Internationalisation Processes of MBC, Korea

TAE YOUNG CHOI
The University of New South Wales

ABSTRACT

Scholars of the 20th century vigorously attempted to theorise internationalisation of multinational enterprises (MNEs) based on MNEs' internationalisation processes. As the vast majority of such theories were developed based on descendants of internationalisation processes of manufacturing industry, the validity of theories for the outer manufacturing industry became ambiguous. Despite the fact that one of the fastest growing sectors of global trade since the late 20th century is the trade in cultural/creative industries, scholars haven’t attempted to validate such a phenomenon by reference to existing theories of internationalisation processes.

This paper attempts to dismantle the internationalisation processes of a cultural firm and to explore the validity of existing internationalisation theories. Although this paper shows strong support for the dynamic capabilities theory, the theory itself is deficient in explaining the underlying sources and drivers of those environmental factors/forces. In order to overcome such a shortfall, this paper suggests an integrative approach of integrating multidisciplinary theories as a theoretical framework thereby contributing to the under-researched field in the discipline of international business.

1. INTRODUCTION

The importance of the culture industry to the world economy has been mentioned by a number of scholars raising their voices to assert that this field of paper deserves more attention (Carman and Langeard 1980; Adorno and Bernstein 1991; Patterson and Cicic 1995; Lovelock and Yip 1996; Samiee 1999). According to the annual report prepared by PriceWaterhouseCoopers, Global Entertainment and Media Outlook in 2004, the entertainment and media industry in the United States, Europe, the Middle East, Africa, Asia-Pacific, Latin America and Canada was worth $US 1.22 trillion in 2003, and was expected to grow to $1.67 trillion in 2008 with an annual average growth rate of 6.3 per cent (PriceWaterhouseCoopers 2004). Considering the average annual GDP growth rate of the same sample countries’ data was shown to be 5.4 per cent, the outlook for the culture industry would appear to deserve some attention. UNESCO’s (2005) report on the international flow of cultural goods and services reveals a total global export figure of $US 36.2 billion in 1994, growing to $US 54.6 billion in 2002, representing growth of more than 66 per cent over seven years.

Despite the fact that the culture industry seems to display a vital role in the world’s economy as far as the above-mentioned figures are concerned, many of the academic studies into the culture industry have been much more apparent within the field of social sciences, communication studies, and cultural studies that focus on ‘globalisation of culture’ as key words. Although global media giants’ recent amalgamations and diversifications have been receiving much attention from economic studies (Chan-Olmsted and Chang 2003; Chon, Choi et al. 2003; Peltier 2004), none of the studies has yet tackled the internationalisation processes of cultural firms within the scope of international business discipline. This is despite the fact that most global media giants are amongst the biggest MNEs in terms of scale and geographic presence.
In the context of international business, scholars of international business discipline acknowledge the lack, or rather difficulty, of conceptualising theoretical frameworks that are apparent to the school of international business due to its nature of the multidisciplinary characteristics of topics and studies it deals with. However, one of the reasons for the formation of the international business studies arena was to explain the phenomenon—whether from country-to-country, corporation-to-country, inter-corporation, or intra-corporation—of activities across borders. Scholars studied the internationalisation of corporations in respect of processes, motives, modes and effects (Caves 1998).

Concerns and questions emanated from scholars regarding whether the concepts of internationalisation theories are sustained across different industries; the arguments being voiced suggested that those theories were built upon stages of industrialisation and were focused mainly on manufacturing industries (Vandermerwe and Chadwick 1989; Samiee 1999; Stare 2002). Questions arise from a factor as simple as the uniqueness or difference of the characteristics of goods and services.

Having identified an apparent lack in academic studies of internationalisation processes of cultural firms within the conceptual scope of international business discipline, despite the fact that there are sufficient grounds for such phenomena to deserve more attention, this paper aims to provide a foundation for further studies. Melin (1992) stresses the importance of integrating interdisciplinary concepts and theories in order to fully grasp the outer context of the internationalisation processes of firms with holistic and longitudinal approaches, rather than of restricting the research scope to a single discipline. Hence, by integrating interdisciplinary conceptual frameworks as a basis for the present paper, this paper follows up by way of contribution to and support of the proposition articulated by Melin (1992).

Although not very apparent in Western countries, since the mid-1990s Korean cultural products have poured into neighbouring countries like China, Taiwan, Japan and Hong Kong to the extent that a name was created for the phenomenon: ‘Hallyu’ – Korean Wave (Wikipedia 2006). Such a phenomenon has attracted much attention from Korean scholars in order to identify the motives/sources (Ha and Yang 2002; KOFICE 2005), trends (Lee 2005; Lee 2006; Shim 2006; Gil 2007), and ways to develop/sustain (KOFICE 2005; Lee and Won 2005; Park 2005) the Hallyu. However, those studies have all based their theoretical frameworks either from social sciences, communication studies, cultural studies or political economy, and in fact none of the studies closely examined it by applying the perspectives of business and management studies not international business alone. This study has selected one of the leading cultural firms - Munhwa Broadcasting Corporation, or MBC - contributing to the Hallyu phenomenon in Korea in order to capture vast aspects of the internationalisation processes of cultural firms comprehensively and chronologically. Hallyu doesn’t appear to be just a momentary boom in Korea’s neighbouring country—mainly East Asia—but current trends reveal that the phenomenon has dispersed into South East Asia and even to the Middle East and Eastern Europe (Suh, Kwon et al. 2005). Some scholars even claim that the success of Korean cultural products so rapidly dispersing into foreign markets resembles the success of Hollywood and makes Korea the Hollywood of Asia (Ha and Yang 2002; Lee 2006; Shim 2006). As this study analysed the internationalisation processes of MBC since its inception in 1961 up until the current period, including the periods of birth of Hallyu, applying however international business theories as the primary conceptual framework for the study contributes to its becoming the first of a kind.
2. CASE STUDY SUBJECT: MOONHWA BROADCASTING CORPORATION (MBC)

Although the *Hallyu* phenomenon received much scholastic attention as ‘the next big thing’ and the evidence shows that such a phenomenon has certainly contributed to the success of internationalising Korean cultural products, the primary focus of this study isn’t the study of *Hallyu*. *Hallyu* is just an interpretation of internationalisation performance and does not explain the internationalisation processes of cultural firms, though it has certainly contributed to the overall processes as one of the forces. This study has selected MBC Korea as the case study subject to empirically test their internationalisation processes, applying an integrative and interdisciplinary theoretical framework which will be explained in a later section.

