

Exploring Entrepreneurial Growth Aspirations: Empirical Evidence of South Korea*

Donghwan Cho

Venture and Business, College of Business and Economics, Gyeongnam National University of Science and Technology
33 Dongjin-ro, Jinju, Gyeongnam, 52725, Korea
Email: dhcho [AT] gntech.ac.kr

ABSTRACT— *All major countries in the world are focusing on economic development through entrepreneurship. In this global trend, Korea has been making efforts to revitalize entrepreneurship by promoting entrepreneurship by region and supporting young entrepreneurship. However, there are many cases in which many policies for supporting start-ups are established and executed without grasping the actual situation of unique start-ups. The purpose of this study is to explore the actual conditions, enthusiasm and promotion plan of Busan, which is a representative local city in Korea. For this purpose, 2000 sample were collected and used for analysis. As a result, it is found that the enthusiasm for entrepreneurship of the entrepreneurs in Busan is slightly lower than metropolitan area or Korean average. This can be confirmed by the degree of utilization of new technology, entrants to new markets, and expected job creation level of entrepreneurial entrepreneurs. Implications for promoting entrepreneurship for regional economic development are discussed.*

Keywords— Regional economy, Entrepreneurial aspiration, Entrepreneurship, Economic development

1. INTRODUCTION

Countries around the world are focusing on economic growth and development through entrepreneurship. This global trend is similar to that in Korea. Recently, the Korean government has opened a creative economic center in each region, actively supported regional business start-ups, encouraged entrepreneurship activation by strengthening start-ups, and is actively promoting policies to encourage technological entrepreneurs with high social impacts.

If so, why do you focus on economic growth through entrepreneurship? First, entrepreneurial activity is considered a key factor for social development and welfare promotion. Entrepreneurship induces and shapes innovation and accelerates structural changes in the economy. In addition, entrepreneurship indirectly contributes to productivity by introducing a new economy like the creative economy, and serves as a catalyst for national economic development and competitiveness improvement (Kim, 2014). Second, entrepreneurship is a very important factor for economic development in all regions of the world, contributing to job creation and economic development. In 1997, the Korean economy was revived after the Asian financial crisis by creating jobs through venture start-ups with technological capabilities (Bahn et al., 2013). In addition, it is important to note that this type of entrepreneurial activity is an important factor influencing the economic development and competitiveness of a country (Klyver, 2008; Kolk et al., 2014). Entrepreneurial entrepreneurs contribute to the health of the economy through the creation of employment, lead innovation, and produce better goods and services to enhance the productivity and competitiveness of their industries. This series of activities of entrepreneurial entrepreneurs creates social added value and contributes to strengthening national competitiveness by developing local and national economies in which they belong (Estrin et al., 2013).

There is intensified competition between countries or regions for promoting the business of entrepreneurs and fostering business. An example is Japan. Japan decided to reduce its corporate tax rate from 40.7% to 5%, in response to the favorable business environment of Hong Kong (16.5%) and Singapore (17%), It can be seen as an attempt to devise. (Chosun Ilbo, 2013) The National Competitiveness Index released annually by the World Economic Forum (WEF) can also be found in this context, and countries with varying rankings can be misled by their rankings.

In this study, we use GEM (Global Entrepreneurship Monitor) data, which is a global database of entrepreneurship, to

* This research was developed based on "A Study on the Actual Condition and Promotion of the Entrepreneurship of Busan for Realization of Creative Economy" published by BDI(Busan Development Institute) in December, 2013. This work was supported by Gyeongnam National University of Science and Technology Grant in 2016.

grasp the current status of business in Busan, which is a representative local city in Korea. do. In the case that the concentration of human, physical, and financial resources in the Seoul metropolitan area is getting worse, we have targeted the Busan area, which is a representative local city for the healthy local economic development. The economic and entrepreneurial characteristics of Busan area are different from those of Seoul and Gyeonggi province because it is highly related to other regional provinces, . In addition, GEM research is the most comprehensive global database of startups in more than 60 countries around the world (Bahn et al., 2013).

