

Accelerating Women's Entrepreneurship in South Korea



The Asia Foundation
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Women's entrepreneurship represents a potent untapped resource for economic growth in Korea, which is struggling to reinvigorate its flagging economy. The Asia Foundation and Gyeonggi Family & Women's Research Institute's targeted research illuminates the key factors affecting the launch and growth of women-owned businesses in Gyeonggi Province, Korea's most populous and economically diverse province. The findings create an evidence base to spur policy dialogue and strategic investment in women's entrepreneurship across the country.



BACKGROUND

Women's entrepreneurship is increasingly recognized as a global driver of economic growth. The McKinsey Global Institute estimates that closing the gender gap in economic opportunities in South Korea could increase GDP by up to 9 percent, or \$160 billion, by 2025. While Korea currently boasts the 12th largest economy in the world, the country is grappling with declining growth rates, rising unemployment, slow job creation, and major demographic challenges, including a rapidly aging population and low birth rate. At the same time, Korea currently has one of the world's widest gender pay gaps, with women's earnings accounting for just 67.2 percent of men's, according to Korea's Ministry of Gender Equality and Family. Further, less than four out of 10 businesses are owned by women, and only a quarter of new corporate businesses are started by women. Given these gaps and the potential for change, Korea stands to broadly benefit from targeted economic policies and programs that foster a robust entrepreneurial ecosystem in which women are supported and encouraged to establish and grow businesses.

Korea has a long way to go to create such an environment, however, as women's entrepreneurship is constrained by gendered barriers to accessing finance and markets,

disproportionate unpaid care responsibilities borne by women, and limited pathways for women to develop leadership skills and networks. The research also identified some evidence of structural barriers, such as lack of gender diversity in judging entrepreneurship support programs. The Korean government has enacted a variety of policies to increase women's entrepreneurship, but those have been met with mixed results due to a lack of adequate data and understanding of the challenges and constraints women business owners face in the marketplace.

RESEARCH GOALS

With funding from Fondation CHANEL, The Asia Foundation and Gyeonggi Family & Women's Research Institute collaborated on a research initiative to fill key knowledge gaps related to women's entrepreneurship in Korea and offer practical recommendations to strengthen policies and programs designed to help women start and grow their own businesses. Specifically, the researchers sought to provide a deeper understanding of the challenges facing women running micro, small, and medium-sized enterprises (MSMEs); enhance the granularity and context of data and information on factors inhibiting and facilitating women-owned businesses; and identify the key differences and



RESEARCH FINDINGS

39 percent of women entrepreneurs surveyed were not employed when they started their business, while the same was true for only 25 percent of men.

Women entrepreneurs were more than five times as likely as men to come from "general labor" backgrounds.

80 percent of men compared with 74 percent of women reported prospects for women's entrepreneurship would increase.

similarities between women and men in their entrepreneurial pathways and the challenges they respectively encounter. The research team chose to focus on Gyeonggi Province because it is the most populous province in Korea, has a well-established industrial infrastructure, and is home to a quarter of Korea's companies. Furthermore, while Gyeonggi Province has nearly three times as many women-owned businesses as any other province in Korea, the proportion of women's business ownership compared to men's (at 37 percent) is one of the lowest in the country. Gyeonggi Province has also made consistent and concerted efforts to support women's entrepreneurship through public programs that are not available in other provinces. As such, Gyeonggi Province offers ample opportunities to compare the perspectives of



men and women entrepreneurs and draw new insights from their experiences and observations.

RESEARCH DESIGN

The research began with an extensive literature review of existing resources on women's entrepreneurship in South Korea. Data from the Korean Statistical Information Service, the Ministry of SMEs and Start Ups, and the Korean Entrepreneurship Foundation, among others, formed a useful longitudinal knowledge base, particularly with regards to the challenges women face in starting and managing their own businesses. Following the literature review, the researchers conducted an online quantitative survey of 300 entrepreneurs (150 women, 150 men) to better understand entrepreneurs' backgrounds and previous experience, their motives for establishing a business, and their perceptions and use of support services and personal networks. To gather more granular feedback and illustrative anecdotes, the research team conducted individual interviews with 24 women entrepreneurs and five focus group discussions with a total of 16 men entrepreneurs. These qualitative interviews revealed useful contextual insights on the social dynamics that influence how women and men engage in and perceive entrepreneurial activities differently. Throughout the data collection phase, the research team was careful to include

male and female respondents from a wide variety of sectors (including industry, service, and social), age ranges, and business stages to ensure ample opportunities for useful comparisons.

