

A Convergent Study of Motivations, Success Factors and Issues of Foreign Entrepreneurs in South Korea

Brandon Walcutt

Dept. of International Studies, Hankuk University of Foreign Studies

대한민국 내 외국인 기업가의 창업 동기부여 및 성공요인에 관한 융복합연구

브랜든 월컷
한국외국어대학교 국제학부

Abstract Due to globalization, more foreign-owned small businesses have been joining the South Korean economy. In order to better support the growth, this study's purpose is to identify foreign entrepreneur demographics and company information as well as entrepreneurial motivations and perceived success factors. To fulfill these goals, a survey of 98 immigrant entrepreneurs from 31 countries doing business within the local Korean market was conducted. The results show that most foreign-owned small businesses are service-oriented and primarily started for intrinsic reasons. It was also identified that the perceived business success determinants that the government can most directly affect are skills-based, rather than infrastructure or financially oriented. Furthermore, top issues include unreliable employees, language barrier and too much competition. The findings of this study are particularly relevant to both academics and policy makers alike because almost no prior foreign entrepreneur-focused research has been conducted in Korea.

Key Words : Foreign entrepreneurs, convergence, South Korea, entrepreneurial motivations, entrepreneur success factors

요약 글로벌 시대가 시작됨에 따라, 외국인 소유의 소규모 사업들이 점차 한국경제에 진출하고 있습니다. 이러한 추세를 촉진하기 위해, 본 연구는 외국인 회사의 인구구조, 회사정보 그리고 기업가정신의 동기부여요소와 성공요인을 밝히는 것을 목표로 하고 있습니다. 이러한 목표를 달성하기 위해, 31개국 출신 98명의 국내 이주민 사업가들의 설문조사 결과를 바탕으로 하고 있습니다. 이 결과들을 통해 외국인 소유의 소규모 사업은 대부분 서비스중심이고 내재적 동기에 의해 시작되었다는 것을 알 수 있습니다. 또한, 알려진 사업 성공 요소 중 정부가 직접적으로 영향을 미치는 것은 기반시설 또는 재정적인 요소가 아닌 기술에 바탕을 두고 있습니다. 게다가, 현재 이와 관련한 주요 이슈들은 신뢰할 수 없는 노동자, 언어의 장벽과 과도하게 치열한 경쟁입니다. 이 조사는 한번도 국내에서 실행된 적이 없으므로 특히 학계와 정책 결정자들에게 큰 도움이 될 것입니다.

주제어 : 외국인기업, 융복합, 대한민국, 기업가 동기부여 정신, 기업의 성공 요인

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Corresponding Author: Brandon Walcutt(Dept. of International Studies, Hankuk University of Foreign Studies)

Email: travelingman2@gmail.com

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1. Introduction

The advent of globalization has led to a series of sweeping economic and social changes in South Korea. In particular, a substantial growth of foreigners residing and working in the country has occurred. The Korean Ministry of Justice has reported that, in the last decade, the population of foreigners in Korea has risen from 678,687 in 2003 to 1,501,761 in 2013[19]. This influx of foreign immigrants can be attributed to a variety of factors ranging from the revision of governmental policies to allow for a significant increase in international marriages over the past decade, the need to employ more foreign workers and a growth in university foreign student programs[19]. The rise in the foreign population and a loosening of governmental regulations has also allowed a growing number of immigrants to turn to entrepreneurship and start small to medium sized enterprises (SMEs) as primary or supplementary sources of income[15]. The exact number of these foreigner owned companies cannot be easily ascertained as the government only directly tracks the business activities of those foreigners who directly come to Korea with the purpose of starting a company and apply for a D-8 foreign investor visa. Since many other visa types, such as spousal visas (F-6 visa), allow foreigners to form companies without changing to investor visa status, the government is not able to easily identify how many individuals are in business. This lack of transparency gives rise to many questions about who these individuals are and the roles their firms are playing within the Korean economy, especially at a time when experts recommend placing a growing emphasis on SME value to the domestic economy [16] and the need for deeper foreign SME participation in the Korean business ecosystem[18].