MBC is one of the largest terrestrial broadcasters in Korea, with seventy per cent of their equities owned by a non-profit public institution called ‘The Foundation for Broadcast and Culture (FBC)’, and the remainder owned by a public institution called ‘The Foundation for Chung-Soo Scholarship’. Although the equity structure would suggest it is a public broadcaster, MBC has been operating more as a quasi-private broadcaster with commercial characteristics unlike Korea’s state-owned national broadcaster Korean Broadcasting System (KBS). This is understandable, considering KBS is a state-owned though independently-operated entity with most of its revenue coming from government subsidies generated by television registration fees collected from Korean citizens, whereas MBC has no access to government funding. Historically, MBC entered the Korean broadcasting industry in 1961 by dismantling the monopoly market structure that was sustained by KBS since 1927. For MBC to become a serious competitor to KBS, in spite of its origin as a mere regional broadcaster that had gone through waves of changes in its equity structure to become what it is today, generated instant scholastic motives.

*Figure 1* Changes in total advertising revenue collected from the terrestrial broadcasters of Korea, 2001-2005 (thousand US dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>KBS</th>
<th>MBC</th>
<th>EBS</th>
<th>SBS</th>
<th>SBS Networks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>584974</td>
<td>881371</td>
<td>18356</td>
<td>461022</td>
<td>195646</td>
</tr>
<tr>
<td>2002</td>
<td>702465</td>
<td>907984</td>
<td>24636</td>
<td>567972</td>
<td>251982</td>
</tr>
<tr>
<td>2003</td>
<td>648053</td>
<td>895536</td>
<td>27629</td>
<td>549806</td>
<td>259298</td>
</tr>
<tr>
<td>2004</td>
<td>602218</td>
<td>842184</td>
<td>28713</td>
<td>516616</td>
<td>232904</td>
</tr>
<tr>
<td>2005</td>
<td>623117</td>
<td>947602</td>
<td>32826</td>
<td>510387</td>
<td>180024</td>
</tr>
</tbody>
</table>

Source: (KBC 2003; KBC 2005; KBC 2006)

Note: Based on an exchange rate of 1 US Dollar = 1,000 Korean Won

MBC has been selected as a case study subject for this study not only for the astonishing growth phases it has displayed but also because it has been at the forefront of the *Hallyu* phenomenon (Park 2001). Apart from KBS receiving most of its operational revenue from
government subsidies, MBC had constantly attracted the largest amount of advertising revenue in the Korean broadcasting market as shown in Figure 1. One of the contributing factors to MBC attracting the highest advertising fees from television commercials is, contentiously, the highest viewing rates that MBC programmes have received. Of the various genres produced and broadcast by MBC, drama has consistently received the highest viewing rates as shown in Table 1 from audiences compared to other Korean terrestrial channels, and its reputation in the market for being the best channel for drama has been demonstrated in various statistical surveys (FBC 2003). However, these findings alone do not sufficiently justify the reasons for selecting MBC for this study. Since the mid-1990s, Korean cultural products have been flowing into foreign countries at a speed that has shown astonishing growth. The total exports revenue of Korean cultural products in 1995 was US$5.4 million, becoming US$115.9 million in 2005—more than a twenty-one-fold increase over ten years. More detailed analysis from the same sources as above shows that, at a minimum, over 93 per cent of the export revenue of Korean broadcasting programmes is generated from the export of Korean dramas over the same periods (KBC 2002; KBC 2003; KBC 2004; KBC 2005; KBC 2006). The compelling reason for MBC being selected for this study is that, throughout the same years, MBC had been the largest exporter by far of broadcasting programmes to foreign countries as shown in Table 2. Although export revenue figures show KBS to be the highest revenue generator as shown in Table 3, KBS also owned and operated a satellite television service to Korean nationals overseas, and its status as a national broadcaster explains how it has the highest amounts of revenue in spite of being an exporter of far fewer programmes to foreign markets. MBC’s position as an exporter of the largest number of programmes overseas, with the majority of them being drama, and its reputation as the channel for drama programmes makes its selection for this case study self-explanatory. Inevitably, one may wonder how MBC could have become so competitive in the Korean broadcasting market given it had no financial support from the government like KBS and with certainty it would have been disadvantaged. Perhaps, this is a more stimulating factor for the selection of MBC for this case study given that their successful internationalisation performance only reveals their results, but the grounds which have allowed such results to be achieved become a curiosity. Effectively, in order to identify those grounds, a study of MBC’s internationalisation processes is a sensible route to take considering exhaustive analyses would be required.

