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Big Business in Asia and its Impact on Economy and Society: The Cases of Ayala and Samsung

Topic and Research Question

The research question is already in the title, i.e. What impacts do big enterprises in Asia have on the economy and society of the countries they operate in? The task is, therefore, to find out what constitutes big business, how it operates and, above all, which positive and negative impacts it has on its surrounding community. To this end two examples were chosen, one each in the Philippines and in South Korea. By analyzing them in detail and subsequently comparing them – taking into account the different geographical, historical and cultural conditions – the aim is that others can draw a conclusion as to which actions and measures of big enterprises have overall positive impacts and should be followed, and where are the pitfalls and negative impacts which should be avoided.

State of the Art

To define “big business” one has to define first the market it operates in, then the concept and strategy of the firm, what it takes to become big and which forms it can assume. The main sources for this undertaking were: Regarding the *market*, The Economist's “Guide to Economic Indicators” (1997). As to the *business firm*, Arthur A. Thompson's “Economics of the Firm: Theory and Practice” (1993). The *family firm* is based in great part on The Economist's supplement “To have and to hold” (April 18, 2015). As to *corporate social responsibility (CSR)*, Susan Benn's and Dianne Bolton's “Key Concepts in Corporate Social Responsibility” (2011). When it comes to *socio-economic impacts*, a perfect guide is provided by WBCSD (=World Business Council for Sustainable Development) and published under www.wbcsd.org. It has produced the volume “Measuring Impact: Framework Methodology” (2008) in order to help companies articulate their case for managing socio-economic impact, to explain essential concepts and theory, and to provide a set of tools. The Sustainability and CSR reports of the two companies in question (Ayala and Samsung) list in great detail the endeavours made regarding the socio-economics impacts described by WBCSD. In addition, great effort was made to corroborate these reports, or to contradict their claims, by consulting newspaper articles, NGO reports, critical interviews, lectures and diverse commentaries.

Methodology and Approach

To be able to answer the research question one has first to define and measure the size of the *market* (or country) by establishing certain economic indicators, as a certain market potential is a precondition for business to become big. Then one has to set down criteria for the *business firm*, including its concept and strategy. Following this, it is necessary to define what makes a firm dominant, how to become a *large enterprise*, e.g. through resource allocation, erection of entry barriers, gaining competitive advantage, exercising political power, and integrating horizontally and vertically. Big business in Asia is in many cases a *conglomerate*, and often also a *family firm*, so the features of these have to be portrayed as well.

Once it is clear what characterizes “big business”, it is necessary to clarify its socio-economic impacts. For this purpose, WBCSD's framework “Measuring Impact” (2008) was chosen which depicts ten areas of particular concern:

1. Capacity Building
2. Economic Growth
3. Education
4. Enterprise Development
5. Environmental Sustainability
6. Governance
7. Human Rights
8. Poverty Alleviation
9. Public Health
10. Social Stability.

Once the method to define big business and its socio-economic impacts is established, it is time to investigate – following the path outlined in the theoretical part – what happened in the two case studies which are the subject of this paper.

Main Facts

In line with the methodology, first there is a description of the markets in the Philippines and in South Korea, comprising growth, population and employment, government fiscal policies, consumers, investments and savings, balance of payments, money and financial markets, and prices and wages, in order to get a feeling for the potential of each country.

Then the two firms Ayala Corporation (Philippines) and Samsung Group (South Korea) are scrutinized under the

aspects of concept and outlook, conglomerate, family firm, large enterprise and goals. With this a comprehensive picture is created as to the markets the two giant companies operate in, their size and fields of activity, their development, and their management styles and strategies.

The second, more voluminous section of the empirical part deals then extensively with the ten socio-economic impacts as highlighted by WBCSD, describing in detail all the activities undertaken by the two business groups, and commenting already to some extent on their positive or negative repercussions.

Results

The Research Question of “What impact does big business in Asia have on the economy and society of the country it operates in?” is examined by two examples, one in the Philippines, and one in South Korea. Both Ayala Corporation and the Samsung Group are giants in their countries and bound to have significant impacts on their markets and people. Although both are “Asian”, there exist huge differences, first in the environment they move in but also in their outlook and business philosophy.

Ayala's strategy, from the beginning, was to follow the demand and conditions of the vast country and its huge, but poor, population. It was above all “services” which the conglomerate offered, and it unfolded over a very long period of time. The development of Samsung took a different course. From a small trading house, it grew quickly after the Korean war and was already a sizeable conglomerate when the Korean “economic miracle” began. It became part of a selected group of companies active in key industries and benefitting from preferential allocation of capital and import licenses, as well as close connections to government and political power. The emphasis was on “manufacture”, first as import substitution and later export driven.

According to the conditions existing, the resources available, and the historical and cultural background, two developing countries experienced, over time, the rise of two different large companies. Their impacts on economy and society are considerable, and were explained at great length in this paper. But who might be interested in the impact of big business in two Asian countries, thousands of miles away?

The answer is that large enterprise has always played a crucial role in the dynamic growth of a country. It is a purveyor of technological progress, managerial know-how, and a creator of wealth by employing a large

number of people. Therefore, its impact has considerable consequences which can be both benign and detrimental. Evaluating them gives guidance as to which ones should be emulated and which ones avoided. And as large companies spring up constantly in different countries, a review of their impacts will help to form economic policy towards dominant firms.

“Big” is not necessarily “bad”, and profit has to be generated in order to make growth, innovation and distribution of wealth possible. But to make modern big business truly sustainable, it is imperative not to lose sight of the ‘Triple Bottom Line’ of financial, social and environmental demands.

References

All references can be found in the full version of the MA thesis available at <http://others.univie.ac.at>

About the Author

Christoph Endres was born in 1946 in Salzburg, studied business administration in Vienna. Senior management positions in Mozambique, Austria, the Caribbean, Ukraine, South Korea and Japan. Appointed honorary consul of Austria in Mozambique, and honorary chancellor in Barbados. Retired 2012, lives with his family in Vienna.

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