A Comparative Study in Entrepreneurship Between South Korea and Colombia

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ABSTRACT

Entrepreneurship is one of the factors that contribute to economic growth. The present study compares the entrepreneurship between South Korea and Colombia; it identifies best practices that increase entrepreneurship as an ecosystem conditions for both countries. Also, this study provides evidence on how implementing reforms improve entrepreneurship by reducing the processes and number of days required to attain goals. The use of new technologies and organizational innovation allowed improving the processes. Furthermore, creating universal formats reduced the costs throughout the new production unit was established. In addition, transparency, access to information, work regulation, and the government role in creating new companies in respect to demand are topics of a pending agenda in favor of entrepreneurship for both countries.

Keywords: Entrepreneurship, Enterprise Policy, Innovation, Education, Economic Growth.

1. INTRODUCTION

A company, as a productive unit, contributes to the economic progress, combines factors, and uses different technologies to transform a supply into a product. Companies place the product into the market as an option to consume goods and services, and the benefit to obtain the production and commercialization is the principal incentive to the daily activities. As economic units, companies employ the workforce and pay them a salary in return of their service. The employees provide a service to the companies to transform the raw material and use the work equipment that is provided by the company. The employee provides the employer his or her labor experience and skills in his or her job. A fundamental element is the employee's education at the moment of applying his or her knowledge at the company. Usually, employee's knowledge has to be updated with professional development within the company or through educational institutions that provide the employee with qualifications to participate in the job market.

Companies provide capital within the job market. The supplier line sector provides the raw materials, tools, machinery, etc. Work and capital are a combination in the company that generates costs and benefits, and they create the difference in cost and the production. Then, the price reflects cost effectiveness in the product. Companies searching to operate in a large margin profit develop efficient and effective strategies to place their products where the consumer can buy them. As a result, businessmen create more jobs based on their sales. Therefore, companies contribute to the economic growth by expanding possibilities in their production.

Companies can create innovation or acquire new knowledge from other companies by diffusion and utilization. There are companies searching for innovation to maintain their vanguard in the market and to improve their position and their competitiveness in respect with their competitors. A company's economic success based on innovation provides sustainability as well as an effective strategy of its growth in the long run, either to introduce itself on the market or to improve competition in an established market. Companies make a difference through innovation in one or another economic unit at industrial or sector levels. Innovation is the engine of growth in an economy of the companies that integrate and add up by entrepreneurship. The previous arguments justify the importance of the creation of companies in a new economy. The entrepreneurship is placed now as a relevant topic in the agenda for each government.

Companies are keeping relations within them or with other economic agents either as producers or consumers. For instance, companies keep a relation with the government as providers of supplies that the government uses in its operations. Additionally, companies contribute to bureaucratic functions by providing taxes that increase the government resources and expand the budget margin in respect to expenses. The public and private network is manifested as an investment when the project realization takes place. At the same time, the government searches the fiscal incentives for the company to facilitate its functions as well as its infrastructure, security, and institutional protection at the moment the company is creating new knowledge to improve the institutional framework and provides warranties in return to the investment in terms of property rights. The government favors the creation of companies and assures competition exists among them by formulating and applying laws against monopoly.

The new companies are added occupying spaces in the chain of value. As a result, there is a restructured market and an improvement on the commercial exchange alternatives. Moreover, the companies support the bank system due to their saving accounts to pay the work factor that goes to the consumers contributing to the economy of the national savings. Also, companies use the commercial bank resources as loans that traduce to investment and expansion, either in terms of infrastructure or purchasing machinery and equipment that foreign or local providers acquire by international commerce or imports.

The creation of companies contributes to the society and to the environment improvement. Currently, the most qualify companies provide programs in social responsibility and solidarity in contaminants reduction. The chambers of commerce are coordinating with the local government and with international organisms to take initiative to protect, maintain, and get back the protected areas from a sustainable viewpoint.