KEY FINDINGS

The research findings highlighted several key factors to consider when designing policies and programs to encourage women's entrepreneurship in Korea.

WOMEN ENTREPRENEURS ARE MORE LIKELY TO START A BUSINESS OUT OF NECESSITY.

While necessity drives a substantial portion of entrepreneurs across the gender divide, women are 19 percent more likely to start a business due to lack of alternative job prospects. Female respondents provided a variety of necessity-driven motivations, including: stunted career growth despite exemplary performance; lack of career opportunities following family-related career breaks; and inability to maintain their position due to physical limitations. Women also tended to see entrepreneurship as a strategy to overcome an employment challenge, whereas men perceived owning their own business as an opportunity for advancement and achieving greater profits.

WOMEN WHO LAUNCH THEIR OWN BUSINESSES HAVE FEWER RELEVANT SKILLS AND SMALLER SUPPORT NETWORKS THAN THEIR MALE COUNTERPARTS.

Women are more likely to launch their businesses with limited direct experience in management, marketing or sales, which places them at an immediate disadvantage in comparison to men who have generally built those broadly useful skills in previous positions. Moreover, the proportion of women entrepreneurs who indicated that their previous work experience was not helpful in their entrepreneurial pursuits was higher than that of men, and fewer women than men relied on business networks built through previous work experience. Women business owners were 53 percent more likely to not be employed when they started their business than their male counterparts: 39 percent of women surveyed were not employed when they started their business compared to 25 percent of men. The most common positions women held prior to becoming entrepreneurs were "general office jobs" (38 percent), whereas men were much more likely to hold more specialized positions in marketing, management, and production. While relatively few entrepreneurs previously held "general labor" jobs, significantly more women than men fell into that category (5.4 percent and 0.9 percent respectively), further emphasizing that many aspiring and early-stage women entrepreneurs could benefit greatly from a broad spectrum of basic entrepreneurial skills training.

BY SOME MEASURES, WOMEN-OWNED BUSINESSES PERFORM BETTER THAN BUSINESSES OWNED BY MEN.

Women-owned businesses in Korea generally have less assets than men-owned businesses. Yet when considering the capital, liabilities, assets, and sales of women's and men's businesses, the net profit ratio was higher for women-owned businesses than for businesses owned by men according to the 2017 Survey on Korean Startups. Nationally, 65.5 percent of women-owned businesses had reached the break-even point after seven years and the net profit ratio, which is the ratio of the after-tax profits to net sales, was 9.3 percent for women entrepreneurs, compared to 5.3 percent for men entrepreneurs.

ENTREPRENEURSHIP SUPPORT SERVICES ARE PERCEIVED AS MORE USEFUL TO MEN THAN WOMEN.

Professional services, such as training, consulting, funding, education, mentoring, commercialization, research and development, overseas marketing, and networking are available to aspiring and established entrepreneurs in Korea. Women respondents expressed lower levels of satisfaction than men with training programs, except for entrepreneurship education. In some cases, surveyed participants in startup incubation projects reported that they applied for support services without a clear understanding of the type of support they needed or which business category they might fall under. That is, they were involved in activities that ultimately were not necessary for their entrepreneurial endeavors or unrelated to their business categories. Moreover, since a high proportion of women started their businesses while not employed, they had difficulties in accessing business networks and financing.

WOMEN ENTREPRENEURS ARE MORE RISK-AVERSE, PRIZING FINANCIAL STABILITY OVER EXPANSION.

When compared to male respondents, women business owners reported assigning greater importance to stable business operations over expansion. The reluctance to increase investment to grow their operations stemmed from concerns about the risks that inherently accompany business expansion. Women entrepreneurs had different rationales for their aversion to risk, with some noting that this tendency enables women-owned businesses to operate in a more stable and fiscally responsible manner.

GENDER-BASED DISCRIMINATION ADVERSELY AFFECTS THE ABILITY OF WOMEN ENTREPRENEURS TO START AND GROW THEIR BUSINESSES.