Table 1 Changes in viewing rates of the Korean broadcasting industry, 1993-2004 (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>KBS1</th>
<th>KBS2</th>
<th>MBC</th>
<th>SBS</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TVR</td>
<td>VR</td>
<td>Prop</td>
<td>TVR</td>
<td>VR</td>
</tr>
<tr>
<td>1993</td>
<td>46.3</td>
<td>7.4</td>
<td>16</td>
<td>11.0</td>
<td>24</td>
</tr>
<tr>
<td>1994</td>
<td>47.9</td>
<td>9.7</td>
<td>20</td>
<td>11.4</td>
<td>24</td>
</tr>
<tr>
<td>1995</td>
<td>48.6</td>
<td>11.7</td>
<td>24</td>
<td>11.6</td>
<td>24</td>
</tr>
<tr>
<td>1996</td>
<td>45.4</td>
<td>12.2</td>
<td>27</td>
<td>10.9</td>
<td>24</td>
</tr>
<tr>
<td>1997</td>
<td>45.9</td>
<td>12.9</td>
<td>28</td>
<td>10.4</td>
<td>23</td>
</tr>
<tr>
<td>1998</td>
<td>48.6</td>
<td>12.1</td>
<td>25</td>
<td>10.1</td>
<td>21</td>
</tr>
<tr>
<td>1999</td>
<td>46.0</td>
<td>10.7</td>
<td>23</td>
<td>9.4</td>
<td>20</td>
</tr>
<tr>
<td>2000</td>
<td>45.5</td>
<td>10.1</td>
<td>22</td>
<td>8.9</td>
<td>19</td>
</tr>
<tr>
<td>2001</td>
<td>49.1</td>
<td>9.7</td>
<td>20</td>
<td>8.3</td>
<td>17</td>
</tr>
<tr>
<td>2002</td>
<td>49.9</td>
<td>9.5</td>
<td>19</td>
<td>8.0</td>
<td>16</td>
</tr>
<tr>
<td>2003</td>
<td>47.1</td>
<td>9.1</td>
<td>19</td>
<td>7.9</td>
<td>17</td>
</tr>
<tr>
<td>2004</td>
<td>47.7</td>
<td>9.2</td>
<td>19</td>
<td>8.2</td>
<td>17</td>
</tr>
<tr>
<td>Average</td>
<td>47.3</td>
<td>10.4</td>
<td>21.9</td>
<td>9.7</td>
<td>20.5</td>
</tr>
</tbody>
</table>


Note: Other in 1993 and 1994 include viewing rate of AFKN and from 1995 to 1999 indicates EBS only. Since 2000, Other includes Cable, Satellite, and Internet TV facilities as well as EBS. Highlighted in grey indicates the highest viewing rate for the corresponding year.
are under public scrutiny and have a social responsibility on account of their power to
influence values, be they cultural or ideological. These effects become more prominent

Table 2 Changes in number of programme exported by Korean broadcasting industry, 2001-2005

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oversea Korean Support</td>
<td>5,884</td>
<td>2,191</td>
<td>1,174</td>
<td>1,193</td>
<td>6,964</td>
</tr>
<tr>
<td>Video Sales</td>
<td>7,460</td>
<td>11,333</td>
<td>13,549</td>
<td>567</td>
<td>56,433</td>
</tr>
<tr>
<td>Terrestrial TV</td>
<td>12,079</td>
<td>17,828</td>
<td>13,983</td>
<td>15,317</td>
<td>21,625</td>
</tr>
<tr>
<td>KBS</td>
<td>3,935</td>
<td>6,228</td>
<td>4,510</td>
<td>4,858</td>
<td>6,262</td>
</tr>
<tr>
<td>MBC</td>
<td>5,669</td>
<td>6,321</td>
<td>5,240</td>
<td>6,135</td>
<td>9,090</td>
</tr>
<tr>
<td>EBS</td>
<td>410</td>
<td>141</td>
<td>90</td>
<td>22</td>
<td>47</td>
</tr>
<tr>
<td>SBS &amp; OP</td>
<td>2,065</td>
<td>5,138</td>
<td>4,143</td>
<td>4,302</td>
<td>6,226</td>
</tr>
<tr>
<td>Cable TV &amp; Cos</td>
<td>1,425</td>
<td>1,921</td>
<td>752</td>
<td>1,065</td>
<td>7,242</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>26,848</td>
<td>33,273</td>
<td>29,458</td>
<td>18,142</td>
<td>92,264</td>
</tr>
</tbody>
</table>

Source: (KBC 2003; KBC 2005; KBC 2006)

Table 3 Changes in export revenue generated by the Korean broadcasting industry, 2001-2005 (thousand US dollars)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oversea Korean Support</td>
<td>6,510</td>
<td>1,936</td>
<td>2,201</td>
<td>7,297</td>
<td>5,841</td>
</tr>
<tr>
<td>Video Sales</td>
<td>3,667</td>
<td>6,281</td>
<td>5,411</td>
<td>6,706</td>
<td>10,037</td>
</tr>
<tr>
<td>Terrestrial TV</td>
<td>10,906</td>
<td>18,024</td>
<td>27,267</td>
<td>55,516</td>
<td>102,626</td>
</tr>
<tr>
<td>KBS</td>
<td>3,671</td>
<td>5,897</td>
<td>10,123</td>
<td>25,216</td>
<td>42,652</td>
</tr>
<tr>
<td>MBC</td>
<td>5,019</td>
<td>7,982</td>
<td>8,932</td>
<td>14,985</td>
<td>29,640</td>
</tr>
<tr>
<td>EBS</td>
<td>61</td>
<td>63</td>
<td>78</td>
<td>71</td>
<td>86</td>
</tr>
<tr>
<td>SBS &amp; OP</td>
<td>2,155</td>
<td>4,082</td>
<td>8,134</td>
<td>15,244</td>
<td>30,248</td>
</tr>
<tr>
<td>Cable TV &amp; Cos</td>
<td>2,964</td>
<td>4,080</td>
<td>681</td>
<td>787</td>
<td>3,259</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,047</td>
<td>30,321</td>
<td>35,560</td>
<td>70,306</td>
<td>121,763</td>
</tr>
</tbody>
</table>

Source: (KBC 2003; KBC 2005; KBC 2006)

Note: Overseas Korean Support: Programmes exported to countries where large population of overseas Koreans are residing.