2. PRIOR WORKS

2.1 The Roles of Entrepreneurship and Start-ups

Entrepreneurship is a very important factor in economic development in all regions of the world, contributing to the creation of employment and economic development. It is recognized that job creation by venture business start-up after the financial crisis of 1997 played a major role in reviving the Korean economy. As such, entrepreneurial activities are known to be a very important factor in economic development (Efendic et al., 2015).

Most entrepreneurs tend to be concentrated in the age brackets with some experience, but entrepreneurial phenomena are observed in all age groups. Everywhere in the world, young people as well as late-life professionals are involved in start-ups (Autio & Pathak, 2010). Given the fact that entrepreneurial activity is taking place in a wide range, further research on entrepreneurship is required. Therefore, various measures are being sought in various countries around the world to encourage entrepreneurship. In the process of taking various policies to recover the economy, The need for research emerged.

Global Entrepreneurship Monitor (GEM) (GEM) is a representative research project to systematically summarize the causal relationship between factors affecting start-up performance and a set of variables related to small and medium-sized venture companies. Research has been conducting 14 years of research on attitudes, activities and aspirations of individual entrepreneurial activities around the world every year since 1999. While collecting consistent data for year-over-year comparisons of entrepreneurial activities, GEM has developed a system to cooperate and study under the common research programs of various start-up scholars in various countries, and GEM has made it possible to disseminate information on national characteristics of entrepreneurship activities, GEM research is not only an official start-up activity, but also an informal start-up In addition, the GEM measures not only the mature business that has stabilized since its establishment but also the newly established (less than 42 months) early-stage business, where the data is sophisticated, unified It is possible to gather and analyze vast amount of information by the questionnaire.

2.2 National/Regional Entrepreneurship Gaps and its Effects

The regional disparities of entrepreneurship can be divided into the regional disparities and regional disparities. The differences in the entrepreneurship are influenced by the level of economic development, economic fluctuations, restructuring of large corporations, changes in income and consumption, economic policies and technological changes (Light & Dana, 2013). First, there is a high correlation between the level of economic development of the country and start-ups (Shinnar et al., 2012). In the early stage of economic development, start-ups are actively generated by creating new markets, but as economic development accelerates, entrepreneurship is reduced by the growth of large corporations. However, when economic development reaches the stage of maturity, entrepreneurial opportunities increase and entrepreneurship grows again. Start-ups are also sensitive to changes in the economy. However, according to the level of economic development, the time of establishment and the nature of the difference are different. In advanced economies, opportunistic entrepreneurship is increased in the case of a low economic recession, where business restraints are limited and business success is high. However, in developing countries, the number of entrepreneurial entrepreneurs increases when the unemployment rate is high. And recently, the transition to a small specialized production system, the rapid development of information and communication technology, the emergence of cyberspace, and the acceleration of globalization have been the factors that greatly contributed to the start up of small enterprises.

Even if the number of entrepreneurs increases at the national level, there is a gap in entrepreneurship between regions (Sirec & Mocnik, 2013; Kelly et al., 2012). The factors influencing entrepreneurship at the regional level can be divided into individual factors and regional factors. Personal factors mean the willingness and ability to start a new business. Challenges and competencies for entrepreneurship increase with age, peaking in the mid-thirties and then gradually declining (Guesnier, 1994). The higher the level of education, the higher the enthusiasm and ability to start a business. In addition, professional workers such as clerical and managerial workers show a relatively high entrepreneurial enthusiasm (Stenholm et al., 2012). Thus, entrepreneurship is more active in regions with younger, higher educated, and professional workers than in those without (Storey, 1994).

