

‘Clonentrepreneurship’ key to creating ecosystem

Notion of ‘failure equals opportunity’ needs to be culturally embedded for innovative economy

The Korea Herald is publishing a series of articles scrutinizing key aspects and sectors related to the creative economy the Park Geun-hye government is promoting as a national agenda. The series will feature interviews with top government officials and IT gurus, and strategies to embody the policy. The special articles were made in cooperation with the Ministry of Science, ICT and Future Planning and the Ministry of Trade, Industry and Energy. This is the fourth part of the creative economy series. — Ed.

By Park Hyong-ki

Transforming Korea into a “creative economy” through the development of an ecosystem that promotes innovative start-ups would take considerable time and patience as it would first have to make a major cultural shift in societal attitudes toward entrepreneurship.

In a society such as Korea where people generally long for stable, long-term jobs and where one who fails in starting a business is perceived to be a lifelong loser, it would take extra efforts for a change to embed the notion that risk and failure can lead to other opportunities.

Thomas D. Nastas, a global entrepreneur and venture capitalist, said Korea can find the “spark” that drives and nurtures innovative DNA through effective mentorship and communication.

The first wave or generation of entrepreneurs should take the lead in communicating with society of their successes and mistakes, and teach the next generation ways to be divergent thinkers, who can come up with “wild and crazy ideas.”

This cyclic learning process through trial and error common in the U.S.’ Silicon Valley and Israel can help Korea change its social perception that failure can, too, be a “badge which entrepreneurs (can) proudly display to investors as experience,” Nastas said in an email interview.

Nastas stressed the importance on encouraging “clonentrepreneurship” to create the ecosystem in a country seeking to “start up or scale up” a start-up community.

Entrepreneurs in such a country like Korea can adopt the spirit of clonentrepreneurship by cloning, copying and bringing business models that have worked in another market into their homeland.

These clones drive them to further innovate in areas such as logistics, product sourcing and e-payments as they would have to take risks and localize those business models to work well in accordance with domestic regulations, infrastructure and consumer behavior.

As such clones become successful at home, entrepreneurs would seek to become more innovative or disruptive, while investors would gain more confidence to finance riskier ventures.

This would further “unlock and mobilize capital for investment in game-changing and disruptive technologies,” and thus, establish an innovative economy.

“Clonentrepreneurs sensitize local investors to the rewards of investing in technology since clones match the behavior of local investors to risk,” Nastas said.

“As results are achieved and money is made by all, investors open up to new investment opportunities that would be more adventuresome, innovative and disruptive.”

Developing creative business models that enable entrepreneurs to “sell risk then opportunity” for execution is a crucial part of changing Korea’s venture culture, he added.

“Too often I see entrepreneurs attempt to shape investor risk behavior when raising money. Instead entrepreneurs should look to shape their business models to match the needs of not just customers but investors too,” Nastas said.

When the combination of these factors — cultural shift, clonentrepreneurship, executable business models and capital mobilization — come together, Korea will be able to “shine,” developing itself as a start-up nation, boosting job creation and generating new wealth to the likes of Silicon Valley and Israel.

