

Inquiries : Director Chu Kyung-hun of the Media Cooperation Team (042-481-3921)
Action Officer Jang Han-hee (042-481-4598)

Results of Analysis of Changes to the Korean Startup Ecosystem

- Social view of startups distinctly improved in Korea -

- We **comprehensively analyzed changes from the beginning of the Korean startup ecosystem** to its development and further growth toward the recent **second venture boom**.
 - **The number of newly established corporations has increased, and social interest in startups has grown, such that a “second venture boom” broke the records of the Republic of Korea’s first venture boom in the early 2000s by double.**
 - * Newly established corporations(number) : (2000) 61,456 → (2008) 50,855 → (2016) 96,155 → **(2020) 123,305**
 - Media coverage of startups (number) : (2000) 51,182 → (2008) 25,329 → (2016) 74,459 → **(2019) 101,937**
- The Korean **government has set “creating an innovative startup state” as its key state task and made visible achievements for the last four years through aggressive work to vitalize startups**
 - For the **last 20 years(2000–2020), the number of newly established corporations increased by 62,000 (annually) in Korea, among which 44%(27,000) were established over the last 4 years(2016–2020).**
 - The Korean government’s startup budget **doubled from KRW 376.6 billion in 2016 to KRW 849.2 billion in 2020.** Moreover, startups also **evaluated that the government played a key role in the achievement.**

- **Korean startups' status worldwide is steadily rising** (awarded at the Consumer Electronics Show [CES] Innovation Awards, selected as a Forbes Global Leader, etc.), and **Korean society's view of startups has also improved.**
- The **average revenue and employment** of startups supported by the Korean government **almost doubled from 2009 to 2019.** In particular, a **60% increase in revenues within 10 years (2009–2019) occurred after 2016.**

* Revenue(KRW 100 million) : (2009)2.96 → (2016)4.26 → **(2019)6.07**
 Employment(number of people) : (2009)3.9 → (2016)5.8 → **(2019)7.1**

The Korean Ministry of SMEs and Startups (MSS, Minister Kwon Chil-seung) announced the results of its “**Analysis of Changes to the Korean Startup Ecosystem.**”

Results of Analysis and its Characteristics

1] External changes to the Korean startup ecosystem

The external scale of the Korean startup ecosystem dramatically grew for the last 20 years (2000–2020). It has been confirmed that a second venture boom has surpassed the first venture boom and fever in early 2000.

Moreover, the number of newly established corporations increased by over 60,000 in 20 years, from 61,000 in 2000 to 123,000 in 2020. In particular, around half of that growth (27,000) were established for the last four years (2017–2020).

However, the Korean startup ecosystem is not only growing quantitatively but also qualitatively. Unlisted unicorn companies worth more than USD 1 billion grew more than 6 times from 2 in 2016 to 13 in 2020. According to Startup Genome, Seoul's startup ecosystem ranked 20th among 270 cities worldwide for the first time in 2020. As such, the

status of the Korean startup ecosystem in the world is on the rise.

The Korean government has also supported the startup ecosystem's development.

The MSS budget to support startups* drastically expanded from KRW 8.2 billion in 1998 to KRW 376.6 billion in 2016 and KRW 849.2 billion in 2020. In particular, it grew by KRW 472.6 billion for the last 4 years, about 60% of the increase over the past 20 years has occurred during the same period.

* The startup support budget excludes the budget for research and development (R&D), policy funds (loans), and investment.

Similarly, startups positively evaluated the government's role. According to a survey by Startup Alliance Korea, a nonprofit startup-supporting agency, Korean startups' score for the Korean government's contribution and supporting role rose from 44 points in 2016 to 66.5 points in 2020.

As a result, we have seen visible achievements.

Among the recently selected "Forbes 30 Under 30 Asia 2021" leaders by Forbes (United States) were 15 Korean startup CEOs, all from startups that had participated in and grown through the startup programs backed by the Ministry of SMEs and Startups.

