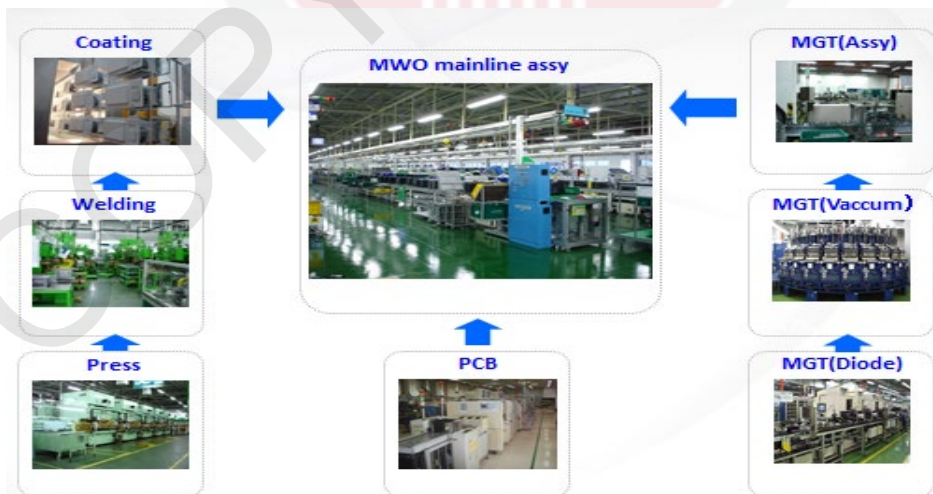
2004 Transfer high value model form Suwon, Korea

2005 Transfer Suwon MGT Diode line

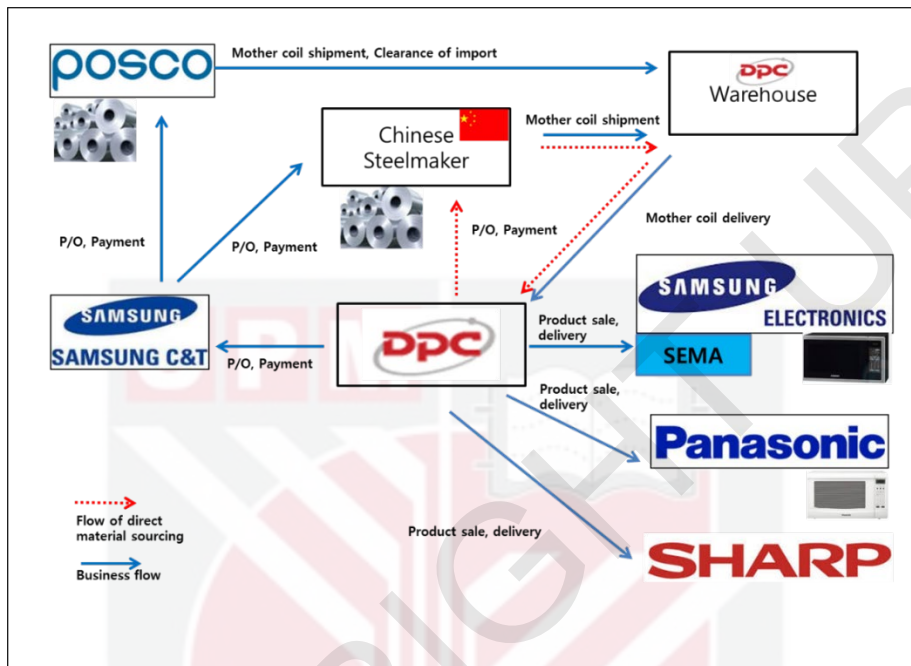
2007 Vacuum cleaner 1 line operation (withdraw Mar, 2009)

2009 Cell line operation (May, 09)

Business Model



2. DPC



Name: D Y POWER SYSTEMS(M) SDN BHD.

Representative: Lee, Dal Yeap

Establishment: 1990. 8. 8.

Capital: US\$2,000,000

Share Rate: DPC 100%

Business Sector: High Voltage Transformer, Slitting and Stamping

Date Description

1998 . 10 . 30 Erected a new factory building and renovated production lines

1998 . 07 . 13 Certified to ISO 9002 (SIRIM QAS Sdn Bhd - AR 1434)

1998 . 04 . 01 Metal stamping facilities commenced operation

1991 . 03 . 15 Commenced operation with 1 production line

1990 . 08 . 08 DPC-Malaysia was set up

DPC have purchased 90 percent(45,000MT yearly) of electric steel material from SAMSUNG C&T. The remain, 10 percent of material has been purchased by own.