This research presents an exploration of the foreigners who own and operate businesses within South Korea as well as the nature and scope of the SMEs they are running based on recent survey data

collected from 98 respondents. The findings highlight the entrepreneurs' basic demographics and company information as well as identifying their principle reasons for coming to Korea and motivations for starting SMEs. In addition, their perceived success factors and primary issues encountered in conducting business are also identified and explored.

Organized into five sections, this paper begins with a summary of the related literature regarding the principle concepts used to frame the explanations of entrepreneurial motivations, success factors and issues in conducting business. Next, the research questions are identified and the methodology is explained. Then, the data are analysed to identify and explain the research question findings and their implications. The paper ends with a consideration of the limitations of the study and suggestions for future research.

2. Literature Review

The literature review provides the basic framework for this research. Because there is almost no extant literature on foreign entrepreneurs in Korea, reliance on studies of SMEs from other countries is necessary to better understand and explain the motivations, perceived success factors and issues encountered by the study participants.

2.1 Motivations of Foreign SME Owners

The literature on the start-up motivations of entrepreneurs identifies that there are four key drivers of this phenomenon that relate to pull and push factors[3]. The first two drivers are pull related and the third and fourth drivers relate more closely to push factors. "Push" and "pull" motivating factors have been frequently used to describe the motivations of why individuals start businesses[12]. "Push" motivations are associated with external negative reasons, such as unemployment, that drive the creation of businesses.

"Pull" factors are more closely aligned with the positive internal or intrinsic reasons that individuals have in opening businesses, such as the need for independence or personal growth.

The first driver, considered to be a pull factor due to its positive internal orientation, is a desire for independence or greater control of the business owner's life and is often cited as a primary motivating factor for many people to become entrepreneurs[12]. The second internally oriented pull factor represents the intrinsic rewards received from company ownership that focus on an entrepreneur's feelings of personal growth and self-fulfilment. A third driver is extrinsic rewards, which are typically negative and pertain to the economic reasons which tend to "push" entrepreneurs into creating and running their own companies. These reasons usually reflect conditions where there are issues with unemployment or a lack of job prospects. The last driver is also push related as it reflects a number of externally oriented, family-related factors that represent security, domestic obligations or a desire for greater work-family balance[11].

Although this research relates only to entrepreneurs existing within South Korea, the business people themselves come from countries across the globe. It is expected that a wide array of motivating factors may be found depending upon the individuals and their cultural and educational backgrounds. For example, Ozsoy, Oksoy and Kozan [9] found Turkish entrepreneurs are more focused on starting businesses to provide for family security as well as increase income, whereas Ugandan entrepreneurs are often more interested in the increased autonomy that ownership can allow[4]. Other generalizations can imply that SME entrepreneurs in low income countries are more likely to be motivated by increased income, and higher income countries are more driven by higher order needs like self-esteem and self-realization[3].

2.2 Success Factors of Foreign SME Owners

Like the start-up motivations of entrepreneurs, the extant literature provides many mixed reports of the variables related to perceptions of business success. Benzing, Chu and Kara [3] report that most entrepreneurial studies concentrate on three primary sets of variables that pertain to the psychological or personality traits of the business people, their managerial skills and training or external environment. Psychological and personality traits refer to the ability to plan, drives for independence and even traits such as honesty or friendliness which have all been found to relate to business success [6]. Psychological traits are not the only factors that encourage success as managerial skills can also be developed to improve business possibilities. Researchers have shown how various skills such as personnel management or international business knowledge can be very important to SME success [10]. External environmental factors, such as access to capital or macro-economic aspects, have also proven valuable towards ensuring firms perform at their optimal levels[8, 5].

When looking at the literature specifically addressing foreign entrepreneurs, success factors appear to be a mix of general factors associated with entrepreneurs across many countries, but also tend to more heavily focus on the impacts associated with the external environment. The research on foreign restaurateurs in Nepal, for example, identifies environmental factors having greater modifying impacts on business success than other factors [7].

2.3 Issues Faced by Foreign Entrepreneurs

Issues facing entrepreneurs comprise the third pillar of the literature framework supporting this research. Similar to the mentioned entrepreneurial motivations and success factors, SME owners across the world face a very wide variety of issues. Most general issues are very similar to the contexts encountered within the entire gamut of developed, transitional and developing

economies. Examples of these general challenges are excessive governmental regulations as well as weak economies and problems with employees or competition[13, 5].

