

INNOVATION IN TECHNOLOGICAL START-UPS: KOREAN START-UP ECOSYSTEM

INTRODUCTION

Nowadays governments rely on disruptive innovation, globalization of services and products, creative economies or internet of things to achieve economic growth. Higher rate of successful startups translates into economic growth. The completely reformed landscape created ideal environment. The importance of startups comes from our techy lifestyle. Schumpeter discussed that innovation and technological change of a nation comes from entrepreneurs.

Two connections between innovation and technology:

- rapid change in one area uncovers big, soluble problems in other areas
- startups come up with new ways of doing things and that translates to innovation in technology

The objective is to analyze the different factors that shape the Korean startup ecosystem and also interview various startups in order to better understand the environment.

3 GENERAL OVERVIEW OF STARTUPS ECOSYSTEM

CREATIVE ECONOMY

Park Geun-hye defined "Creative Economy" as the creation of new industries and employment through "the convergence of science and technology with industry, the fusion of culture and industry, and the blossoming of creativity in the very borders that were once permeated by barriers." Korea reached the limits of its previous "fast follower" economic strategies and its future prosperity depends on becoming a global leader in developing and commercializing innovative products, services and business models.

EDUCATION

4.9%
OF KOREA'S GDP

"EVEN FROM A SMALL STREAM, A DRAGON CAN ARISE"

- KOREAN PROVERB

R&D CENTERS

4.15%
OF KOREA'S GDP

PATENT CENTERS

11%
WORLD'S PATENT SHARE

ACCELERATORS & INCUBATORS

BOOMED
SINCE 2012

NETWORKING EVENTS

STARTUP GRIND SEOUL

CURRENT KOREAN STARTUP ECOSYSTEM

VENTURE CAPITAL

105 VCS

491 VC FOUNDS

4 STARTUP SUPPORT

The role of the government for startups comes when startups are not having disruptive ideas and these are having problems acquiring funding from VCs or angel investors. The technological startups are preferred by the Korean government for funding. Government support for SME innovations is provided through a multitude of policies at the local, regional, and national levels.

- 17 Centers for Creative Economy & Innovation (CCEI) during 2015 will help, cooperate, share information and knowhow with startups.

- US\$1 billion was invested in startups until October of 2014, only this was an increase of 9,5% from 2013.

- The support for university students interested in entrepreneurship will be enhanced as well.

- The Small and Medium Business Administration (SMBA) will create a "high tech campus for business starters" and provide support of up to KRW 1 billion over the next three years for each of the selected teams. The center will be located in Gangnam area and it will allow around 170 startups to relocate.

1 WHAT IS A STARTUP?

• Growth definition of a startup (Paul Graham)

He defines start-up as: "a company designed to grow fast". The substantial objective is to create something that grows fast and could target a big market.

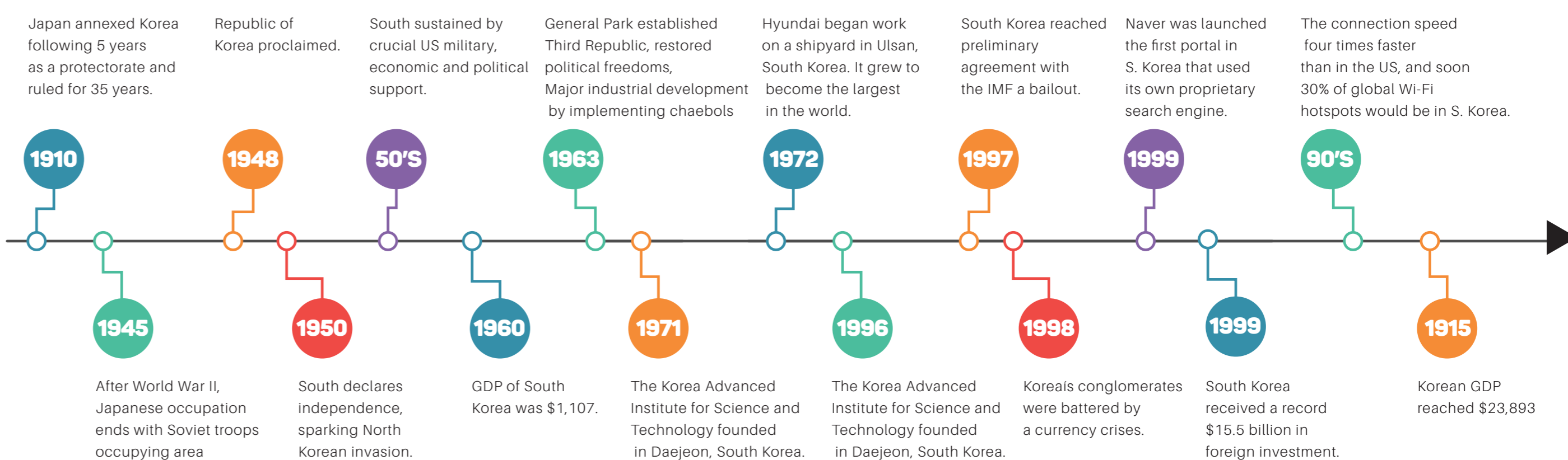
• The Lean Startup definition (Eric Ries)

Eric Ries explains start-ups as human institution designed to create new products and services under conditions of extreme uncertainty.

