The Entrepreneurial Post-Developmental State: A Conceptualisation and Assessment of the South Korean Government’s Turn towards Supporting Entrepreneurship

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Introduction

This article provides an empirically grounded analysis of two interconnected research questions: (1) does the South Korean government’s support of high-technology entrepreneurship constitute continuity, or change, in its industrial policy? and (2) what is the impact of this support on the entrepreneurial ecosystem? On the first question, though the South Korean state has shifted from supporting large firms (e.g., chaebols) to small firms (e.g., start-ups), we contend that the new strategy can be best conceptualised as the South Korean government continuing to play a central role in promoting specific areas of economic activity. The second question is manifest of our desire to begin to assess whether the post-developmental state, in this case, South Korea, can be as successful in supporting entrepreneurial ecosystems as it was effective in overtly advancing the competitiveness of large firms – its chaebol. This helps us offer new empirical evidence into the performance of the East Asian post-developmental state in the contemporary era. We thus make an important contribution to the literature on the transition from the developmental to the post-developmental East Asian state: conceptualising how industrial policy has exhibited continuity and change, and assessing the performance of the entrepreneurial state approach.

The primary findings, in answer to the two questions posed, are as follows. We find that South Korea’s shift towards entrepreneurship policy can, in many ways, be conceptualised as a continuation of ongoing industrial restructuring, changes to its financial system, and technological upgrading. However, the Creative Economy Action Plan, launched by the Park administration when it came to power in 2013, does constitute a different level of resources – financial and public domain-wise – devoted to the entrepreneurial ecosystem support efforts. We can primarily conclude that recent brand of entrepreneurship policy has manifestly driven a rise in public awareness of entrepreneurship as a valid professional activity. The policies appear to be advancing cultural acceptance of entrepreneurship. With that said, it is harder to say that entrepreneurial activity levels would not have grown, and quality would have advanced, without these efforts – as South Korean entrepreneurial activities grew in the decade before the Plan was launched, and as globally, entrepreneurship grew in the 2013-2016 period, for reasons discussed later in the paper and in greater depth in Klingler-Vidra (2016)).

State support for start-ups and entrepreneurship is becoming increasingly common. Developed, emerging and developing country governments are implementing a variety of policies and experimenting with different initiatives to support innovative business ventures (Breznitz 2007; OECD 2007; Lerner 2009; Fuller 2010; Mazzarol 2014). At the same time, there is increasing acknowledgement of the role that the "entrepreneurial state" has had in fostering the cutting-edge innovation underpinning the information and communications technology (ICT) sector (Mazzucato, 2013; Weiss, 2014). The explicit or implicit goal of state’s entrepreneurial policy is to replicate a Silicon Valley-like ecosystem that is capable of producing the next Google or Uber. That is, a company that will become a global leader in the ICT sector, bringing with it the creation of thousands of highly-skilled jobs, multi-billion dollar valuations and world-changing technology – all within a handful of years (Klingler-Vidra et al. 2016). The existence of a substantial quantity – and quality – of innovation-centric start-up companies (start-ups) is seen as the sign of a modern, creative and innovative economy ready to compete in the value-added activities of the global political economy.
South Korea is no exception to this trend. The Park Geun-hye government, in particular, very actively supported start-ups and entrepreneurship, from the time of her inauguration in 2013 through to her December 2016 impeachment. Park (2013) talked about a "second miracle on the Han river" in her inaugural speech, based on a "creative economy" in which "even a single individual can raise the value of an entire nation." This suggests that innovative, initially small start-ups are seen as key to the present and future of the South Korean economy. This suggests a departure from the early developmental state mentality based on the support for large chaebols driving economic growth and supporting employment both directly and indirectly. The strategic shift was positioned as necessary for the contemporary era, as "the Korean economy has reached the limits of the catch-up strategy which has driven economic growth for the last 40 years" (Ministry of Science, ICT and Future Planning 2013).

Start-ups propel activity at the technology frontier and innovation in services in many advanced countries, with Israel, which received the moniker as the "start-up nation" for its high-growth firms, rather than tech giants, putting it on the map as a leading centre for ICT globally. In contrast, in South Korea chaebols have been the source of innovation and the destination for talented and ambitious workers (OECD 2015). But the chaebols’ innovation is not enough to maintain South Korea’s desired economic growth rates and economic competitiveness in the contemporary era. In 2013 the South Korean leadership asserted that its chaebol-centric model, which excelled in catch-up manufacturing, needed to be updated in favour of dynamic small-and-medium-sized enterprises (SMEs) and creative industries.

The South Korean state's active promotion of entrepreneurship, which we refer to as its bid to be an entrepreneurial post-developmental state, has been amplified through the Creative Economy Action Plan, since 2013. The onset of deliberate targeting and prioritization of 'creative' industries including science and technology and cultural industries is indicative of an ongoing broader move away from a labour-intensive manufacturing model into technology-intensive and services industries (Lim 2010). The promotion of start-ups and entrepreneurship can be seen as an important part of the transformation of post-developmental South Korea.

South Korea has a long history of state-supported entrepreneurship, dating back to at least the 1960s. However, South Korean governments traditionally supported entrepreneurship to foster the chaebols that today dominate the country's economy (Kim 1988; Hattori 1997; Shim 2010). As Joh (2015) puts it, chaebols came to epitomise South Korean entrepreneurship. Large conglomerates and the government developed a symbiotic relationship (Kim 1988), to the extent that the latter affected the sectors and level of investment of the former (Amsden 1989). However, the type of entrepreneurship that we seek to analyse is different in that it consists of promoting an ecosystem that can support the establishment of small to medium sized start-up companies that will grow and take business decisions independently from government interference.

Said simply, the aim of the Creative Economy Action Plan is to support an ecosystem of individual entrepreneurs and fledgling firms, not to foster the growth and international competitiveness of specific (national champion-type) firms. The goal of the policy today could include South Koreans embarking upon a brand of entrepreneurship that can result in an environment capable of producing a Google or Uber. But the success of the firm would not be
because the government asks it to focus on search engines or transportation apps, but because South Korean entrepreneurs decide to focus on these sectors and successfully establish, and then scale up, a business.

The article is structured as follows. In the next section we briefly identify our research methodology, particularly how our findings from content analysis and interviews were analysed. We then assess the extent to which the country's transformation from a developmental to a post-developmental state has been a story of continuity or change with respect to supporting entrepreneurship. Afterwards, we analyse the support for entrepreneurship by the South Korean government to address our first research question. We then present the results of our interviews to start to answer the second research question. The interview results are then supplemented and triangulated with a two commonly used metrics to assess entrepreneurial activity to inform our assessment of the impact of this support, or said another way, the performance of South Korea as a post-developmental state in the area of entrepreneurship and start-ups. The relative performance of South Korean entrepreneurship, in historical context helps us to isolate the impact of the policies. The concluding section summarises our findings.

Methodology

We draw upon two domains of scholarship. The first is that of the developmental state (e.g., Amsden 1989; Wade 1990; Evans 1995; Lall 1996) and the second is entrepreneurship and finance literature, often emanating out of business schools, which assesses the performance of entrepreneurship policy (e.g., Black and Gilson 1998; Lerner 2002, 2009; Gulinello 2005). Research strives to assess two arenas: changes in the quantity of entrepreneurship (e.g. are there more entrepreneurs because of the policies) and changes in the quality (e.g. are there more, or bigger, successes as a result of the policies). This is specifically analysed by tracking changes in the levels of entrepreneurial and venture capital activity and the number of start-up successes (measured by equity fundraising and/or global market growth). The merger of scholarship brings a performance focus to the developmental state scholarship, as the business school literature on entrepreneurship support offers rich tools for mapping and evaluating policy efforts. Concomitantly, the developmental state approach brings the rich political economy view of the role of the state in entrepreneurship to an otherwise thin conceptualisation of state.