Beyond the general issues, each economy and its SMEs have their own particular set of challenges depending on a variety of factors such as its stage of development and business and social culture. Beyond the current research, the only other study on foreign entrepreneurs in Korea reported that the primary challenge faced was finding funding from formal financing sources such as banks[8]. Minor issues such as language difficulties, reluctance of Korean business partners or suppliers, and business culture were also encountered[8]. An understanding of these approaches can assist policy makers in developing programs to alleviate the challenges encountered so the foreign SME owners can better survive, grow and serve Korea's economy.

3. Research Questions and Methodology

With the expanding globalization of South Korea and the continued growth of its foreign population, more foreigners are turning to entrepreneurship and starting SMEs as primary or supplementary sources of income. However, due to a lack of data and extant literature regarding these SMEs, very little is actually known about the composition and various factors influencing the foundation, growth and ultimate success of these enterprises. To begin to illuminate this phenomenon, this study has focused four research questions.

1. Who are Korea's foreign SME owners and in what economic niches are they participating?
2. What prompted the foreigners to form SMEs?
3. What factors have contributed to the perceived success of the foreign owned SMEs?
4. What issues have the foreign SME owners encountered doing business in Korea?

These four research questions will be used to explore the activities of foreign entrepreneurs in the South Korean economy.

3.1 Methodology

This research supports and analyzes the results of a survey of 98 SMEs owned by foreign entrepreneurs during May to August 2014. Since the only stipulations for survey participation required an entrepreneur to be from a foreign country and own a SME that is registered with the Korean government, the entrepreneurs surveyed covered a very wide range of industry types and owner country of origins.

One of the primary issues in conducting this research was the absence of a comprehensive and reliable database of foreign owned SMEs in South Korea. This absence made it impossible to construct a random sample of firms to survey. Further complicating the conduct of the study was the wide geographic dispersion of applicable firms, language issues in communicating with foreign nationals, and a visible distrust in some cases of participating in the research. Due to the listed issues, several survey methods were employed. First, all foreign embassies, chambers of commerce (excluding the US Chamber of Commerce due to excessive cost issues) and all foreigner-related trade associations were contacted and surveys sent to all applicable members. Second, a convenience method was employed to reach out to other foreign entrepreneurs who were not involved with the above organizations. Surveyed individuals were requested to notify their personal contacts of the study that fit the parameters of the research. Although there are more desirable survey methodologies that provide more statistically reliable data, this second-best approach is common in similar difficult research contexts to what was encountered in this study[1]. The last survey method employed was cold calling applicable firms in two of the regions of Seoul (Itaewon and Dongdaemun) that have higher percentages of

foreign SME firms. Cold calling proved the least successful method of data collection due to a degree of reluctance and distrust in participating in the survey. Another major issue with cold calling stemmed from communication issues as many firm owners visited proved to speak neither English nor Korean.

3.2 Survey Development and Final Sample

The survey used in this study is based on questions developed by Hung M. Chu and have been used in studies on entrepreneurs in at least six different countries on three continents [3]. In addition to the Chu's survey, additional changes were made to better adjust the instrument to the Korean context [8]. The survey was prepared in both English and Korean as most potential participants were anticipated to be able to communicate in at least one of the two provided languages.

The survey had five applicable sections. The first asked basic questions about the entrepreneur's country of origin, demographics, education, visa type, business experience both abroad and in Korea, and why they originally came to Korea. The second section focused on the SMEs the foreigners owned, asking about business type, age, employee count, initial funding vehicle, and a rough revenue estimate for the previous year. The third section explored why the entrepreneurs started their businesses. This section tried to identify whether the start-up motivations were more extrinsic or intrinsic in nature. The fourth section asked the foreign owners to rate a host of factors as to the value they contribute towards firm success. The final area of the survey asked about challenges encountered within the scope of doing business in Korea. All questions were structured and either required the participant to choose amongst provided choices or were based on five point Likert scales. In addition, survey participants could remain anonymous or provide an email address if they were willing to answer further questions if requested.

After the survey questions were drafted, three different entrepreneurs filled out each language based survey (English and Korean) in a pilot study to test the assumptions, expectations and wording. Based on the positive results of the test groups, the surveys were deemed ready for implementation.