Abbreviations: OP – Other Private Broadcasters affiliated with SBS, Cos – Channel Operators

MBC and also other broadcasters in the Korean broadcasting industry are situated with many different environmental factors/forces working to shape the practices and structures of each and every component of the industry and its players. Broadcasting products, and in turn the firms that create them, are by nature subject to constant scrutiny from government and have regulations and policies imposed upon them. This is primarily because, as many media studies suggest, broadcasting products are considered to be public goods with civil responsibilities (Schiller 1969; Chan 1996; Alvarado 2004; Hutchison 2004). As well, the broadcasting industry tends to be constantly challenged with rapid changes in broadcasting technologies (Waterman 1988; Leung 2002; FCC 2005; NHK 2005). Inevitably, part of the reason why broadcasting technologies are forever developing is the demand from an increasingly sophisticated audience (Miller 2001; Ellis 2004). This reason leads this study to note that the broadcasting industry is also confronted with changes in market (audience) dynamics. Researchers suggest that broadcasting products are under public scrutiny and have a social responsibility on account of their power to influence values, be they cultural or ideological. These effects become more prominent
issues when broadcasting products are sold to foreign markets since the cultural values embedded in them also have the power to influence and change other cultural values (Schement, Gonzalez et al. 1984; Waterman 1988; Larsen and UNESCO 1990; Straubhaar 1991; Hong 1998; Chang 2000; Wei 2000; Otmaazgin 2008). As will be discussed further, the forces/factors from the broadcasting industry, markets, technology and the international trade in broadcasting products all seem to shape MBC’s internationalisation processes. In addition, the factors/forces of MBC’s internal resources and capabilities become the motive force for such processes to evolve. By dismantling years of MBC’s progression in their internationalisation processes and also by analysing the above-listed factors/forces driving the processes against the theoretical framework of this study, sufficient findings will be ascertained to achieve the aims set for this study.

3. THEORETICAL FRAMEWORKS AND RESEARCH QUESTIONS

As discussed earlier, the aim of this study is to dismantle the internationalisation process of cultural firms and to seek their applicability to theories of internationalisation. As the process can be broken down into three main components—starting point, way stations and ending point—the theoretical framework will be drawn to serve as an analytical tool for each component of the process. Firstly, a trigger at the starting point causes firms to engage in the internationalisation process. Triggers in the field of international business discipline are mostly defined as ‘motives’ (Bilkey 1978; Erramilli 1990; Tatoglu and Glaister 1998; Patterson 2004). Motives involve activities performed prior to starting a process and are termed ‘pre-internationalisation activities’ or ‘pre-export activities’ by international business scholars (Bilkey 1978; Wiedersheim-Paul, Olson et al. 1978; Cavusgil 1980). The significance of studying the motives of internationalisation is that as motives are triggered by both internal and external forces/factors for decision-makers of firms to consider whether to initiate the internationalisation process, it becomes the foundation of the internationalisation process once it gets initiated. Although there are many conceptualisations of triggering factors for firms to commence the internationalisation process, there are broadly two main triggering factors/forces of internationalisation motives. One is the internal organisational factors focused on the firm’s capacity, capability, resources, competitive advantages and competencies; the other is external environmental factors such as government activities, market dynamics (economic and socio-cultural), and international trade barriers (Bilkey 1978; Zou and Stan 1998; Fletcher 2001). Having discussed that MBC, as the case subject for this study, has shown evidence of successful internationalisation performance, the research question into the concept of the starting point for MBC’s internationalisation process becomes the following:

Q1. What are the motives and pre-internationalisation activities of MBC prior to its engaging in internationalisation processes?

Theories attempting to explain way stations of internationalisation processes of firms take the largest parts of conceptualisation. Naturally, this is because the way stations involve actual delivery of international processes based on their motives. Some of the key questions that the decision makers of firms would raise are: where should the firm go? (choice of location); how should it enter? (mode of entry); and, what needs to be done? (processes). Without doubt, previous studies around the above-listed questions form the bulk of research into internationalisation processes. However, as this study is focused on analysing the overall pattern and firms’ activities in internationalisation processes, more emphasis will be placed on the analysis of sub-processes which make up the overall processes. As the aim of this study is to dismantle internalisation processes of cultural
firms by looking at patterns, way stations and performance of internationalisation processes of cultural firms, the popular theories of internationalisation processes discussed above will be put to the test in order to answer the following question.

Q2. How did MBC’s internationalisation processes progress over their historical development? What activities have MBC performed?

Motives are closely linked with performance because motives become the foundation for firms’ initiation of internationalisation processes; as such, performance is a reflection of whether motives have been fulfilled or not (Zou and Stan 1998; Wolff and Pett 2000; Hsu and Boggs 2003). Yip et al. (2000) hypothesize that the internationalisation performance from one stage of the process becomes the firms’ possession of competitive advantages prior to commencing subsequent internationalisation processes. Performances of internationalisation are much studied by researchers with different perspectives of measurements and how those performances are interpreted. Zou and Stan (1998) provide three broad groups of performance measurements: financial measures consisting of sales, profit and growth measures; non-financial measures consisting of perceived success, satisfaction and goal achievement; and a composite measure which is an overall score of a variety of performance measures. Apart from more obvious performance indicators such as financial measures, as discussed by Yip et al. (2000), performance enhances firms’ competitive advantage by providing knowledge supposedly obtained from the prior experience of completing one process. Teece et al. (1997) in their dynamic capabilities theory explain one of the fundamental sources of capabilities is the firm’s possession of experiential learning and tacit knowledge which can’t easily be imitated by competitors, thus becoming a sustainable competitive advantage that the firm exploits. Although there are difficulties in measuring those factors explicitly to prove a direct linkage between firms’ internationalisation activities and their relationship to performance, an empirical study of Cavusgil and Zou’s (1994) argues that the possession of firm-specific tacit knowledge is one of the significant success factors of internationalisation performance and also of the overall process of internationalisation. We arrive at the following question from taking these conceptual frameworks into consideration:

Q3. What are the internationalisation performance indicators of MBC? How has that performance influenced the subsequent internationalisation processes of MBC?

As briefly identified above, internationalisation processes are subject to internal and external factors of environmental change. Although changes in internal resources and capabilities of firms and the conduct that the firm consequently chooses to implement can be sufficiently explained by the conceptual frameworks discussed above, the vast majority of external environmental sources that are beyond the control of the firms leave a fundamental question. What are the underlying sources of those external environments that firms are exposed to and how do they affect firms’ resources and capabilities? Although the various international business theories discussed above offer compelling explanations to four of the key aspects of internationalisation processes of cultural firms defined for this study, they nevertheless offer only perspectives based on firms’ behaviours/activities. Effectively, it seems there is an insufficiency of international business discipline’s explanatory power to offer comprehensive reasons for internationalisation processes of culture firms due to their inability to capture conceptual theories around the outer contexts of firms. Attempting to answer the above questions regarding the external environment will certainly offer more comprehensive answers about
why firms behave in certain ways, having a more comprehensive understanding of outer contexts which affect firms’ behaviour.

