

Youth Entrepreneurship Development in South Korea

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ABSTRACT

Youth entrepreneurship is a phenomenon which is nowadays studied by researchers all over the world who aim to find out what possibilities it opens for society and how to create the most favourable conditions for the success of youth-led firms. The aim of this thesis is to list advantages and disadvantages of South Korea for the development of youth entrepreneurship. This country has been chosen due to the move of the country towards the creative economy and the emerging start-up scene, which attracts attention of businesses all over the world. The researcher's goal is to find out if business environment of the country corresponds with the needs of young entrepreneurs, particularly, students and have a potential to become an emerging hub for youth-led start-ups.

Deductive research approach is chosen for this thesis; both qualitative and quantitative methodologies are utilized. The secondary data is derived from reliable, up-to-date published and electronic sources; the primary data is collected from semi-structured interviews and a questionnaire. The gathered information is carefully analysed and conclusion is made about business environment in South Korea.

The results of the research evidenced that South Korea has both advantages and disadvantages for the development of youth entrepreneurship. In order to reach its full potential the country should solve the problems of low prestige of entrepreneurship, bad quality of entrepreneurship education, shortage of funding and lack of awareness of business assistance programs.

Key words: business environment, development, South Korea, youth entrepreneurship

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1 INTRODUCTION

This chapter contains a description of the main topic of the thesis, its research questions, objectives and limitations. Moreover, a theory, used in the thesis, research methodology, data collection and structure of the thesis are displayed in the chapter.

1.1 Research Background

Youth entrepreneurship has gained a lot of attention these days, and governments all over the world are designing strategies in order to enhance its development. Young-led companies have been proven to be a source of new jobs and a solution to the persistent problem of youth unemployment. A lot of research has been conducted in the past ten years concerning the phenomenon of youth entrepreneurship, although, this topic still remains undeveloped. (Schoof 2006, 1-2.)

Various institutes and organizations all over the world have conducted surveys about the desire of the younger generation to engage in entrepreneurial activities. In 2011 a Flash Eurobarometer survey stated that, according to its research, 43% of young people from European countries were willing to open a new business (Flash Eurobarometer 2011). A couple of years later the University of Phoenix in the state of Arizona (USA) held a survey among young people under thirty years of age about their attitude to setting up their own business. It appeared that 63% of the respondents planned to or had already owned a start-up company. (Zetlin 2013.)

Nowadays more and more students are eager to start their own business, but not all of them are completely aware of all the opportunities and challenges for young entrepreneurs in their home country. In this work, it was decided to analyse youth entrepreneurship, its advantages and obstacles on the example of one country, South Korea, which has a potential for the development of young-led businesses (Delacharlerie 2015).

South Korea nowadays has one of the most promising and emerging markets in Asia for start-ups and business ventures. At the end of 2016 South Korea was placed 5th as one of the countries with the most business-friendly environment. Various factors influenced the ranking such as the government regulations, the level of bureaucracy, the extent to which the economy was opened, etc. (Ease of Doing Business Index 2017.)

Due to the shift of South Korea towards a new economic philosophy, which will be discussed in the next chapter, and the encouragement of creativity and innovation, the number of new businesses in the country is increasing at a very high rate. For example, since 2008 the number of business ventures has doubled, reaching 32,451 firms in 2016. (Statistics 2017.)

Although, the business environment of South Korea and the policies of the government greatly encourage people to engage in entrepreneurial activities, the younger generation seems reluctant to use such an opportunity. Since 2000 the number of youth-led firms has dramatically dropped from 55% of the whole range of start-ups in South Korea to only 20% in 2011. (Tiffany Ng 2015.) More than that, youth unemployment has reached 12.5% in 2017 (South Korea Youth Unemployment Rate 2017), and comparing to the national unemployment rate in South Korea, which was 4% in January 2017 (South Korea Unemployment Rate 2017), the figure is extremely high.

In this research, it was decided to analyse the start-up scene in South Korea and the opportunities and challenges for young people, particularly, students, aiming to open a new business in the country. This topic stirs up curiosity due to the controversy related to the fact that, though the start-up scene in South Korea is extremely promising, the students are not highly interested in start-ups (Ng 2015). In the thesis, various facilities and opportunities for students in South Korea will be observed and what drawbacks the start-up community in the country has making it not attractive for young entrepreneurs to enter.

1.2 Thesis Objectives, Research Questions and Limitations

The main objective of this thesis is to analyse business environment conditions for youth entrepreneurship development in South Korea. This work aims to list the opportunities which the country offers to the entrepreneurs as well as describe the challenges of establishing new businesses in the area. The goal is to evaluate advantages and disadvantages of South Korea for the development of youth entrepreneurship and suggest improvement proposals which could help the country to reach its full potential and make it easier for students to bring their innovative ideas to the Korean start-up scene.

A research question is centralizing a thesis around a certain topic. It should be focused in order to make it easier to gain a concrete answer. When formulating a research question, it is essential to evaluate how broad it is and if it is researchable, while considering the time given and resources available for collection. It is important to assure that the question includes a problem and the solution of which will be the main goal of a thesis. (Saunders, Lewis & Thornhill 2009, 32-34.)

The research question of this thesis is stated as follows:

- Does South Korea have a business-friendly environment and great potential for the development of youth entrepreneurship?

In order to help answering the research question, several sub-questions should be used. They help a reader to fully understand the topic of the work and lead up to the answer to the main research question. The sub-questions of the thesis are defined as follows:

- What are opportunities and challenges for youth entrepreneurship development?
- How are youth-led companies supported in South Korea?
- What disadvantages does South Korea have as a place for students to open a start-up company?
- What can be improved in South Korea in order to attract the

attention of young entrepreneurs to the start-up scene in the country?

Firstly, this research is limited to the country, South Korea, which business environment is observed. Secondly, only young entrepreneurs, more particularly, students are considered. Thirdly, only a starting point of running a business is observed, not taking into consideration the process of having a business in South Korea in the long run. Anyway, the research is useful for young entrepreneurs as it provides helpful information about the opportunities and challenges of opening a start-up company in South Korea.

1.3 Theoretical Framework

Theoretical framework of the thesis is based on the concept of youth entrepreneurship, its obstacles and solutions which are aiming to attract the younger generation to entrepreneurial activities. The information collected about youth entrepreneurship and the ways to boost it is used further in the thesis as a model to which the start-up scene in South Korea is compared.

In order to evaluate youth entrepreneurship in South Korea, the country's laws and policies supporting start-ups and business ventures and the description of the main organizations and events providing facilities for young entrepreneurs are presented.

Firstly, the term of youth entrepreneurship, the problems faced by youth-led businesses and the solutions to them are described. Secondly, the role of SMEs in the economy of South Korea and the laws supporting their development, the Creative Economy and the best examples of organizations boosting youth entrepreneurship in South Korea are stated.

1.4 Research Methodology and Data Collection

The next step of conducting a research after defining its goal, objectives and the main research question is to decide what research approach and methodology will be used in the work. In the figure below the research approach and methodology as well as the way of data collection, used in this work, are stated.

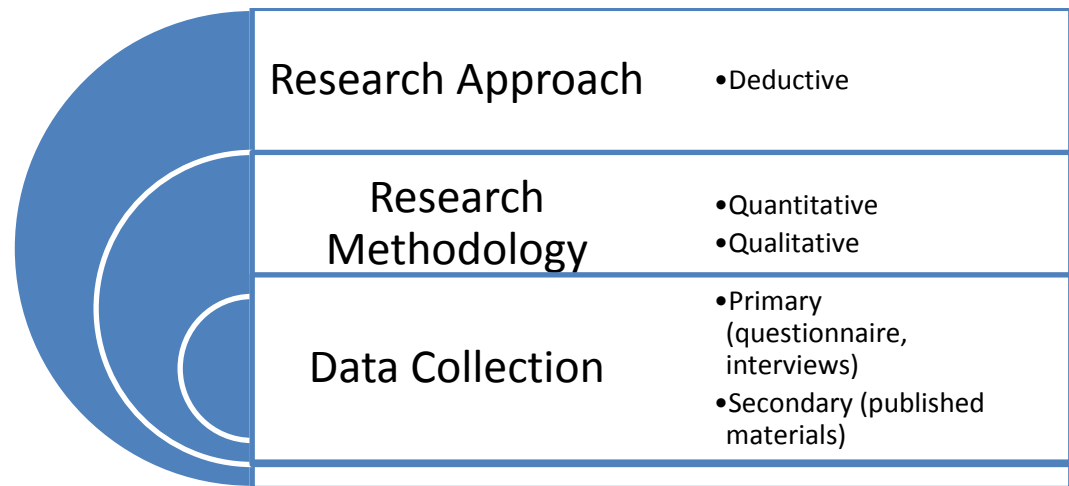


FIGURE 1. Research approach, methodology and data collection

Research approach is divided into inductive and deductive. Inductive reasoning is based on starting a research from a certain observation and finishing it with a generalized theory. Deductive research approach is representing a movement from a theory to a specific conclusion. (Burney 2008.)

Deductive reasoning is chosen in this thesis. First of all, a theory is made based on the secondary source information about challenges and opportunities of youth entrepreneurship. Secondly, the theory is checked by observing business environment in South Korea and testing whether the country has favorable conditions for the development of student start-ups or not. For that purpose, various facilities provided to youth entrepreneurs and students' opinion about engaging in entrepreneurial activities in South Korea are examined.

Research methodology is systematizing a way the main problem of a work will be solved. It helps to define which research methods are suitable for a thesis and in what way they will help to answer the main question. Two general types of research methodology are: qualitative and quantitative. (Kothari 2004, 7.)

The quantitative research methodology type is focused on a large group of people who provide data for a research. This type is an analysis and generalization of the data usually collected in a form of surveys, questionnaires or schedules. (Ben-Eliyahu 2014.)

Qualitative research is based on collecting and analyzing qualitative data which is gathered using interviews, open-ended questions or focus groups. This type of research is usually less generalized than the quantitative one due to a small number of participants. The collection of the data for this type of the research is time-consuming but allows to analyze a specific case more thoroughly. (Ben-Eliyahu 2014.)

Sometimes these methods are combined in order to take advantage of both types of research and answer the main question in the most efficient way. In this research both quantitative and qualitative methodologies are used. The work will be based on the analysis of the quantitative data, received from a questionnaire being completed by Korean students, as well as the qualitative data, which will be gathered in the form of interviews of student start-up companies in the country. These research methodologies are chosen in order to be able to receive both a general view of the students concerning the topic and a more detailed specified information about a process of opening a company by the students of South Korea.

There are two ways of collecting information which are used in a research: a primary source and a secondary source data collection. The primary source data is collected by a researcher for the first time and is considered original. The secondary source data is an information already collected by another person. A researcher aims to revise it to find an answer to a

specific question of the research, which may be different from the original purpose of the data. (Kothari 2004, 95.)

This thesis contains both primary and secondary source data. The secondary source information are theories about youth entrepreneurship, published materials about policies concerning support of SMEs and start-ups and facilities provided for students aiming to open a business in South Korea. The primary source data includes information about the actual student start-up companies which has been opened in South Korea and a generalized opinion of the students about the start-up scene in the country. The data is collected by the questionnaire and the personal interviews with student start-ups.

1.5 Thesis Structure

The thesis is divided into six chapters, which aim to convey the main idea of the work. On the figure below the progression of the research is presented.

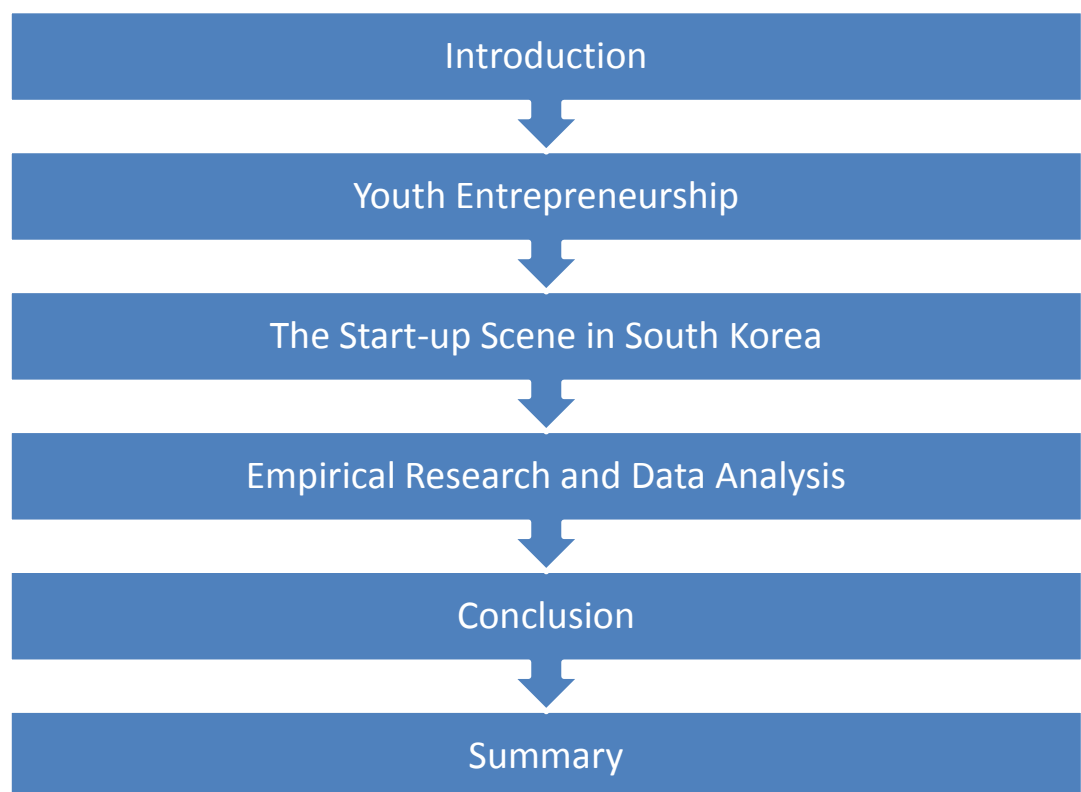


FIGURE 2. Research progression

The thesis starts with an introduction where the author describes the research background, the main objectives and the final goal of the research. This part also includes an information about the theoretical framework, the research methodology and the data collection process.