In addition, most Korean companies that received the Innovation Award at CES, the world's largest electronics expo, were startups. In 2021, 22 startups received the award, that is, more than 4 times the 5 awards received in 2019.

The self-evaluation of the Korean startup ecosystem also improved. According to a survey by Startup Alliance Korea, the Korean startups' view of the ecosystem ambience has annually improved positively, as the score rose from 55 points in 2016 to 71.3 points in 2020.

Furthermore, the **social awareness** of startup entrepreneurs has significantly improved. **According to a survey by Global Entrepreneurship Monitor (GEM), Koreans' view of successful startup entrepreneurs improved from 60.2 points in 2016 (46th globally) to 86.0 points in 2019 (7th globally). The ratio of those hesitating to start a business for "fear of failure" largely dropped, reducing the rate of startup hesitation from 31.5% in 2016 (22nd globally) to 7.1% in 2019 (1st globally).**

2 Internal changes to the Korean startup ecosystem

The **internal composition** of the Korean startup ecosystem is also **changing dynamically**.

Artificial intelligence (AI), big data, virtual reality / augmented reality (VR/AR), and the Internet of Things (IoT) related to the Fourth Industrial Revolution have been emphasized since 2017. At the same time, the service platform field, which involves mediating services and products with the accelerating switch to non-face-to-face contact and the vitalization of the sharing economy, is rapidly increasing startup ecosystem shares.

Achievements made by startups once supported by the Korean government are also clearly manifesting. The revenue of startups supported by the government has grown from KRW 296 million in 2009 to KRW 607 million in 2019. In the same way, employment rates had doubled in the last 10 years from 3.9 in 2009 to 7.1 in 2019.

In particular, startups that **participated in the Tech Incubator Program for Startup Korea (TIPS Program)**, the Ministry's representative startup support project, showed the best results. **More than half of the companies that received money upfront** as part of the program drew additional

investment. **The scale of the follow-on investment** amounted to a whopping **KRW 3.9 trillion**, about 14 times the upfront investment of **KRW 270 billion**.

③ Changing views in Korean society as a whole

The interest in and expectations for venture businesses and startups are steadily rising in Korean society.

Investment in venture businesses* has reached its record highest in 2020 at more than double that of the first venture boom (1999–2001), with rising expectations for a second venture boom in Korea. As success stories of venture businesses have become reported, **more and more people from various backgrounds such as college professors, doctors, so called those working in popular professional occupations as well as college students, are aggressively trying to establish startups.**

* Venture investment (KRW 100 million): **(2000)20,211 (first venture boom) → (2004)6,044 (lowest) → (2017)23,803 → (2020)43,045**

Media articles with key words related to startups grew over 100 times from **810 in 1991 to 102,000 in 2019** as part of growing interest in startups in Korean society. The number of key words is **more than double** the record of 51,000 in 2000, showing that **startups and venture businesses** have been considered a field of **people's interest**.

In particular, **media articles including key words related to “startups”** began **skyrocketing in 2016**. The wide use of related key words in media is seen as a **result of startups gaining a separate, differentiated identity and increasing recognition from newly established companies.**

In appearing related **key words** to startups, **noteworthy changes** were visible by period. In the early and mid-1990s, when the Korean startup ecosystem was beginning to form, the role of startups as suppliers of **manufacturing parts** was emphasized. However, since the late 1990s, they began to draw attention as **principal agents of economic restructuring and venture innovation agents**.

Since the late 2000s, with the growth of the online and mobile economy, the role of startups as **providers of new services** was highly emphasized. Then, from the mid-2010s, they drew attention as **new alternatives for creating jobs for the youth and the protagonists of the Fourth Industrial Revolution**.

Future Plans

“The **venture boom started with startups**. That is, there can be no **venture business and unicorn companies** without startups. As a **person responsible for startup and venture business policies**, I feel proud and grateful that the Korean startup ecosystem has developed so far. The Ministry of SMEs and Startups will **spare no effort** so that the **heated startup fever** continues and the **second venture boom successfully settles**,” said the **Minister Kwon Chil-seung**.