

Analysis of Participant Behavior Based on Resource Dependency Theory in the Process of Deregulation by Designation of R&D Special Zone

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Abstract: This study analyzes the behavior of main actors in the specialized zone designation process of Seocho-gu district based on Resource Dependency Theory (RDT) to find what the effective policy method deployed in the process of policy making is. To test this research, we interviewed 4 major companies: Hyundai-Kia Motors, Samsung, LG and KT which are located in Seocho-gu and we performed bibliographic research on the related issues and the specialized business plan issued by Seocho-gu, cluster and RDT paper. Also, we joined a public hearing process. The basic assumption of RDT is that the behaviors of performers may be different according to resources in detail importance, control and discretion and concentration. In this case, we find performers lacking two factors: control and discretion and concentration. To be in the R&D special zone, like cluster, companies and SMEs are necessary as the main players of clusters. Seocho-gu office is one of the main actors. Inhabitants and SMEs of Seocho-gu are also important players. Also, we find some important resources that can be used for the involvement of the main players of the area. Deregulation of floor area ratio. By designation of the R&D specialized zone, the company or people who joined a specialized business plan can benefit from the deregulation of the floor area ratio to more than three times of the current floor area ratio. Political support. The head of the local government could be re-elected by the support of the citizens. Development merit. By designation, citizens who own property in the area can get benefit indirectly or directly. Government contribution. Some SMEs can get government contribution by the agency. This study finds that performers who lack two resource factors-control and discretion and concentration-join the plan positively. Through this research, RDT development is made.

Key words: Deregulation, ICT cluster, R&D special zone, resource dependency theory, participant behavior, plan

INTRODUCTION

The special zone designation for deregulation: The special district designation plan for regional specialization and development is a newly introduced governmental policy which was enacted on September 22, 2004, to legally support the specialized development of regions, to vitalize the regional economy and to balance the national development by allowing some case-by-case exceptions of regulations to local communities in the era of localization.

However, this process is different from just designating an R&D Specialized district to make a cluster since, this designation includes diverse types of special zones for example, agricultural, tourism and publication. Additionally, the government tries to make any central

government cluster invest a central government budget for R&D or building infrastructure but this special area designation process doesn't include any funding from central government; it just includes deregulation. In some cases, though, it could have a positive effect to a certain local entity involved.

This study analyzes the behavior of the main actors in the specialized zone designation process of the Seocho-gu district based on Resource Dependency Theory (RDT) (Pfeffer and Salancik, 2003; Emerson, 1962). It will help us to understand appropriate policy tools to adopt when other local governments make any similar policy attempt to be designated as a special zone by the law for the deregulation. As Campling and Michelson (1998) said, "resource dependency theory provides an understanding of the constraint and politics of decision making" (Peter and In, 2007).

MATERIALS AND METHODS

To test this research, 4 major companies and a politician were interviewed while bibliographic research on related issues was performed. A specialized business plan issued by Seocho-gu and a cluster and RDT paper were made.

Analysis framework: RDT presumes the behavior of the organizations determined by three factors: importance, control and discretion and concentration (Pae, 2012). Based on the interview result and application for special district designation plan, their behavior was analyzed. In Fig. 1, one can see that by Designation of cluster performer, local or central Government, company and citizen can get political support or diverse profits. The behaviors of performer are deregulation input of budget or joining of business. However, these behaviors of performer are affected by the importance, control and discretion and concentration of resources. Through this research, one can see which aspects (importance, control and discretion and concentration of resources) make performers join the special district designation plan. Additionally, this study is going to find the main players of the deregulation policy making process and resources of deregulation.

Main players: In the process of special zone designation, the main players can be detected by the related law. Special zone designation process is divided into two processes: applying process and approval process. The reason we focus on the main players is that local politics is dependent on the inhabitants of a related area (Ward, 1997; Mi-Gyeong, 2007). In the apply process, the main player is a local government. To make the special zone plan be approved, it needs the help of the main participant of the area and citizen. Since, Seocho-gu wants to designate the area as an R&D specialized zone, they need to join the main company or SMEs. In Seocho-gu area as shown in Fig. 2, there are many large Korean companies.

Those are Samsung, LG, KT and Hyundai-Kia Motors. This study interviewed Hyundai-Kia Motors, Samsung, LG, KT, the Federation of Teachers Association and small and medium companies which are located in Seocho-gu. To be an R&D special zone, like any other innovation clusters, companies are the main players. The Seocho-gu office is one of the main actors. The inhabitants and SMEs of Seocho-gu are also important players. In the approval process, the central government is the main player but since, it is a neutral entity having authority over recognition interviewing it is meaningless.