In order to develop our empirically-grounded analysis, we make use of three different research techniques. Content analysis of think-tank, international organisation and industry association documents is the main technique to map out the ways in which the South Korean government supports start-ups and entrepreneurship. Meanwhile, a combination of in-depth, semi-structured interviews and online, survey-style interviews is the main technique used to analyse the impact of this support on the South Korean economy, especially on those potential and existing entrepreneurs targeted by the South Korean government. Interviewees include managers at start-ups, accelerators, incubators and co-working spaces. To supplement and triangulate this qualitative analysis on the impact of the government's support for start-ups and entrepreneurship, we use quantitative data from different sources to capture the growth (or lack of thereof) of this sector.
To design the interview questions we first constructed a policy map (summarised in Table 1 in this paper). The interview questions were designed to assess the performance of the various policies in concert and on an individual basis. We strived to formulate questions specific enough to locate precisely which policies were having, or had, particular impacts, rather than using interviews to more generally understand the perception of the state's involvement on creative economy entrepreneurship. Our questions strive to give new insights into how South Korean state support for entrepreneurship has performed.

We first asked interviewees whether they thought that the Creative Economy Action Plan had affected their activities and, if yes, in which ways. We then asked for their rating of the impact of each of the eight policy areas, citing specific initiatives or policy names. This was followed by questions on the specific policy areas that interviewees thought had had a greater impact on their activities. We concluded interviews with questions about the extent to which they see a palpable shift in the state's support of entrepreneurship, or if members of the South Korean entrepreneurial ecosystem believe the Creative Economy efforts are a continuation of SME-focused policy initiatives from previous periods.

We conducted face-to-face interviews with South Korean start-up ecosystem organisers in August-September 2016. Eco-system organisers were initially identified through information provided by South Korean and international start-up publications and websites, as well as by South Korean government departments. Interviewees included managers at accelerators, incubators and co-working spaces given their ability to comment with a view of the ecosystem more broadly (rather than only their own firm). We then conducted online, survey-style interviews with South Korean entrepreneurs in November 2016.1 Entrepreneurs were initially identified through the information available on the websites of the highest ranked South Korean start-ups in StartupRanking, a firm that measures the importance of start-ups on the internet. To control for the possibility that StartupRanking might not include all top South Korean start-ups, we triangulated this data with information from South Korean and international start-up publications and websites. In addition, we also used snowball sampling to identity other relevant interviewees. To maintain a clear picture of who our interviewees were, we included several profiling questions at the beginning (e.g., what is your position in the entrepreneurial ecosystem? In what sector does your start-up operate? How long have you been active in entrepreneurship in South Korea?).

We then try to account for the potential that trends in entrepreneurial activity are merely part of a secular rise, in light of the changing structure of the global economy. In effect, we compare movements in the quality and quantity of entrepreneurship in South Korea to recent trends within South Korea itself. As a baseline, we look to see if the movements in entrepreneurial quality and quantity from around 2005 until 2017 were gradual, or if there was a marked increase subsequent to the concerted efforts that began in 2013. This includes analysing whether the share of SMEs grew as a percent of companies, or if the chaebol became responsible for hiring as a smaller portion of the ICT workforce, at a gradual or step-change pace.

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1 It should be noted that these interviews were conducted as the scandal of the alleged influence of Choi Soon-sil, the daughter of a cult leader, over Park Geun-hye was starting to unfold. Based on the replies from our interviewees, it seems that the scandal had little if any bearing on their perceptions of the Creative Economy Action Plan.
Evolution of the South Korean (post-)developmental state

South Korea is among a group of East Asian countries long labelled as developmental states. Starting with Japan in the 1950s, the developmental state was characterised by governmental intervention in shaping economic growth in close cooperation with businesses (Johnson 1982; Whitely 1999). The developmental state provided both an underlying system and a set of instruments and policies to support economic growth.

Johnson’s seminal work on Japan laid out the institutional characteristics of the developmental state (1982). These can be summarised as a focus on long-term strategic goals driving socio-economic development, the existence of a quasi-autonomous bureaucratic apparatus with leeway to set up the policies to achieve those goals, and the use of fairly institutionalised mechanisms for the public and private sectors to cooperate in their pursuit (Johnson 1982). Subsequent work by Amsden (1989), Wade (1990), Evans (1995), Lall (1996) and Woo-Cummings (1999), among others, showed that similar systems underpinned economic development in Hong Kong, Singapore, South Korea and Taiwan from the 1960s onwards.

This underlying system allowed for the implementation of a set of growth-enabling instruments and policies. Amongst them, the use of industrial policy to allow specific domestic industries to catch up with their counterparts in developed countries, financial repression to stimulate savings and control consumer spending, capital allocation management through an acquiescent banking sector and the use of fiscal policy to promote exports were commonly implemented across East Asia (Wan 2008). Macroeconomic policies were supplemented with microeconomic policies to support particular sectors of the economy. In some arenas, by the 1980s sector-specific state support had been replaced by functional support in the form of a commitment to state assistance to the economy as a whole (Hundt 2014). In others, the state’s role in financing and directing (innovation-centric) activities, as Fuller and his contributing authors showed in their 2010 volume on the "limits of laissez-faire" in Hong Kong, grew.

The East Asian Financial Crisis (EAFC) of 1997 hit the foundations of the developmental state. Praise for the developmental state – a widely-read World Bank report in 1993 began to acknowledge the role of the state in the 'miracles' of the so-called Asian Tigers – (Birdsall et al., 1993) was replaced by accusations of inefficient state dirigisme, widespread cronyism and inadequacy for economies that had achieved upper middle income and high income status (Wan 2008). As a result, many scholars announced the end of the developmental state in the aftermath of the crisis (see Park 2011). Afterwards, however, a more nuanced debate about the death or survival of the developmental state replaced the apparent consensus that South Korea and its East Asian counterparts had lessened their interventionism.

There is now a growing body of literature suggesting that the developmental state, including South Korea, has not retreated but rather adapted to a changing domestic and international environment (e.g., Wong 2004; Kalinowski 2008; Wan 2008; Rethel 2010; Park 2011; Kim 2012; Lee, Ho and Kim 2014; Thurbon 2016). Given that the developmental state was and remains an underlying system involving governments, bureaucracies and the private sector rather than a collection of policies only, it would have been very difficult for the EAFC to put an end to
it (Hundt 2014). Even though there is no agreement on how to label the post-EAFC developmental state, the term 'post-developmental state' seems to encapsulate both the fact that these are now developed countries – South Korea joined the OECD in 1996 – and that they have adapted rather than abandoned developmental state policies while maintaining the underlying system.

Following on the argument that functional policies in support of the economy as a whole were already commonplace in the 1980s, it is possible to discern three policy shifts relevant to our focus on start-ups and state-supported entrepreneurship. These three policy areas are (1) continuous industrial restructuring, (2) the evolution of the economic financing model, and (3) technological upgrading.

