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HOW MUCH DOES THE GOVERNMENTAL POLICY FOR PROMOTING HIGH-TECH VENTURES MATTER?: AN EMPIRICAL STUDY IN KOREA

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Principal Topic

Governments of European and Asian countries are operating a policy for promoting high-tech ventures in order to replicate the Silicon Valley Model. However, there is little empirical evidence on the effectiveness of such a promotional policy. Traditionally, there is some controversy concerning the governmental intervention’s economic value. The institutional theories argue that the government support is crucial to organizational vitality. On the other hand, other scholars argue that firms’ strategic adaptation to the changing market is more essential to succeed. We attempt to examine whether the high-tech ventures which were certified by the Korean government and have received various governmental benefits are really entrepreneurial as expected and achieve higher rates of job creation and technological innovation. We also investigate how much influential the membership as a certified venture is to achieve the performance comparing with individual management factors including entrepreneurs’ characteristics and strategic tools.

Method

The final sample consisted of 178 Korean small manufacturing firms from two major industrial sectors of the economy: machinery and electronics. We confirmed that 46 of the respondents were the high-tech ventures formally enrolled by the Korean government. We used t-statistics to investigate differences between the enrolled ventures and other small firms with respect to economic performance, entrepreneurs’ characteristics, and strategic behavior. Additionally, hierarchical regressions were pursued to assess the effect of the membership of governmental enrollment on business performance comparing to the effect of managerial variables.

Results and Implications

This study demonstrated that the high-tech ventures enrolled by the Korean government achieved significantly higher levels of innovation and job creation than other small ones. Top managers of those ventures possessed higher levels of education and innovative attitudes, and they tended to employ differentiation strategies more aggressively and utilize more cooperative networks for acquiring external resources. It also showed that the membership of governmental enrollment had more influence on the performance than the managerial variables. Such results implicate that the governmental policy for promoting high-tech ventures was effective at least in Korea, and support the argument of the institutional theories.

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