Entrepreneurship is influenced not only by personal factors, but also by the local entrepreneurship and environment. Local factors mean the local conditions and circumstances that provide entrepreneurial opportunities to potential entrepreneurs with a high level of entrepreneurial enthusiasm (Lee & Roh, 2015). Various regional factors such as population growth rate and population density, urbanization level, composition of companies, unemployment rate, social

attitude toward start-ups, and government policies influence start-ups. In regions with high population growth rates and population densities, entrepreneurial opportunities increase as the demand increases (Keeble et al., 1994; Guesnier, 1994). This means that population decline and population decline are hard to take the opportunity to lead to entrepreneurship. High urbanization and large cities provide many positive effects on entrepreneurship (Efendic et al., 2015). In large cities with high population density and population growth, as well as the expansion of entrepreneurial opportunities due to increased demand, the potential entrepreneurs can reduce the uncertainty of entrepreneurship by exploiting local externalities such as specialized employment markets, information and local networks in large cities. Also, large cities are relatively easy to accumulate knowledge transfer and know-how due to the externalization of information, thereby expanding opportunities for start-up.

3. RESEARCH METHOD

We use GEM (Global Entrepreneurship Monitor) data, which is a global collaborative research in entrepreneurship, for objective and consistent comparison and analysis. GEM conducts the largest single study of entrepreneurial activity in the world. It is a research project that widely disseminates information on the characteristics of the country in which it operates and collects useful data internationally through various surveys on the start-up process and growth (Bahn et al., 2013). Understanding and cooperating with entrepreneurial activities from the information gathered through these surveys provide academic, policy, and practical implications. GEM was founded in 1999 by professors from Babson College and London Business School in the United States and started in 10 countries. In 2005, the Global Entrepreneurship Research Association (GERA) was established to manage the research project GEM. In 2011, 54 countries including the United States, the United Kingdom and Korea participated. In 2012, 69 countries including Korea participated.

The GEM project is a comparative study of the impact of entrepreneurship on economic growth, with four main tasks: 'How does entrepreneurial activity affect economic growth?', 'How do entrepreneurship activities affect economic stability, such as job creation and economic growth?', 'What is needed to activate entrepreneurship activities?'

The GEM project was collected through surveys conducted by general adults and by interviews with experts. In the case of Korea in 2012, the Adult Population Survey was conducted to compare and analyze internationally for the purpose of establishing a business. In the general adult survey, the average adult in Korea was selected based on age, occupation, A telephone interview was conducted by sampling randomly. In this study, we analyze GEM APS data in 2012.

APS is the most basic survey method performed by GEM. Researchers in each country should survey at least 2,000 of their nation's adults and, in countries with more than 85% of telephone penetration rates, select a professional survey agency to conduct a random survey of adults. For the consistency of the survey results and country comparisons, each country will apply the same survey period and survey method, and the collected data for each country will be integrated into one and analyzed for various purposes at the GEM headquarters.

The configuration of the APS is as follows. Data on various entrepreneurial activities and perceptions are collected through the APS survey. The main indicators are the nascent entrepreneurship rate of the initial startup stage, the rate of new business ownership Rate, total early-stage entrepreneurial activity rate (TEA), including early-stage entrepreneurial activity and early-stage management activities, and established business ownership rate after establishment.

4. ANALYSIS RESULTS

4.1 Survey overview

At the GEM, the Adult Population Survey (APS) was used to identify the level of entrepreneurial activity and level of a country, which was conducted through telephone surveys of more than 2,000 people. In Korea, research was conducted through the Korea Research (HRC) between April and June 2012. The number of questionnaires collected by region was determined by the proportion of population in the region. In Seoul (21.1%), which had a high population ratio, 422 samples and 474 samples (23.7%) were sampled. Between April and June 2012 (3 months), the total number of questionnaires collected in the Busan area through telephone survey was 144.

Table 1: Data collection results

Region	No of collected surveys	Ratio(%)
Seoul	422	21.1
Incheon	113	5.7
Busan	144	7.2
Daejeon	60	3.0
Daegu	100	5.0
Gwangju	56	2.8

Ulsan	47	2.4
Gyeonggi	474	23.7
Gangwon	58	2.9
North Chungcheong	60	3.0
South Chungcheong	79	4.0
North Gyeongsang	101	5.1
South Gyeongsang	126	6.3
North Jeolla	68	3.4
South Jeolla	69	3.5
Jeju	23	1.2
Total	2000	100.0

TEA means a company that is within 42 months of its foundation. The type of TEA enterprise in Korea is divided into categories as shown in the following figure <Figure 1>. Consumer oriented business accounted for 47.7%, followed by Transforming business with 29.2% and Business service with 19.2%. The lowest is the extractive business, accounting for 3.8% of the total.