2. LITERATURE REVIEW

The importance of a company and its network with the economic performance has been previously studied in the economic literature. Authors such as Schumpeter (1934) had placed the company as a principal axe to impulse innovation and growth as well as the economic dynamic explanation. According to Schumpeter, innovation is a change factor; it is is the company that takes productive activities impacting the nations development. The businessman plays the role as an agent of change and is responsible for the economic reactivation through the innovations in the market. Baumol (1993) and Murphy et al., (1991) stated that the company contributes to society by performing productive activities, adding value and creating new knowledge. Thus, is it essential to expand and strengthen the company structure where the local government considers the business context to design economic politics that procure a better resources distribution. Additionally, companies procure taking advantage of people talent in favor of productive companies creation that contributes to society, jobs creation, self-employment and wellness (Kritikis, 2014; Sauka & Welter, 2010).

In economic science, there is evidence in relation between entrepreneurship and economic growth (Braunerhjelm, 2010). The majority of the companies generation in an economy contributes to more national products. One part of the capital goes to the investments and the coordination of the production factors with economic purposes. The new companies represent the possibility to generate new knowledge and to exploit current knowledge by not only the benefits search but also the population needs and satisfaction. A great portion of the companies can satisfy the local demand of goods and services, and to generate a surplus and exchange worldwide by stimulating commercial networks.

Each company that is created is a bet in terms of business concept, either by innovation in organizational structure or in the way elaborates its products, in the production processes originality, or in the merchandise delivery to the final consumer. Entrepreneurship utilizes social knowledge, people creativity, and tests the risk aversion associated to the venture in the business environment.

In the leader economy, is considered that a company as part of a more complex system and favors knowledge advancement in creation, diffusion, and utilization terms. The entrepreneurship in third world countries has a relationship with the development level (Moheb

& Hassan, 2016; Naude, 2013; Acs & Amoros, 2008; Kantis et al., 2002). The leader economies offer best practices in generating new companies that can employ knowledge and to reflect a better level of life. Such economies had deciphered the knowledge in favor to the societies through entrepreneurship. The creation of new companies in terms of jobs generation, informality reduction, welfare, etcetera differs from economy to economy in respect to the development level in how assimilates its business spirit and it creates conditions or the ecosystem that allows the companies creation.

3. ECONOMIC PERFOMANCE OF SOUTH KOREA AND COLOMBIA

South Korea is part of Oriental Asia, and according to the Banco Mundial, in 2015, this region contributed by 31.8% in world products. Colombia is part of Latin America and in 2015 only contributed by 8.4%. In a ranking, Banco Mundial compares the Gross Domestic Product (GDP) of 189 economies through the parity of acquisition power, South Korea economy with (1,753,733 million dollars) occupied position thirteen in 2015, whereas Colombia with (666,958 million of dollars) occupied position thirty, below other Latin American countries such as Argentina (25), Mexico (12) and Brazil (7).

The countries profiles for both South Korea and Colombia have their contrasts. The Banco Mundial classifies Colombian economy as a middle-high income and South Korean economy as high income. The number of habitants in South Korea and Colombia is similar; however, in 2015, the South Korea GDP was 4.7 times more than Colombia GDP. Additionally, Colombia GDP from 2015 is similar to the GDP from South Korea in 1990. In other words, approximately two decades and one half South Korea had the GDP Colombia had in 2015.

The economic performance reflects the development level of one country. A GDP per capita greater is link to better life conditions. Both economies keep a considerable gap in this indicator, and it has been extended for a long time. At the beginning of the 90s, Colombia

GDP per capita represented 57.7% of South Korea, twenty years later, in 2015, represents only 39.9%. Both economies have a tendency ascending their GDP per capita; however, South Korea clearly has been experimenting two falling periods as an effect of the economic crisis of the region at the end of the 90s and the financial crisis of 2008 (Blankenburg & Palma, 2009). During the period of 1990-2015, South Korea GDP per capita growth rate was 6% and for Colombia only 4%. There was a approximately a difference of more than two million habitants, South Korea represents a 1.63% GDP from the world, whereas Colombia represents 0.59%. In terms of GDP the South Korean economy is four times bigger than Colombian economy, this proportion also is reflected in the GDP per capita according to the World Economic Forum in 2015.