(1) Constant industrial restructuring has been a characteristic of South Korea since its development process started in earnest in the 1960s. The restructuring process underwent a major change in the aftermath of the EAFC though. Support for chaebols became less central to industrial policy (Kalinowski 2008; Lim 2010; Kim 2012). Most notably, the South Korean market was opened to foreign competition, even if partly as a result of GATT, and then WTO, rules (Kim 2012). Equally relevant, the government's control over the financial system was loosened, allowing chaebols to access foreign sources of financing (Kim 2012). An unavoidable consequence of these changes was the emergence of new forms of public-private sector relations, with firms becoming less dependent on the government (Lim 2010). Concurrently, SMEs became more central to the state's industrial policy, especially in the post-EAFC era (Kim 2012; Lee, Heo and Kim 2014).

(2) The economy's financing model has undergone two big shifts in recent history. In the early 1990s, the government followed on the steps of its Japanese counterpart and opened up and liberalised the financial sector. Mismanagement of this process was the main reason why South Korea was one of the countries most affected the EAFC (Wan 2008). Following the crisis, the government re-imposed capital controls (see Chinn and Ito 2006). After a few years, however, the financing model evolved. There was a move away from a bank-based dominated system and capital markets were allowed to play a greater financing role (Hundt 2014). Yet, the state has not fully abandoned the idea of managed credit allocation and control over the financial sector. State-directed, bank-based lending still exists (Thurbon 2016), and the government did not hesitate to impose capital controls at the onset of the Global Financial Crisis (Gallagher 2015). South Korea's financing model therefore includes a more liberalised financial sector with a degree of interventionism, including through the banking sector when necessary.

(3) Technological upgrading has become central to the government's strategy to boost growth in post-development South Korea. The state has used a combination of policies and instruments to harness governmental resources to support the high-tech sectors such as biotechnology and ICT (Kim 2012; Hundt 2014). Certainly, the South Korean state has a history of supporting economic upgrading. In the 1980s and 1990s, sub-sectors of the technology industry, including electronics and semiconductors, were favoured by the

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2 Korea was a member of the GATT from 1967 and was a founding member of the WTO since its creation in 1995.
government (Lim 2010; Lin 2012). At least partially the result of these efforts, South Korea’s technology firms, notably Samsung and LG, fomented positions at the edge of the frontier of the global technology industry.

In the aftermath of the EAFC, with Korean labour becoming too expensive following China's entry into the WTO and increasing interconnectedness thanks to new communication technologies, the South Korean government has decisively increased its support of SMEs (Jones and Kim 2014). This trend has moved towards positioning high-growth start-ups as critical engines behind the creation of a high-tech economy, as epitomised in Park's already-mentioned 'creative economy' speech in 2013. Yet there remains a significant productivity gap between large firms and SMEs (OECD 2015). As previously mentioned, elsewhere in the world start-ups are engines of technological innovation, rather than laggards. By increasing the innovation capabilities of high-technology start-ups, the South Korean state hopes to enhance the country's innovativeness (in line with Shumpeterian thinking that start-ups are a critical agent in innovation) and reduce its economic dependence on the performance of chaebols. South Korea's sustainable economic growth, it is hoped, will come from these small technology firms when they are re-structured to be more dynamic (Song 2013).

The above helps to explain why post-developmental South Korea would seek to support entrepreneurship. This dovetails with an industrial restructuring policy including the promotion of SMEs, a changing economy's financing model involving the coexistence of capital markets and bank-based lending, and a technological upgrading process that has put new technologies at the centre of the economic growth strategy. In the next section we map out the government's support for entrepreneurship in an effort to better understand if they represent a continuation of, or departure from, these policy movements.

**Mapping the South Korean government's support for entrepreneurship**

Globally, a veritable menu of industrial policies aimed at driving innovation-centric entrepreneurial activity has evolved. The menu consists of instruments across eight categories of purposive action: (1) regulatory changes and incentives, (2) tax policy, (3) government funding (including funding for R&D, grants, equity investments, etc.), (4) infrastructure investments (e.g., South Korea's super high speed broadband), (5) building clusters, networks and institutes (e.g., Taiwan's Hsinchu Park), (6) attracting talent and investment, (7) extending stock market access for start-ups, and (8) improving the education and training environment (e.g., national curriculum changes or the creation of high-technology universities, such as ShanghaiTech) (Klingler-Vidra 2014).

South Korea's post-developmental state policies for supporting entrepreneurship canvass most, if not all, of these arenas. Industrial policy to support high-technology entrepreneurship proliferated in the post-EAFC era. State entities, including the Korea Finance Corporation and the Small and Medium Business Corporation, offer loans to SMEs - worth KRW11.8 trillion in 2011 alone (Jones and Kim 2014). Yet in South Korea, as elsewhere, bank loans are not sufficiently available for high-growth start-ups. Start-ups lack the collateral and established revenue streams that banks’ underwriting criteria rely upon (Lerner et al. 2014). Early-stage equity financing, such as business angels and venture capital (VC) markets, can address this
'financing gap' by providing capital (and access to networks and operational expertise) in exchange for ownership stakes in the start-up (Klingler-Vidra 2016). In a bid to develop local angel and venture capital markets, the South Korean government has launched numerous programmes, such as the Korea Venture Investment Corporation (KVIC), established in 2005. The KVIC supports the Korean VC market through the Korea Fund of Funds, which invests in private VC funds (Jones and Kim 2014). The government has also worked to ensure that there are 'exit' opportunities for successful entrepreneurs and equity investors; in 2005 the state created KOSDAQ, a local version of NASDAQ, as a venue for high-growth, high-technology companies to raise equity via stock market listings.

South Korean entrepreneurship policy has strived, since the Global Financial Crisis, to promote specific types of entrepreneurs (e.g., young), particular sectors (e.g., green technology) and to address deficiencies in the innovation model in focused arenas (e.g., basic research output). To promote entrepreneurship, the government set up the Young Entrepreneurs Start-up Academy in 2011, offering financial and non-financial assistance to start-ups run by founders under 39 years old (OECD 2015). Recognising the need to expand the investment in basic research, in 2012 the government inaugurated the Institute for Basic Science.

The Creative Economy Action Plan has constituted an expansion of the size and complexity of policies to support innovation-centric entrepreneurship. Here, we map out the critical Creative Economy policies implemented since 2013 across the eight categories identified above.

Table 1: South Korea's Creative Economy Action Plan: policies and initiatives introduced, 2013-2016