Women entrepreneurs face barriers in the market that are rooted in unconscious and conscious bias on the part of their male and female counterparts, as well as disproportionate care responsibilities that hinder women's ability to fairly compete in business. Men were more likely than women to have an opinion that women's entrepreneurship would increase in the future: 80 percent of men compared with 74 percent of women reported prospects for women's entrepreneurship would increase. In citing reasons why women's entrepreneurship would not increase, women were also more likely than men to cite as a reason that women lack the entrepreneurial spirit to start a business, revealing how women may also perpetuate gender-based discrimination. Qualitative interviews revealed numerous examples of gender-based discrimination at various stages of business development – from applying for financing to sourcing their products. For example, a woman entrepreneur in the childcare service sector noted that male-dominated selection committees dismissed her business while showing lack of interest and knowledge about the business. The disproportionately high burden of unpaid care work carried by women figured prominently into perceptions of women's entrepreneurship in the future. Both men and women listed difficulties reconciling work/life balance as a leading factor constraining women's entrepreneurship.

CONCLUSIONS AND RECOMMENDATIONS

The Asia Foundation has developed the following recommendations to accelerate the growth of women-owned businesses in Gyeonggi Province, South Korea:

Make core entrepreneurship training accessible for women: Private and public programs can tailor a core curriculum for women entrepreneurs in different stages of growth (particularly early stages), focusing on cultivating an entrepreneurial spirit, improving innovative thinking, and managing competition and risks. Approaches focusing on behavior and mindset development should be prioritized, rather than focusing solely on traditional business training approaches. Moreover, training on basic skills such as digital literacy will help to ensure that women entrepreneurs leverage key assets that are necessary in a competitive business environment.

Customize support interventions to women-owned businesses at different stages of growth: For the pre-venture stage, policymakers should consider expanding entrepreneurship curricula to elementary, middle, and

high schools, helping girls and young women to recognize entrepreneurship as a viable career path. Women-focused apprenticeship and internship programs with large firms could also serve as critical pathways to increasing the relevant experience women bring to the table when they start new businesses. In the venture stage (three to seven years), training should focus on building women entrepreneurs' access to markets, including various points of sales and distribution channels, and financial management. Financing at this stage is high-risk capital, which can be a combination of subsidized capital (including warranty funds reflecting this risk) and venture capital. In the growth stage (seven or more years), the role of larger firms, once identified, can help "pull" early-stage firms to become more successful. This can be achieved by maturing firms serving as role models and business partners for younger firms in relevant industries via networking events and exploring opportunities to develop market linkages for developing enterprises.

Strengthen business support organizations:

Gyeonggi Province should leverage and build the capacity of existing provincial and local agencies, including improving the capacity of women's business associations, such as the Korean Women Entrepreneurs Association, to help mainstream gender-sensitive provincial policies. This includes working with the well-received Dream Maru initiative, which has co-working space for women entrepreneurs that can serve as a one-stop delivery platform for training, business support services (including leveraging digital technologies), and networking tailored to women entrepreneurs. New initiatives to support promising women entrepreneurs should also include a focus on attracting private incubators and accelerators to complement government initiatives.

Strengthen networking, market linkages, and information: New initiatives should reinforce existing business networks and associations, such as

the Korea Venture Business Women's Association, to empower and enhance women-owned enterprises, including developing networking and information-sharing programs based on the needs of women entrepreneurs (e.g., website and information campaigns, startup support services, financing, market information, and other support programs). Asia Foundation experience in other countries suggests Gyeonggi Province also has an opportunity to convene a multi-stakeholder adaptive management initiative that brings together businesses, research institutes, and municipalities to encourage local women to use their business ideas to address shared community challenges. Gyeonggi Province would also benefit from a program linking women-owned businesses to established manufacturing supply chains. Such an initiative could include supplier development programs (training, coordination, and standards development for women entrepreneurs to meet buyer requirements); joint supplier consolidation programs (coordinating and consolidating purchases from several smaller suppliers); value chain credit facilities (including factoring); and cost-sharing environmental improvement efforts.

Promote a culture that catalyzes women's entrepreneurship:

Gyeonggi Province also needs to recognize and celebrate successful cases of women's entrepreneurship to motivate more women to start businesses and improve the public perception of women's entrepreneurship. Potential initiatives could include local and global award programs, and high-profile events to celebrate successful women's entrepreneurs. At the same time, a complementary branding campaign could promote Gyeonggi Province as an "incubator of women's entrepreneurship" or a "province specializing in women's entrepreneurship" to distinguish itself from other provinces.

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