The next chapter presents a theoretical part of the thesis. It outlines the concept of youth entrepreneurship, its opportunities and challenges. The theory of the chapter is used as an evaluation criteria for the analysis of the South Korean business environment.

The third chapter is an observation of the South Korean start-up scene and the support the government and commercial organizations provide for the young entrepreneurs.

The following chapter encapsulates an empirical part of the research. It is divided into an analysis of the data collected using the quantitative and qualitative methodologies and an improvement proposal.

The fifth chapter provides a reader with the answers to the research questions. It also includes suggestions for further research and proves validity and reliability of the thesis.

The eighth chapter summarizes the research. It is the last part of the thesis.

2 YOUTH ENTREPRENEURSHIP

Youth entrepreneurship is defined as the actions of young individuals applying their innovative ideas, skills, creativity and risk-bearing into independent employment or work in business ventures and start-ups (Riahi 2010). In this chapter, the advantages of youth entrepreneurship, the obstacles of opening a new business by the young as well as the actions to be taken in order to engage the youth in entrepreneurship activities will be stated.

2.1 Advantages of Youth Entrepreneurship

Why young people are willing to open their own businesses and why the governments all over the world are aiming to increase youth entrepreneurship? What are the advantages of the rising number of start-ups opened by young individuals? These are the questions to be answered in the subchapter.

The main reason why developing youth entrepreneurship is considered as an awesome opportunity is that it is a great tool to decrease unemployment among young people (Schoof 2006, 1-2). The International Labour Organization (ILO) has estimated that the total youth unemployment had reached 14% in 2014. Comparing to the figure of 12% in 2007 it is a warning sign for the governments worldwide. It can be stated with certainty that the percentage of the total youth unemployment has been several times higher than the total unemployment among the adults for the last twenty years. For example, in 2014 the percentage of unemployed adults around the world was 8.5% less than the same figure among the youth. (International Labour Organization 2014.)

Entrepreneurship is proven to be a chance to solve the unemployment problem by creating new jobs, as it provides an opportunity for more people to get into a working environment either by becoming self-employed or working for new businesses. Boosting youth entrepreneurship

is one of the ways to fight unemployment among the young. (Kritikos 2014, 3.)

One more reason to encourage the youth to open new businesses is that the younger generation is showing high percentage of latent entrepreneurship, which means a stated willingness to become an entrepreneur. (Green 2013, 2). In 2011 Flash Eurobarometer hold a survey among young people from European countries if they were willing to open a new business. The result was that 43% of the younger generation replied positively. (Flash Eurobarometer 2011.) The earlier survey by Flash Eurobarometer in 2002 showed that 58% of people from the USA and the EU between 15-24 years old were interested in being self-employed. If the governments worldwide provide the youth with a favorable environment for entrepreneurship, they can noticeably increase the number of start-ups and new jobs on the market.

By promoting youth entrepreneurship several other goals can be reached. Young people are a great source of game-changing innovation, and youth entrepreneurship provides them with a chance to realize their ideas and gain hands-on experience and professional skills. At the same time society receives valuable goods and services in addition to the new high-skilled labour. (Schoof 2006, 3-4.)

If discussing about the reasons for young people to become entrepreneurs, it is essential to take into account their quality of living. Young entrepreneurs can be divided into opportunity- or necessity-driven ones. (Schoof 2006, 11-12.) According to the survey, hold by the Global Entrepreneurship Monitor(GEM) about the motivation to open a business in 2016, three out of four respondents were becoming entrepreneurs because they saw a good opportunity, believed they had sufficient skills to become successful and preferred to be independent workers. (Global Entrepreneurship Monitor 2017, 22-23.)

Referring to the rest of the respondents the GEM found a tendency that necessity-motivated entrepreneurs were frequently found to be the

residents of low-income countries. These individuals felt the necessity to open their own businesses due to the high unemployment rates and the self-employment being the only sustainable way to earn income. (Global Entrepreneurship Monitor 2017, 22-23.)

2.2 Obstacles to the Youth Opening New Businesses

Dr. Ulrich Schoof, in his paper for the International Labour Organization, stated five problems faced by young individuals who decided to become entrepreneurs. The list of them can be found on the figure below.

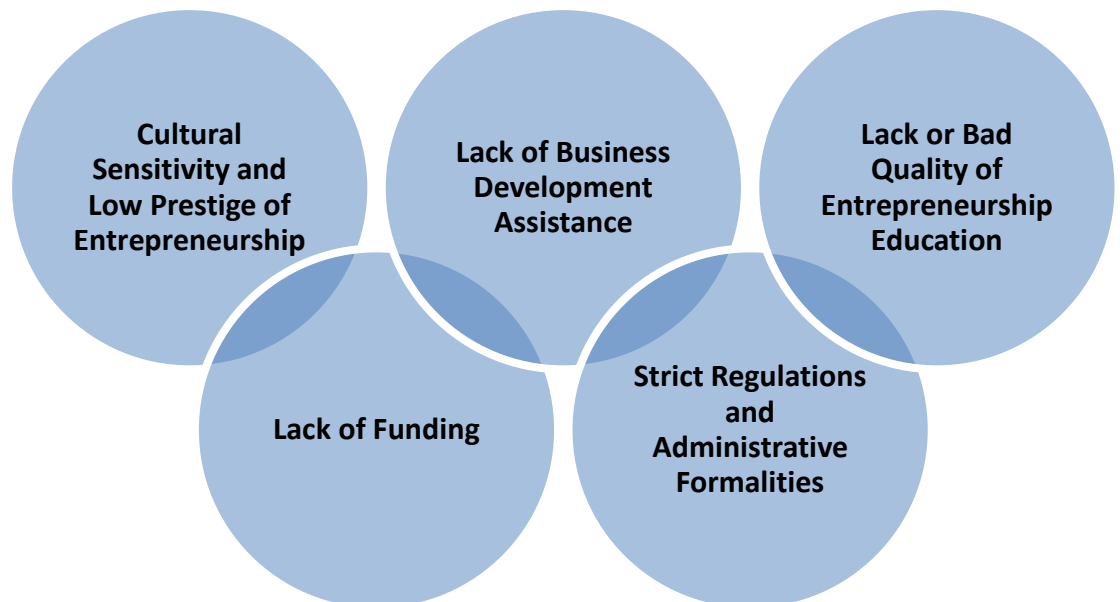


FIGURE 3. Barriers to the development of youth entrepreneurship (Schoof 2006, 23)

In the next subchapters, a detailed description of the challenges of youth entrepreneurship development can be found. The ways to solve the problems are stated in the chapter as well.

2.2.1 Cultural Sensitivity and Low Prestige of Entrepreneurship

There is a strong connection between person's unwillingness to engage in entrepreneurship and an attitude to it in society (Schoof 2006, 24). It is helpful to refer to the culture classification of Geert Hofstede, famous Dutch sociologist, in order to understand the attitude of cultures with various traits to entrepreneurship. Hofstede was comparing cultures based on their index of power distance and uncertainty avoidance, whether people are long-term or short-term oriented, whether they abstain from pleasures or not. He also pointed at the difference between the amounts of masculinity and femininity, collectivism and individualism in various cultures. (Hofstede 2011, 8.)

When applying the classification of cultures to their attitude to entrepreneurship, it becomes clear why in some countries setting up a new business is considered more prestigious than in others. For example, the high index of power distance and uncertainty avoidance is more likely to increase person's unwillingness to set up a business, as in that kind of culture people find work in big companies with the developed hierarchy more attractive and are less interested in participating in risky ventures. A great level of collectivism in society can also negatively affect entrepreneurship spirit, as a desire of an individual to open a new company based on new innovative ideas and technologies is not well-accepted. (Schoof 2006, 25.)

The sum and substance of cultural traits being the obstacle to the youth aiming to engage in entrepreneurship is that in each culture there is its own public image of entrepreneurship as a whole. If the image is not positive and work in a start-up is not considered prestigious then a family, friends and society will not be encouraging a young person to open a new company and may even pressure to renounce the idea. (Schoof 2006, 26-30.)

2.2.2 Lack or Bad Quality of Entrepreneurship Education

Entrepreneurship education is a promotion, training and stimulation of the development of entrepreneurial culture, knowledge and skills among population (Virkkunen 2009). A great amount of research has been conducted concerning the impact of education on the development of entrepreneurship. Although, the overall conclusion stated by researchers Lorz, Müller, and Volery in their study “Entrepreneurship Education: A MetaAnalysis of Impact Studies and Applied Methodologies” was that entrepreneurship training benefited young generation; there are researchers like Oosterbeek, van Praag and Ijsselstein proving the negative outcomes, and it is believed that the issue needs an extra examination and more research efforts. (Lorz 2011, 12-22.)

What are the aspects of education restraining the growth of entrepreneurship? First of all, it is the emphasis of education and academic program on the development of theoretical skills rather than practical. Secondly, teachers are often qualified to prepare students for work in big companies rather than becoming entrepreneurs. One of the biggest disbenefits of traditional education is that it does not encourage creative thinking and promotes risk aversion. In addition, lack of entrepreneurship programs at school and university and lack of students' familiarity with the opportunities of opening their own business is a great barrier to entrepreneurship. (Schoof 2006, 37-39.)

2.2.3 Lack of Funding

A shortage of funding has been admitted as one of the most serious constraints to establishing a new business by a young individual. Opening a start-up requires sufficient budgeting which usually cannot be covered by personal funds of founders. The most common solution is to borrow money from commercial lenders such as banks. The problem which young people without or not sufficient credit history, equity and paying capacity are facing is meeting the requirements of banks and other credit lenders. Such institutions are usually avoiding lending to young entrepreneurs

without expertise, business skills and any guarantees unless they are eager to pay high interest. Other difficulties in receiving funding are a complicated process of acquiring the needed documents and a long period of application processing. Most of the students are not ready to face all the problems of fund raising and are not enough informed about the financing possibilities. (Schoof 2006, 39-45.)

2.2.4 Strict Regulations and Administrative Formalities

The other obstacle to youth entrepreneurship are administrative formalities and regulatory environment. If the procedure of opening a new company and tax system of a country are complicated, including high initial capital requirements, compulsory licensing and time-consuming registration process, it can weaken the desire of unexperienced entrepreneurs to establish a firm. More than that, if a penalty for bankruptcy is inefficiently high, it adds to the existing barriers to the entry of the youth to the start-up scene. (United Nations Conference on Trade and Development 2015, 29-34.)

Young people are frequently unaware of all the formalities concerning the start of business operations, particularly the regulations concerning patenting, trademark and copyrights. If governments have not set up efficient property rights regulations, then new businesses will face problems protecting their unique products and services. In addition, an obstacle to youth entrepreneurship is the lack of competition laws, as new small businesses can hardly compete with large established conglomerates on monopolistic markets. (Schoof 2006, 53-55.)

2.2.5 Lack of Business Development Assistance

The lack or a little range of mentoring, training and other kinds of business development programs and support is another obstacle to youth entrepreneurship. Young people, who have not made any business contacts and acquaintances yet and who are not fully aware of the opportunities and the assistance provided for new businesses, are under a

disadvantage comparing to already experienced entrepreneurs. More than that, a shortage of conferences, forums, co-working spaces, etc. make it more difficult for business people to make useful contacts. (Schoof 2006, 57-60.)

In addition, youth entrepreneurship sometimes faces a problem of having little amount of access to information and communication technologies (ICT). If there is no sufficient support from governments, entrepreneurship centers and other organizations boosting new businesses, young people are not able to fully realize their innovative ideas and the potential of their start-ups because of the lack of adequate infrastructure and ICT skills. (United Nations Conference on Trade and Development 2015, 29-34.)