The patterns of EB firm distribution are slightly different from those of TEA. EB firms mean the companies those are founded and operated more than 42 months. Consumer oriented business is the highest, comprising 46.6%, followed by transforming business comprising 37.6%, and Business service comprising 10.6%. The lowest is the extractive business accounting for 5.3% (Figure 2).

Detailed analysis was followed. This time the classification sets apart twelve sub-industries, not the four types. In TEA, the largest number of industrial groups account for 43 hotels & restaurants, followed by 22 manufacturing companies. This is also the case for EBs with 67 hotels & restaurants, followed by 40 manufacturing.

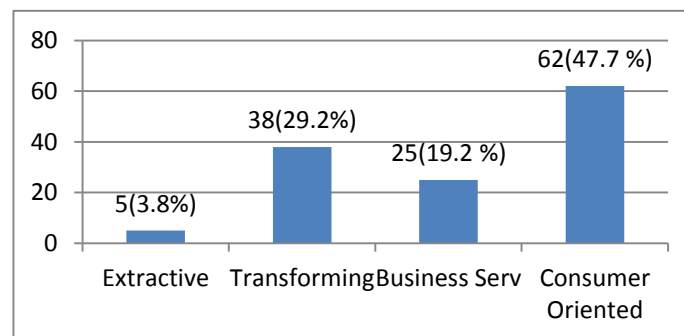


Figure 1: TEA Firm Types

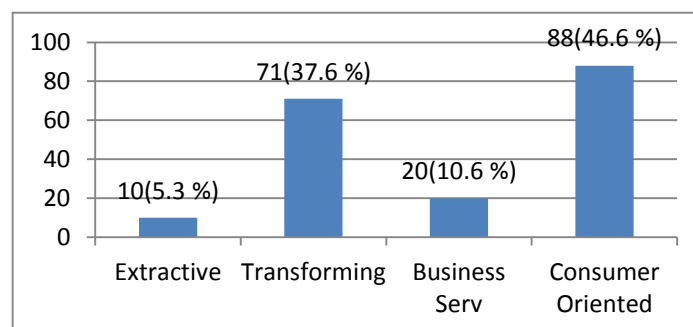


Figure 2: EB Firm Types

In the case of TEA companies, 90.3% of respondents said that they use existing technologies that existed in the market, and only 9.7% of respondents said that they started using relatively new technologies (Figure 3). This pattern is becoming more evident in EB, with 97.4% of respondents saying they are using the existing technology, and only 2.6% of respondents using relatively new technology (Figure 4).

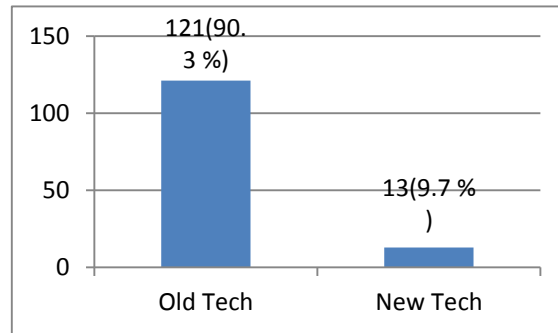


Figure 3: New Technology Use by TEA Firms

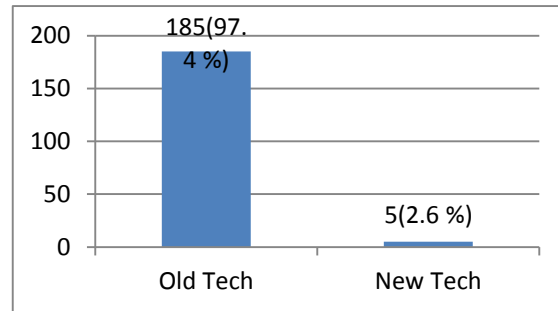


Figure 4: New Technology Use by EB Firms

The results of the study of the new technology in terms of expansion of the market are as follows. In the case of TEA companies, most of the startups account for 62.7% of the cases without new market expansion (Figure 5). Followed by 27.6% of those who did not use new technology but some extent of market expansion. Followed by new technology and 6.7% of market expansion. The smallest is the profound market expansion of only 3%.

