



Center for Ambitious Failure

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Entrepreneurship and the Freedom to Fail

EXPERT COLUMN



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Chairman Keum Ryong Lee worked at Samsung C&T Corporation for 22 years starting at 1977, after which he served as the CEO of Auction from 1999 and as the first president of the Korea Internet Corporations Association. Chairman Lee has won several awards throughout his career, including the Federation of Korean Industries Grand Prize for Venture Managers (2001), Information and Communication Day Order of Industrial Service Merit (Seoktap, 2002), and an Individual Mecenat Award: Minister of the Ministry of Culture Award (2005). He currently serves as the inaugural chairman of Challenge and Sharing Ltd., an organization founded in 2017 that aims to help young entrepreneurs develop the entrepreneurship mindset and learn from the know-how of more experienced mentors. Challenge and Sharing Ltd. hosts monthly entrepreneurship forums by inviting industry, university, and research experts to share their experiences and knowledge.

Taking on challenges: the core of entrepreneurship

Universities around the country held their commencement ceremonies at the end of February just like any other year. Students receiving their bachelor's, master's, and doctoral degrees gathered together to commemorate their achievements and, of course, listen to congratulatory speeches. Schools invite well-known figures to share their experiences and philosophies through these speeches, offering inspiration and guidance to their graduating students; in fact, these speeches can also inspire the general public as well.



One of the most memorable commencement speeches in modern history was the speech delivered by none other than Steve Jobs at Stanford University in 2005. Jobs, who had just regained his health after a surgery to save his life, ended his speech with a quote he read at the back of an issue of the 'Whole Earth Catalog' magazine: "Stay hungry. Stay foolish." This quote can be interpreted as 'always seek out the unknown and constantly try to better oneself.'

Like any other year, many commencement ceremonies that were held this year at universities throughout Korea were blessed with outstanding speeches. Two examples that caught my attention were the congratulatory speeches delivered at the commencement ceremonies of two of Korea's most prestigious universities: Seoul National University and Korea University. SNU's ceremony was blessed by the speech of Min Young Kang, a graduating student with blindness who overcame all kinds of challenges and disadvantages to achieve the top spot in the National Administrative Examination for Education. Kang shared with her fellow students the importance of taking on challenges: "the world waiting for us outside these doors will be full of difficulties and hurdles. Others may tell us that we cannot succeed due to our age, gender, or disability. However, I want to say that, if you have something that you want to achieve, then let go of your fears and boldly take the challenge head on."

Korea University invited the chairman of Hyundai Motor Group Chung Eui-sun, who shared an episode of Chung Ju-yung (chairman Chung's grandfather and founder of Hyundai) moving rocks with his own hands during the construction of Korea University's main campus. According to chairman Chung, he always keeps this quote by his grandfather close to his heart: "the greatest mistake one can make is giving up on a challenge." As highlighted by the title of Chairman Chung Ju-yung's famous book 'There May Be Trials, But There Will Be No Failure,' it is imperative for entrepreneurs to never back down before a new challenge.

One common theme was shared between the speeches by both Min Young Kang at SNU and chairman Chung Eui-sun at Korea University: taking on challenges. The entrepreneurship association I run is also named 'Challenge and Sharing.' The mindset of taking on challenges is a prerequisite for all entrepreneurs as it is at the very core of entrepreneurship itself.

The four stages of entrepreneurship

We generally classify entrepreneurship into four stages.



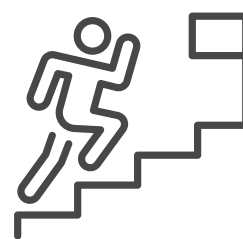
curiosity



seizing the opportunity



assurance



challenge or taking action

The first of these is **curiosity**. Here, entrepreneurs utilize their curiosity to imagine new technologies, ideas, or business models that improve upon the current status quo. Curiosity is a vital element of entrepreneurship, and it is the driving force behind the longevity of the 350-year-old German company Merck. People who are curious are usually highly imaginative and ask many questions, and thus these individuals have a high chance of succeeding in business ventures.

The second stage is **seizing the opportunity**, and this is the stage at which the gears of entrepreneurship start to turn in earnest. You could say that this is the stage at which an entrepreneur identifies a new opportunity or market and begins to make preparations for the challenges ahead. In terms of the market situation, there is a possibility stage when dealing with markets with incumbent participants already in place and a potential stage when concerned with completely new markets. The second stage is the point at which entrepreneurs begin to feel a rush of excitement.

For the third stage, we have the **assurance** stage. If an entrepreneur becomes confident that they can create a new market or enter an existing market and be competitive after examining the market size, the available capital, and the personnel at hand, then the entrepreneur will start putting their plans into motion. At this point, it is absolutely vital to conduct field surveys.

Lastly, we have the **challenge or taking action** stage. Of course, it is natural to be concerned about the possibility of failure. This is why it is crucial to have the courage to pierce through the veil of the unknown future.

Then we must ask ourselves: why is it that only 20% of startups survive the first five years?