The surveys were administered from May to August 2014. Completed surveys from a total of 98 participants from 31 different countries were received. The survey data was analyzed with SPSS 20 statistical software.

4. Discussion and Implications

The four research questions were explored based on the collected survey data.

Research Question 1: Who are Korea's foreign SME owners and in what economic niches are they participating?

To begin understanding the activities of foreign entrepreneurs in South Korea, a more comprehensive look at their characteristics, based on those who participated in the survey, must be undertaken. First, the participating entrepreneurs hail from countries across the globe. The 98 study participants come from 31 nations spread across every populated continent. As noted in <Table 1>, the top three nations with entrepreneurs doing business in Korea are the United States (21.43%), Canada (12.24%) and Russia (8.16%). It is interesting to note that most of the survey participant numbers are much more heavily represented in business in Korea than their overall population percentages might otherwise suggest. This disparity might be accurate in that some national groups in Korea may be more entrepreneurially oriented than others or the differences might simply be the result of an inadequate sampling of all national groups. This issue has been listed as one of the limitations of the study as, based on the available data, there is no direct, reliable reason to explain the phenomenon.

<Table 1> Foreign Entrepreneur Country of Origin and Matching Foreign Population in South Korea

| Country of Origin ¹ | Study Sample Size | Study Sample % | Total Pop. in Korea ² | Pop. % For. Pop. in Korea |
|--------------------------------|-------------------|----------------|----------------------------------|---------------------------|
| Bangladesh | 4 | 4.08% | 13,584 | 0.94% |
| Canada | 12 | 12.24% | 23,051 | 1.60% |
| China ³ | 5 | 5.10% | 698,444 | 48.33% |
| France | 3 | 3.06% | 3,681 | 0.25% |
| India | 3 | 3.06% | 8,317 | 0.58% |
| Japan | 4 | 4.08% | 57,174 | 3.96% |
| Nepal | 2 | 2.04% | 18,908 | 1.31% |
| Netherlands | 6 | 6.12% | 760 | 0.05% |
| New Zealand | 6 | 6.12% | 4,240 | 0.29% |
| Nigeria | 2 | 2.04% | 1,863 | 0.13% |
| Russia ⁴ | 8 | 8.16% | 11,361 | 0.78% |
| Ukraine | 2 | 2.04% | 877 | 0.06% |
| U.K. | 3 | 3.06% | 6,814 | 0.47% |
| USA | 21 | 21.43% | 130,562 | 9.03% |
| Total All Countries | 98 | 100.00% | 1,082,993 | 74.9% total for. pop. |

¹Only the 14 listed countries with a sample size of greater than 1 are listed. The 18 countries with a sample size of only 1 are: Australia, Austria, Denmark, Finland, Germany, Hungary, India, Ireland, Italy, Kazakhstan, Libya, Malaysia, Mongolia, Morocco, Sri Lanka, Switzerland, Turkey and Uzbekistan. ²Based on 2012 Korean Immigration Service statistics, only matching data to the 31 countries belonging to survey participants is shown.

³Includes ethnic Korean Chinese ⁴Includes ethnic Korean Russians

Beyond the entrepreneurs' countries of origin, we can identify the "typical" foreign SME owner. Based on the aggregated data from <Table 2>, the average participant is male (77%) from a developed North American country (33.7%), aged 31-40 years old (39.8%), with a bachelor degree (43.9%), a Korean spouse (51%), a D-8 Foreign Investor Visa (31.6%) and 3-5 years of business experience before coming to Korea (27.6%).

<Table 2> Foreign Entrepreneur Demographics

| Factor | Frequency | % of Total |
|--------|-----------|------------|
| Gender | | |
| Male | 77 | 78.6% |
| Female | 21 | 21.4% |
| Age | | |
| >30 | 13 | 13.3% |
| 31-40 | 39 | 39.8% |
| 41-50 | 34 | 34.7% |
| 50< | 12 | 12.2% |

| | | |
|--------------------------------|----|-------|
| Education | | |
| None | 4 | 4.1% |
| Bachelor | 43 | 43.9% |
| Master | 42 | 42.9% |
| PhD | 5 | 5.1% |
| Other | 4 | 4.1% |
| Marital Status | | |
| Not Married | 30 | 30.6% |
| Non-Korean Spouse | 18 | 18.4% |
| Korean Spouse | 50 | 51% |
| Current Visa Type (Top 3 of 8) | | |
| D-8 (Investor) | 31 | 31.6% |
| F-6 (Korean Spouse) | 22 | 22.4% |
| F-5 (Perm. Residency) | 14 | 14.3% |
| Pre-Korea Business Experience | | |
| >1 year | 12 | 12.2% |
| 1-2 years | 16 | 16.3% |
| 3-5 years | 27 | 27.6% |
| 6-10 years | 24 | 24.5% |
| 10< years | 19 | 19.4% |