In the case of EB, there were no profound market expansion firms, while 73.2% of them did not have any market expansion at all. Followed by a 24.2% of market expansion, 2.6% of new technology use, and some market expansion, although we did not use new technology (Figure 6).

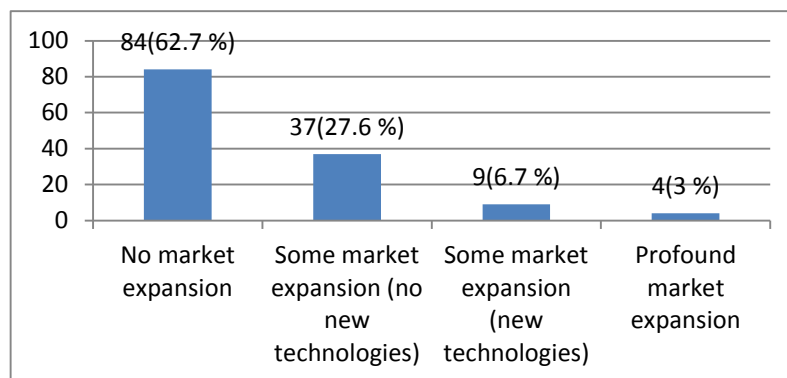


Figure 5: Market Expansion Mode by TEA Firms

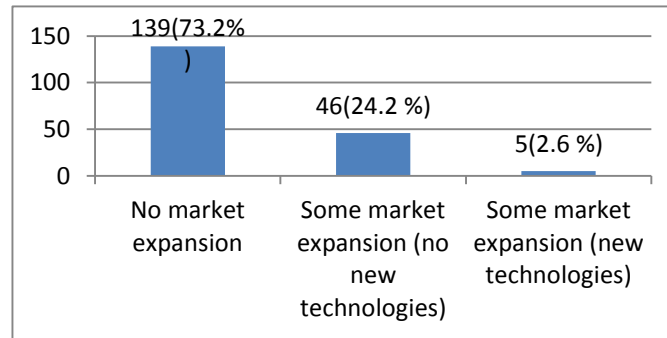


Figure 6: Market Expansion Mode by EB Firms

Since the initial stage of business start-up and business stabilization, the citizens of Busan have recognized that the competition level is somewhat lower than other regions in Korea (refer to Figure 7). Busan residents perceive the competitors to be slightly less competitive than the domestic average. As for the intensity of competition after the stabilization phase of the project, the citizens of Busan also think that the competition level is lower than the domestic average. In the case of EB, there are many competitors or a few competitors, both of which are lower than the domestic average.

In the case of Busan, there was no difference in TEA, but it was found that EB was less than domestic average when it said that it started using technology that was 5 years old. Busan area does not show much difference from the national average whether or not it has started using the new technology (Figure 8). In the Busan area, the rate of establishment of new technology within 5 years was 1.4%. In the case of EB, which was in a stabilized phase, Busan had 5.6% of its business start-up using technology that was five years old, which was lower than the national average of 8.6%.