Cultural firms have unique features that set them apart from traditional manufacturing firms upon which most internationalisation business studies have been conducted (Stare 2002). As MBC experienced paramount success in its recent internationalisation processes, it would obviously aim to develop more opportunities. As MBC is a cultural firm that exports cultural products to foreign countries, certain aspects of internationalisation activities are restricted from foreign markets which are dictated by the governments of the foreign recipients. The only way to capture underlying sources for such restrictions exist can be explained by borrowing theories from other disciplines. One of the compelling theories to explain reasons for the existence of institutional restrictions on the trade of the cultural goods of cultural firms by foreign countries will have to be the theory of cultural imperialism (Schiller 1969; Crane 2002; Krishnaswamy 2002). It hypostudies that global culture is disseminated from rich and powerful countries located at the centre of the world cultural system to poorer and less developed countries on the periphery of the system (Schiller 1969; Crane 2002; Husted 2003). One of the most studied examples of such a proposition is the globalisation efforts of the US media industry. Schlesinger (1987) articulated media imperialism of the US media industry dispersing into global markets, thereby threatening the heterogeneity of national identities which many countries are at pains to protect. Therefore, the underlying reasons for many countries still implementing measures (institutional restrictions) to prevent foreign access to their cultural firms can be explained by taking theories from the above-mentioned studies, for example. Throughout various sections of this study, conceptual frameworks from social sciences, media studies, cultural studies, services marketing and political economy will be adopted to form an integrated theoretical framework by comprehensively integrating interdisciplinary theories. Hence the last research question has been formed to encapsulate the interdisciplinary approach.

Q4. What are the underlying sources of both internal and external environmental factors/forces which affect the internationalisation processes of MBC? How are they interrelated and interlinked?

4. RESEARCH METHODOLOGY

Several times throughout the earlier sections of this paper, the methodological approach taken for this study is revealed as a case study. Although the case study approach has apparently adapted well to the fields of law and medicine, evidence suggests that it has been developed and well applied to the social sciences (Jocher 1928; Maxfield 1930). As the case study approach is mostly adapted by researchers conducting and providing qualitative sets of research evidence, often regarded as an implicit companion of qualitative research analysis (Yin 1981).

For this study, a contemporary phenomenon of the focus is the evolutionary development of MBC’s internationalisation processes, and the context is the factors/forces of both inner and outer environmental changes. Yin has also said that case studies are the preferred approach when ‘how’ or ‘why’ questions are to be answered. As indicated above, the majority of research questions for this study involve asking ‘how’, ‘what’ and ‘why’. Although this study has no capacity to theorise on new internationalisation processes as such, it attempts empirically to test and validate existing theories and in so doing aims to contribute further theoretical development by offering complementary findings. Such motives can also be supported by Eisenhardt’s (1989) argument that case
studies are particularly well suited to new research areas or research areas for which existing theory seems inadequate. The foundation for this study is both an identified lack of research in the subject area, and the seeming inadequacy of current theories to explain the phenomenon selected for this study.

As sufficient grounds for selecting the case study strategy for this study have been explained above, a discussion of the types of case study adopted by this study is inevitable. There are two main types of case study depending on the number of case subjects selected for the case study. One is a single case study while the other is obviously multiple or comparative case studies (Yin 2003; Ghauri 2004). As the names are self-explanatory and suggest how the two are different, it is wiser to discuss features of the case study type chosen for this study. This study has chosen a single case study subject of MBC by using historical and longitudinal research data. Ghauri (2004) argues that single cases are appropriate when a particular case is critical and so to use it to explain or question an established theory.

The overarching question in this study is about the validity of existing internationalisation theories with respect to the internationalisation processes of MBC, hence the tasks described by Ghauri (2004) of confirming, challenging or extending the theory have all been set as objectives for this study. Another condition suggested by Ghauri (2004) is when a single case is an extreme or unique one; for example, particular organisations may be of interest because they represent ‘outstanding successes’ or ‘notable failures’ (Patton 1990). MBC has achieved notable success in internationalising its programmes into foreign markets, and such a case is very unique to the perspectives of international business discipline offering further valid grounds for selection of single case study for this study. Apart from selecting one subject which is specific to a particular industry, in this study, culture industry as MBC is a cultural firm producing cultural goods. Bell and Young (1998) advocates that as internationalisation of firms involves complexity in identifying factors from theoretical grounds, the use of industry-specific research offers a more intuitive understanding, as industry factors can have a strong influence on internationalisation. In fact, as this study has suggested and taken an integrative approach to integrating multidisciplinary concepts due to the nature of industry-specific factors that can affect the internationalisation processes of cultural firms show apparent support for Bell and Young’s claim.

5. Case Findings

5.1 Motives of Internationalisation Processes of MBC

Although Bilkey (1978) and other followers of his work focused on and attempted to explain the motives of pre-internationalisation, this study has applied and found that such factors/forces not only triggered motives at the stage of pre-internalisation processes but also throughout the various routines of the processes as they evolved.