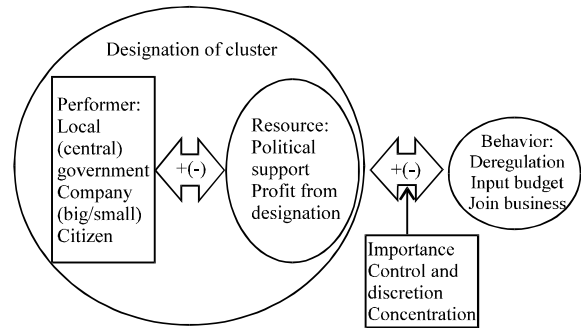


Fig. 1. Analysis framework

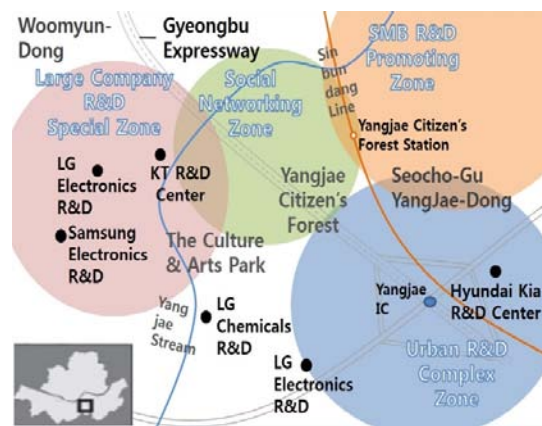


Fig. 2: Main players and location of Seocho-gu in Seoul

Resources: Resources can be explained in different way and it is subjective to each member 6. In this study, we can define resources like the following:

Deregulation of floor area ratio: By designation of the R&D specialized zone, the company or people who joined the specialized business plan can benefit from the deregulation of floor area ratio to more than three times of the current floor area ratio, specifically in the region where the price of real estate is too high to build it and has a huge effect for the related people.

Political support: The head of the local government could be re-elected by the support of the citizen. A development plan for the area is a good policy to get political support from the voter to the politician who needs to be re-elected as it is one of the best policy tools. A development plan by the local political entity is the one of the local politics (Castells, 1997).

Development merit: By designation, citizens who own property in the area can get benefit indirectly or directly. People in the area can build more high buildings and can

Table 1: Resource produced by deregulation

Special regulation	Necessity	Scope of application	Specialized project
Article 20 (special cases for the immigration act)	Simplification of employment procedure for foreign researchers	Extending the upper limit of foreign residency period during recruitment	R&D campus of LG electronics KT GIGA topia article
32 (special cases for the national land planning and utilization act)	Securing a strongpoint gap and expanding the attraction of research facility to enhance research function	applying the upper limit of the building-to-land ratio and the floor index ratio in their area	Designated utilize SMEs application in their area
Article 36-8 (special cases for the patent act)	Priority review of patent applications	specialized businessman	R&D campus of LG electronics KT GIGA topia designated

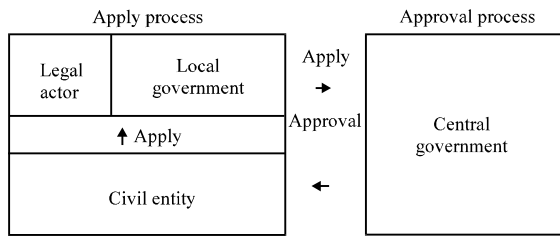


Fig. 3: Application and approval process

enjoy new infrastructure. By the influx of people to the area, they can expect a rise in the price of property (Yeol, 2004).

Government contribution: Some SMEs can get government contribution by the agency. Normally, if local clusters are designated, central government inputs government budget which is focused for the related area to be used for local SMEs.

Thus, they can expect obtaining some government budget for the purpose of R&D in the area. Table 1 shows what resources are produced by the deregulation.

R&D special zone designation process: The special district designation plan for regional specialization and development was enacted on September 22, 2004. This law defines designation process. To be designated as a special district designation plan for regional specialization and development, the head of the gu-office needs to apply to a central government for the designation. Also, some civil entities can ask the local government to apply to a central government special zone designation.

To get the approval of the central government, the local government needs to make a special business plan. To make this plan, it needs many participants for a corresponding area. Through the deliberation of the committee, the central government decides whether the applied area is adopted as a special zone or not. Thus, the local government needs to use local resources wisely to make participants join the program; it also needs to make a persuasive and effective plan. In Fig. 3, one can see the application and approval process to be in the R&D special zone.

RESULTS AND DISCUSSION

Jointed group: LG and KT submitted a specialized business plan to get the deregulation. LG and KT jointed the plan and they helped Seocho-gu office in several ways. They applied their new building construction plan which is deregulated, so, they can build more than three times bigger than the current building built more than twenty years ago. Also, they submitted a cooperation plan with KT, Hyundai-Kia Motor including SMEs. One of the technical directors from LG said, “The company wants to have a chance to cooperate but the problem is that we have no chance to meet. The company not only wants to compete but also wants to cooperate”. Some SMEs which have the experience of government-joined project, joined to get deregulation or government support.

One of the positive SME participants in the process had the experience of government project carried out and that was the main success reason of the participant company. An important factor is that they needed experience with government project and positive results to the company. Seocho-gu showed considerable interest to get the deregulation from the central government. This effort has been continued for more than ten years by the head of the Gu-office to get the political support of citizens for re-election. In fact this deregulation plan was an effective plan to gather the interest of the citizens. More than four hundred people in the area joined public hearing and made a strong opinion toward deregulation for their personal property hoping to get the profit from the deregulation.