80% to SAMSUNG Electronics, 20% to Japanese Electronics companies (SONY, Panasonic etc)

3. Joonhee Micron

JoonHee Micron began operations in 1991 with the vision to become a leading manufacturer of precision tools, dies and metal components. The company's efforts in building competitive edge in quality, service, cost and technology has paid off. We are now reputed to be a supplier-of-choice to some renowned multinational companies in the electronic and electrical industries.

1991 Established Joonhee Mircon Sdn Bhd

Commenced operation to manufacture precision tools & dies for semiconductor companies

1996 Commenced metal stamping operation for electrical & electronic parts

2001 Acquired 1st robotic stamping line

2002 Certified MS ISO9001:2000 Quality Management System by Ukas/Sirim

2004 Purchased 5.5 Acres industrial land at Teluck Gong

2006 Commenced 100,000 sq. ft. new factory construction

2007 Engaged ASCO Valve, Inc of Emerson Electric Co., USA as a customer

Commenced operation in the new factory

2009 Started manufacturing car air conditioner parts

2010 Acquired 5th robotic stamping line

Started Samsung Corporation Best Practice Company training and innovation projects

2011 Acquired CNC machines for conduit & sleeve (ASCO)

Acquired contour cord measuring machines for washer product (ASCO)

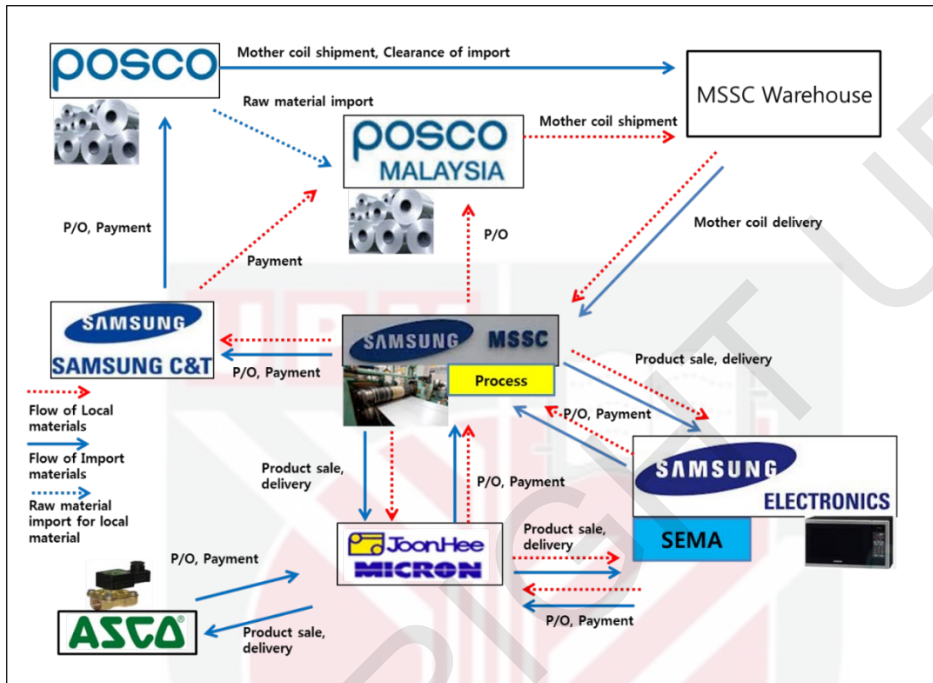
Awarded Best practice company by Samsung Electronics Co., Ltd

2012 Started bidding for white Rodgers parts

Joonhee Micron have purchased 95 percent (12,000MT yearly) of electric steel

material from SAMSUNG C&T. The remain, 5 percent of material has been purchased by own from local market in Malaysia.