Within the context of MBC, the motives for initiation of MBC’s internationalisation process came from two factors. Firstly, there were internal factors: in order to compete against its only competitor KBS, MBC deployed differentiation strategies since its inception. In addition to the development of various programmes with different approaches to production—for example those involving audience interaction—quality improvement of programme content was also an essential part of MBC’s differentiation tactics. As a consequence, MBC internationalised the content of its news programme as a means of making its programme quality stand out from the competition. MBC adopted internationalisation activities (more specifically inward internationalisation)
as one of the fundamental activities as part of their capability building strategies which later became their competitive advantages (MBC 1992). The other factors were external ones interrelated to the previously mentioned internal factors in a cause-and-effect relationship. As MBC entered the Korean broadcasting industry, thereby dismantling the monopolistic structure of the industry, it had only one competitor: KBS—a state-owned enterprise. Because KBS was financially subsidised from government sources, MBC was not operating on a level playing field. In addition, under an authoritarian government, the institutional environment was such that it unfairly restricted the ventures MBC could take on. MBC then explored various other avenues in order to sustain its presence in the market, leading it to initiate the process of internationalisation discussed above. There is also clear evidence that at various other stages of MBC’s internationalisation process, the continuation of its motives in applying differentiation strategies adapted existing internationalisation activities and also initiated new modes. Especially at the dynamic stages of MBC’s internationalisation post 1990s, where export activities were paramount, the motives of MBC at the time were to look for an opportunity outside an intense domestic market. Obviously, changes in domestic market structures which had called upon MBC’s motives to further develop its internationalisation processes, such as exporting, would necessarily become one of the external factors to MBC’s motives. In fact, the cause of changes in domestic market structures was identified to be the consequence of government regulations. However, without MBC’s prior knowledge earned from many years of internationalisation, which has evolved to become one of the internal capabilities possessed by MBC, this possession itself becomes one of the internal factors of motives. However, in this case it is not interlinked with external factors as other previously discussed internal factors are. As discussed here, applying the theories and concepts enumerated above, the motives for a firm’s internationalisation process come from internal as well as external factors which may be closely interlinked, as demonstrated, or independent as the sole factor (MBC 1992).

5.2 Performance of the Internationalisation Processes of MBC

It is found that one of MBC’s motives at the dynamic stage of its internationalisation process was the possession of prior knowledge of international markets gained from earlier experience. This was explained as one of the internal capabilities possessed by MBC. Referring back to Cavusgil and Zou’s (1994) argument that tacit knowledge is one of the significant success factors of internationalisation performance, which this study also supports. It also proves there are clear interlinks between performance of one instance of the process becoming a motive for subsequent processes. Although MBC’s export activities became very active from the mid-1990s, considering MBC initiated other means of internationalisation activities from as early as the 1960s shows that MBC had built up over thirty years of experience in international markets. Knudsen and Madsen (2002) emphasised that firms should not neglect the knowledge acquisition trait of internationalisation activity even if such activity fails to generate accounting returns, because knowledge can affect a firm’s capability over the longer term. Application of this proposition is supported by MBC’s case, since at the earlier stages of its internationalisation process MBC was not seeking an accounting return as both motives and performance measures of its internationalisation activities they had routinely performed. Hence, there is sufficient evidence to prove that MBC’s success in the rapid growth of its export activities since 1995 can be explained by the corporation’s possession of tacit knowledge and the experience that it had gained. This factor also contributes to the dynamic capabilities theory, as MBC’s knowledge and long years of experience would
have contributed to its expertise, in turn becoming one of the key assets that MBC could was able to exploit at the later stages of its internationalisation process and beyond.

5.3 Patterns of MBC’s Internationalisation Process

The patterns of internationalisation processes are two-fold. One, it explains certain model of overall processes—for example, incremental internationalisation processes as stipulated by the stage model. Two, it explains the routines of certain processes which may show a systematic patterns. The fundamental feature of the stage model suggest firms tend to show incremental internationalisation activities as they gain more experience and knowledge (Johanson and Vahlne 1977).

The stage model reveals its shortcomings when applied to cultural firms as MBC had entered into foreign markets with multiple modes of entry simultaneously. However, some attributes of the stage model seem to fit, such as the proposition that an incremental commitment to a firm’s internationalisation activities is triggered by the increase in knowledge the firm has gained from previous stages. In fact, such a proposition within the stage model has been supported by Knudsen and Madsen’s (2002) study of applying dynamic theory to the internationalisation processes of firms. Nevertheless, the key feature of the stage model is not focused on the aspects of explaining the way stations of processes within but the overall pattern of various stages of processes which make up predetermined paths. Interestingly, however, there is evidence that the internationalisation process of MBC shows incremental commitment in the firm’s internationalisation activities performed through periodic stages. But such a pattern should not be represented as complying with the stage theory’s proposition of incremental commitment, as MBC’s pattern of incremental internationalisation processes reveal a horizontal extension rather than a vertical increment as stipulated in the stage model. In fact, MBC’s incremental pattern of routinely performed internationalisation activities throughout the different stages of its internationalisation process conforms more closely with the proposition articulated by the dynamic theory. As discussed earlier, routinely performed internationalisation activities of MBC became one of the key capabilities of MBC in the form of tacit knowledge which in turn contributed to the incremental pattern of internationalisation processes of MBC. Table 4 shows a summary of MBC’s internationalisation processes including activities, mode of entry and geographic span.

Table 4 Changes in patterns of MBC’s internationalisation processes (1961 – current)

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<td>Internationalisation Activities</td>
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<td>Export</td>
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<td></td>
<td>Import</td>
<td>Foreign production</td>
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<td>Internationalisation of programs</td>
<td>International fares</td>
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<td>Foreign production</td>
<td>International networking/partnership</td>
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<td>Program Exchanges</td>
<td>Foreign direct sales</td>
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<td>Mode of Entry</td>
<td>N/A</td>
<td>Licensing</td>
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<td>Co-production</td>
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<td>Branch offices</td>
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<td>Geographic Span</td>
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<td>Programs exchanges with</td>
<td>Major Export – Whole Asia</td>
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5.4 Environmental Forces on Internationalisation Processes of MBC

MBC’s internationalisation has been clearly shown to have developed in evolutionary patterns with sets of different activities routinely performed throughout its development stages of MBC itself. MBC’s success expanding into foreign markets should not be perceived as an unexpected phenomenon of windfall proportions to the extent this paper has identified. As shown in Table 4, MBC demonstrated the progressive development of MBC’s internationalisation process and performance, MBC’s progress in intensifying its internationalisation processes is the result of MBC’s continuous efforts and routines. Performance results from processes, and the processes make up a group of activities that a firm performs throughout the various stages of its development. The activities that MBC performs as part of its overall processes as it evolved aren’t driven purely by the will and direction of MBC itself; there are also environmental forces that have led MBC to perform such activities. These forces are the source and are fundamentals to influencing MBC’s internationalisation processes and performances.