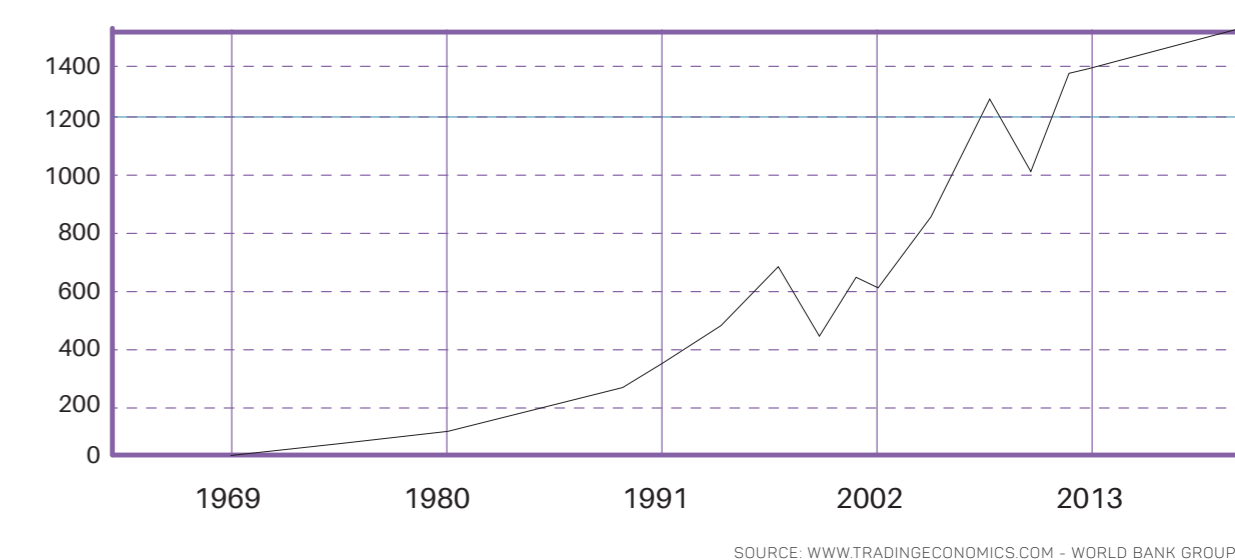
• Origins of the Lean startup method (Steve Blank)

The lean start-up method is a new methodology that is making the process of starting a startup less risky and "favors experimentation over elaborate planning, customer feedback over intuition, and iterative design over traditional big design up front development."

2 DEVELOPMENT OF SOUTH KOREA



SOUTH KOREA GDP
BILLIONS OF U.S. DOLLARS



SOURCE: WWW.TRADEINDEXECONOMICS.COM - WORLD BANK GROUP

5 CONCLUSIONS

- High percentage of Korean GDP is dedicated to startup support and R&D.
- Internal efficiency of the education system, that provides excellent graduates. Moreover, they relax the regulations for the students involved in startups.
- Undoubtedly, Korean R&D centers are performing extraordinary well. ETRI

SUGGESTIONS

After analyzing all the relevant factors such as culture, education system, R&D, patent centers, investment patterns and networking events that have influence on the Korean startup ecosystem and adding the personal experience, I could consider as ways for enhancement:

1. Government has to focus on networking spaces for entrepreneurs to gather, exchange ideas and get inspired.
2. Less institutions with specific goals to improve their efficiency
3. Cooperation plan for chaebols and startups.
4. Improve efficiency when of application process for startup supports.
5. Financial supports without restrictions on the use.

6 INTERVIEWS

INTERVIEW 1 - EDUCAST

Tae Young Park is student from Seoul National University. He has always had a different way of seeing the innovation. He has been working for few years in the educational sector with the startup Educast. The idea behind this project is that everybody knows something that could be taught to a massive audience, everybody could become a teacher thanks to their online platform.

INTERVIEW 2 - PRND

Hyun Ik Jang is another student from Seoul National University and one of the teammates of the startup PRND. They are trying to solve the problem of getting reasonable price for second hand cars on the market. They are providing their application for iOS and Android users. They are leading the change in the car industry.

INTERVIEW 3 - COMPANY REDCLOUD (CRC)

CRC is a startup idea created by Jae Yoon Lee. Lately, he and his friend have started working on a unique service for smartphones with Android operational system. The idea is to reduce the car accident while people are walking and using their smartphones on the street. They will use big public data to create this service.