2.3 Engaging the Youth in Entrepreneurship Activities

There are various strategies aiming to promote entrepreneurship among young people. The description of them will be written down in this subchapter.

First of all, it is essential to craft a positive image of youth entrepreneurship. It is desirable for society to be aware of talented young entrepreneurs, who have achieved success. Such good example will encourage the youth's interest in entrepreneurship and enhance the prestige of young-led start-ups among the older generation. A great tool in promoting youth entrepreneurship is social media which is able to reach global coverage and highlight the significance of young entrepreneurs. (United Nations Conference on Trade and Development 2015, 74-83.)

Young people should know the opportunities of running their own business and designate failures as a salutiferous lesson which helps to avoid mistakes in the future. Business competitions, awards and other similar events are a great way not only for entrepreneurs to win recognition but also for the younger generation to get inspiration from their successful equals in age and learn from their past experience. (Schoof 2006, 30-34.)

Secondly, it is important to incorporate entrepreneurship at all, formal and informal, levels of education. Entrepreneurship courses, training programs, seminars and extra-curricular activities will raise awareness and motivate young people to try themselves in the area of small business. (United Nations Conference on Trade and Development 2015, 35-48.)

Effective and balanced entrepreneurship curriculum as well as highly-qualified and trained teachers are a strong method of enhancing youth entrepreneurship and developing entrepreneurial skills among students and graduates. It is essential for this kind of education to make emphasis on practical training, case studies and experiential learning in order to achieve positive results of the studies. In addition, cooperation of educational institutions and the private sector is a great opportunity for students to receive mentoring and training facilities. (United Nations Conference on Trade and Development 2015, 35-48.)

Thirdly, youth-led start-ups should be provided with funding opportunities such as grants and awards, low interest loans (soft loans) and those with low capital and business requirements (micro-loans), financing in exchange for equity share, such as angel investing, and venture capital. More than that, it is important that young entrepreneurs are aware of the financing opportunities. That is why the provision of guidance and counselling is highly recommended. Banks and other financial institutions which simplify the process of receiving loans, lower lending requirements for young entrepreneurs and provide clear instructions about acquiring the needed documents are a helping hand for youth entrepreneurship. (Schoof 2006, 45-52.)

Fourthly, administrative formalities and regulations should be simplified in order to motivate young people to engage in entrepreneurial activities. To begin with, a tax system should be customized and facilitated in order to answer the needs of young entrepreneurs: easy methods of tax calculation should be introduced and assistance concerning all the tax issues should be provided. Protecting property rights as well as customizing bankruptcy

laws to the risk-taking start-ups – are also the steps to facilitate young entrepreneurs. (Schoof 2006, 55-57.)

In addition, simplified business registration process, which is advised to be ICT-based, and a decrease in its cost is a great advantage for small businesses. For example, one-stop-shops can be opened where an entrepreneur is able to finish all the process of business registration at once. More than that, it is essential to provide youth-led start-ups with consulting services which will help them to meet regulation requirements. (United Nations Conference on Trade and Development 2015, 29-33.)

Finally, young entrepreneurs should be provided with sufficient counselling, mentoring and guiding facilities in order to sharpen their business skills and create opportunities for further development of the start-ups (Schoof 2006, 61-65). Nowadays there are several kinds of organizations, providing these services to promising entrepreneurs and aiming to boost new start-ups:

- **Co-working space** is a place where independent specialists cooperate with each other sharing knowledge and ideas, making their work more effective (Spreitzer, Bacevice & Garrett 2015, 28-30).
- **Business accelerator** is a company or program which expedites the growth of small companies by providing mentoring, funding and other facilities. The aim is to help the companies to solve the problems of losing uniqueness and clear strategy as well as operational and organizational struggles. The length of the cooperation between an accelerator and companies is usually several months. (Sepulveda 2012.)
- **Business incubator** is working with newly established companies, which have only started their business operations and require guidance and funding in order to grow and develop their ideas. Incubators provide new companies with workspaces, funding and sessions aiming to improve the professional skills. The duration of the mentoring can last for a couple of years. (Sepulveda 2012.)

Besides, younger generation should be provided with places and events where people will be able to meet their potential business partners and expand their network. The examples of such amenities are Youth Chambers of Commerce, trade associations, online and offline entrepreneur clubs and networks, trade fairs and exhibitions. (Schoof 2006, 61-65.)

3 THE START-UP SCENE IN SOUTH KOREA

In this chapter, the trends of Korean SMEs, their contribution to the Korean economy as well as the support, the Korean government provides for the SMEs and start-ups, will be discussed. In addition, the most influential South Korean organizations, big events and student competitions aiming to provide facilities for promising entrepreneurs will be reported.

3.1 Contribution of SMEs to the Development of Korean Economy

The 20th century was a turning point for SMEs in the Korean Economy after which the influence of the companies on the economic development has sharply increased. In 1960's-1970's the role of small and medium size enterprises (SMEs) was low due to the Heavy and Chemical Industries Drive (HCI) policy of Park Chung Hee (the President of South Korea from 1963 till 1979), introduced in 1973 and stimulating the growth of heavy and chemical industries. As the consequence of the policy great economic power was concentrated in the hands of large enterprises, called "Chaebol". (Graham 2003, 26-29.)

However, after the economic stabilization policies of the 1980s and the turn of the Korean economy to the globalization strategy, SMEs gained weight in the Korean industries, which is seen in the ratios of contribution to employment and production. From the 1960's to 2010 the contribution ratio of employment concerning SMEs raised from 38,1% to 58,8%, overcoming large enterprises. The ratio of contribution in production similarly increased by 9,7% within the same time frame. (Status of Korean SMEs 2016.)

If talking about the number of SMEs in the Korean economy compared to large enterprises, the statistics of Small and Medium Business Administration of South Korea (2016), SMEs in 2014 reached the amount equal to 99% of the total number of companies in the country.

3.2 Laws Supporting SMEs in South Korea

The reason for the great contribution of small and medium size enterprises to the Korean economy is partly explained by the laws supporting the growth of them. One of the main acts concerning the enhancement of SMEs growth and development is the Framework Act on Small and Medium Enterprises, wholly amended on the 11th April 2007. The purpose of the act is to provide the directions for the development of SMEs as well as measures to be taken in order to support the growth of small and medium size companies and to ensure the economic balance in South Korea. (Framework Act on Small and Medium Enterprises 8360/2007.)

In the Article 3 of the act it is stated that central and local governments should implement effective policies supporting small and medium companies and being relevant to the economic environment of each particular region. The goal of Article 5 is to ensure that the government is encouraging the establishment of small and medium start-ups. The Article 6 is claiming that the government should facilitate the improvement of the productivity and efficiency of SMEs' company management, technology and informatization. It should be reached by the guidance and training programs for the businesses. (Framework Act on Small and Medium Enterprises 8360/2007.)

3.3 Creative Economy Policy

Nowadays the South Korean economy encounters several problems such as a decrease in the economic growth and employment ratio. More than that, the South Korean birth rate is considered one of the lowest in the world, having a negative impact on the perspectives on the Korean economy. In 2013 after the inauguration of Park Geun-hye, the former President of South Korea, her administration brought forward the concept of Creative Economy, aiming to improve the economic situation in the country. (Cha 2015, 35.)

Creative Economy is a term first used by John Howkins, the British writer, in 2001. It refers to the sphere of Research and Development where creativity, innovation and cultural activities are the backbone of economic growth. Creative industries are related to the production of goods based on innovation and containing symbolic expression. (UNESCO 2013, 19-20.)

The creative economy principals were implemented in the South Korean policies long before 2013. Since 1990 the Korean government has been supporting the creative industries, including art and culture, aiming to improve the standard of living of the Koreans. However, those policies have not been able to increase sufficiently the workspaces in the creative industries as well as interrelate traditional production, innovation and culture. Only in 2013 Creative Economy became official national administration philosophy, the goal of which was to lead the country out of the crisis (Cha 2015, 36.)

In June 2013, the Park Geun-hye's administration presented the "Realization of National Welfare and New Era of Hope through the Creative Economy", the goals of which were to create workspaces, establish markets and promote the creative economy where innovation, knowledge and culture are the core values. The action plan consisted of six strategies and 24 promotional tasks. (Cha 2015, 37.) The strategies of the plan are listed in the table at the end of the subchapter. In March 2014 the Park Geun-hye's administration presented the "Three-Year Plan for Economic Innovation", the main points of which were to ensure the efficiency of the economy, the innovation boost and the balance between domestic consumption and export. (Cha 2015, 39.)

The most important outcome of the policy for the development of start-ups in South Korea was the opening of Creative Economy Innovation Centers in 17 provinces of the country. The Creative Economy Innovation Centers are non-profit organizations the main goal of which is to support local start-ups and venture businesses, research institutes and universities in their desire to innovate. The centers serve as the link between large

conglomerates, such as Samsung, Hyundai and LG, and small businesses. Each center has a specialization (for example, electronics, tourism, IT services) and provides an opportunity for small firms to receive guidance and funding from a conglomerate which is the leader in that exact sphere. (Cha 2015, 39-40.)

TABLE 1. Six strategies of the creative economy realization plan (Cha 2015, 38)

1.	Investment in innovation and technology, protection and commercialization of intellectual property, provision of a safe and favorable environment for opening a start-up.
2.	Support and strengthening of venture businesses and SMEs, in order to ensure their further development and cooperation.
3.	Provision of facilities for the growth of the existing industry, creation of new markets and discovery of promising industries, promotion of software and Internet-based production and innovation.
4.	Improvement of education, aiming to promote creativity and entrepreneurship, discovery and training of global talents.
5.	Acceleration of Research and Development progress and support of Internet and Communication Technology innovation.
6.	Development of the Creative Economy culture with the support of public and government sectors' synergy.

The next subchapters will present the information about commercial organizations which support entrepreneurs in South Korea. More than that, business entities which provide business assistance programs for students in particular will be listed below as well.

3.4 Campuses and Organizations Boosting New Businesses in South Korea

In this chapter, the most influential business incubators, accelerators, venture capital firms and co-working spaces in South Korea nowadays will be listed.

3.4.1 D.Camp Co-working Space

D.Camp co-working space was founded in 2012 by the Banks Foundation for Young Entrepreneurs in Seoul. D. Camp is an entity providing entrepreneurs with funding and workspaces to enable cooperation and synergy between promising Korean start-ups and business ventures. (Ramirez 2016.)

Besides being the co-working space, D.Camp also provides various programs for the start-ups. D.Day is an opportunity for entrepreneurs to share demo-versions of their products with the Korean audience and, in case of a successful testing, to find inventors and business partners. D.Jump is an acceleration program of D.Camp which in cooperation with its partners - Ministry of Culture, Sports and Tourism and five leading Korean companies - supports the development of ten selected start-ups. D.Mentor is a mentoring session where the most successful entrepreneurs are sharing their knowledge with the members of D.Camp. The other programs of the company are concentrated on creating global talents, developing entrepreneurship skills and building networks. (Are you interested in startup scene in Korea? 2016.)

3.4.2 Maru 180 Business Incubator

Maru 180 Business Incubator was founded in 2014 by the Asan Nanum Foundation in the capital of South Korea. It serves as a start-up hub for the most promising Korean start-ups such as MangoPlate and Way Wearable. More than that, Maru 180 is home for SparkLabs and

FuturePlay accelerators alongside Global Brain, Capstone Partners, and DSC Investment venture capital firms. (Ramirez 2016.)

3.4.3 Google Campus Seoul

Campus Seoul was opened by Google in May 2015. Since then it has been providing facilities for more than 12,000 people who join the Campus. (Ramirez 2016.) In the table below the description of various programs for entrepreneurs provided by Campus Seoul can be found.

TABLE 2. Campus Seoul programs (Resources, classes, and connections 2017)

Name of the program	Main activities
Campus Mentoring	Conducting mentoring sessions, inviting successful entrepreneurs and Google members to guide the start-ups, providing feedback.
Campus Startup School	Providing education for aspiring entrepreneurs concerning management and business planning.
Connect at Campus	Bringing together entrepreneurs and investors, enhancing the cooperation between large companies and start-ups to develop innovative solutions, exchanging knowledge with foreign companies.
Campus Presents	Inviting famous businessmen and industry leaders at Campus as guest speakers.
Campus Meetups	Conducting meetings for people with similar goals and interests.

Campus Seoul is running a great range of programs for entrepreneurs, which are divided into five groups: Campus Mentoring, Campus Startup School, Connect at Campus, Campus Presents and Campus Meetups.

3.4.4 KISED Organization

The Korea Institute of Start-up & Entrepreneurship Development (KISED) is an organization established as a business incubator in March 2000 and was reorganised as an institute of entrepreneurship development in December 2008 (KISED History 2017). The mission of KISED (2017) is to “Activate Start-up and Create Jobs to Realize Creative Economy”.

KISED is an institute which offers a great range of mentoring and training programs to both young and senior entrepreneurs. One of the major policies of the institute is the provision of start-up education. Youth Bizcool, College and General Public Start-up Academies and Senior Start-up School are the places for people of all ages to gain theoretical and practical knowledge about entrepreneurial activities through lectures, start-up clubs, training, mentoring and networking. (Start-up Education 2017.)