4. ENTREPRENEURSHIP IN SOUTH KOREA AND COLOMBIA

According to the Global Competitiveness Index (GCI) 2016-2017, in which 138 economist participated, South Korea occupied the 26 position, while Colombia was placed as 61, below other countries from the region such as Chile (33), Panama (42), Mexico (51) and Costa Rica (54). In a scale from one to seven, the index measures the conditions that favor competitiveness considering the highest number of points for the most competitive economies. South Korea earned 5.03 points whereas Colombia 4.30 points. Additionally, Colombia improved by eight positions in the last lustrum.

South Korea presents a better position on the pillar "institutions"; however, it was reflected lack of transparency in decision making at the government level. The government showed favoritism in respect to certain business groups, and it was presented as a weakness in the ethic behavior from the companies. In comparison with Colombia, South Korea occupied position 11 in the number of processes for the business openings and number 15 in the sub index that account for the days that were required for the business opening. The major lap is shown for South Korea in the pillar of financial market development, particularly in the bank reliability in which occupied position 102 and in the loan access through banks in position 92. South Korea is located between twenty more competitive and innovative in the world. It was characterized to provide a gap in the bounding between university-company due to the government support in the demand of advanced technology products. Companies often spend part of their resources in I+D activities. Companies have the human resources in term of engineering and science that claim the advancement of new technologies and the generation of new knowledge.

The GCI 2016-2017 integrates 12 pillars that group subindex and sustain the economic competitiveness. For instance, the 138 economies, Colombia was found to be in position 112 from the institutions pillar which present the subindex of basic requirements for the competitiveness boost. The institutions that are part of the law framework, regulations, and norms that allows a regulation not only to be economic but also social and politic. Colombia has an institutional weakness that reflects the lap in respect to the relation with the 138 economies placed in the last positions in index such as: Diversion of public funds (129), Public trust in politicians (128), Organized Crime (132), Business costs of terrorism (133), Ethical behavior of firms (104), Reliability of police services (113), Business costs of crime and violence (127), Efficiency of legal framework in challenging regulations (104), Efficiency of legal framework in setting disputes (111), Burden of government regulation (124), Judicial independence (113), Favoritism in decisions of government officials (112).

Another pillar that is of concern is the “Goods market efficiency” in which Colombia was placed in position 100. The market efficiency reflects how resources are assigned and where are exceeded, and where they are needed the most to generate the being added. In Colombia, it was reflected one obstacle to create companies in terms of the following: Effects of taxation on incentives to invest (130), Total tax rate % profits (133), Number of procedures to start a business (94), Prevalence of non-tariff barriers (94), Extent of market dominance (96), Effectiveness of anti-monopoly policy (69).

The GCI shows the lap of key factors such as: Quality of the education system (98), Quality of math and science education (112). The human resources formation in respect to an intellectual and scientific capital is required to create companies with value added and innovation. Colombia was in position 75 in Availability of scientist and engineers; it seems that establish companies did not allocate resources in terms of I+D and for that reason they are placed in position 101 from in the rubric. In general, is questionable Colombia innovation capacity in order to create synergy the government has to stimulate the acquisition of advanced technology with the objective to generate a drag effect at the industry level with different productive sectors.

Entrepreneurship requires context conditions for company creation. The Banco Mundial has a registry from 2008 of the amount in efforts from both South Korea and Colombia to obtain to implement reforms that strength the innovation environment, entrepreneurship, and business generation. These reforms had produced fruits in improving indicators that evaluate unemployment at the country level. For instance, South Korea registered 12 procedures in 2005 that were reduced to only two in 2017. The reduction of the ten procedures in only twelve years denotes that South Korea decreased in average 2.49 processes every three years. Colombia reduced its processes from 14 to six in the period of time. Therefore, it took Colombia in average the same reduction of 2.49 four years. The previous scenarios showed the organizational or instructional adaptation for each economy to fulfil the demand in efficiency in a business environment.