Another important detail in fully explaining the activities of foreign entrepreneurs in Korea is to look at the types and background information of the businesses that they started. <Table 3> reports that foreigners provide a full range of different services with the entrepreneurs primarily engaged in consulting (19.4%), education (14.3%), trading (11.2%) and restaurant (10.2%) work, respectively. Only one firm in the study was engaged in a manufacturing related business.

The findings that foreign SME owners tend to primarily open service businesses can be somewhat supported by the only other similar research that has been completed on immigrant entrepreneurs in South Korea. In that study on Korea's African immigrant entrepreneurs, all participants also gravitated towards service businesses such as export firms, beauty salons, retail shops and restaurants [8].

<Table 3> Overview of Foreign Entrepreneur Business Types

| Business Types | Firm Examples (Listed as Other in the Survey) | Freq. | % of Total |
|----------------|---|-------|------------|
| Consulting | | 19 | 19.4% |
| Education | | 14 | 14.3% |
| Trading | | 11 | 11.2% |
| Restaurants | | 10 | 10.2% |

| | | | |
|------------------|---|---|------|
| Prof. Svcs | Translation, Media, PR, Video production, Architecture, Counselling, MBA Admissions | 8 | 8.2% |
| Tourism | | 7 | 7.1% |
| E-Commerce | | 7 | 7.1% |
| Retail Shops | | 7 | 7.1% |
| Logistics | | 5 | 5.1% |
| Sales/Marketing | Pet Product Distribution, Marketing, Sales, Advertising | 5 | 5.1% |
| General Services | Hair Salon, Singer, Fitness | 4 | 4.1% |
| Manuf. | Food Production | 1 | 1% |

Further information on the businesses that the foreign entrepreneurs started also help better illuminate the context in which the SMEs are operating. The average firm owned by the business people was started between three to four years ago (20.4%) and funded with the entrepreneur’s personal savings (65.3%). These firms also employ between 2-5 employees (42.9%), but gross less than 50 million won (roughly \$49,000) per year (34.7%).

<Table 4> Foreign Entrepreneur Business Basics

| Date Business Started | Freq. | % of Total |
|------------------------|-------|------------|
| Before 2001 | 7 | 7.1% |
| 2001-2005 | 14 | 14.3% |
| 2006-2008 | 20 | 20.4% |
| 2009-2010 | 10 | 10.2% |
| 2011-2012 | 28 | 28.6% |
| 2013-2014 | 19 | 19.4% |
| Funding Source | | |
| Personal Savings | 64 | 65.3% |
| JV | 24 | 24.5% |
| 3rd party investment | 9 | 9.2% |
| Bank | 1 | 1% |
| Employee Count | | |
| Self Only | 30 | 30.6% |
| 2-5 | 42 | 42.9% |
| 6-10 | 15 | 15.3% |
| 10-50 | 8 | 8.2% |
| 50-100 | 2 | 2% |
| more than 100 | 1 | 1% |
| Revenue (Won) for 2013 | | |
| No revenue to date | 2 | 2% |
| Less than 50M | 34 | 34.7% |
| 51M-100M | 19 | 19.4% |
| 101M-250M | 20 | 20.4% |
| 251M-500M | 9 | 9.2% |
| 501M-1B | 7 | 7.1% |
| 1B - 5B | 4 | 4.1% |
| More than 5B | 3 | 3% |

Research Question 2: What prompted the foreigners to form SMEs?