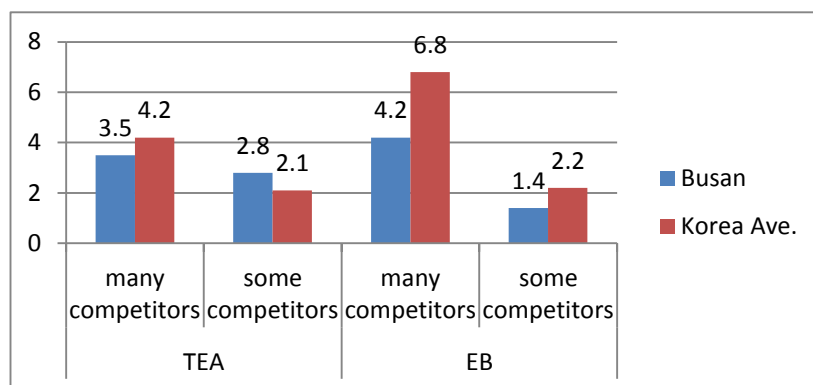


Figure 7: New Product - Level of Competition

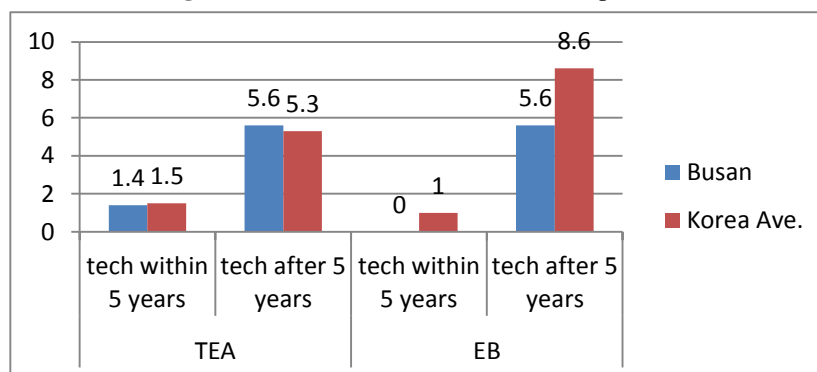


Figure 8: New Technology Usage

When we look at the job creation aspect of Korean TEA companies as a whole, the largest group was 1 ~ 5 jobs (refer to Figure 9 & 10). Followed by no job, 6 ~ 19 job, and so on. In terms of expectations for future growth that can be seen in the aspirations of venture companies, there are 1 to 5 job groups with 58, 6 to 19 job groups and 20+ job groups. In Busan, which is one of the main areas of interest in this study, a slightly different aspect is observed from the overall

pattern. Currently, no job group is the largest in terms of jobs and relatively few groups have high job creation level. Expectations for the future are also expected to have little job creation.

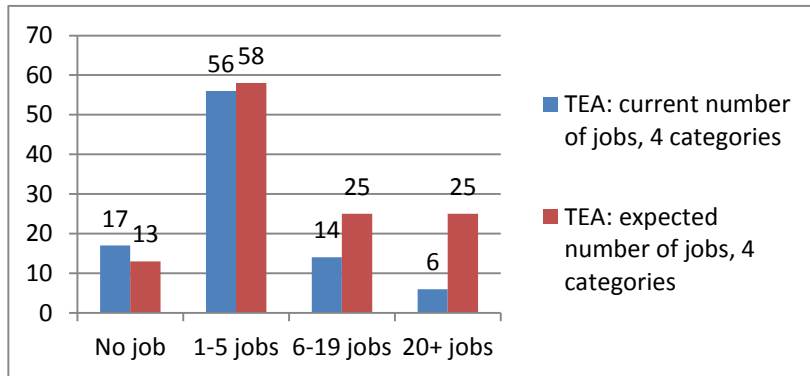


Figure 9: Growth Aspirations by TEA firms(Korea Overall)

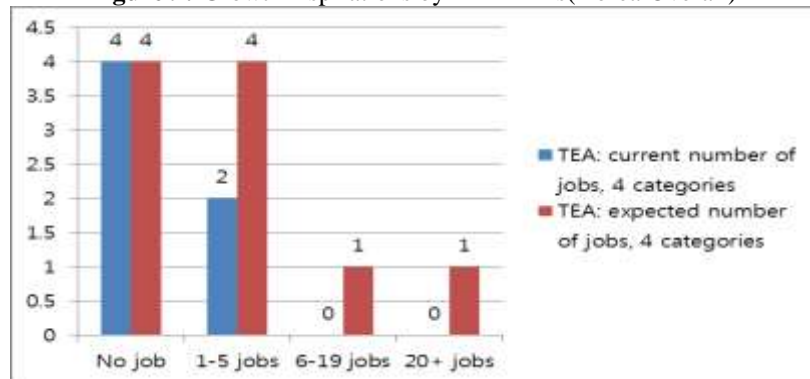


Figure 10: Growth Aspirations by TEA firms(Busan)