Leading Universities for Start-up Business is a program of KISED the goal of which is to help 34 Korean universities from different regions in establishing the youth start-up community. The program includes training, mentoring and funding facilities for students. More than that, the universities with the support of KISED organize “Young Entrepreneurs Festival Tour” and regional competitive start-up exhibitions, which are a great chance for young entrepreneurs to win recognition and promote entrepreneurship to other students. (Expanding Start-up Infrastructure 2017.)

Customized Start-up Business, Global Start-up Programs, Business Center for One Person Start-up Business, Smart Creation Center, Korea Venture Start-up Festival and other programs and events of KISED are also helping students and senior entrepreneurs to gain knowledge about opening and running a start-up company, build network and even present

their ideas on the global start-up scene (Major Policies 2017). KISED is constantly reviewing its facilities and customizes the programs to meet the needs of entrepreneurs (Start-up Survey/Research Analysis 2017).

3.4.5 Other Organisations and Events

There is a great variety of organizations, unions and events for entrepreneurs except those, mentioned in the above subchapters. In the table below a list of the most famous and influential organizations boosting entrepreneurship in the country can be found.

TABLE 3. Influential organizations and events on the Korean start-up scene (Ramirez 2016)

Type of entities	Representatives
Accelerators & incubators	10K, Accelerate Korea, KOISRA Seed Partners
Educational and networking events for entrepreneurs	Startup Grind Seoul, DrinkEntrepreneurs in Seoul, Wine on Wednesday, Over Lunch
Venture capital firms and start-up investors	500 Kimchi, Tekton Ventures, Qualcomm Ventures, Softbank Ventures Korea, K Cube Ventures, Goldman Sachs, BlueRun Ventures, Big Basin Capital, Storm Ventures, Strong Ventures, Asset Management Ventures, Draper Athena, Korea Investment Partners, BonAngels, Coolidge Corner Investment, Capstone Partners
Start-up societies	Seoul Tech Society, Entrepreneurs in Seoul
Start-up network organizations	Startup Alliance

Besides, such projects as Young Entrepreneurs Start-up Academy, opened in 2011 by Small and Medium Business Corporation, and Youth Business 1000 program, established in 2009 in Seoul, support the development of youth entrepreneurship. Both of them are oriented on youth-led start-ups and provide them with funding and mentoring opportunities. (Ng 2015.)

4 EMPIRICAL RESEARCH AND DATA ANALYSIS

This chapter provides the description of the empirical research, conducted in order to find out the most accurate answer to the research question using the primary data and its analysis.

This part of the thesis includes the explanation of the design and formulation of the empirical study as well as the information about data collection and its analysis.

4.1 Empirical Study Design and Formulation

Empirical research is one of the types of studies based on actual experience and observations. It relies on the collected data that aims to prove the hypothesis. (Kothari 2004, 4.)

As mentioned in Chapter 1 both quantitative and qualitative research methodologies are used in the process of data collection as it allows to observe youth entrepreneurship in South Korea from different perspectives. Quantitative research methodology implies collecting the data which is showing you a general view of the observed phenomenon and tendencies of the target population (Korean students), while qualitative research methodology is more accurate in deriving specific information that is needed to understand the topic more deeply and be able to make the suggestions oriented pointedly on the student start-ups. (Ben-Eliyahu 2014.)

The empirical study is conducted by collecting and analysing primary data using a questionnaire, answered by Korean students, and semi-structured interviews of student start-up companies in South Korea. The reasons for choosing these methods as well as more thorough explanation of how the data was collected can be found in the next subchapter.

4.2 Data Collection

This subchapter presents the process of data collection for the empirical part of the research. The figure below shows the entire schedule of primary and secondary data acquisition.

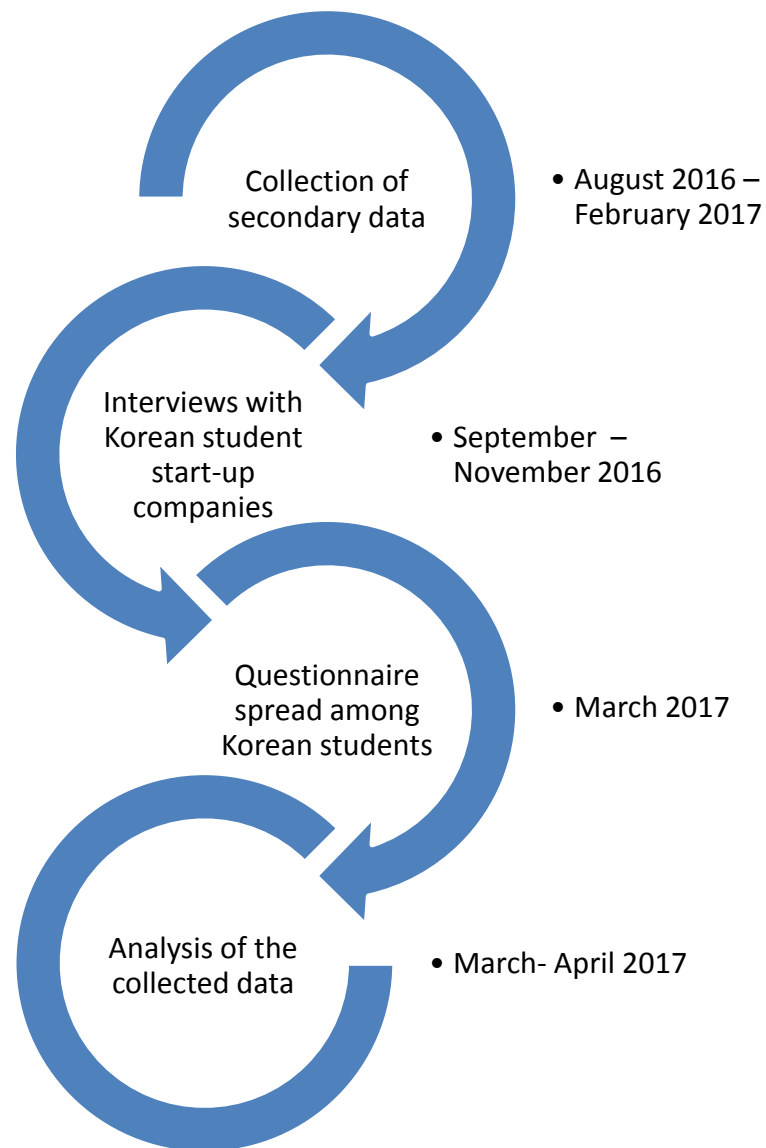


FIGURE 4. Data collection process

Firstly, it has been decided to collect qualitative data in order to get a better insight into youth entrepreneurship in South Korea and the challenges which student start-ups have faced during their business operations. The collection of the data has started with conducting interviews with two South Korean youth-led start-ups.

Interview is a conversation between people that have a certain purpose and is helpful in gathering reliable information for the usage in the research. There are three types of interviews: structured, semi-structured and unstructured. Structured interviews are the ones that have a standardised set of questions and are the best in collecting quantifiable data. Semi-structured interviews have preliminary developed topics and a list of main questions, that might be changed depending on an interviewee. Frequently the questions are open-ended. Unstructured interviews are informal and do not have a prepared list of questions; interviewer feels free to lead the discussion in any direction s/he finds the most suitable. (Saunders, Lewis & Thornhill 2009, 320-321.)

In this research, the semi-structured type of interviews was chosen for a couple of reasons. Firstly, the benefit of such interviews for the research is that open-ended questions and a flexible set of topics allows the researcher to adjust the interview to a specific student start-up company. Secondly, such method of collecting information gives deeper understanding of the topic and brings new ideas that can be used in further research.

In the research, two interviews were conducted with two South Korean student start-up companies. The interviews were held utilizing in-person meetings. The aim of the interviews was to find out what problems the students faced during the process of opening the business in South Korea and if the government of the country is actually supporting the students in their desire to establish a company in reality. The list of questions can be found in Appendix 1. In the table below the schedule of the interviews is presented.

TABLE 4. Interviews' schedule

Date	Interviewee	Place of interview
28 September 2016	Interviewee A (owner of private company X)	Konkuk University
11 November 2016	Interviewee B (co-founder of corporation Y)	Konkuk University

The answers were carefully recorded and their analysis can be found in the next subchapter.

After the qualitative data had been collected, the researcher saw a need in using quantitative research methodology in order to reach a bigger sample, e.g. part of the entire population (Kothari 2004, 152) – Korean students – and find out a generalized opinion of it concerning youth entrepreneurship in the country. For this purpose, a questionnaire as the way of data collection was used.

Questionnaire is a method of data collection; it consists of questions in a particular order on a form/set of forms; is sent by post or e-mail or similar way to the list of people defined by the chosen sample; the respondents are required to read and understand the questions on their own, write down the answers on the form and send it back to the researcher. Questionnaires can be structured, with a predefined list and order of questions, and unstructured, which can be customized to each of the respondents. Questionnaires may include multiple choice questions, which have answer options to be chosen by a respondent, and open-ended ones, which are allowing a person to answer the question in his/her own words. (Kothari 2004, 100-103.)

For this research a questionnaire was chosen to collect quantitative data due to the low cost of conducting and analysing it and the easiness of approaching a big number of Korean students from various universities. A structured questionnaire with multiple choice questions has been found the most beneficial for the data collection process because of its administrative simplicity, quickness of answering and analysing. (Kothari 2004, 100-103.)

The questionnaire has been conducted for eight days since March 8, 2017. The respondents were the Korean students of Ajou, Dongguk, Hallym, Inha, Konkuk, Korea, Sungkyunkwan and Yonsei universities. The questionnaire was published in Facebook and KakaoTalk (Korean mobile application) groups of Korean students. The goal of it was to find out an opinion of the South Korean students concerning opening their own business in the country and the reasons which discourage them from becoming entrepreneurs. The list of questions can be found in Appendix 2. The analysis of the collected data is presented in the “Data Analysis. Quantitative research” subchapter.

4.3 Data Analysis. Qualitative Research

In this subchapter, qualitative data collected from two interviews with Korean student start-up companies will be carefully analysed. The goal is, while analysing the data, to find out what advantages and disadvantages do South Korea has for young entrepreneurs who want to open a start-up.

For the research interview two Korean student start-up companies were chosen: private company X and corporation Y. Both of the businesses are small and are owned by the students of Konkuk University, situated in Seoul.

According to the interviewees, the main challenges of opening a company are finding investors and business partners. Interviewee A (2016) have met with a great number of start-up accelerator representatives and has been refused to get mentorship. The main reason was the absence of real

revenue figures which the interviewee could not present as the area of business this person have chosen is very unpredictable and there is no way to learn the profit an entrepreneur would get in the future except starting business operations, which require a great amount of funds the interviewee did not possess at that time. Interviewee B (2016) claimed to get the investment from a start-up accelerator program as well as the loan from a local bank only after incorporation and patenting an innovative way of constructing a drone.

Talking about finding business partners Interviewee A (2016) claimed that due to their culture and traditions young Koreans searched for a job in big companies like Samsung or Hyundai. The entrepreneur claimed that in the Korean society it was considered a great success, and working in a small start-up was extremely unpopular among the students.

After asking the interviewees about the procedure of opening a small private company in South Korea, it was found out that it is extremely easy. It takes one day to officially start a small business. An entrepreneur needs to visit the Korean Tax Office (세무서) and fill in a paper where s/he should indicate the details about a new company, such as its address, area of business, type of the company etc.

For corporations, however, the procedure is much more complicated. It includes making a company seal, completing the incorporation process through Start-Biz online system (setting a trade name, processing a bank statement, sending the incorporation application, receiving a tax identification number, applying for employment insurances) and paying a registration fee and a corporate registration tax bill (Starting a Business in Korea, Rep 2017).

The main difficulty is that all the documents should be filled and signed by all the partners which make the procedure time-consuming. It takes no less than one week to finish the process. Yet, the advantage of the company's incorporation is that all the documents are surrendered online. Tax laws of South Korea are not complicated and all the information about

the calculation and payment can be found on the official website of National Tax Service (Interviewee B 2016.)

South Korean government takes a lot of steps in order to motivate students to try themselves in a new business. Under the guidance of Korean universities students can get a government support by winning a contest “창업선도대학” under the program Leading Universities for Start-up Business of KISED. This program includes not only the investment by government but also a great range of courses about opening and running a start-up, provided for the winners. (Interviewee A 2016). More than that, Korean students have an opportunity to participate in global start-up accelerators, such as Yorkshire Accelerator under the support of the University of Sheffield, which is partnering with Korean government in order to provide opportunities for talented young entrepreneurs to implement their innovative ideas and build connections between the industries. (Interviewee B 2016.)