As noted in the literature, there are a host of different reasons why entrepreneurs start companies. However, the primary reasons encouraging entrepreneurs to start businesses are similar to the push/pull drivers discussed in the Literature section. Foreign SME owners in Korea are not unique in this sense. However, unlike the entrepreneurs in places such as Hanoi, Vietnam who started firms for more necessity-based reasons such as the need to create jobs for themselves and family members [2], the survey participant data in <Table 5> appeared to place greater overall emphasis on pull-related intrinsic factors considering that six of the eight surveyed pull factors were considered either extremely important or very important and the most important push factor was only the third highest surveyed factor. In addition, three of the five push factors addressed were considered to be only mildly or not very important to the respondents.

The exact reason for the focus on more pull-related factors is not completely transparent. It can be hypothesized that since most SME respondents come from more developed countries, they may be more likely to start businesses to exercise their more intrinsic needs for personal satisfaction, growth or freedom as was noted by Benzing, Chu and Kara [3]. Another theory accounting for the pull-related focus is that the majority (68.4%) of the individuals did not come to Korea to start a business and since most of the firms (34.7%) are grossing less than \$49,000 per year, it can be assumed that their respective business owners do not depend solely upon their firms to sustain themselves so are more apt to look at their companies simply as personal growth projects.

One additional interesting note comes from the relative lack of focus on family. The questionnaires used in this research were primarily based on those

used in gauging start-up motivations for traditional entrepreneurs in other countries. In these contexts, family matters are often a major motivator for starting a business [11]. It can be assumed, based on Korea's foreign entrepreneur respondent answers downgrading the importance of family-related issues, that many are either childless, the children are too young to work in the firm and so are not being considered for that role, or there are no family members who might participate or inherit the firm in the future.

<Table 5> Factors in Foreign Entrepreneurs Starting a SME

| Factors Surveyed | Mean ¹ | St. Dev. |
|------------------------------------|-------------------|----------|
| Personal satisfaction and growth | 1.88 | 0.86 |
| Personal freedom | 2.07 | 0.98 |
| Increase income | 2.08 | 1.01 |
| Be own boss | 2.14 | 1.1 |
| Have fun | 2.39 | 1.12 |
| Use past experience and training | 2.57 | 1.16 |
| Prove ability to start/run company | 2.67 | 1.16 |
| Job security | 2.96 | 1.32 |
| Be closer to family | 3.37 | 1.45 |
| Build a business to pass on | 3.82 | 1.30 |
| Provide jobs for family members | 4.10 | 1.17 |

¹Based on a 5 point Likert scales where 1=Extremely important, 2=Very important, 3=Mildly important, 4=Not very important and 5=Unimportant

Research Question 3: What factors have contributed to the perceived success of the foreign owned SMEs?

Many factors can be associated with the perceived success of SMEs, but most relate to the three primary sets of variables listed in the Literature Review. Similar to entrepreneurs across the world, the foreign SME owners of Korea are also expected to experience success based on the same factors. In the survey used in this research, the SME owners were asked to rate their perceived importance of a number of success variables used in similar studies. These success variables can be sorted into three groups: psychological and personality traits, managerial skills and training and external environmental factors. Similar to the approach used in <Table 5>, this portion of the survey

also used a 5-point Likert scale to gauge factor importance.

Several pieces of pertinent information can be gleaned from the study results in <Table 6>. Seven factors were deemed by the respondents to roughly be extremely important and four of them, namely hard work, honesty, social skills and friendliness, were related to psychological or personality traits. The other three factors of this group were all skills or training based. Eight factors were listed as very important to the success of the foreign entrepreneurs' businesses. Of these eight factors, six were skills related and only two pertained to the external environment. Lastly, all remaining factors were considered mild to not very important and all were related to the external environment. Based on the groupings of the factor data, the participating SME owners felt that personal factors were most important to their being able to succeed in business, followed by their skills and training. The overall least important factors were those related to the external environment of Korea.

This finding is in slight contrast to much of the applicable extant literature as many research articles tend to view external environmental factors as being much more important to the success of a business [5]. One example of this contrast is access to capital. Many studies have listed access to capital as being one of the most important factors in business success. However, this factor, although still identified as being very important, was perceived as one of the least important of all listed business success factors in this study. One inference on why this might be the case is based upon the types of businesses run by the foreign entrepreneurs in this sample. Business types such as consulting or professional services, which together comprise almost 30% of the surveyed firms, are not usually recognized as being extremely cash dependent due to low infrastructure or inventory requirements.