| 1. Regulatory changes and incentives | Regulatory reforms to reduce barriers to technology-related M&A  
Initiatives to reduce regulatory burdens include the Regulatory Guillotine, the Thorn under the Nail, the Sin-Moon-Go and the "cost-in, cost-out" system |
| 2. Tax policy | Tax incentives (tax deductible) to stimulate angel investment and reinvestment by successful entrepreneurs |
| 3. Government funding | Government pledge US$3 bn annual investment in the South Korean start-up ecosystem following Park Geun-hye's 2013 address  
Pledge to increase basic research funding by 40 per cent in 2017  
Government commitment to expand public R&D expenditure to 6.2 per cent over five years from 2014; commitment to 18 per cent of public R&D going to SMEs by 2017  
Plans for a KRW300 bn Youth Development Fund to support innovative youth activities announced in 2015 |
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<th>4. Infrastructure investment</th>
<th>Creation of the Angel Investment Matching Fund, in which the state offers co-investment alongside business angels</th>
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<td>In 2014 the South Korean Ministry of Science began investing US$1.5 bn in local telecoms companies to develop (the world’s fastest) wireless network (5G)</td>
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<td>Launch of Emissions Trading System to provide financial incentive for green activities</td>
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<td>5. Clusters, networks and institutes</td>
<td>First of the Centres for Creative Economy and Innovation (CCEI) launched in Daegu Metropolitan city in 2014; CCEIs were operating in 18 locations by 2015</td>
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<td></td>
<td>Creation of joint industry-university-government research institute R&amp;D centres</td>
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<td>6. Attracting talent and investment</td>
<td>2016 launch of K-Start-up Grand Challenge, an accelerator attracting start-ups from around the world</td>
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<td>Creation of an &quot;entrepreneur visa&quot; to encourage highly-skilled foreigners to create start-ups in South Korea</td>
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<td>7. Stock market access</td>
<td>KONEX (launched 2013) catering to high-growth start-ups and in 2016 the government designated brokerage firms for start-ups accessing the public equities markets</td>
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<td>8. Education and training</td>
<td>2015 launch of KISED (Korea's Institute for Start-up and Entrepreneurship Development), which supports fifty South Korean start-ups in three month total-immersion programmes overseas</td>
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Assessing the initial impact of the South Korean government's support for entrepreneurship

The Creative Economy Action Plan, as mapped out in the preceding section, was launched in 2013, leaving scant ability to systematically evaluate its impact. Changes to education and training, and investment in research and development, can take more than a decade to bear fruit (Klingler-Vidra 2014). To give a fair chance to the policies (in light of the long time horizon needed to make an impact) we have interviewed key members of the South Korean entrepreneurial ecosystem to compile an initial assessment of the policies' impact on the country's entrepreneurial community. Our interview questions seek to ascertain the following data inputs. Firstly, the impact of the plan on the quantity of entrepreneurs. This is operationalized by asking interviewees whether the specific policy changes are driving the propensity towards entrepreneurial activity (to help indicate whether entrepreneurship is growing
for other reasons). Secondly, the interviews are intended to capture anecdotal evidence of an increased *quality* of entrepreneurs as a result of the policies. We asked interviewees to name instances of entrepreneurial success (such as high profile acquisitions or IPOs). Thirdly, our primary data aims to understand the extent to which the South Korean entrepreneurial community conceptualises the Creative Economy Action Plan as novel and potentially enduring, as opposed to an extension or continuation of prior interventions in entrepreneurial activity.

These three questions seek to assess the impact of the Park government's support for start-ups and entrepreneurship. If key members of the South Korean entrepreneurial ecosystem believe that the ecosystem is benefiting from the Creative Economy Action Plan, and are able to articulate the way in which it is, then it can be argued that the plan is having a positive effect, at least in promoting entrepreneurship as a culturally valued activity. Furthermore, if the entrepreneurial community thinks that the action plan is new and enduring, then it can be argued that it is having a novel effect on the South Korean economy as a whole by promoting long-term support for innovative SMEs and in promoting entrepreneurial behaviour. The issue of whether sentiment and activity levels would have changed regardless of the heightened government promotion of entrepreneurship is taken up in the analysis of data on company formation, fundraising and exits in historical views.

*Perceptions of the Creative Economy Action Plan as a central component of the South Korean entrepreneurial ecosystem*

The results of our interviews yield overwhelming support to the proposition that the Park government's creative economy action has had an important effect on South Korea's start-up and entrepreneurial ecosystem, and ultimately on the country's economy in general. The action plan has provided support for continuous industrial restructuring, the evolution of the economy financing model, and technological upgrading. These are the policy shifts identified above as characteristic of the Korean (post-)developmental state that should be related to the development of the start-up and entrepreneurial ecosystem. The perceived impact on entrepreneurship manifests in three primary arenas: (1) increasing quantity of entrepreneurial activity, (2) increased funding available for entrepreneurs and (3) increasing the quality of entrepreneurs (by advancing managerial skills).

(1) Increasing the quantity of entrepreneurial activity

To begin with, interviewees across the whole entrepreneurial ecosystem believe that the action plan has had an effect on increasing the volume of participants in the ecosystem as a whole. Importantly, interviewees explained that even those not directly targeted by the action plan benefited from it due to its impact on growing the entrepreneurial ecosystem as a whole. According to the head of a facilitator with over 15 years of experience in the South Korean entrepreneurial ecosystem:

*In the West the system is bottom-up, but in Asia government plays a big role. Government sets up the boundaries and gives billions of dollars in*
funding...Government funding has created a greater supply of start-ups that we can work with.³

Similarly, the general partner of an accelerator with more than 15 years of experience in the South Korean entrepreneurial ecosystem argued that:

The government creates an environment in which there is more entrepreneurship.⁴

This view was echoed by the business operations manager of one of the largest and most prominent incubators in South Korea, who had joined upon its launch after working in two different chaebols. She explained:

The creative economy initiative has supported the entrepreneurial ecosystem through funding, institutions, etc. [Name of company] is non-governmental but works together with government departments, programmes, etc. We also benefit from this ecosystem.⁵

As for entrepreneurs themselves, there was general recognition that the Park Geun-hye government had been very helpful in the entrepreneurial ecosystem. Consistent with the general view of other entrepreneurs interviewed, one of them put it succinctly:

The government has invested aggressively and tried to develop the start-up ecosystem.⁶

Given the general feeling that the Creative Economy Action Plan has increased the volume of activity, the question is how the plan has done so. There are two mechanisms whereby the plan is supporting entrepreneurial activity levels: (a) by making entrepreneurship an acceptable career alternative and (b) raising awareness. South Korean graduates (and, importantly, their parents) have had a preference for securing graduate jobs in the country's chaebols. Employment in large conglomerates is seen as more socially prestigious, more secure and better paid (Song 2012). Kim (2013) labels chaebol employees as a "labour aristocracy" due to their better conditions compared to their counterparts in SMEs. However, it seems that this perception is changing and that a job with a start-up is now deemed as a good alternative. As one entrepreneur indicates:

[The Creative Economy Action Plan] has changed the perception of entrepreneurship, which is now seen as meaningful. [The plan] supports entrepreneurs.⁷ [translated from Korean]

The head of a facilitator shares this view. He contends that:

³ Interview with the Head of the South Korean branch of an international facilitator, 23 August 2016, Seoul.
⁴ Interview with the General partner of a South Korean accelerator, 23 August 2016, Seoul.
⁵ Interview with the Business Operations Manager of a South Korean incubator, 30 August 2016, Seoul.
⁶ Online interview with South Korean entrepreneur, 22 November 2016.
⁷ Online interview with South Korean entrepreneur, 18 November 2016.
[The Government has] created the idea that creating a start-up is an alternative to a career in a chaebol. Also, they have created a buzz around entrepreneurship. Even people who might have thought about creating a start-up without government support find a more welcoming environment. Even parents push their sons to become entrepreneurs, [which is] a change in mentality.\(^8\)

The second mechanism used by the action plan to support entrepreneurship is through awareness raising. The plan has sought to increase knowledge about both entrepreneurship itself and advance the skills of would-be entrepreneurs. There is extensive evidence showing that the greatest barriers to launching a start-up and becoming an entrepreneur are limited managerial experience or skills and difficulties in accessing capital (Schoof 2006; Iakovleva et al. 2014; ). Would-be entrepreneurs might decide against launching their own start-up due to limited experience in running their own business or because of a lack of funding.