Outdated regulations: the obstacle blocking startups

In the 1990s, the internet emerged as a virtual space for people to use, and since the 2010s, mobile platforms have become a central part of our daily lives through the widespread use of smartphones. Artificial intelligence (AI), which is touted as the core technology of the Fourth Industrial Revolution, is now a new technological trend. Moreover, we are witnessing the emergence of the metaverse, which is blurring the boundaries of the real and virtual worlds. The healthcare and medical field is also undergoing a tremendous revolution. In addition to telemedicine, technological revolutions are giving birth to AI-powered medical robots and digital healthcare, which has sparked a global race in the medical technology field. However, we are being held back from being competitive in new industries by our outdated legal rules and the biased regulations enacted by politicians that are more focused at appealing to the public opinion.

At the fundamental level, Korea's laws follow a positive system where everything is prohibited except for matters specified in laws and regulations. In other words, businesses and manufacturers can only pursue ventures or manufacture items specified by legal acts; everything else requires permission from the government or the National Assembly. Such a positive system was put in place for the purpose of efficient economic management: to provide extensive support for certain industries so that Korea can catch up to advanced nations despite its lack of resources. In other words, the system enabled economic growth during Korea's years of economic development by implementing 'fast follow' policies for specific industries. Even to this day, if a new technology or industry emerges, the government creates institutions with names like the '00 Promotion Agency' that are helmed by high-ranking public officials as full-time vice presidents to organize government investments. Although this strategy has some merits in the early stages, these institutions have the adverse side effect of only representing the interests of established interest groups while hindering the entry of new players.



Presently, Korea has many young and talented individuals who are boldly taking on the challenge of diving into new technological industries, including those involved with the Fourth Industrial Revolution. As an example, the number of Korean startups that participated in the Consumer Electronics Shows (CES) in Las Vegas increased from 28 in 2017 to a whopping 292 in 2022. More importantly, 74 of these startups were awarded Innovation Awards, highlighting Korea's prowess in the IT field. Unfortunately, a third of these award-winning technologies cannot even be commercialized in Korea. This is a consequence of Korea's outdated laws and systems.

With the current positive system, it takes a long time for new technologies to be processed for commercialization, a process that is further hindered by significant resistance from established interest groups. Past governments have set up special committees for regulatory reforms under the Prime Minister, and there have been efforts to implement regulatory sandbox systems that enable easier entry into markets. However, these efforts have not resulted in significant progress. Moving forward, Korea should adopt a negative legal system that only specifies items to be prohibited so that companies can freely explore new ventures and compete against each other.

Granting entrepreneurs the freedom to try and fail, a better role for the government

There is a flood of new technologies and business models pouring in, yet it is impossible to accommodate new technologies with our outdated systems. The bigger issue is that many Southeast Asian countries (which will become important trading partners with Korea in the future) are implementing negative legal systems. While our companies are being held back by Korea's regulations, Southeast Asian startups are rising up as unicorn companies as they have the freedom to explore new technologies and business models. For example, telemedicine, which is illegal in Korea, is permitted in Indonesia, a country with a population of 270 million. The Indonesian healthcare company Holodoc is rapidly growing with over 20,000 doctors, and the company has earned high customer satisfaction scores. Due to the stiffness of domestic regulations, we are witnessing a growing number of companies follow the 'flip' trend, where companies establish their headquarters abroad and set up 100% subsidiaries in Korea.

Lifting or easing regulations can help drive new businesses and industries. As a simple example, we can look at the case where companies other than banks were permitted to offer domestic and overseas remittance services. This change contributed to the founding of Toss Bank, a company with a market capitalization of 20 trillion won. Moreover, overseas remittance services are evolving at an unprecedented rate due to the fierce competition between companies like MOIN Inc. Whether it is in the financial, pharmaceutical, or distribution sectors, innovative companies can be empowered through the removal or easing of regulations.



The 20th President of the Republic of Korea was elected on March 9th. During his election campaign, President-elect Yoon Suk-yeol advocated for a free market economy that adheres to the spirit of the Constitution. The President-elect stated that there are about 80 current regulations that should be abolished. It is fortunate that the upcoming government will take a stance that favors the market economy more so than any previous government in the past 20 years.

We are at an important turning point in the technological revolution, and thus the new government should move away from a positive system and adopt a negative system through bold reforms. Furthermore, the government should remove the licensing rights held by public officials and actively strive to abolish new industry regulations that, despite seeming on the surface to benefit the disadvantaged, do little outside of further empowering established interest groups to resist change.

If new companies are unable to spread their wings and take on new challenges due to the restrictions in place by the current outdated regulations, Korea will be facing dark times ahead. Just like how President-elect Yoon took nine attempts to pass the Korean bar exam, venture companies now consider failure as an asset and are armed with the entrepreneurship mindset to take on challenges. During last year's Challenge and Sharing seminar, Toss Bank CEO Seunggun Lee described how he failed eight times before founding Toss on his ninth attempt, but in the process, he learned many value lessons. Even Silicon Valley companies that make it onto the NASDAQ fail an average of 3.03 times.

Now, with the upcoming administration under the 20th President of Korea, I am looking forward to an era with less regulations, less resistance from established interest groups, and lower barriers to entry, all of which will grant us the freedom to fail.

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