In terms of days required for procedures for the years 2009 and 2010, they were two years key to the decrease of the number days. Colombia required more than forty days in 2005. However, today the average is only nine days. South Korea went from 22 days in 2005 to only four days in 2017. South Korea decreased the number of days faster than Colombia. However, Colombia reduced more the number of days in average for every three years. For instance, while South Korea decrease the average to 4.5 days every three years from 2005 to 2017. On the other hand, Colombia reduced every three years in average 8.5 days.

Within the implemented reforms in reducing the number of days as well as the processes required initiating a business in South Korea and Colombia excel the use of new technology that allows speeding up the procedures, facilitates online payment transactions in terms of registry as well as in terms of tax payment or the notarized requirement of formalization. Other important reforms were created to simplify processes and procedures through the use of universal formats and the management of unique windows. In accordance to the Doing Business and Banco Mundial reports, a central topic is the entrepreneurship in the management of low costs and the required capital. South Korea and Colombia recorded a minimum capital to be paid to zero in 2010. In terms of costs such as income percentage per capita, both economies had have an excel reduction. The increased income percentage in Colombia in 2017 represents only 27.3% from what was paid 12 years ago in 2005. In the same interval of time, South Korea had a 17.5% reduction for this indicator.

The entrepreneurship dynamic in both economies was expressed in the Global Entrepreneurship Monitor (GEM) in different reports. In both countries, it was recorded a major entrepreneurs rate as well as the increase in the entrepreneurship activity and the quantity of entrepreneurs established. However, it is essential to return to the labor market regulations topic that impulse entrepreneurship and to offer better job conditions in new establishments. The new role that plays the government is fundamental for the generation of new companies. Moreover, it can establish a new network with new businessmen as providers and streamlining an economic activity from the demand side. Within the present pending agenda of reforms, transparency is highlighted. In both economies, it is required to reduce bureaucracy and opacity in the resources management and assignments as well as a major opening in access to commercial and financial information in terms of credit access and tax payment final destination.

CONCLUSION

Along the economic world history, the crises allow to search recuperation and growth alternatives. The entrepreneurship is placed as one economic growth alternative with the promise that is bounded on creating companies based in innovation. At the global level, the companies reflect economic competitiveness and efficiency in using and coordinating resources. In society, the proliferation of productive activities that generate jobs and self-employment improve the conditions and population quality of life.

Both economies, Colombia and South Korea, show a contrast in terms of the economic performance. Furthermore, the contrast was revised by the competitiveness index related to the ecosystem facilitating entrepreneurship. For instance, Colombia presents institutional difficulties and in the market efficiency in goods; whereas, South Korea presents flaws in the development of their financial market, particularly in loan acquisition and in banking strength. Both economies had realized reforms in entrepreneurship favor; however, there are elements to adhere at the argument that both economies were found in different development stages. As a result, there is a competitiveness reflection in the business environment that each one of them is experiencing.

In both economies, there is a registry in favor of their reforms advancement in respect to their ecosystem that involves entrepreneurship. In both was observed a decrease in terms of days and processes, between multiple factors, in the use of new technologies. Additionally, there was a decrease in the number of formalities by unifying the information and the management of universal formats. There were special and unique windows assigned to expedite the formalities. As a consequence, there was a decrease in the cost to create new companies for entrepreneurs. There are pending issues in terms of transparency, access to information, labor conditions and the government role as an intermediary and final consumer to boost entrepreneurship from the demand side.

The entrepreneurship topic is currently placed as one area of academic interest that stimulates the participation of different disciplines not only in business. The public agenda visualize entrepreneurship as one alternative to boost the economic growth, improve the population life conditions, increase the wage employment and the self-employment in order to approach the topic of the business gender inclusion (Audretsch, et al., 2016; EIGE, 2016).

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