South Korea's Creative Economy Action Plan seeks to help would-be entrepreneurs to overcome these barriers, but first the government has had to raise awareness about what becoming and entrepreneur entails, as well as regarding the existence of entrepreneurship-supporting measures. Indeed, a third important barrier to entrepreneurship is a lack of awareness about government programmes supporting start-ups (Schoof 2006). As the programme manager of a connector with four years of experience in the South Korean entrepreneurial ecosystem puts it:

> Public awareness [of entrepreneurship] has definitely increased with the Park Geun-hye government. When she launched the creative economy initiative, maybe start-ups were not in her mind. However, start-ups immediately became a focus of the initiative. This has raised the profile of entrepreneurship.\(^9\)

In the words of the director of a facilitator with over five years of experience in the South Korean entrepreneurial ecosystem (which he joined after a career in Silicon Valley), the Park government and Park herself have been very invested in raising awareness about entrepreneurship:

> The Park government has launched programmes, attended the launch event of creative centres, etc. So [Park Geun-hye] is a champion of entrepreneurship and start-ups. In Korea, this serves as a strong and positive message. She has put this sector on the map, which is very important in Korea. People have reacted to this.\(^{10}\)

The business operations manager of one of the large South Korean incubator concurs:

> Without the government it would have been difficult to create this environment. There are competitions, TV programmes, prizes and funding, etc. This has made

\(^8\) Interview with the Head of the South Korean branch of an international facilitator, 23 August 2016, Seoul. 
\(^9\) Interview with the Programme Manager of a South Korean connector, 9 September 2016, Seoul. 
\(^{10}\) Interview with the Director of a South Korean facilitator, 9 September 2016, Seoul.
young people to think about entrepreneurship as a viable career option. So the mind-set has changed.\textsuperscript{11} Awareness-raising has also had the effect of attracting Korean returnees and overseas entrepreneurs to Korea. The general partner of a South Korean facilitator explains:

Also, overseas Koreans and Korean-Americans are being attracted to join the entrepreneurship ecosystem.\textsuperscript{12}

(2) Perceived increase in funds available for entrepreneurs

Over two thirds of interviewees referred to access to funding as the area in which the plan has been particularly effective. They asserted that start-ups faced problems accessing funding prior to the launch of the action plan. The key reason was banks' preference for lending to chaebols, considered to be safer borrowers than start-ups (Mundy and Song 2012). Furthermore, when funding was made available to start-ups it was generally for their launch, not in the later growth and exit stages (Mundy 2013a).

It should be noted that previous governments were already providing support to start-ups, and analysts had claimed that there was too much, rather than too little, capital available for entrepreneurs on the eve of the Creative Economy Action Plan launch. Global Entrepreneurship Monitor (GEM) argued that the South Korean policies needed to go beyond "pure monetary investment and hardware provision" and invest in changes to the "education system, support for professional infrastructure, and better provision of networking opportunities in business" (GEM 2013). Jones and Kim (2014) similarly contended that the South Korean government needed to decrease the amount of credit distribution and guarantees, as SMEs are not adequately motivated to innovate in light of their easy access to credit.

The KVIC Fund of Funds was already key in this area. As the head of the Korean branch of an international facilitator explained:

Historically start-ups were funded by government [through the KVIC Fund of Funds].\textsuperscript{13}

Whilst there was already (too much) money available at the seed stage, the Creative Economy Action Plan has had a significant impact on the funding of start-ups in two ways. Firstly, by considerably increasing the amount of funding through the KVIC Fund of Funds and the launch of the Growth Ladder Fund in August 2013 (more on the latter below). The KVIC Fund of Funds remains central to start-up financing in South Korea. The General partner of a South Korean accelerator argues that:

\begin{flushleft}
\footnotesize{\textsuperscript{11} Interview with the Business Operations Manager of a South Korean incubator, 30 August 2016, Seoul.}\textsuperscript{11} \footnotesize{Interview with the General partner of a South Korean accelerator, 23 August 2016, Seoul.}\textsuperscript{12} \footnotesize{Interview with the Head of the South Korean branch of an international facilitator, 23 August 2016, Seoul.}\end{flushleft}
Government plays a major role in the start-up ecosystem, especially through the KVIC Fund of Funds and other funding initiatives. This way the government is funding most start-ups in Korea.\(^\text{14}\)

And as the director of a South Korean facilitator puts it:

> Without [the KVIC Fund of Funds], the start-up ecosystem would not exist. It was launched in 2005, but the Park Geun-hye government has provided extra support to it.\(^\text{15}\)

The larger amount of funding available was an important reason for would-be entrepreneurs to launch their start-ups. In general, our interviewees pointed out the availability of government funding as one of the key reasons that led them to take the decision to start their own firms. As one entrepreneur explains:

> I had been thinking myself to start a business, and then decided to take this idea in earnest. But the government's policy [of offering funding] was a big influence.\(^\text{16}\) [translated from Korean]

Another entrepreneur put it more succinctly, yet in a way that summarises the general view among interviewees:

> Money is a must.\(^\text{17}\) [translated from Korean]

In addition, and equally relevant, the Park Government’s Creative Economy Action Plan increased both the number and types of funding initiatives, often in partnership with the private sector or with a view at supporting it. Table 1 shows that the Park government introduced new funding schemes and other initiatives to support start-ups from the launch to the exit stages. In relation to the birth stage, the Park government legalised equity-based crowdfunding in July 2015 (see below) and increased financial support for angel investors. Regarding the latter, the head of the South Korean branch of an international facilitator points out:

> Historically venture capitalists were funded by government; now angel investors are part of the ecosystem, but they get government support to make a profit.\(^\text{18}\)

As already explained, there was a perception that prior to 2013 there was no funding available following the launch of a start-up. Thus, the Creative Economy Action Plan set out to boost funding opportunities at the growth and exit stages. Other than providing support for business angels as already seen, and improving conditions for venture capital firms (of which more below), the government designated brokerage firms for start-ups in 2016 (see table 1) and

\(^{14}\) Interview with the General partner of a South Korean accelerator, 23 August 2016, Seoul.

\(^{15}\) Interview with the Director of a South Korean facilitator, 9 September 2016, Seoul.

\(^{16}\) Online interview with South Korean entrepreneur, 19 November 2016.

\(^{17}\) Online interview with South Korean entrepreneur, 22 November 2016.

\(^{18}\) Interview with the Head of the South Korean branch of an international facilitator, 23 August 2016, Seoul.
(earlier) launched KONEX in 2013 for early-stage start-ups to have greater access to equity financing. As the programme manager of a South Korean connector explains:

Giving the money for start-ups to be created and giving them an early exit option [through KONEX] are very important. [...] Before, start-ups would find it difficult to find exit strategies.\(^{19}\)

The Creative Economy Action Plan's impact on the availability and sources of funding for start-ups is directly connected to the South Korean post-developmental state's focus on reforming the economy's financing model. The move away from bank-based financing is particularly necessary in the context of the limited support that South Korean banks seem to provide to start-ups. Furthermore, launching KONEX is directly linked to the impact that support for entrepreneurship could have on the South Korean economy in general. Entrepreneurs will develop their business in an environment in which capital markets are part of the financing model from the early stages, as the availability of exit options is vital to the vibrancy of entrepreneurial and venture capital markets (see, for example, Black and Gilson, 1998). In addition, deregulation of the financial sector by legalising new forms of financing and supporting different types of investors also points in the direction of limiting reliance on bank-based financing. In this respect, the Park government's support for FinTech\(^ {20}\) even when facing the opposition of the banking sector is telling. The director of the South Korean facilitator explains:

A couple of years ago, [name of company] and other companies supporting start-ups wanted to support the launch of FinTech companies. Big banks were opposed, but the government intervened to find a compromise and FinTech companies were launched.\(^ {21}\)

The above quote also hints at another characteristic of the Park government's vision on the economy's financing model: the state still plays an active role. As seen above, state-directed bank-based lending and capital controls are still part of the policy toolkit employed by the government. We have now just shown that providing (equity) funding directly to private firms (in this case, start-ups) also is.