After asking the interviewees if they believed that South Korea had a business-friendly environment, it appeared that both believed that the Korean government gave enough of support to young entrepreneurs who wanted to run their own business, but the difficulty was the mentality of the Koreans. Interviewee A (2016) stated that most of them were not interested in working in a start-up or were over-confident about their ability to maintain the profit from a company.

4.4 Data Analysis. Quantitative Research

The questionnaire for the research was conducted in March 2017 and included ten questions and seven statements with which the respondents were supposed to agree or disagree. The analysis of the responds, gathered from 104 students of eight Korean universities will be presented in the subchapter.

The first three questions aimed to gain information about the specifics of the sample. The first question asked the students about their age, second

one helped to collect the information about the gender of the respondents and the third question figured out the universities where the students were studying at. On the figures below gender and age distribution of the participants is illustrated.

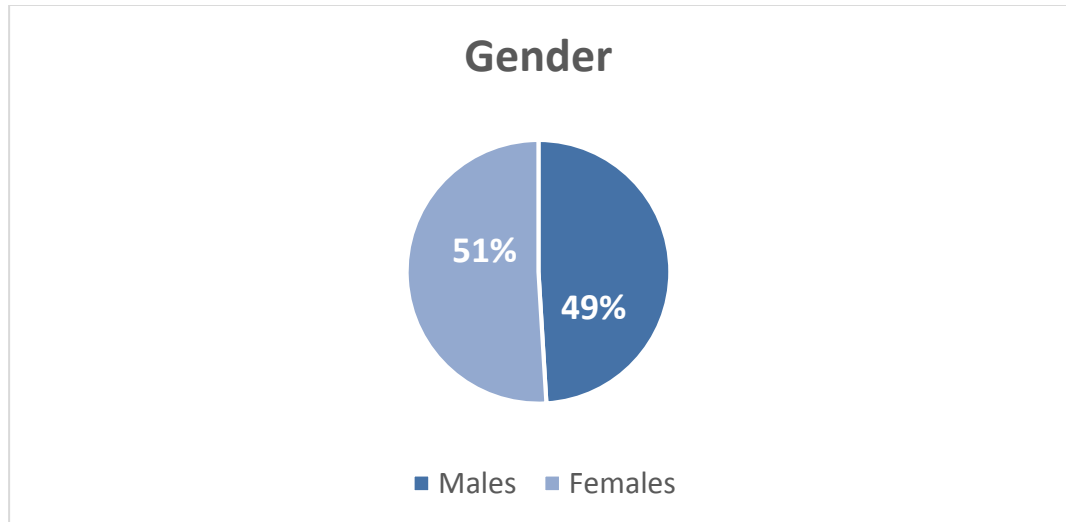


FIGURE 5. Gender of the questionnaire respondents

All in all, the questionnaire was answered by 51 male and 53 female students between 19 and 33 years old. The average age of the participant was 24 years.

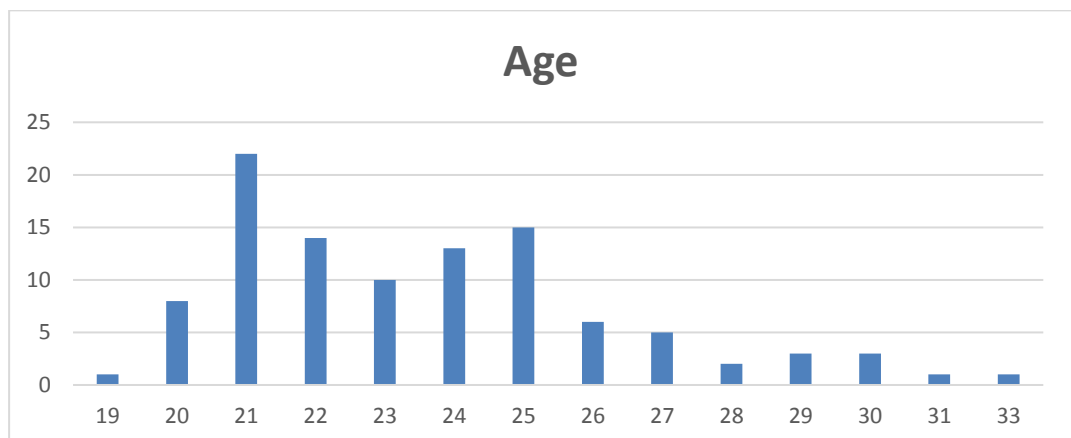


FIGURE 6. Age of the questionnaire respondents

The answers to the third question show the diversity of universities at which the respondents are studying. The questionnaire was answered by the students of Ajou, Dongguk, Hallym, Inha, Konkuk, Korea,

Sungkyunkwan and Yonsei universities. The biggest percentage of the respondents (28%) were the students of Ajou University.

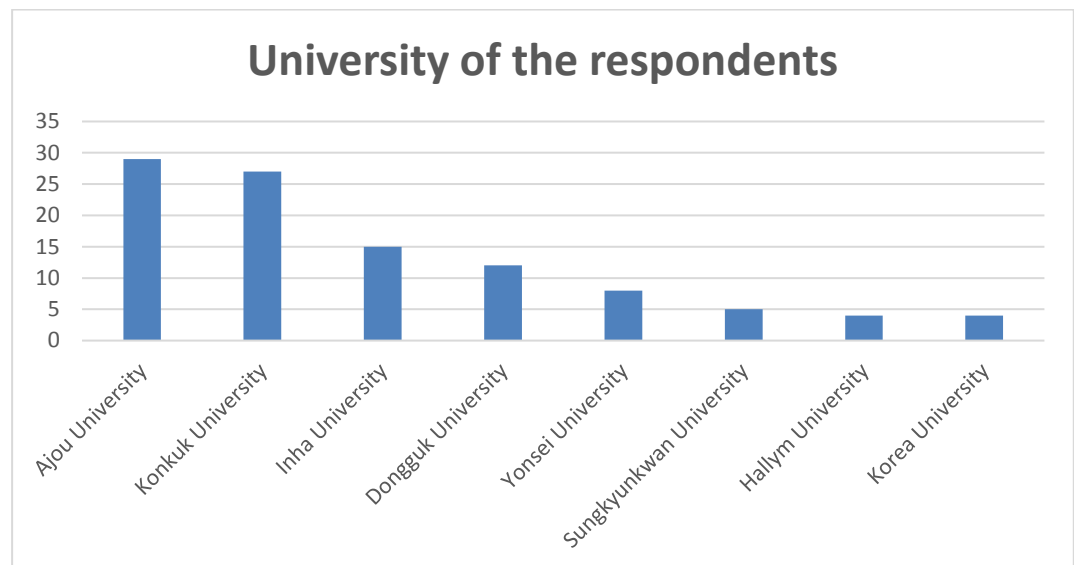


FIGURE 7. Universities of the questionnaire respondents

The goal of the fourth question was to estimate latent entrepreneurship among the South Korean students. The results, presented on the figure below, show that 60% of the students are interested in opening their own company, although, only 8% of the respondents admitted that they had already become entrepreneurs.

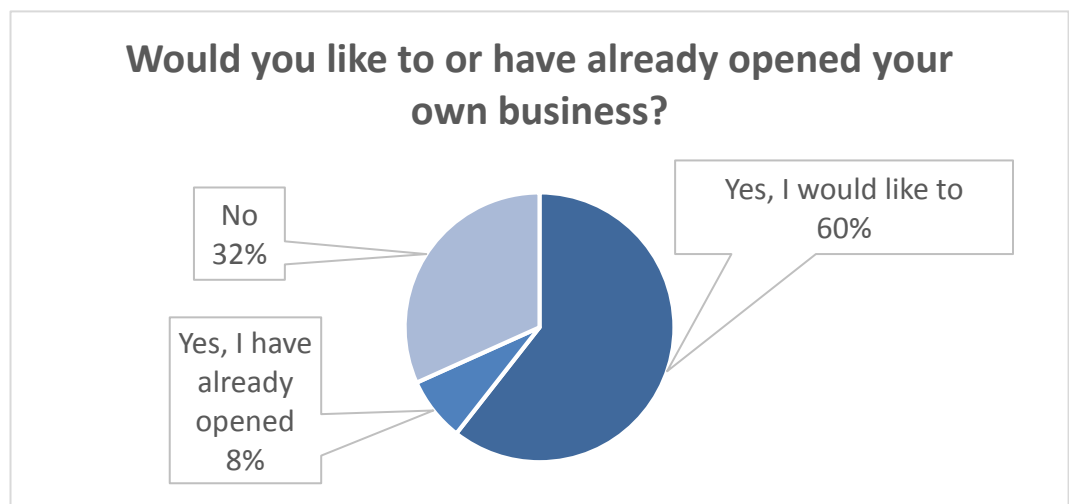


FIGURE 8. Interest of the South Korean students in becoming entrepreneurs

The fifth question intended to help to figure out the reason which would motivate the students of South Korea to open a company the most. Out of all the answers received, 36% of them stated that a company being a good source of income would be the reason for the students to become entrepreneurs; 30% of the respondents were more motivated by the fact that having your own company is a great chance to be an independent worker.

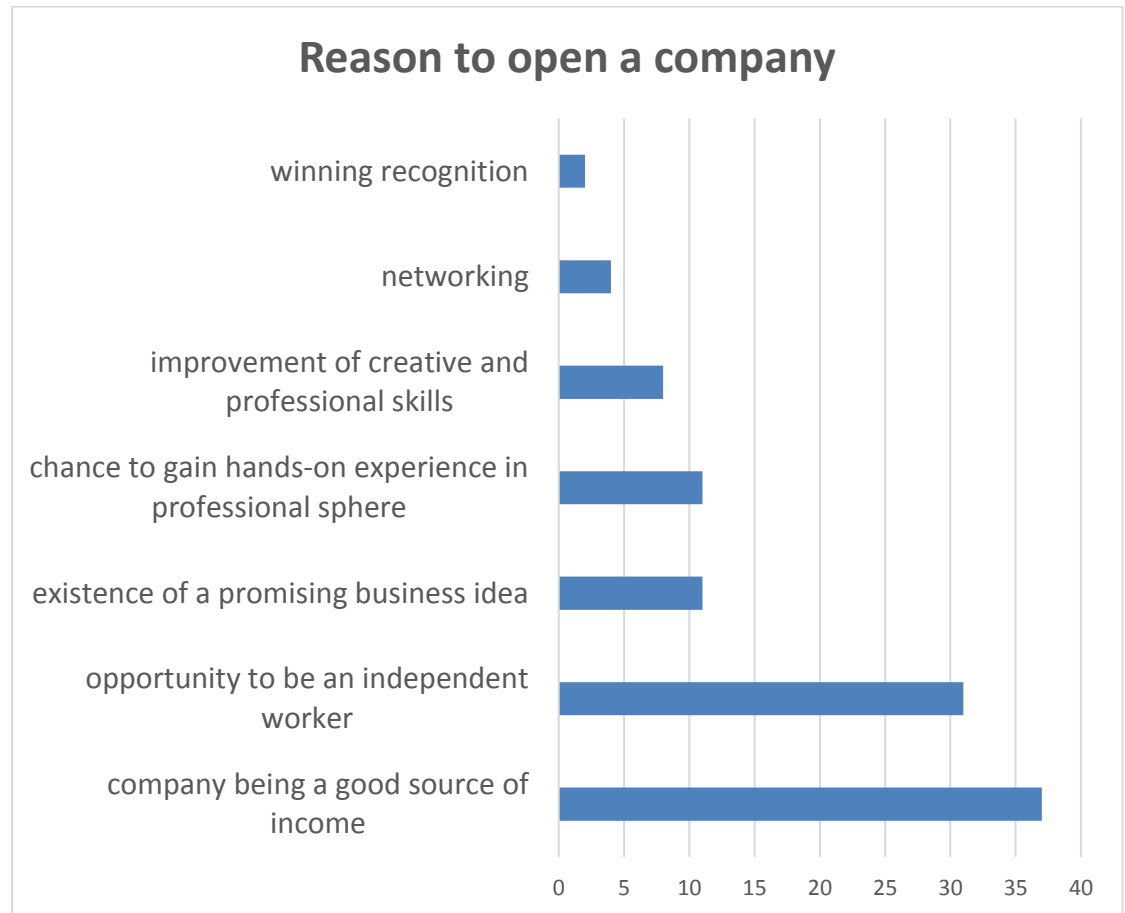


FIGURE 9. Reason for the South Korean students to become entrepreneurs

The next question was formed as seven statements with which the students could strongly agree, agree, disagree, or strongly disagree. In case the respondents could neither support nor disprove the statement, there was a “neutral” option.

The first four statements aimed to figure out the features of Korean culture. The first one tested power distance in the country. It asked the students if they believed there was a big distance between a boss and an employee in South Korea. All in all, 74% of the students agreed and strongly agreed that their country had a high level of power distance.