For EB companies, the employment level is highest in the 1-5 job group (118), followed by the 6-19 job group (32) and the no job group (29). Looking at the degree of job growth in terms of growth aspirations and expectations for the future, the group with the highest increase is increasing to 16 in 20+ groups. We expect a slight increase in the number of jobs, and a slight decrease in the number of jobs between 6-19. In the case of Busan, the largest number of jobs is currently classified as 1 to 5 job groups. Growth aspirations, and expectations for the future do not seem to change much from the present.

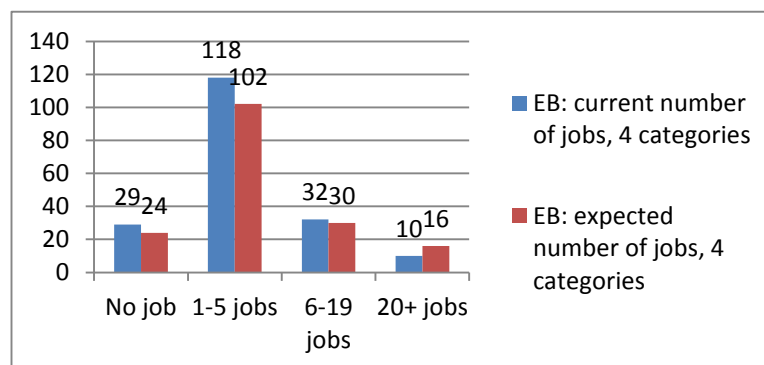


Figure 11: Growth Aspirations by EB firms(Korea Overall)

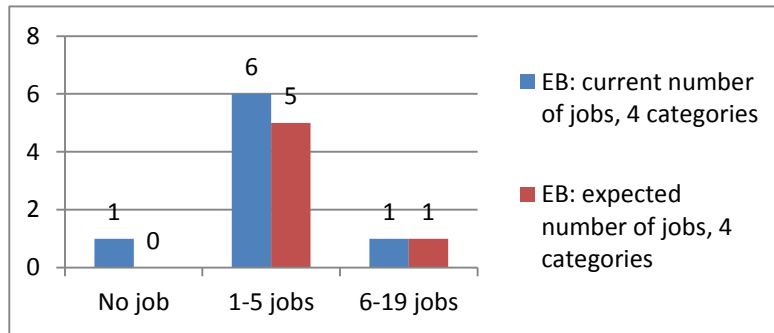


Figure 12: Growth Aspirations by EB firms(Busan)

5. CONCLUSION AND IMPLICATIONS

The basic purpose of this study is to grasp the current status of the establishment of Busan and to identify the current status and problems of the establishment of Busan. It is also one of the important objectives of this study to suggest policy implications and suggestions for the activation of the start - up of Busan through the results obtained through surveys of current status and actual situation. The implications derived from this study are similar to those of Busan, which is a representative local city in Korea, but similar implications can be found in overseas and domestic cities with similar conditions. The main findings and policy implications of this study are as follows.

In Korea, both TEA and EB have the most consumer oriented business, followed by transforming business. As a result of a detailed examination of the industrial sector, the largest numbers of businesses were retail trade, hotels & restaurants. Followed by manufacturing business.

TEA and EB companies are all at a low level in terms of businesses that use start-ups. For TEA, EB is slightly higher at 9.7%, but EB is relatively small at 2.6%. This is true even if we look at the combination aspect of the technology market. TEA and EB account for 62.7% and 73.2%, respectively.