90% to SAMSUNG Electronics, 10% to US companies (ASCO etc)



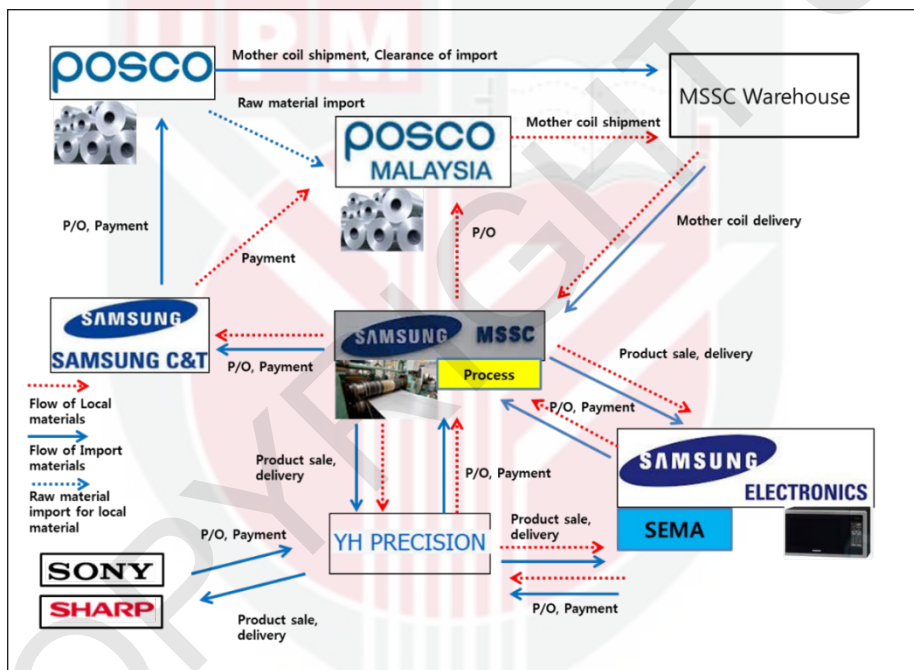
Metal Stamping is a process of creating metal parts by applying extreme pressure to a blank piece on metal and forming the metal into shapes. Press machines used in stamped manufacturing range from hydraulic press, to the much larger machines referred to as drop hammers. Most of stamping machines incorporate a form or die to give the stamped steel the shape.

Although Joonhee Mircon has produces stamping parts by their own stamping machines, the over 700 molds Joonhee Micron has held belongs to SEMA’s asset. When the new model is developed, SEMA needs to make new mold to make stamping parts and distributes mold into each press supplier.

4. YH Precision (M)

YH Precision (M) was established in Malaysia on October 2000.

YH Precision (M) specialized design services, precision metal stamping products and die tooling manufacturing facilities for electrical and electronic industries. Example metal parts for mobile phone, DVD, HDD, TV, Car Audio, Connector & Semiconductor Parts. Its major customers are Korean & Japanese multinational company for worldwide.



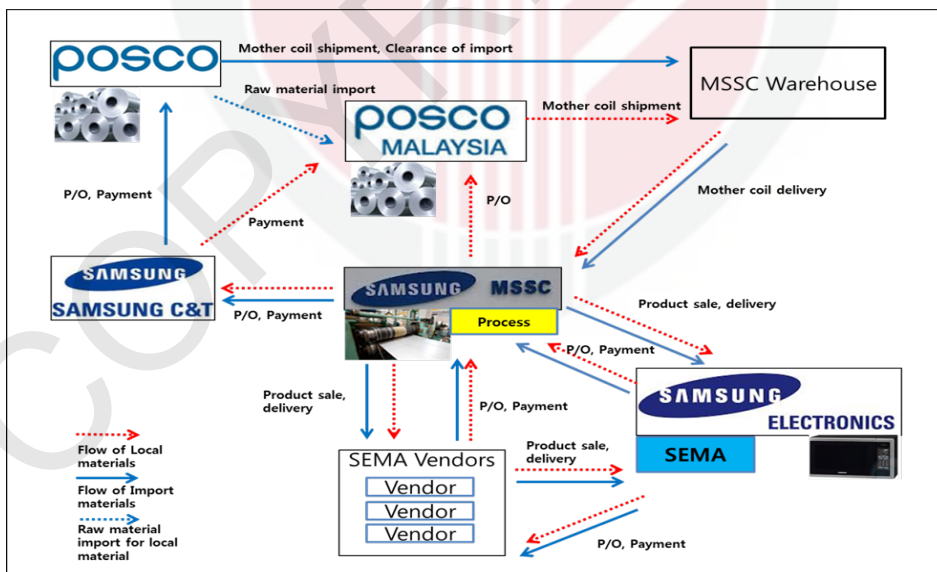
5. MSSC (Malaysia SAMSUNG Steel Center)

A steel processing factory, which has its source of profit in direct sales of processed products and processing on commission through:

- Purchasing materials from supplier
- Cutting purchased materials to comply with user's needs
- Processing client's material on commission

As a parent company, Samsung C&T had constructed four more plants in different locations, one of them with the same profile - "steel service center"- and the other actually produce galvanized steel, also targeting the automobile and electronics industry in China, Mexico, Slovakia, the only role for Malaysia companies is only targeting electronics industry to produce microwave.

