Expanding and Revitalizing Entrepreneurship in Korea

Zong-Tae Bae* · Min-Seok Cha**

Abstract: Entrepreneurship has become a driving force for economic and social development in many countries. Today, the mechanism and principles of entrepreneurship developed in the commercial world have been applied to other areas such as universities and nonprofit organizations. Throughout economic development and cycles, however, the entrepreneurial spirit has been boosted and then shrunken again since the mid-1990s in Korea.

The purposes of the paper are twofold. First, this paper reviews the characteristics and approaches of entrepreneurship based on existing academic literature, and suggests how entrepreneurial management approaches can be expanded into relatively new realms such as large corporations, universities, and nonprofit enterprises. Corporate entrepreneurship, university entrepreneurship, and social entrepreneurship have been on the rise in recent decades. Second, this paper analyzes recent developments in Korea's entrepreneurship trends to identify factors for facilitating and restricting entrepreneurship development, and proposes new directions of entrepreneurial development (Venture 2.0) in terms of government policies, venture habitats and key success factors of venture firms in Korea.

In this paper, entrepreneurship is defined as "the pursuit of opportunity without regard to resources currently controlled" (Stevenson, 1983). Based on this definition of entrepreneurship and the Timmons framework (Timmons, 1994) on the entrepreneurial process (consisting of three driving forces: entrepreneurial team, opportunity, and resources), this paper compares the entrepreneurial management approach with the traditional management approach. The traditional management approach is: i) suitable for scale-intensive large firms, ii) focused on specialization and functional management, and iii) in pursuit of static profit management and maximization of present values. On the other hand, the entrepreneurial management approach is: i) suitable for technology-based venture firms, ii) focused on integration and opportunity recognition, and iii) in pursuit of dynamic growth management and capitalization of future values. In addition, key success factors of the entrepreneurial process are summarized in terms of: i) the entrepreneur's experience, commitment and management skills, ii) the entrepreneur's networking capabilities as well as network density and diversity, iii) the team's synergy and chemistry, iv) the attractiveness of opportunity based on successful pattern recognition, v) grasping the right timing when the window of opportunity is open, vi) minimizing resource commitment, and vii) utilizing the resources of others efficiently and effectively.

Entrepreneurship can occur and fail to occur in firms that are old or new, small or large, and fast or slow growing in the private, nonprofit, and public sectors (Timmons, 1994). This paper examines the possible approaches and strategies as to how the concept of business entrepreneurship can be implemented into corporate, university, and social entrepreneurship.

To apply the entrepreneurial approach into large firms, the motivation, strategies, mechanisms, and success cases of large entrepreneurial firms and lessons for corporate entrepreneurship are reviewed and discussed. Zahra (1991) observed that "corporate entrepreneurship may be formal or informal activities aimed at creating new businesses in established companies through product and process innovations and market developments." The infusion of entrepreneurial thinking into large bureaucratic structures can make

* Professor, KAIST Graduate School of Management(zthae@business.kaist.ac.kr)
** Senior Researcher, KAIST Center for Innovation and Entrepreneurship(holiday@business.kaist.ac.kr)
a new corporate revolution (Kuratko and Hodgetts, 2007). Corporate entrepreneurship encompasses two phenomena: new venture creation within existing organizations and the transformation of organizations through strategic renewal (Guth and Ginsberg, 1990). For large firms, creating innovative new businesses while maintaining existing profitable businesses is the most important challenge to survive and grow. They must become Janus-like, looking in two directions at once, with one face focused on the old and other seeking out the new (Garvin and Levesque, 2006). Because most new ventures set up by established firms fail, the firms attempt numerous experiments with several organizational structures to promote corporate entrepreneurship and innovative culture within the firms. These firms should perform a number of the most critical balancing acts for entrepreneurial equilibrium. Based on literature and cases, this paper summarizes seven key success factors for corporate entrepreneurship and new business development: i) formulating and implementing a relevant new venture strategy such as new venture division and venture nurturing, ii) building a relevant organizational structure such as idea generating group, iii) creating a favorable organizational climate suitable for the ambidextrous organization, iv) designing the proper screening/incubating/accelerating processes and incentive systems for corporate entrepreneurs, v) cultivating capabilities and experiences of potential corporate entrepreneurs (champions), vi) identifying compelling and attractive business opportunities, and vii) promoting top management support. The process of Toshiba’s laptop development is explained as a good example of corporate entrepreneurship based on key entrepreneurs rather than the company-wide entrepreneurial system.

There are increasing demands on more contributions from universities to economic development through commercializing their technologies. Recently many universities in both the United States and Europe have been attempting to become entrepreneurial universities and these phenomena invoke the new roles of universities within the society. In this paper, the roles and changing attitudes of universities and the definition and mechanisms of university entrepreneurship are reviewed and discussed to expand the entrepreneurial approach with universities. This paper defines university entrepreneurship as “entrepreneurial activities in which a university would be involved, including, but not limited to: patenting, licensing, creating new firms, facilitating technology transfer through incubators and science parks, and facilitating regional economic development” (Rothaermel, Agung, and Jiang, 2007), and suggests key research agenda on university entrepreneurship.

Furthermore, the importance and characteristics of social entrepreneurship are explained and the comparison of commercial entrepreneurship and social entrepreneurship is made based on existing literature, such as Sahlman (1996) and Austin, Stevenson, and Wei-Skillern (2006). In this paper, social entrepreneurship is defined as “innovative, social value creating activity that can occur within or across the nonprofit, business, and government sectors” (Austin et al., 2006) and some successful cases are presented to explain the nature of social entrepreneurship such as a multiple rewarding mechanism.

The final portion of this paper analyzes recent developments in Korea’s entrepreneurship by dividing the process into two parts: Venture 1.0 and Venture 2.0. This paper compares the venture habitats and the characteristics of successful venture firms of two decades (1990s vs. 2000s) in Korea. The number of ventures has increased since the mid-1990s. The development of high-tech ventures in the mid-1990s (Venture 1.0 firms) was strongly supported by government policy. In the mid-2000s, new types of ventures based on market opportunity were founded (Venture 2.0 firms). This paper identifies factors to facilitate and restrict entrepreneurship development and proposes new directions of entrepreneurial development for the Venture 2.0 environment in terms of government policies, venture habitats, and key success factors of venture firms in Korea. There were several changes in habitats from Venture 1.0 to Venture 2.0 along the stages of development. The identified changes include the method of government support (from direct to indirect), the focus of policies (from supporting individual firms to creating venture habitats), and key words (from “venture” to “entrepreneurship”). Furthermore, how the changing patterns of interactions among universities, research institutes, and industries can affect the performances of entrepreneurial activities is also addressed.

This paper reviews existing literature on entrepreneurship as an emerging discipline of management, and suggests the entrepreneurial approach to economic, technological, social, and cultural development, not only at small and large firms but also at universities and social enterprises. This will be the right direction forward for entrepreneurial firms, universities, and nations. Further theoretical and practical studies on the evolving entrepreneurship agenda in different contexts are needed.

[Keywords] Entrepreneurship, Corporate Entrepreneurship, University Entrepreneurship, Social Entrepreneurship, and Venture Habitat