Another pertinent fact is that all listed factors are very general determinants of business success that can

be applied to SMEs in any economy across the globe. None of the more Korea-centric success factors, ability to speak Korean for example, were perceived by respondents as being the most important factors in achieving business success though language ability was still viewed as being very important to foreign SME success.

<Table 6> Foreign SME Entrepreneurs Perceived Business Success Factors

| Success Factors | Mean ¹ | St Dev | Success Factors | Mean ¹ | St. Dev |
|--------------------------------------|-------------------|--------|---------------------------------|-------------------|---------|
| 1. Hard work | 1.42 | 0.7 | 10. Ability to speak Korean | 2.3 | 1.1 |
| 2. Rep. for honesty | 1.56 | 0.79 | 11. Approp. training | 2.37 | 1.02 |
| 3. Good customer service | 1.57 | 0.72 | 12. Support from friends/family | 2.45 | 1.11 |
| 4. Social skills | 1.61 | 0.75 | 13. Prev. business experience | 2.53 | 0.92 |
| 5. Good mgmt skills | 1.67 | 0.78 | 14. Maint. of accurate records | 2.56 | 1.15 |
| 6. Charisma/Friendliness | 1.84 | 0.76 | 15. Access to capital | 2.61 | 1.19 |
| 7. Good product at competitive price | 1.87 | 0.89 | 16. Position in society | 3.27 | 1.15 |
| 8. Ability to manage personnel | 2.03 | 1.01 | 17. Satis. government support | 3.37 | 1.2 |
| 9. Mktng/sales promo. | 2.05 | 0.95 | 18. Political involvement | 4.06 | 1.01 |

¹Based on a 5 point Likert scales where 1=Extremely important, 2=Very important, 3=Mildly important, 4=Not very important and 5=Unimportant

Research Question 4: What issues have the foreign SME owners encountered doing business in Korea?

Based on the extant literature, it can be assumed that SME owners typically face a variety of challenges in the course of conducting their work and those challenges are exponentially greater challenges when doing business in foreign countries. As this research has focussed on exploring the economic activities of foreign entrepreneurs in South Korea, one of the sections of the survey inquired about the issues they encounter. <Table 7> shows the top three issues

identified being unreliable employees, language or communication issues and too much competition. As broadly found in the extant literature, many of the top ten issues identified within this research can be identified by many entrepreneurs in many different contexts, both domestic and international, as being issues experienced in the normal course of doing business as a SME[3, 13].

Notably, many members of South Korea’s expatriate community believe that language or communication issues as well as discrimination should be considered two of the top issues experienced by foreigners and their firms[8]. However, in the current research, expatriate entrepreneurs tended to agree that language difficulties posed one of the top issues experienced in doing business within South Korea, but they did not find discrimination to be a serious issue.

Language not being a critical issue for the SME respondents can also be supported by the extant research on foreign entrepreneurs in South Korea. However, this research found that a relatively small percentage of African business people doing business in Korea determined language or discrimination to be a challenge [8], further supporting the validity of the current results. Further supporting the fact that the entrepreneurs did not find language to be a very serious challenge is the data from the success factors in <Table 6>. Although the SME owners felt the ability to speak Korean was very important to their business success, it was listed as tenth in importance out of eighteen factors.

<Table 7> Foreign Entrepreneur Challenges in South Korea

| Challenges | Mean ¹ | St. Dev. |
|---|-------------------|----------|
| Unreliable and Undependable Employees | 2.88 | 1.44 |
| Language / Communication Issues | 3.1 | 1.14 |
| Too much competition | 3.28 | 1.13 |
| Weak economy | 3.43 | 1.1 |
| Complex/confusing tax structure | 3.5 | 1.25 |
| Unable to obtain short-term financial capital | 3.49 | 1.22 |
| Too much governmental regulation | 3.52 | 1.32 |

| | | |
|---|------|------|
| Discrimination against foreigners | 3.57 | 1.24 |
| Complicated business registration process | 3.64 | 1.26 |
| Unable to obtain long-term financial capital | 3.68 | 1.29 |
| Lack of marketing training | 3.7 | 1.13 |
| Inability to maintain accurate accounting records | 3.73 | 1.32 |
| Lack of management training | 3.85 | 1.12 |

¹Based on a 5 point Likert scales where 1=Very serious problem, 2=Serious problem, 3=Problem, 4=Minor problem and 5=Not a problem

4.1 Implications

As noted in the introduction, there is a generalized lack of information about foreign SME entrepreneurs doing business in South Korea. To address this, the research goal was to explore the overall scope and nature of this group of business people. Four research questions were identified and the analysis of the data has generated several important theoretical and practical implications.