(3) Quality of (would-be and active) entrepreneurs

As already noted, a lack of managerial skills is one of the barriers would-be entrepreneurs face. Considering that the skills necessary to manage a new company being set up as opposed to an established company are different, traditional university-based entrepreneurship education is considered inadequate (Chia 1996; Cooper, Bottomley and Gordon 2004). There is evidence that universities have a positive impact on student propensity and intentionality towards entrepreneurship, but do not particularly excel at educating effective entrepreneurs (Pittaway and Cope 2007). This applies to the case of South Korea, where the increasing number of universities teaching entrepreneurship courses have positively affected propensity and intentionality, but

\(^{19}\) Interview with the Programme Manager of a South Korean connector, 9 September 2016, Seoul.

\(^{20}\) FinTech is a term referring for companies offering "financial technology" products and services.

\(^{21}\) Interview with the Director of a South Korean facilitator, 9 September 2016, Seoul.
there is no evidence of universities instilling effective entrepreneurial skills (Lee, Chang and Lim 2005).

Clusters, institutes and centres are key to the development of the managerial skills of entrepreneurs. They constitute a physical ecosystem in which successful and would-be entrepreneurs, potential investors and other players in the entrepreneurial ecosystem can interact, provide mentoring and learn from each other. Would-be entrepreneurs can learn the necessary managerial skills to launch and operate their business from successful entrepreneurs. These clusters provide access to the right people to develop these skills (Schoof 2006). As a case in point, the main driver and managing director of D.Camp (arguably the most prominent non-profit organisation supporting entrepreneurship in South Korea and which brings together twenty of the largest banks in the country) recognised the need to foster an ecosystem in which entrepreneurship can flourish (Ramírez 2016). D.Camp was launched in 2012, one year before the Creative Economy Action Plan itself. But the perception amongst those we interviewed is that the Park government's plan has been central to the further development and consolidation of this ecosystem. It has done so through the establishing of 18 CCEIs in which aspiring entrepreneurs learn and interact with successful start-ups such as KakaoTalk and Naver as well as from chaebols such as Samsung and LG (Ramírez 2016).

Our interview data shows that the network of clusters, institutes and centres developed by the Park government is considered by South Korean entrepreneurs to be very important. It is thus one of the ways in which the Creative Economy Action Plan has had a positive impact in the South Korean entrepreneurial ecosystem. Interestingly, ecosystem organisers did not consider this particularly relevant. We speculate that this might be the case because they are part of the clusters themselves, so it is more difficult for them to abstract from their daily jobs and perceive their value compared to other policies. Differently, several of the entrepreneurs interviewed thought that the establishment of clusters, institutes and centres has been one of the most useful policies of the Creative Economy Action Plan. As an entrepreneur with over five years of experience in the South Korean start-up ecosystem argued:

[State support of clusters, institutes and centres] directly affect the success of start-ups.\(^{22}\)

With regards to the reasons why this is the case, entrepreneurs point out to the training and mentoring opportunities that they provide. One of the interviewees, with five years of experience in the start-up ecosystem, explained:

[Clusters, institutes and centres] provide companies with office space and training.\(^{23}\) [translated from Korean]

The importance afforded to the physical development of the ecosystem links to industrial restructuring. As start-ups are increasingly central to the South Korean post-developmental state industrial policy, resources are devoted to fostering mentoring and learning from those

\(^{22}\) Online interview with South Korean entrepreneur, 22 November 2016.

\(^{23}\) Online interview with South Korean entrepreneur, 23 November 2016.
entrepreneurs that have been successful. The state’s investment in clusters, institutes and centres promotes links between would-be entrepreneurs and potential investors. Considering that would-be entrepreneurs often lack managerial skills, as well as the fact that personal relations remain central to South Korean business practices (Kang 2010), support for clusters seems crucial for industrial restructuring to succeed.

Even though successive South Korean presidents have been supporting entrepreneurship from at least the 1960s, our interview data suggests that the Park government's action plan is novel in its focus on the ecosystem, rather than particular firms, and in the extent of its efforts. But this does not guarantee its continuity once Park steps down. South Korean presidents can only run for a non-renewable five-year mandate. One of the potential negative effects of this is that their policies might be discontinued or even rolled back by future administrations. On this issue, there was general agreement among interviewees that the effects of the Creative Economy Action Plan will survive the Park government. Even though the action plan was not the beginning of governmental support for entrepreneurship in South Korea, interviewees believe that it has changed the mentality of the population and other governments will have no option but to continue to support it.

Why is this the case? There were a multitude of reasons put forward by interviewees. Focusing on the South Korean economy as a whole, the director of a facilitator with over five years of experience in the South Korean entrepreneurial ecosystem points out that:

There has been a radical change. [...] The Park Geun-hye government has completely changed the discourse and economic environment. Whoever replaces the current president will be very likely to continue supporting start-ups, even if they change the name [of the policy].

Concentrating her attention on the South Korean entrepreneurial ecosystem itself, the programme manager of a South Korean connector with over four years of experience in it drew attention to the impact of the Park government on its attractiveness and sustainability:

Korea was on a clear track but government added fuel to it. The signals were there in terms of creating start-ups, foreigners coming in, etc. But government has made it more sustainable. Also, government has made the ecosystem more attractive.

Also focusing on the entrepreneurial ecosystem, a programme manager in the South Korean branch of an international facilitator with two years of experience in it explained that there is an inevitability about the promotion of start-ups and entrepreneurship in South Korea:

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24 Interview with the Director of a South Korean facilitator, 9 September 2016, Seoul.
25 Interview with the Programme Manager of a South Korean connector, 9 September 2016, Seoul.
Future governments will continue with similar policies because the creative economy is recognised as the future.26

Meanwhile, the business operations manager of the large South Korean facilitator pointed out that political factors underpin the potential for the Creative Economy Action Plan to survive across administrations:

There has been a change and entrepreneurship has now become more acceptable. Both Left and Right agree it needs to be promoted, and the next government will do so.27

It should also be noted that several interviewees pointed out the apprehension that lower-wage China will catch up technologically with South Korea; this concern was posited as a determinant for potential future governmental support for entrepreneurship. Indeed, South Korea has long feared being squeezed between low-cost China and hi-tech Japan (Thurbon 2016). A large percentage of South Korean start-ups operate in high-tech sectors, with the ICT, electrical and mechanical equipment, chemical and materials, and biotechnology and medical sectors being dominant, followed by creative industries (KVCA 2016a). A survey of South Korea start-ups indicates that mobile internet is the dominant business field, with other high-tech and creative industries also well represented (KSEF 2016). Thus, the perceptions is that start-ups can help South Korea to maintain its technological edge over its Western neighbour. Of course, technological upgrading is one of the policies that post-development state South Korea is pursuing. As the general partner of a South Korean accelerator explained:

China is seen as a challenger in many sectors in which Korea is strong, so the government needs to look at new growth engines [which can be provided by start-ups].28

Evolution of the South Korean entrepreneurial ecosystem following the launch of the Creative Economy Action Plan

To triangulate interview findings, we compiled and analysed statistics indicative of the performance of the South Korean government's entrepreneurship policy. We wanted to test whether our findings regarding the sentiments of key members of the South Korean entrepreneurial ecosystem were consistent with broader data about the effectiveness of the various policies implemented by the Park administration. This is useful to control for the fact that interviews are not necessarily entirely reliable. The biases of interviewer or interviewee can affect the replies to questions, thus affecting the effectiveness of interviews as the sole data gathering method (e.g., Durrant et al. 2010).