External forces to the internationalisation processes of MBC

Interestingly, but also understandably, one of the forces exerting the most influence on corporate affairs within MBC has come about from changes in the political regimes in Korea. Since its inception in 1961 until the late 1970s, a continuation of authoritative regulations over the Korean broadcasting industry was a hindrance to the autonomy of Korean broadcasters. This was more apparent in the case of MBC because it deployed different broadcasting practices to those at KBS, which was a state-owned enterprise, and any potential competitive threat to the business of KBS was restricted through government regulation of such practices. In early years of MBC’s inception, MBC’s programming content was under stringent control, and the hours allocated for broadcasting certain genres were restricted by the regulations. Unfortunately, most of regulations imposed on MBC contradicted the broadcasting practices and corporate culture of MBC. Changes in political regimes not only affected MBC’s practices but also changed its ownership structures. Compared to the 1970s, much of the stringent controls placed on the broadcasting industry had softened due to the democratic movement in the political regimes of the 1980s. Much of internationalisation activities of MBC had been conducted during this time, especially before and after the 1986 Asian Games and the 1988 Seoul Summer Olympic Games. In the early 1990s, liberalisation of broadcasting regulations had continued and the entry was granted to new private terrestrial broadcasters and new media channels such as cable and satellite broadcasting, making significant changes to the structure of the Korean broadcasting industry. Evidently, changes in the structure of the Korean broadcasting industry had no doubt been shaped mostly by changes in government ruling parties and its political agenda regarding the practice of broadcasting.

Changes in government policies imposed on MBC and the Korean broadcasting industry overall had two different agendas. One is policy development relating to industry regulations, practice monitoring and protection of viewers’ interests, conducted by Korean Broadcasting Commission (KBC) – a government body regulating Korean broadcasting industry. The other concerns policies that promote development of the broadcasting industry by offering financial and regulative support for various parties to the Korean
broadcasting industry, which are conducted also by KBC and the Ministry of Culture and Tourism (MCT). MCT’s promotional policies became more apparent from the mid-1990s when *Hallyu* came to the notice of government and there was a push to develop and sustain the phenomenon. Whereas KBC’s policies were geared more towards the infrastructural development of Korean broadcasting industry, MCT was focused largely on the development of cultural content and the internationalisation of such content to foreign countries.

The changes in the international institutional environment, especially the conduct of WTO has played a major role in MBC’s internationalisation processes. As WTO is a facilitator of global trading activities in goods and services, including cultural goods, changes which bind member countries in its conduct relating to trading activities must be adhered to. Apart from the terms of trade of WTO, more bilateral agreements between specific parties of trading partners were more apparent in terms of the restrictive terms of trade for audio-visual goods. Such trends stimulated the formation between neighbouring countries of regional trading blocs such as APEC, NAFTA and ASEAN. The upshot of discussion on changes in the global trading environment and institutional changes is that the internationalisation processes of MBC are faced with certain limitations beyond its will-power and capabilities. This also means that institutional changes in the global trading environment and an individual country’s market conditions are vital factors affecting the international processes of cultural firms owing to the nature of cultural products.

As emphasised earlier, an understanding of the dynamics of consumption of cultural goods is more crucial to an understanding of the dynamics of production, as cultural goods are interpreted (consumed) differently from one consumer to the next. Changes in television viewers’ behaviour, together with the emergence of new media for watching television, forced terrestrial broadcasters to alter its business practices in an effort to sustain its position in the market. One of the motives of MBC’s internationalisation, besides building competitiveness in the domestic market as explained previously, is the ever-increasing intensity of competition that was forcing MBC to look beyond a saturated domestic market.

In addition to the importance of understanding changing dynamics in the domestic market, MBC also had the task of understanding the patterns of international consumption as the market expanded to include foreign markets. It was identified that four of the primary international markets for MBC—China, Hong Kong, Taiwan and Japan—has each displayed different industry structures and institutional environments. Although China is where *Hallyu* originated, that country is applying the most stringent measures to control the inflow of Korean cultural products. Taiwan displays unique market structures with less stringent government barriers, with the result that there is a high success rate for Korean cultural products. In Japan, industry and market structures are very similar to those of the Korean broadcasting industry, though in terms of both market size and expenditure the volume of trade in cultural products is significantly higher than that in Korea. Japan is considered a gold mine for the Korean broadcasting industry due to the size of its market economy. Although the size of the market in terms of export revenue is nowhere comparable to the abovementioned primary export markets of MBC, newly emerging South East Asian markets have been receiving more attention from MBC recently.

In addition to changes in market dynamics, one of the focal forces of the broadcasting industry will have to be the changes in broadcasting technology over recent years. This is especially so with the convergence of the broadcasting and
telecommunication industries blurring the distinctions between the two industries, and new business models emerge progressively as digital technologies get more sophisticated. MBC’s early adaptations of advances in broadcasting technologies demonstrated its proactive approach towards changes in technology. In the early stages of its development, MBC focused strongly on extending its coverage by establishing regional transmission networks where MBC had the capacity to build such infrastructure from the composition of locally-sourced abandoned equipment, as well as self-developed equipment.

5.4.2 Internal factors to the internationalisation processes of MBC

One of the biggest forces of change to MBC’s internal structures has been the waves of changes to MBC’s equity structures since its inception in the 1960s and even until the early 1990s. As the equity holders are the driving force behind organisational direction in a firm, changes in equity holders may also lead to changes in the characteristics of the firm. Soon after MBC entered the Korean broadcasting industry in 1961 as the first privately owned and operated terrestrial broadcaster, MBC’s private owner Ji-Tae Kim voluntarily donated his equity holdings to a government-linked private institution in 1962. As MBC wasn’t subsidised by government as was KBS, building capability and achieving operational efficiencies was the main focal point of MBC’s attention throughout the 1960s and 1970s. The second wave of major changes in equity structures happened in 1974 as a result of the merger between MBC and Kyung-Hyang Newspaper Corporation (KNC). In effect, one of the positive outcomes of the merger was that MBC become the first ever comprehensive media giant in Korea. The challenge, however, was that MBC had difficulties in integrating two distinctively cultured organisations after the merger took place. As from previous management directions of MBC, achieving operational efficiencies again became the principal focus of MBC, however this time it was aimed towards efforts to eliminate the wasteful resources that became obsolete after the merger.