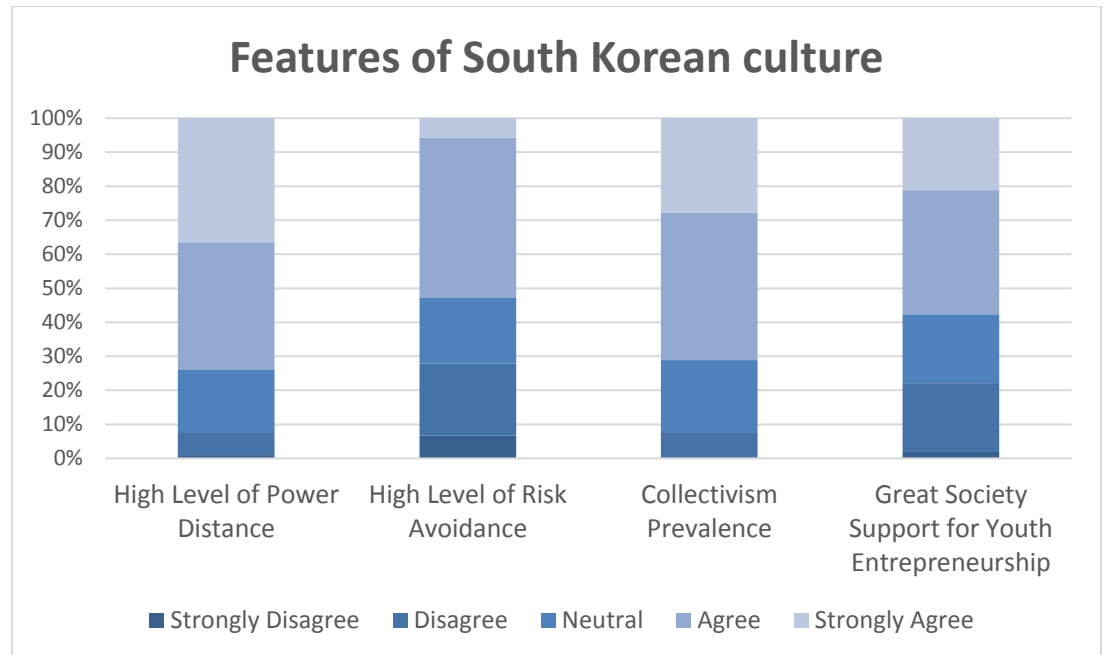


FIGURE 10. Statements concerning the features of South Korean culture

The second statement figured out the level of risk avoidance among the respondents; 47% of the young people agreed that they usually tried to avoid risk. The third one stated that being part of a collective played a great role in South Korean society, and 71% of the students agreed and strongly agreed with the statement.

The last cultural feature being tested was the support of South Korea society for young entrepreneurs. It appeared that there was a sufficient level of society support for youth entrepreneurship in the country, as 58% of students believed their families, friends and society would support their decision to become entrepreneurs.

If talking about the aspects of South Korean culture and referring to the results of the questionnaire, the high level of power distance and risk avoidance as well as collectivism prevalence is an obstacle to the

development of youth entrepreneurship in the country (Schoof 2006, 25). However, due to the great society support for young entrepreneurs youth-led firms have potential in South Korea.

The next three statements were testing the quality of entrepreneurship education in South Korea. Entrepreneurship training, practical skills gaining and awareness of business registration process were tested.

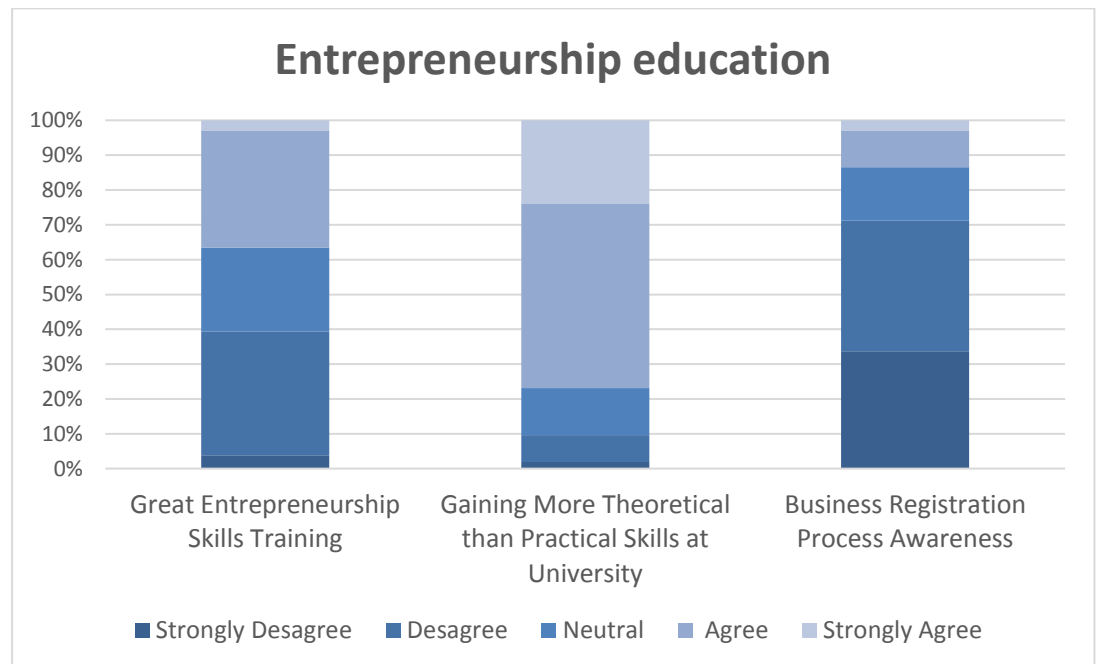


FIGURE 11. Statements concerning entrepreneurship education in South Korea

The fifth statement claimed that there were a lot of courses, training programs and lectures at Korean universities the topic of which was entrepreneurship; 37% of the respondents supported it and 39% disproved. The sixth one suggested that the South Korean students received more theoretical than practical skills at universities; 77% of the young people agreed and strongly agreed with the statement. The last claim tested if the students were aware of business registration process in South Korea; only 14% of them knew how to open a company in the country.

Per the results of the questionnaire, South Korean entrepreneurship education requires improvement. It is advised to raise the range of training programs and courses which are aiming to improve entrepreneurship skills and pay more attention to the practical skills development. More than that, it is essential to raise the awareness of students of business registration process and other formalities, concerning the first stage of company establishment, to ensure the growth of youth entrepreneurship.

The sixth question asked the students to choose the reasons which would convince them not to become an entrepreneur in South Korea. On the figure below it can be seen that 66% of the respondents believed that lack of financial resources would be one of the reasons for them not to open a company in the country; 51% chose risk of failure as such a reason; 35% – lack of knowledge about business opportunities; 34% – shortage of professional skills; 30% – no funding opportunities (grants, loans, equity financing); 27% – bad entrepreneurship education; 22% – lack of mentoring and training facilities; 13% – difficulty of finding business partners; 13% – difficult business registration process; 12% – complicated tax system; 9% – bad attitude of family/friends/society towards entrepreneurship; 7% – lack of property right protection.

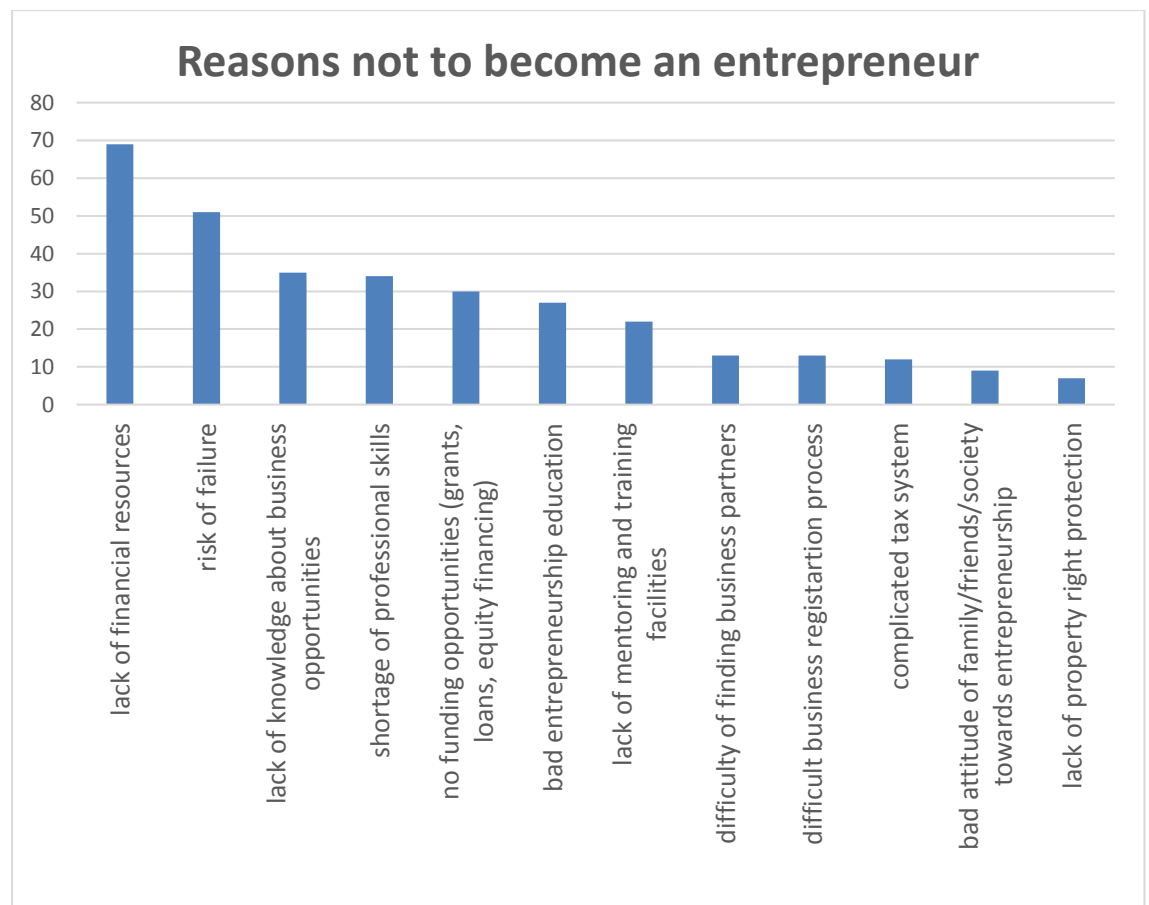


FIGURE 12. Main reasons not to become an entrepreneur in South Korea

The next question figured out how many young people had heard about Park Geun-hye's Creative Economy Policy, discussed in the third chapter, and their opinion about it. Figure below shows that 68% of the students know about the policy, however, only 10% of them see the positive results of it on the development of youth entrepreneurship in South Korea and 39% are not aware of the consequences of the policy.

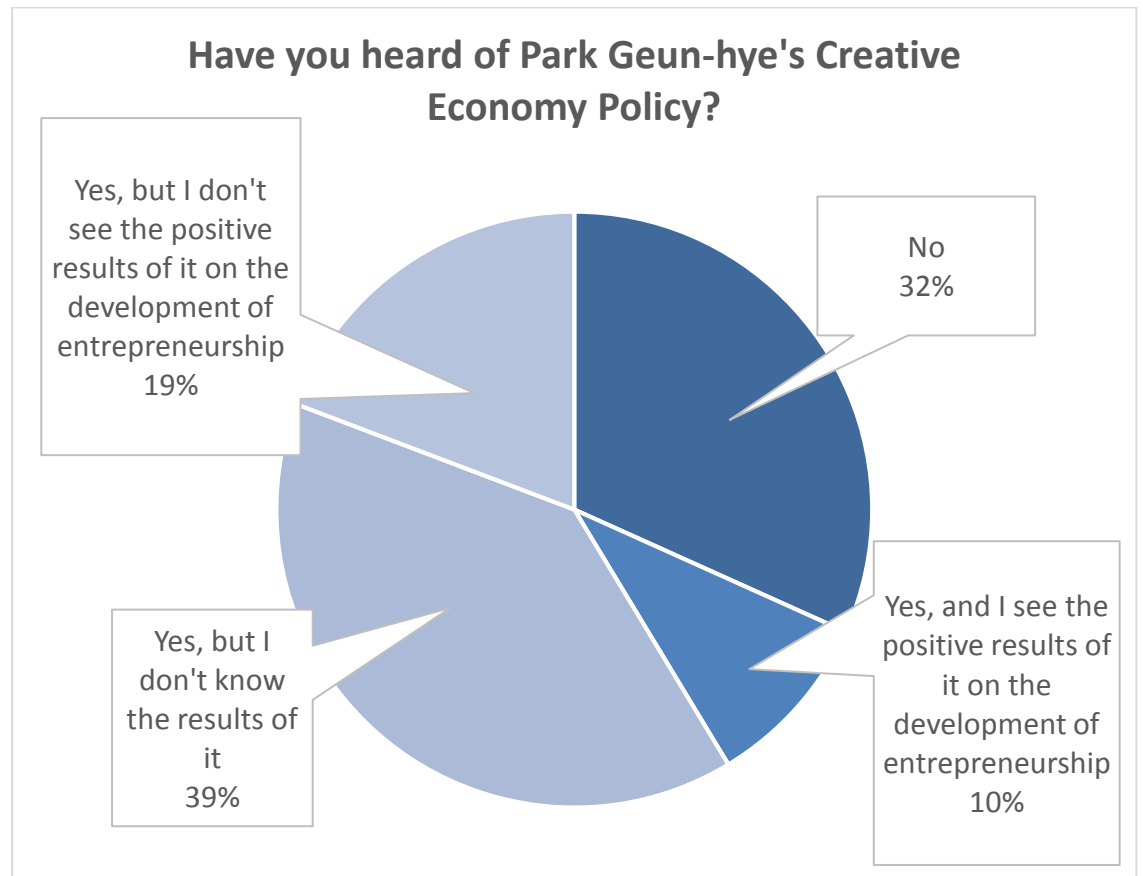


FIGURE 13. Awareness of Park Geun-hye's Creative Economy Policy

The eighth question aimed to test how much aware of funding, mentoring and training opportunities are the South Korean students. For this purpose, they were offered to choose organizations, providing business facilities for entrepreneurs, which they had ever heard about. The list included 30 accelerators, incubators, funds, events and unions mentioned in the third chapter. On the figure below it can be seen that 41% of the respondents recognized Google Campus Seoul, 34% – Goldman Sachs which has an affiliate in South Korea, 22% – Startup Alliance, 19% –

Seoul Tech Society and 500 Kimchi. All of the 30 organizations listed in the question were recognized by the participants.