Unjointed group: One of the biggest companies of the area, Hyundai-KIA Motors, didn’t join the program even though it needed to change the purpose of the district from the distribution to the R&D. The reason is that they already get enough deregulation by the distribution purpose, even though it is an illegal state in some parts. A director from Hyundai-Kia Motors said, “After the government designated the R&D special zone, it asked us what we can do for the cluster. To them, making any more business or relationship with government was not necessary. From the viewpoint of noninterest groups, designation of a special area is just one of the policies not

Table 2: Dependency on resources

Players	Resources	Importance	Discretion	Concentration
LG	(Space in demand)	o	X	X
KT	(Space in demand)	o	X	X
Samsung	(New infrastructure)	X	o	o
Hyundai	(Change of district)	X	X	X
SMEs 1	(Government budget)	o	X	X
SMEs 2	(Government budget)	X	X	X
Local politician	(Re-election)	o	X	X
Citizen	(Diverse benefits)	o	X	X
Central government	-	o	-X	o

considerate of people who are related. Simply, it is just a supplier-oriented policy. Samsung also didn't join the plan; the reason is that it built its property just 2 years ago in the area, so, to build a new building is not cost-effective. In another way, deregulation is not meaningful to them. Some SMEs which do not have the experience of government joining the project didn't join the plan-making process of the local government.

Deregulation meaning to participants: As shown in Table 2, we can see that participants with two x's join the program compared with those with less x's (3-3 to 3-4). The most valuable component was importance. RDT asserts that the interdependency of organization is decided by importance, control and discretion and concentration of resource. The importance of resource means how necessary a resource is to a certain organization. Control and discretion refers to who owns the resource or who distributes the resource. Concentration means whether resources can be substituted by other resources. LG needs new space to gather their research infra which is scattered in other areas, so, new space is important but they don't have any discretion or concentration for those belong to the government. Thus, they joined a local government's special zone plan positively.

KT also needs new space since, its research infra was built 20 years ago. Thus, new space is important but it doesn't have any discretion or concentration, so, KT submitted a specialized business plan for special zone designation. In case of Samsung they built an R&D campus in the area just two years ago, so, to Samsung expanding the floor area ratio is meaningless. New space is not important but they do have discretion and concentration over the new space already. Deregulation by the designation of special zone gives participant 150% floor area ratio from 50% but Hyundai-Kia Motors already has the 150% floor area ratio by the other designations and distribution business area. It just needs to change the district purpose from distribution to R&D. However, since, R&D is an inside matter, Hyundai is not desperate

to change deregulated district purpose. Change of district is not important even though it doesn't have discretion or concentration. In case of SMEs divided into two groups, group 1 has experienced government support and group 2 has not experienced it. SMEs don't have any discretion and concentration. To group 1, government budget or support is an important component but to group 2, it is not important. Importance was divided by whether they joined the government business or not. Thus, in this case, importance is a rather subjective matter.

To local politicians, re-election is an essential matter but the voting is a matter concerning citizens, so, they don't have any discretion or concentration about voting. Contrary to this case, the citizens don't have discretion or concentration about the diverse benefits of deregulation.

The purpose of the special district designation plan for regional specialization and development is to make a region develop and prosper. Mostly inhabitants choose to join based on their acquisition of new resources. In particular, the property of Seocho-gu is the most expensive one in the Korea. Giving deregulation in the area gives a big opportunity to inhabitants. Thus, policy makers should consider the resource aspect to make many participants join the special district designation plan. Also, the plan for the specialized plan by the component shouldn't be focused on newer and bigger building construction. The central government also considers this aspect when it gives its deregulation approval to the local government. If it doesn't, this policy implementation just results in meaningless deregulation and waste of national resources. Since, the central government makes a final decision, it needs to set up some standard guideline of permission. The reason is that from 2004-2012, the deregulation law enacted special zones for the regional development designated by the central government. Too many special zones for development exist in South Korea.

CONCLUSION

This study analyzes the behavior of the involved group in the process of policy making. That is a process of making a special business plan for specific regional development. The basic assumption of RDT is that the behaviors of performers could be different according to resources in detail by three components of resources that are importance, control and discretion and concentration. In this case, it is found that performers which lack at least two factors-control and discretion and concentration-join

the plan positively. Of course, importance is the prerequisite to the other components and it is affected by the substituents.

To be an R&D special zone, like cluster, company and SMEs are necessary as the main players of clusters. Seocho-gu office is one of the main actors. The Inhabitants and SMEs of Seocho-gu are also important players. This study checked these main players through the special zone designation business plan issued by Seocho-gu office. Since, Seocho-gu office's target is the R&D specialized zone, it needs a high technology-oriented big company.

RECOMMENDATIONS

Also, this study found some important resources such as what could be used for the involvement of the main players of the area: Deregulation of floor area ratio; By designation of R&D specialized zone, the company or people who joined the specialized business plan can benefit from the deregulation of the floor area ratio more than three times of the current floor area ratio; Political support the head of the local government could be re-elected by the support of the citizens; Development merit by designation, citizens who owned property in the area can get benefits indirectly or directly; Government contribution. Some SMEs can get government contribution by the agency.

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