In 1981, another major government intervention in media industry restructure led to a de-merger of MBC and KNC, and also portions of equity holdings was donated to the government which was then passed on to KBS, thus making MBC under control of KBS. In addition, the compulsory acquisition of regional MBC network broadcasters was forced by the government. In effect, MBC took equity control of regional MBC networks which used to be privately owned and in so doing increased its capacity. However, even under the direction of KBS, MBC retained its corporate culture from its beginnings and maintained its position in the market. During the 1980s, three of the key directions of MBC portrayed by MBC directors were listed as increasing the scale and process of drama productions, enhancing the quality and variety of programme productions, and promoting local programme production of MBC regional networks. However, it was clear that even though changes in the equity structure of MBC had impacted on its operations and practices, the organisation’s core strategies, culture, spirit and motto, which had been set in the early stages of its foundation, had been maintained throughout.

The changes in the organisational structure of MBC, which are geared towards achieving the strategic directions of MBC have direct implications. It was found that the shape of changes in the organisational structure of MBC clearly reflected MBC’s strategy implementation at different stages of its development. On several occasions MBC made changes to its divisional and hierarchical structure to gain maximum efficiencies, as required in its strategic direction discussed above. Also, several changes of organisational structure relevant to the internationalisation processes of MBC are evidence that its commitment to internationalisation activities has increased significantly. The creations and shift in certain umbrella of corporate structures of organisation units dealing with
internationalisation processes have evolved from mere co-ordination units to an establishment of wholly-owned separate entity.

5.4.3 Interactions of External and Internal Forces of Internationalisation Processes of MBC

As far as findings from the case study of MBC and their relevance to the internationalisation processes theories are concerned, the study identified sufficient evidences to demonstrate in its structures that both MBC’s external and internal factors show the evolutionary development of MBC’s internationalisation process. In addition, discussions from the previous sections discussed clear evidence of how motives and performance are interlinked and affected by the internal and external factors/forces of MBC throughout the different stages of its internationalisation process. It is clear that MBC was confronted with dynamically changing external environments such as institutional, technological, market dynamics, industry structures and inter-country relationships. Some of them challenged, some dictated, and some enriched the various stages of the internationalisation process of MBC. Most importantly, however, those forces led MBC to integrate, build and reconfigure internal resources and capabilities to act upon and draw out the best possible strategies. For example, one of the most competitive products of MBC in the local market was found to be its drama programmes, as identified from various performance measures.

As MBC possessed competitive advantages in its drama productions, it supported reasons for its success in the market. In addition, such factors also explain how MBC became very successful at exporting drama genres even in international markets. External factors for MBC to be so competitive in drama production lead back to its motives of foundation. Since its inception, MBC has deployed differentiation strategies with market-oriented programme development, and MBC’s strength in drama production was evident from the very early stages of its operation. As broadcasting technologies underwent rapid development, MBC proactively adopted and utilised its production capabilities which in turn effectively increased the production quality. MBC’s drama export activities were also supported by the Korean government’s initiatives to promote the internationalisation of Korean cultural products, working to stimulate international market demand through inter-country relationships and offering various financial support as well as hosting cultural fairs. As demonstrated here, various aspects of certain internationalisation processes (in this case, exporting) are interlinked via various activities of MBC. However, it is clear that throughout the history of MBC’s internationalisation process, there has been constant adjustment to MBC’s resources and capabilities according to both internal and external forces/factors of change, as stipulated by Teece et al.’s (1997) central proposition of dynamic capabilities theory.

6 CONCLUSION

International flows of cultural goods, particularly audio-visual goods including motion pictures, television programmes, music and other pop culture, have increased dramatically since the 1970s. Not only has this phenomenon impacted upon the economic attributes of some nations, as exemplified by the United States taking centre stage among media giants, but it has also raised global concerns about the threat of ‘cultural imperialism’ to the heterogeneity of national identities and cultural values. Still, trade barriers to audio-visual goods do exist in many countries, and ongoing battles between the US and its counterparts and the EU and their counterparts seem to continue unabated.
As discussed above, with the discipline of international business being unable to explain comprehensively the reasons for the internationalisation processes of culture firms, this paper has attempted to show how this insufficiency can possibly be remedied. Although the various international business theories discussed above offer compelling explanations for four of the key aspects of the internationalisation processes of cultural firms defined for this paper, they nonetheless offer only macro perspectives of the internationalisation processes in general. By no means are theories obliged to encapsulate even the micro-details of firms’ internationalisation processes to explain the underlying sources of environmental forces affecting firms’ capabilities. However, this paper demonstrated that some of the environmental factors/forces naturally dictate the scope of firms’ behaviour. For example, government regulations dictate the scope for local practices by broadcasting firms in local markets. Similar applications are also evident from foreign markets when broadcasting programmes are traded internationally. These forces in fact become applicable industry-wide, not specifically to individual firms.

As international business theories are centred mostly on explaining the behaviour of firms as the central object, inevitably even the effects of various outer contexts are viewed from the eyes of the firm rather than the nature of contexts themselves. For instance, the dynamic capabilities theory’s proposition puts an emphasis on the forces of environmental change because they affect firms’ behaviour, thereby the theory itself takes a reactive stance in the eyes of the firm as recipients. The question of why those particular forces in fact do exist cannot be explained or captured by any of the theoretical frameworks applied in international business disciplines. Addressing such a question will surely offer more comprehensive answers as to why firms behave in certain ways, often a fundamental question for scholars attempting to theorise about the behaviour of firms. Although this paper isn’t exhaustive enough to theorise about the internationalisation processes of cultural/creative firms, it does clearly emphasise that an interdisciplinary approach is necessary to explicate the subject much more comprehensively.

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Contact Address:
Tae Young Choi, Korea-Australasia Research Centre, University of New South Wales, ty.choi@unsw.edu.au