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26 Interview with the Programme Manager of a South Korean branch of an international facilitator, 23 August 2016, Seoul.
27 Interview with the Business Operations Manager of a South Korean incubator, 30 August 2016, Seoul.
28 Interview with the General partner of a South Korean accelerator, 23 August 2016, Seoul. (NB: Eugene Kim, Sparklabs)
The results of our triangulation process provide support to some of our findings from interview data. South Korea's entrepreneurial ecosystem has grown since the launch of the Creative Economy Action Plan in 2013. This gives credence to interviewee views that the Park government has made entrepreneurship a viable alternative career and has raised awareness about it. This is consistent with the GEM's most recent assessment of South Korea, based upon 2013 data, which cites the 'biggest enablers of entrepreneurship in Korea' as 'good physical infrastructure, effective government policies and market dynamics' (GEM 2013). In turn, this suggests that the South Korean economy as a whole is changing thanks to the development of new growth engines to supplement chaebols.

To start with, we reviewed data on Korea's rates of entrepreneurial activity and instances of start-up successes (the two metrics for entrepreneurship policy performance, as mentioned earlier in the article) several years before 2013, to compare the rate of growth with the secular trend. Concerning entrepreneurial activity, quantitative data from different sources confirms that South Korea's entrepreneurial ecosystem has become bigger and more active since the launch of the Creative Economy Action Plan.

Firstly, there are contradictions in data on rates of entrepreneurship from about 2000. According to GEM, South Korea had seen a general decline in entrepreneurship in the wake of the Global Financial Crisis, with a decrease in opportunity-driven entrepreneurship29 in the six years up to 2013 (GEM 2013). The total early-stage entrepreneurial activity indicator, also produced by GEM, languished from 10.0 in 2008 down to 6.6 in 2012. GEM paints a clear trend of start-up activity decreasing in the wake of the Global Financial Crisis. A similar trend is offered via data on entrepreneurship from the World Bank, which shows that the number of newly registered private corporations in South Korea had declined between 2012 and 2013, and then increased from 75,356 in 2013 to 84,676 in 2014 (World Bank 2016). For SMBA, in contrast, the number of business ventures – a broader term than the high-growth start-ups that GEM may include, but likely similar to that of World Bank statistics – depicts a steep uptick in activity from 2004 through to 2015, with a particularly significant increase in 2010 (see Figure 1 below).

Figure 1: SMBA data on the number of business ventures in South Korea (1999-2015)

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29 Opportunity-driven entrepreneurship is a term coined by GEM to refer to entrepreneurs who take advantage of a business opportunity. It is juxtaposed by necessity-driven entrepreneurship, referring to situations where people have no better options for work.
It is useful to also examine data from THE VC, a South Korean start-up that provides analysis on the country's entrepreneurial ecosystem. Data from THE VC shows that the number of South Korean early-stage start-ups receiving funding increased in the three full years following the launch of the Creative Economy Action Plan for which there is data available (THE VC 2016c). See Table 2 below for a summary of the number of start-ups that fundraised each year.

Table 2: Indicative statistics on South Korean start-up fundraising environment

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of early-stage start-ups receiving funding (by number, not deal value)</th>
<th>Value of fundraising by start-ups (in KRW bn)</th>
<th>Number of funding rounds</th>
<th>Number of investors (participating in early-stage funding deals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Data not available</td>
<td>Data not available</td>
<td>143</td>
<td>82</td>
</tr>
<tr>
<td>2014</td>
<td>174</td>
<td>11,796</td>
<td>379</td>
<td>149</td>
</tr>
<tr>
<td>2015</td>
<td>274</td>
<td>24,626.8</td>
<td>633</td>
<td>203</td>
</tr>
<tr>
<td>2016</td>
<td>306</td>
<td>15,776.6</td>
<td>778</td>
<td>290</td>
</tr>
</tbody>
</table>

Sources: THE VC, 2016a, THE VC, 2016c

Whilst there are positive movements in these fundraising statistics for the 2013-2016 period, this fits with a rise in VC activity – both in terms of new investments and in fundraising – since 2002. See Figure 2 below for an illustration of this longer historical trend.
Other measures of the rate and quality of entrepreneurial activity focus on the level of start-up fundraising: the more start-ups that raise money, and the more money they raise, may suggest both that more start-ups exist, and that more start-ups are of a quality capable of raising private investment capital. They include total funding raised, number of funding rounds and number of investors, for which THE VC has data available for the period 2013-16. The decrease in funds raised from 2015 to 2016 can be explained by ecommerce firm Coupang receiving more than half of all the funds raised by South Korean start-ups in 2015. Excluding Coupang, fundraising increased between 2015 and 2016. Concerning the number of funding rounds, there was a steady increase (from 143 in 2013 to 778 in 2016), constituting a marked growth in the volume of funding deals done in South Korea within a matter of four years. The larger number of deals were completed by a growing universe of investors; as Table 2 shows, the number of investors more than quadrupled between 2013 and 2016 (THE VC 2016a).

Entrepreneurial activity can also be analysed by assessing changes in the number and assets under management of investors. The ecosystem’s VC firms’ ability to fundraise can reflect both the evolution of the demand for early-stage financing, as a result of increased entrepreneurial activity as well as the provision of the supply of investment capital in order to promote
entrepreneurship. Essentially, simply examining the amount of VC fundraising does not indicate causation, but this data can help to paint a picture of what is driving the growth of South Korea’s entrepreneurial activity. Useful data points include capital raised upon fund formation, the total number of funds and total number of managers, which THE VC also has available for the period 2013-2016. Starting with capital raised by Korean VC managers, the amount went up from KRW88,572.4 bn in 2013, to KRW124,504.3 bn in 2014, to KRW131,379.4 bn in 2015, and then down to KRW110,621.4 bn in 2016. Notwithstanding this decrease between 2015 and 2016, the capital upon fund formation this last year was above 2013 levels. Moreover, the two other measures show that the number of actors involved in the funding of start-ups has increased. The total number of funds was 99 in 2013, 159 in 2014, 196 in 2015 and 211 in 2016.

The Korean Venture Capital Association (KVCA) has similar information on the funding side of entrepreneurship. It provides publicly available data on the 2004/2006-2015 period for the number of venture capital firms registered with the SMBA, number of venture capital funds formed and amount of venture investments. The number of venture capital firms registered with the SMBA declined between 2012 and 2013 and then increased from 101 that year, to 103 in 2014 and 113 in 2015; this was the highest number dating back to the start of the series in 2006. The number of venture capital funds formed also declined between 2012 and 2013 to then increase from 54 that year, to 82 in 2014 and 110 in 2015; again the highest number on record, in this case dating back to 2004.

Whist, data available from THE VC and the KVCA shows that start-up fundraising and activity from investors increased during the first three years of the Park government in power, the increase is part of a secular increase in these arenas since at least 2006. What’s more, the government’s role as an investor in the South Korean VC industry is growing, not retreating (see Figure 3 below). This indicates that the increase in public money for early-stage financing activity has not been matched by private sector interest.