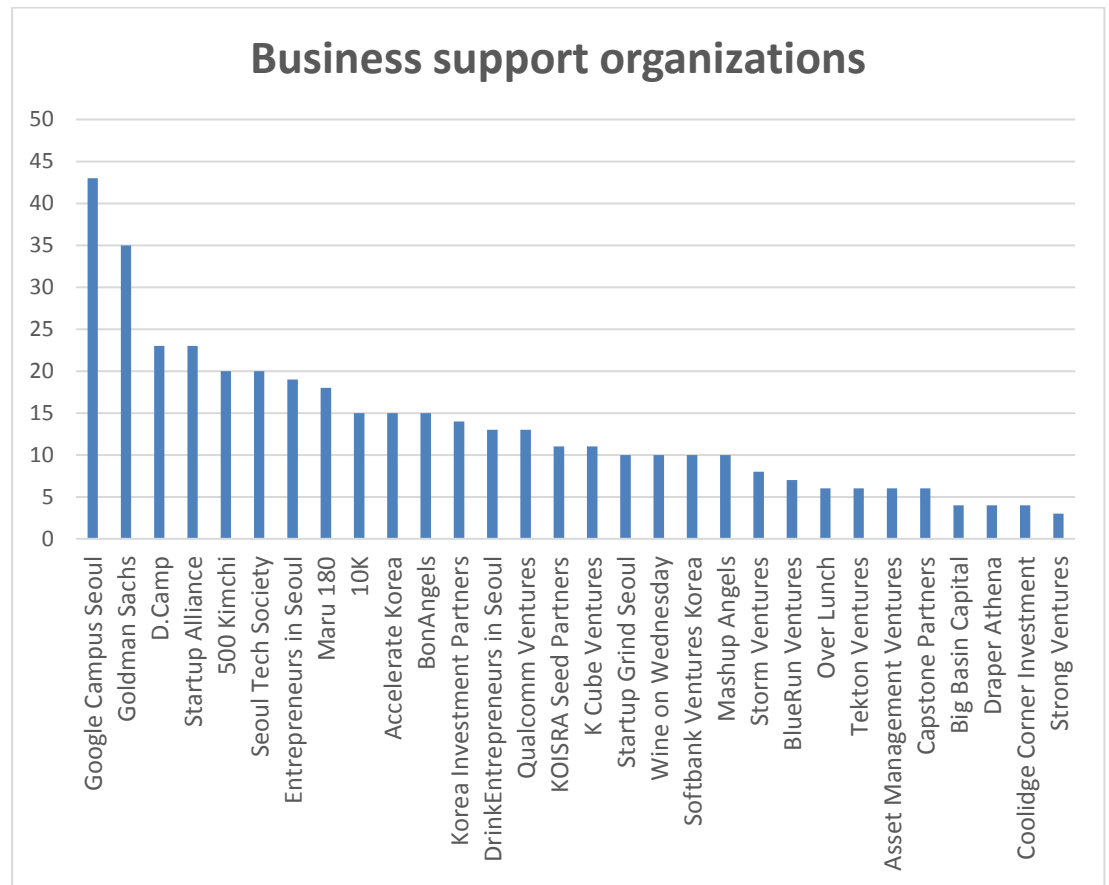


FIGURE 14. Awareness of organizations boosting entrepreneurship

The ninth question asked if the young people knew about the program Leading Universities for Start-up Business “창업선도대학” of KISED, which was mentioned in the third chapter. The program provides great opportunities for young entrepreneurs to boost their businesses under the guidance of 34 universities (Expanding Start-up Infrastructure 2017). The answers, presented on the figure below, show that only 33% of the students are aware of the program and only 2% have participated in the program.

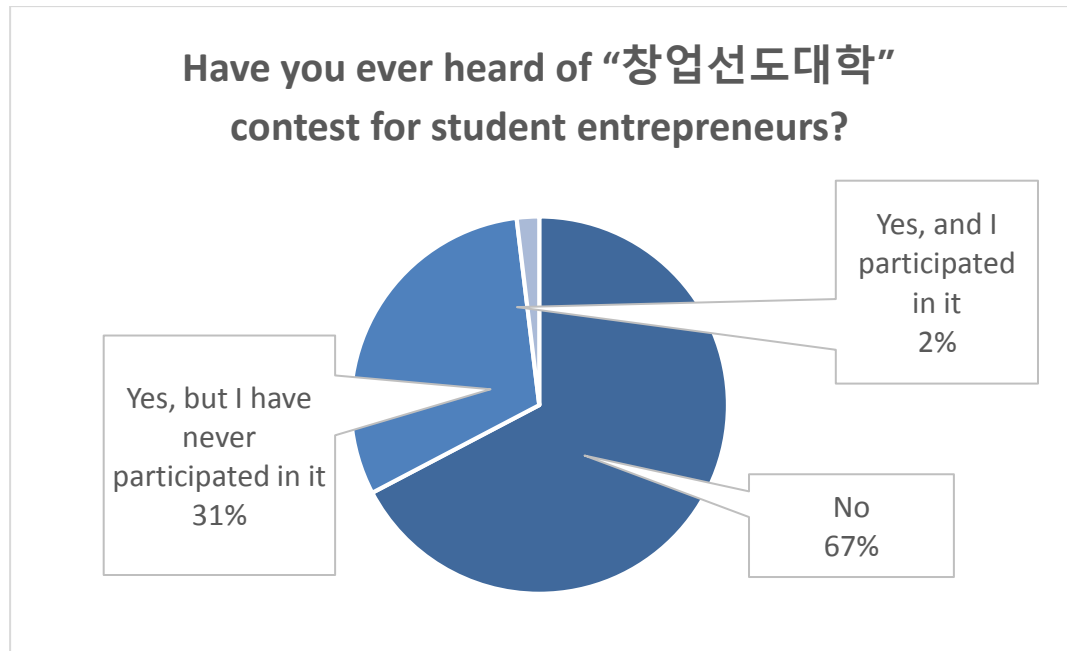


FIGURE 15. Awareness of Leading Universities for Start-up Business Program

The last question aimed to learn the opinion of the respondents about business environment in South Korea. The students' answers to the question about the issue are visualized on the figure below.

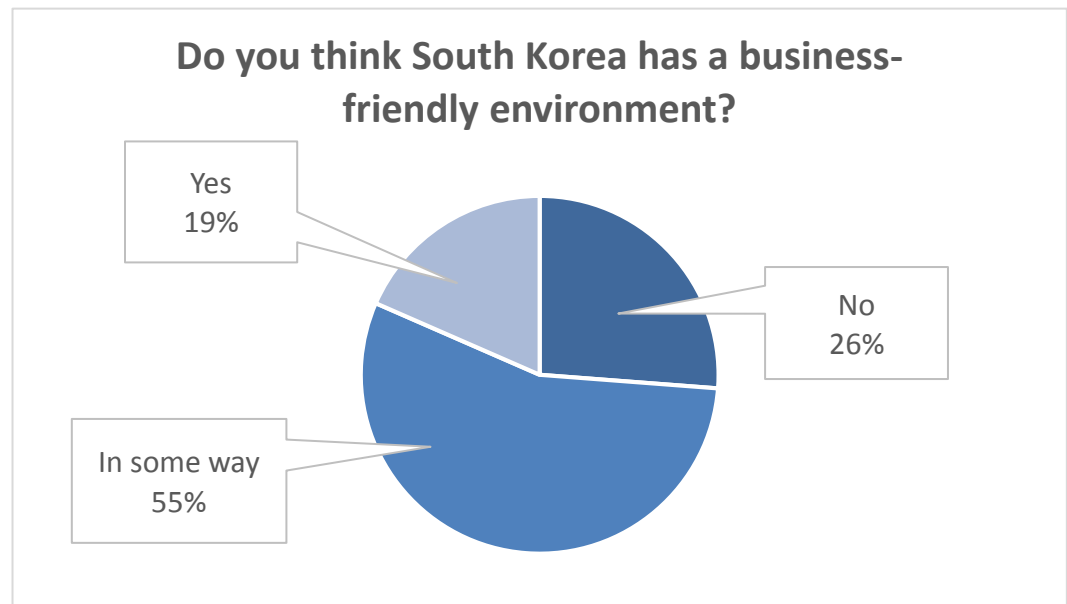


FIGURE 16. Opinion about business environment in South Korea

Out of all the answers 55% stated that the country had a business-friendly environment but only in some spheres and 26% disagreed that the country had favorable conditions for businesses at all.

4.5 Improvement Proposal

In this subchapter, the empirical part of the research is summarized, the benefits and drawback of Korean business environment are stated on the pretext of obstacles to the development of youth entrepreneurship, discussed in the second chapter, and an improvement proposal is suggested.

4.5.1 Improvement of Entrepreneurship Image

The first problem for the development of youth entrepreneurship, stated in the second chapter of the research, are the cultural issues and the image of entrepreneurship in society. Per the results of the interviews and questionnaire, the features of Korean culture such as risk avoidance, collectivism and high level of power distance discourage young people from becoming entrepreneurs. Students prefer work in large corporations which, they believe, ensures financially stable life (Park 2015). However, in the questionnaire a great number of the respondents admitted that if they decided to open their own company, their family, friends and society would support the decision, and this statement challenges the conclusion that South Korean culture disproves the development of youth-led firms and entrepreneurial spirit among the younger generation.

In order to motivate young people to become entrepreneurs despite the features of Korean culture the researcher propose raising the awareness of society about everyday people who opened their own business and has become successful. TV-shows and movies about such stories of success can be a great tool to improve the image of entrepreneurship in society and motivate young people to engage in entrepreneurial activities. "How I Made My Millions" by CNBC is a good example of a TV-show which tells stories about ordinary people who started from small businesses and has

become millionaires because they were not afraid of risk and hard work (About How I Made My Millions 2017).

Another way to promote youth entrepreneurship in the researcher's view is to organize an international start-up festival, the main theme of which will be the contest for talented young entrepreneurs from all over the world and the location of which may be the campuses of the most prestigious Korean universities. However, a part of this festival should include different sources of entertainment, such as music concert or student fair, in order to attract general public.

4.5.2 Solving Lack of Funding Problem

The interviews with young Korean entrepreneurs helped to find out that lack of funding opportunities for students is one of the most essential problems of youth entrepreneurship in the country. According to the interviewees, the companies and banks providing funding facilities have a lot of requirements which are difficult for students to meet. Simplifying these requirements and adjusting funding to the needs of young entrepreneurs are the core tasks for the country, aiming to enhance youth entrepreneurship.

Youth unemployment rate reached 12.5% in January 2017 (South Korea Youth Unemployment Rate 2017), and students are forced to search for alternative sources of income such as becoming self-employed. The majority of students surveyed for the research admitted that the main reasons for them to become entrepreneurs would be the chance to earn good income and be an independent worker. At the same time lack of funding was admitted to be the main reason for 66% of the questionnaire respondents not to engage in entrepreneurial activities. By improving funding facilities in the country and raising the awareness of students of the opportunities could be a great move towards the developed youth entrepreneurship.

The researcher suggests Korean universities to assist students, aiming to open a start-up, by becoming security for their loans and ensuring that the young people will pay off the credit. The system where the universities are a coupling agent between a bank and a student can greatly simplify the procedures of young entrepreneurs contracting a debt. More than that, Korean universities may provide their students with lectures, courses and training the topic of which will be obtaining of credit, the challenges connected with the process and the ways to solve the problems faced by a borrower.