The area of interest in this study is Busan and Busan is one of the most representative cities in Korea excluding the metropolitan area. When we examine the use of innovative products and technologies in Busan, it was found to be somewhat lower than the overall average in Korea. Both TEA and EB companies are more likely to engage in businesses with more competitors than those that use new products or technologies. This is also the case from a technical point of view that the entrepreneurs in the Busan area are less likely to use the new technology than the Korean average.

We also looked at the entrepreneurial aspirations of entrepreneurs in Busan. In the case of TEA start-ups, the TEA start-ups in Busan were expected to create somewhat lower jobs than the domestic average. This is because the largest number of companies responded to the no job category with no job creation. On the other hand, the high growth category response, which is expected to show high growth, was found to be low. This perception is also true for EB companies in Busan.

The purpose of this study is to grasp the current status of establishment in Busan, a representative regional city in Korea. The purpose of this study is to identify the potential of regional start-ups by confirming the entrepreneurship enthusiasm as well as the actual status of start-up of regional cities. The results of this study can be used as a basic data for the activation of major cities not only in Korea but also overseas. It is necessary to consider environmental characteristics and cultural differences in the application and application of these results.

6. REFERENCES

- [1] Autio, E., & Pathak, S. (2010). Entrepreneur's exit experience and growth aspirations. *Frontiers of Entrepreneurship Research*, 30(5), Article 2.
- [2] Bahn Seongsik, seosangu, Song Gyeongmo, Cho Donghwan, bakjonghae, tea Minseok, Park Jongbok (2013), *GEM 2012 Research Report, Small and Medium Business Administration*, 1-192.
- [3] Barkham, R.(1992), "Regional variations in entrepreneurship: Some evidence from the United Kingdom", *Entrepreneurship and Regional Development*, 4, 225-244.
- [4] Chosun Ilbo (2013), "Hyeon-seok" role model of creative economy is Finland, "April 30th.
- [5] Efendic, A., Mickiewicz, T., & Rebmann, A. (2015). Growth aspirations and social capital: Young firms in a post-conflict environment. *International Small Business Journal*, 33(5), 537–561.
- [6] Estrin, S., Korosteleva, J., & Mickiewicz, T. (2013). Which institutions encourage entrepreneurial growth aspirations? *Journal of Business Venturing*, 28(4), 564–580.
- [7] Guesnier, B.(1994), "Regional variations in new firm formation in France", *Regional Studies*, 28(4), 347-358.

- [8] Keeble, D. and Walker, S.(1994), “New firms, small firms and dead firms: Spatial patterns and determinants in the United Kingdom”, *Regional Studies*, 28(4), 411-427.
- [9] Kim, Young-Hye (2014), "Suggestions for Small and Medium-sized Enterprises in the Age of Creative Economy," *Regional Industry Research*, 37 (4), 215-236.
- [10] Kolk, A., Rivera-Santos, M., & Rufin, C. (2014). Reviewing a decade of research on the “Base/Bottom of the pyramid” (BOP) concept. *Business and Society*, 53(3), 338–377.
- [11] Lee, Chul-Seung, and Roh Tae-woo (2015), "Impact of Innovative Cluster Support Projects on the Firm Performance," *Regional Industry Research*, 38 (3), 7-28.
- [12] Light, I., & Dana, L. P. (2013). Boundaries of social capital in entrepreneurship. *Entrepreneurship Theory and Practice*, 37(3), 603–624.
- [13] Shinnar, R. S., Giacomini, O., & Janssen, F. (2012). Entrepreneurial perceptions and intentions: the role of gender and culture. *Entrepreneurship: Theory and Practice*, 36, 465–493.
- [14] Sirec, K., & Mocnik, D. (2013). Determinants of growth aspirations: Empirical evidence of the south-eastern European countries. *Economic Review – Journal of Economics and Business*, XI(1), 3–15.
- [15] Stenholm, P., Acs, Z. J., & Wuebker, R. (2012). Exploring country-level institutional arrangements on the rate and type of entrepreneurial activity. *Journal of Business Venturing*, 28, 176–193.
- [16] Storey, D.(1994), *Understanding the Small Business Sector*, London: Routledge.