For scholars, the primary implication from the research is that this is only the second study in the English language that has been conducted on foreign entrepreneurs in Korea. The findings will help cover gaps left in the extant knowledge on the foreign SME owner demographics, start-up motivations, perceived success factors and the primary issues they encounter.

Based on the gathered data, a number of practical implications can also be identified. First, the Korean government has long held that a strong base of SME businesses is vital for the overall health of the economy[16]. The government has also determined that foreign owned firms can play a vital role in Korean business and should be encouraged [14]. Several local governments, such as the City of Seoul, actively promote the economic participation of foreign entrepreneurs by providing assistance such as how-to seminars, funding a business incubator, giving access to various experts and even providing amounts of start-up capital in some cases. Invest Korea, a division of the Korea Trade-Investment Promotion Agency, also provides a host of assistance services to foreign businesses[17]. Based on the interest of these

governmental organizations, this study can provide a host of data to assist them in making better and more supportive policies. Pertinent key findings in this regard can better support the understanding of who are actually starting businesses as well as improved information on the specific business types that are being operated, revenue estimates and the numbers of workers being employed. Improved understanding of this information can assist policy makers to recognize the importance of foreign SMEs to the Korean economy as well as target the right kinds of assistance to specific foreign groups.

Also, since the primary motivation for foreigners to start businesses has been shown to be more intrinsically oriented than family or job replacement related, this fact can provide additional prudent guidance. Furthermore, recognizing that the foreign SME perceived determinants of business success that the government can directly affect and encourage are oriented around business skills. This information could help the government refocus many of their efforts away from strictly an infrastructure or financially oriented approach and more towards meeting the actual skills-based needs of the foreign SME owners.

Lastly, better understanding that the main issues encountered are employee, language and competition oriented can also help refine provided assistance packages to not only the foreign entrepreneur, but also to the potential employees they might hire.

5. Conclusion

This study of 98 foreign SME entrepreneurs in South Korea is based on data collected through English and Korean surveys and analyzed using standard statistical methods. It identified the business owners' basic demographics and company information. In addition, it explored the foreigners' reasons for coming to Korea and their entrepreneurial motivations as well

as their perceptions on the factors of their success and primary challenges encountered in conducting business.

As noted in the implications section, this research was groundbreaking due to the relative lack of extant literature on the subject. In addition, the data also provided many policy implications on what the government can do to tailor assistance programs to better meet the needs of the foreign entrepreneurs.

A number of factors might have had a negative impact on the results of this study. One of the primary issues relates to sample size. Although 98 participants were surveyed, if a larger survey sample had been employed, the additional data might have allowed for better verification of the current findings or better illumination of additional characteristics or issues that were not found in this research. Another major issue also relates to the data gathered by the study. Since there is no comprehensive and reliable database of foreign owned SMEs, data was gathered via suggestions from chambers of commerce, foreign trade associations and embassies as well as convenience and cold calling sampling methods. Although the collection methods used are often employed in similar contexts, they may not have produced the most optimal, unbiased and holistically representative result. Therefore, if a sample that is more representative of the national origins of the foreign entrepreneurial population throughout South Korea could have been gathered, the final result might have been more constructive.

Future research could include a study that utilizes a larger sample of people representing all foreign entrepreneurial groups to validate the current studies findings. Other future research could compare the characteristics of foreign entrepreneurs in Korea versus those back in their home countries to identify differences in factors like propensity for risk or uncertainty. Furthermore, an improved look at the foreign entrepreneurs' entrepreneurial orientation, mental toughness, and encountered issues could be of great value to both academics and policy makers.

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월컷, 브랜든(Walcutt, Brandon)



- 1999년 : MBA - University of North Florida
- 2007년 ~ 현재 : 한국외국어대학교 국제학부 교수
- E-Mail : travelingman2@gmail.com