4.5.3 Promotion of Student Business Development Assistance

The analysis of the existing business assistance opportunities for youth-led businesses shows that South Korea has a great range of organizations, events, start-up unions, etc. which boost the development of entrepreneurship in the country. More than that, universities are also engaged in youth entrepreneurship support activities providing students with various mentoring and funding facilities. In this research students' awareness of the opportunities was analyzed in the questionnaire; the results showed that the respondents were greatly aware of the firms and unions which assisted entrepreneurs in South Korea but did not know much about the program under which universities were helping youth-led start-ups.

In the researcher's view, it is of high importance to raise students' awareness of Leading Universities for Start-up Business program of KISED because it is a great starting point for unexperienced students who would like to become entrepreneurs. The researcher suggests to use social media, such as KakaoTalk, Line and Facebook, to inform the students of universities which are part of the KISED program about this opportunity. It is also advisable to improve the official web-sites of the universities by adding detailed information about the project and including it in the universities' newsletters. Besides, a group of young entrepreneurs who have participated in this project could share its experience at such

events as student fairs, conferences and festivals in order to motivate other students by its success. Other means of advertising, such as posters, articles and university radio announcements, could be also helpful in reaching the students' attention.

4.5.4 Alleviating Regulations and Administrative Formalities

In the empirical part of the research, the analysis of the interviews with the student start-ups of South Korea evidenced that the process of opening a small start-up company was simplified and took only one day, and tax laws did not prejudice the interests of young entrepreneurs. Besides, according to the results of the questionnaire, only 13% of the South Korean students believe that business registration process and tax system of South Korea are the reasons not to be interested in opening a company.

However, the questionnaire showed that only a few South Korean students were aware of how to open a start-up. The way to improve the situation may be the inclusion of entrepreneurship courses in the curriculum of young people, especially those studying business administration. These courses should aim to teach students how to start entrepreneurial activities in the country and prepare for the challenges of owning a start-up.

4.5.5 Improvement of Entrepreneurship Education

Another disbenefit for youth-led businesses is lack or bad quality of entrepreneurship education. South Korea put great emphasis on higher education. There is a belief among the Koreans that only those young people who have graduated from top universities will have a chance to succeed. Not surprisingly, South Korean students are extremely competitive, as all of them try their best to become a student of the most prestigious university and maintain the position. School education, therefore, is designed to prepare children for the final exams rather than

develop creative skills, which are essential for entrepreneurial activities. (Park 2015.)

According to the results of the questionnaire, conducted in this research, such trend remains the same even when young Korean people enter university. Korean students stated that they gained theoretical rather than practical skills at their higher education institution. More than that, some of them admitted that there was not enough entrepreneurship training at university, and they were unaware of how to open a new business in the country.

As an improvement proposal for South Korean higher education the researcher suggests putting emphasis on the improvement of practical skills among the students of business majors and creating introductory entrepreneurship courses for the students of other majors. In the researcher's view, it is essential to include more group work and case studies in the curriculum of the students aiming to become professionals in business sphere. In addition, it is advisable for universities to cooperate with Korean SME's and large corporations and provide its students with projects aiming to find creative solutions to the existing problems of the firms.

5 CONCLUSION

This chapter presents answers to the main question and four subquestions of the research. It also includes information about reliability and validity of the thesis and suggestions on further research.

5.1 Answers to the Research Questions

This research has studied and evaluated business environment conditions for the development of youth entrepreneurship in South Korea. The concept of youth entrepreneurship with its opportunities and challenges supported the empirical part of the research and composed criteria for the evaluation of South Korea as the place for a young person, particularly a student, to open a company. The research included the analysis of South Korean culture, funding and business development assistance opportunities, regulatory environment and entrepreneurship education in the country. Improvement proposals based on the analysis were suggested.

Below the answers to the subquestions, which supported the main research question of the thesis are stated:

What are opportunities and challenges for youth entrepreneurship development?

One of the greatest opportunities for youth entrepreneurship is the attraction of unemployed young people, for whom engagement in entrepreneurial activities is a chance to get a job and earn income. Youth entrepreneurship is considered as a creator of jobs and one of the solutions to unemployment among the younger generation. One more opportunity for youth-led firms is the participation of young talents, who appreciate the chance to become an independent worker and gain professional experience and are a great source of game-changing innovation, in the development of youth entrepreneurship.

The challenges for youth entrepreneurship are cultural sensitivity and low prestige of entrepreneurship, lack of funding, shortage of business development assistance, strict regulations and administrative formalities and lack or bad quality of entrepreneurship education.

How are youth-led companies supported in South Korea?

Framework Act on Small and Medium Enterprises and Creative Economy policy insure the development of entrepreneurship in the country.

Administrative formalities are adjusted to the needs of the rising number of entrepreneurs in the country. Business registration process is simplified; the incorporation process can be completed online; tax laws are freely available on the Internet. In addition, a great range of business entities, such as incubators, accelerators, co-working spaces, etc., provide its services for talented entrepreneurs, including students, in South Korea.

The organizations aiming particularly at young entrepreneurs are KISED, Young Entrepreneurs Start-up Academy and Youth Business 1000, which provide youth-led firms with funding and mentoring facilities. More than that, young entrepreneurs who participate in the programs of the above listed organizations receive training and gain professional skills and knowledge needed in their business operations.

What disadvantages does South Korea have as a place for students to open a start-up company?

Firstly, the features of South Korean culture such as risk avoidance, high index of power distance and collectivism are a disadvantage for youth entrepreneurship development in the country. Secondly, demanding requirements of lending institutions for borrowers is an obstacle to young entrepreneurs. Thirdly, unawareness of young people of business assistance programs for students also raises difficulties for youth entrepreneurship. In addition, lack of entrepreneurship education is among the main disadvantages of South Korea for young entrepreneurs.

What can be improved in South Korea to attract the attention of young entrepreneurs to the start-up scene in the country?

First of all, entrepreneurship image should be improved in South Korean society. Secondly, lending institutions of the country should cooperate with universities and adjust its lending requirements to the needs of students. Thirdly, business assistance programs for young entrepreneurs are advised to develop more effective advertising strategy to attract students' attention. Fourthly, universities must pay more attention to the development of students' practical skills and include entrepreneurship education in the curriculum.

The main research question and its answer are stated as follows:

Does South Korea have a business-friendly environment and great potential for the development of youth entrepreneurship?

At this stage, it is hard to conclude that South Korea has a business-friendly environment for the development of youth entrepreneurship. However, if the situation with low prestige of entrepreneurship, bad quality of entrepreneurship education, lack of funding and awareness of student business assistance programs is improved, the researcher believe South Korea will have great potential for youth entrepreneurship enhancement.

5.2 Validity and Reliability

Validity is the extent to which the results of a thesis match an initial goal of it. Reliability is a situation when the same phenomenon is observed in different conditions, using different techniques, or by different people, and equivalent results are obtained. (Drost 2011, 105-121.) In this subchapter, validity and reliability of the research are discussed.

In the empirical part of the thesis qualitative methodology was used in order to find out difficulties and opportunities of running a start-up in South Korea. The semi-structured interviews with the representatives of student start-ups were a tool for qualitative information gathering. Quantitative

methodology was also implemented in the research. The questionnaire with South Korean students was conducted to outline generalised opinion of the young people about engaging in entrepreneurial activities.

Although, the questions in the interviews and the questionnaire were formulated differently, the responds showed the same tendency pointing at financial and cultural difficulties for the development of youth entrepreneurship and did not contradict each other in the other aspects. More than that, secondary data about the concept of youth entrepreneurship and business assistance programs and organizations in South Korea, collected from reliable and up-to-date sources, matched the information gathered using two different methodologies proving the reliability of the research.

The goal of the research was to evaluate business environment conditions in South Korea, its advantages and disadvantages for the development of youth entrepreneurship and suggest ways for the country to reach its full potential. The results of the empirical part of the research as well as the analysis of the secondary source information about the concept of youth entrepreneurship and business support provided by the South Korean government and business entities have helped to elicit the advantages of South Korean business environment, state the main challenges for youth-led firms in the country and make improvement proposals. The results of the theoretical and empirical parts' analysis have helped to reach the main goal of the research and affirmed the validity of the thesis.

5.3 Suggestions on Further Research

This thesis has studied youth entrepreneurship in South Korea. Since there is a great number of factors influencing the development of youth entrepreneurship, the author makes suggestions on further research to evaluate South Korean business environment more accurately.

First of all, continuing the topic of student start-ups, the correlation between a year of studies, age, gender and desire of a student to become

an entrepreneur could be estimated. The other groups of young people, such as graduates and young specialists, could be observed in order to find out the optimal age for a young person to open a start-up in South Korea.

Secondly, the development of a youth-led company in a long run could be studied. The factors influencing the probability of young entrepreneur's success in South Korea might be analysed and evaluated. More detailed information about the growth of a student start-up in business environment of South Korea could be provided.

6 SUMMARY

The topic of the thesis is youth entrepreneurship in South Korea. The goal of the researcher is to analyse the advantages and the disadvantages of the country for a youth-led firm, test whether the country creates favourable conditions for unexperienced young entrepreneurs among South Korean students and make a conclusion about business environment of the country.

The theoretical part of the research explains the concept of youth entrepreneurship, its opportunities and challenges. This part states the main criteria for the evaluation of advantages and disadvantages of South Korea as a place for a student to open a start-up company.

The empirical part of the thesis presents the analysis of the interviews and the questionnaire with South Korean students and youth-led firms. The collected information is compared to the data gathered from published and electronic sources about the support which the South Korean government and commercial organizations provide for young entrepreneurs. The results of the analysis are presented in the conclusion part of the thesis.

The research illustrates the analysis of South Korean business environment and presents various improvement proposals the aim of which is the enhancement of youth entrepreneurship in the country. The topic for further research is suggested and is related to the inclusion of a bigger sample and the observation of South Korean youth-led company's business operations in the long run.

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APPENDICES

APPENDIX 1. Interview questions for Korean student start-up companies

What is the name of the company?

When was the company established?

What is the structure of the company (F.e. Sa-eopja, Hapmyeong Hoesa, etc)?

Please describe shortly the idea of your business.

What were the main challenges of opening a start-up?

How did you get the investment for opening the business?

How much time was spent collecting the needed documents for opening the business?

Did you have any problems with the procedure of company establishment?
What was the most complicated?

Does the South Korean government encourage students to open a start-up? If yes, in what way?

In what kind of programs and competitions for entrepreneurs have you participated?

Was your university supporting your intention to open the business?

What plans do you have concerning your business?

Do you believe South Korea has a business-friendly environment?

APPENDIX 2. Questionnaire for Korean Students

1. What is your gender?
2. What is your age?
3. Which university are you studying at?
4. Would you like to or have already opened your own business?
5. Please, choose out of the list the best reason, in your view, to open a company:
 - company being a good source of income
 - opportunity to be an independent worker
 - existence of a promising business idea
 - chance to gain hands-on experience in professional sphere
 - networking
 - winning recognition
 - improvement of creative and professional skills
6. Please, agree or disagree with the statements below. In case you cannot neither support nor disprove the statement, please, choose a "neutral" option:
 - There is a big distance between a boss and an employee in South Korea
 - You usually try to avoid risk
 - Being part of a collective has a great importance in South Korea
 - Your friends, family, classmates and society will support you if you decide to open a company
 - There are lot of courses, training programs and lectures at your university the topic of which is entrepreneurship
 - You are gaining more theoretical than practical skills at university
 - You are aware of how to register a new business in South Korea
7. Please, choose out of the list the reasons which will convince you not to become an entrepreneur in South Korea:

- risk of failure
 - lack of financial resources
 - difficulty of finding business partners
 - bad attitude of family/friends/society towards entrepreneurship
 - lack of knowledge about business opportunities
 - shortage of professional skills
 - bad entrepreneurship education
 - no funding opportunities (grants, loans, equity financing)
 - complicated tax system
 - difficult business registration process
 - lack of property right protection
 - lack of mentoring and training facilities
8. Have you heard of Park Geun-hye's Creative Economy Policy?
9. Please, mark the organizations, events and unions listed below which you have ever heard about:
- Google Campus Seoul
 - Maru 180
 - D.Camp
 - 10K
 - Accelerate Korea
 - KOISRA Seed Partners
 - Startup Grind Seoul
 - DrinkEntrepreneurs in Seoul
 - Wine on Wednesday
 - Over Lunch
 - 500 Kimchi
 - Tekton Ventures
 - Qualcomm Ventures
 - Softbank Ventures Korea
 - K Cube Ventures
 - Goldman Sachs
 - BlueRun Ventures

- Big Basin Capital
- Storm Ventures
- Strong Ventures
- Asset Management Ventures
- Draper Athena
- Korea Investment Partners
- BonAngels
- Coolidge Corner Investment
- Mashup Angels
- Capstone Partners
- Seoul Tech Society
- Entrepreneurs in Seoul
- Startup Alliance

10. Have you ever heard of “창업선도대학” contest for student entrepreneurs?

11. Do you think South Korea has a business-friendly environment?