Figure 3: The South Korean government’s share of VC financing annually (2005-2014)
Since the launch of the Creative Economy Action Plan, governmental institutions, including funds of funds, have remained one of the largest contributors of financing for local VC funds.

Publicly available data indicates the importance of both the Growth Ladder Fund, set up by the Park administration in August 2013 with a focus on later-stage finance, and the legalisation of equity-based crowdfunding in July 2015. With regards to the Growth Ladder Fund, as of July 2016 it had committed KRW1,211 bn and catalysed a commitment of KRW4,562 bn for a total of 54 subordinate funds. Exactly half of the funds created operated at the mid- or later stage (K-Growth 2016). Concurrently, a total of 543 firms had received KRW2.1 trn. Almost two thirds of them were start-ups at the early or mid-stage, and all of them were SMEs (K-Growth 2016). As for the legalisation of equity-based crowdfunding, it has fostered a lending mini-boom in a previously non-existent source of capital for South Korean start-ups. As of mid-December 2016, 100 firms had successfully completed 105 issuances, raising a total of KRW163.12 bn (Financial Services Commission 2016).

Regarding instances of start-up successes, they have also increased since the implementation of the Creative Economy Action Plan when measured in terms of exits, particularly equity raised via IPOs. Quantitative data on the number of listed firms in KONEX, the market capitalisation of KONEX, and funds raised by venture capital-backed firms through IPOs in KOSDAQ confirms the steady increase in the amount of start-up successes (a proxy for the rise in quality of Korean entrepreneurs). The number of listed firms in KONEX went from 21 upon its launch in July 2013, to 81 in June 2015, to 124 in June 2016 and to 141 as of January 2017.\(^\text{30}\) Also, 19 companies

initially listed with KONEX had moved to KOSDAQ by the end of 2016.\textsuperscript{31} As for KONEX's market capitalisation, it increased several times over between 2014 and 2016 (see Table 3).\textsuperscript{32} Concerning funds raised through IPOs in KOSDAQ, the amount raised by venture capital-backed firms nearly doubled between 2013 and 2015, going from KRW90.8 bn in 2013 to KRW159.5 bn in 2015. The latter is the largest amount since the start of the series in 2006 (KVCA 2016a).

Table 3: South Korea’s public equities market trends (2013-2016) (values in KRW)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>KONEX Market Capitalisation</td>
<td>0.46 trn (July)</td>
<td>3.6 trn (June)</td>
<td>5.2 trn (June)</td>
<td></td>
</tr>
<tr>
<td>VC-backed firm’s fundraising on KOSDAQ</td>
<td>90.8 bn</td>
<td>97.8bn</td>
<td>159.5 bn</td>
<td>Not yet available</td>
</tr>
</tbody>
</table>

Sources: KVCA (2016a), Korea Exchange (2017)

Start-up successes can also be measured as global market growth. There have been suggestions in the specialised media that South Korea has only had locally successful start-ups (The Asian Entrepreneur 2016). In the absence of publicly-available data on the internationalisation of South Korean start-ups, it is challenging to know whether this is accurate. Anecdotal evidence, however, suggests that there have some start-up successes in terms of global market growth. Coupang’s raising of a US$ 1 billion round of VC funding in the second quarter of 2015 is the leading example of successful VC funding. Nexon is a leading worldwide development and publisher of online games (World Economic Focus 2014), ColorNote is the leading note-taking mobile app in more than 50 countries (Mundy 2014), KakaoTalk is credited with having been central to the development of the mobile industry app and has an international presence (Mac 2015), and several younger start-ups have received international prizes and awards (Ministry of Science, ICT and Future Planning 2016). However, there is no South Korean start-up equivalent to Google or Uber. That is, a globally recognised start-up that scaled up its business internationally in very few years.

The data here presented supports the interviewee's sentiments that the Creative Economy Action Plan has had a positive impact on South Korea's entrepreneurial ecosystem. There are more start-ups, investors and financing mechanisms. It can be said that the Park government has successfully implemented policies raising the profile of entrepreneurship and allowing easier access to funding. The Park government has also established a network of clusters beneficial for the acquisition of managerial skills by would-be entrepreneurs.

With this said, we are reluctant to attribute causation to the Creative Economy Action Plan alone. There has been a secular increase in entrepreneurial activity, both in the ten years prior to the

\textsuperscript{31} Ibid.
\textsuperscript{32} Ibid.
launch of the Creative Economy Action Plan in Korea. The well-publicised exits of start-up firms, such as WhatsApp, Oculus Rift and Alibaba, has raised awareness of entrepreneurship globally. Within East Asia, venture capital and entrepreneurship have been on the rise in China and Japan. This is not to say that the increased entrepreneurial and VC investment activity across East Asia is the result of free market forces. On the contrary, there is marked growth in the breadth and extent to which provincial and regional governments are intervening to support entrepreneurial ecosystems. Governments the world over are offering more funding, more tax rebates, improvements to the regulatory environment, and the promotion of entrepreneurial skills. On top of this, interest rates are at historical lows, encouraging institutional investors to take risks, and invest in innovative companies that may be able to earn them a big return on investment (Klingler-Vidra, 2016). This is all to say that the South Korean increase in entrepreneurship is not unique to the 2013-2016 period in its own recent history.

Conclusion

The South Korean post-development state is well alive. Existing scholarship suggests that formerly developmental states in East Asia have not disappeared as countries have graduated to developed status. Instead, they have adapted their policies to a different domestic and international environment while maintaining the underlying system. The decades-old system survived the EAFC and seems not to have persisted after the Global Financial Crisis as well.

Under the remit of a Creative Economy Action Plan launched in 2013, Park government-led post-developmental South Korea has used a wide range of policies to support entrepreneurship and start-ups. The goal is to reduce dependence on chaebols and to support SMEs to promote innovation and technological upgrading. In other words, to create a "start-up nation" like that of Israel or Taiwan.

Through an empirically-grounded analysis using government documents and original interviews triangulated with statistical data from multiple sources, we show both the multiple ways in which the Creative Economy Action Plan works and the effectiveness of this plan in supporting entrepreneurship. Whilst it appears that the Plan is contributing to the increase in the quantity and quality of entrepreneurial activity since 2013, we cannot say that it has been the result of the government efforts alone. In fact, entrepreneurial activity, and early-stage finance, had been on the rise since the early 2000s. What we can say with greater confidence is that the public perception of the desirability of entrepreneurship as a professional path has been changed – improved – through the visibility of the Creative Economy Action Plan. The government continues, since before the Plan took effect, to play a central role as the financier of VC funds and, in so doing, entrepreneurs in South Korea, as it has since the early 2000s.

The Creative Economy Action plan is not entirely novel. Our analysis suggests that it is, in many ways, a continuation of the industrial restructuring, a shifting financial model and technological upgrading that has long characterised South Korean economic policy. In fact, in line with its more traditional developmental state model, the government is involving the chaebols, such as Samsung and LG, in this new brand of industrial policy. Chaebol act as 'facilitators' of entrepreneurship support centres and accelerator programmes (Jung and Kim 2016). However,
the centrality of the initiative to overall industrial strategy is new. The central role of entrepreneurial ecosystems, rather than national champion firms, as the intended recipient of post-developmental state support is evident, is changing perceptions in South Korea.

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