Business model of Coil center



Main Functions

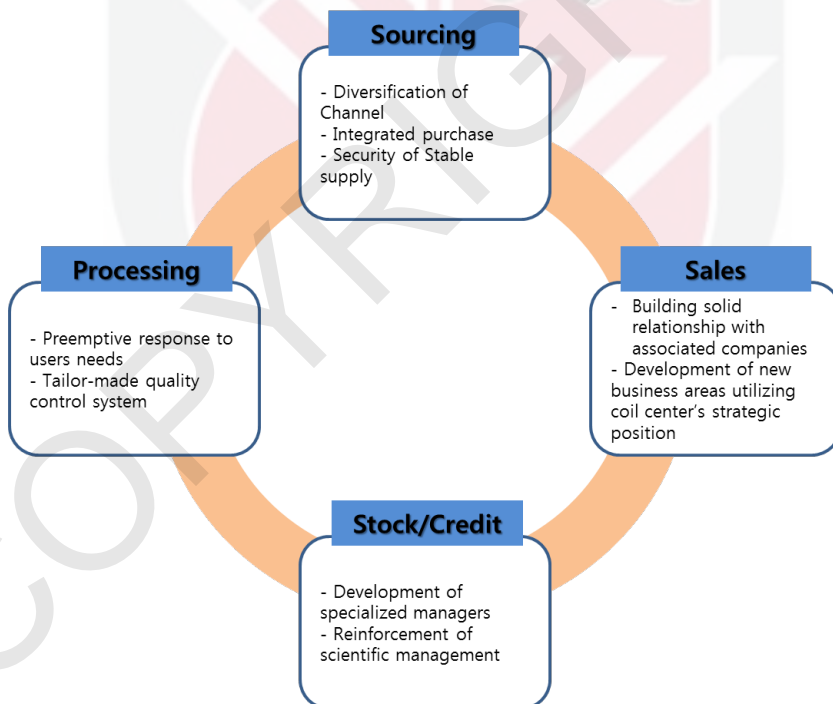
- Processing: cutting material as requested
- Stock: Maintenance of 1.5~2 months' stock for supply in time
- Credit: Offering credit to users for expansion of business area

Basis for stable profit thru complex function

- Minimizing market risk/stabilizing profit

Reinforcement of Contact Point Marketing and service

- Intimacy with Users/Suppliers: Samsung Electronics, POSCO, etc



Biz model of steel division

	Type of trade	Main product	Roles
General Trading	Back to Back between suppliers and end-users	Hot rolled steel Cold rolled steel Stainless steel	Sourcing utilizing infrastructure Intimate network with users
Complex Trading	Functional stock business VMI(Supplier Managed Inventory) business	Cold rolled steel	Offering credit Management/processing of stock Consistent supply of material
Factory Operation	Coil center operation	Cold rolled steel Stainless steel	Stock management through the market outlook Domestic sales in local market Offering and managing credit

General Trading

- Acquisition of order in time, thru understanding clients' sales and stock.
- Negotiations obtainment of orders, on behalf of makers
- Trading areas can be abolished, in case of insufficient relation management with clients

6. POSCO-Malaysia

POSCO-MALAYSIA also has the technical support of POSCO, the largest steel manufacturer in Korea and one of the top four manufacturers in the world.

POSCO's origin are in Korea where the parent company resides and from which vantage point, it operates a production network of companies beyond its shores in China, United States, Mexico, Vietnam, India and Indonesia.

Attracted by the growing demand for EGI products globally and Malaysia's continuous industrial development, the partnership was formed to construct and manage the first fully integrated high-technology electro-galvanizing plant in Malaysia, located in Phase 2 of the Industrial Zone at Pulau Indah, Port Klang.

Principal Activity

Manufacture of EGI, utilizing cold rolled coil feedstock as well as other imported materials.

Date Description

- October 2005 Plant construction (as MEGS) began
- December 2006 Commenced production(as MEGS)
- January 2008 POSCO acquired majority shares
- April 2008 Became POSCO-MALAYSIA

Shareholder Partners

POSCO (Korea) - 60%

Macro Knowledge Sdn Bhd (Malaysia) - 30%

Daewoo International Corporation (Korea) – 10%



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