VC-invested U.S. companies, for exam-

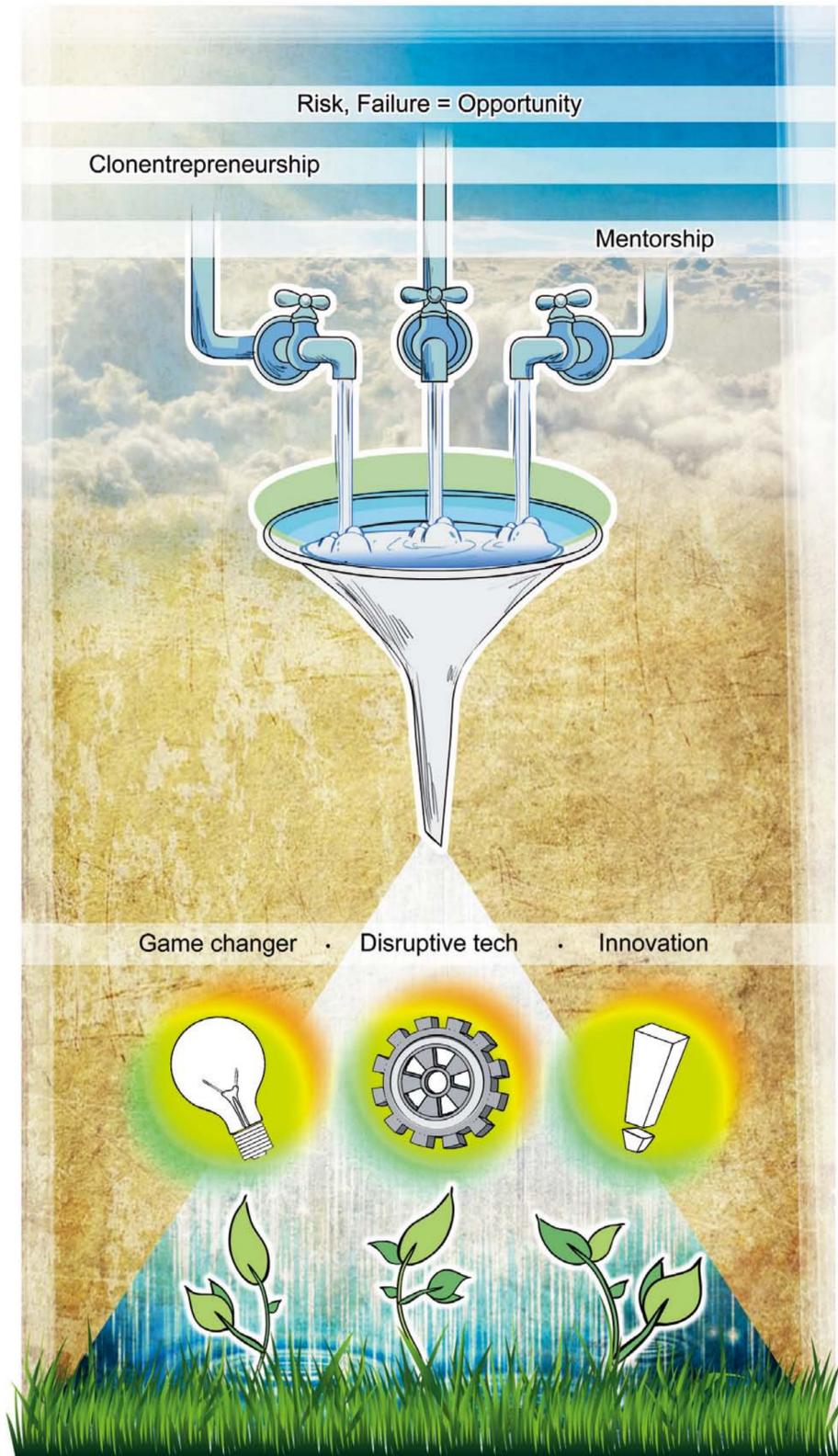


Illustration by Park Gee-young

ple, created 10 million jobs, accounting for 9 percent of total employment in the private sector in 2005. Their revenue of \$2.1 trillion accounted for 16.6 percent of gross domestic product, according to Nastas’ “The GoForward Plan to Scaling Up Innovation” on Harvard Business Review.

Following are excerpts of the email interview with Thomas D. Nastas on clonentrepreneurship and innovative economy.

Q: What is clonentrepreneurship?

A: Clonentrepreneurship refers to entrepreneurs who clone or copy a business model from one country/market to another. Cloning is now spoken routinely in the digital market space since it is a “virus” of clones being deployed from one market to another. But recognize that “cloning” has been around for a long, long time.

Many criticize clones as being “unimaginative.” Yet in most countries clonentrepreneurs must innovate in logistics and payment systems to make cloning work in their country. In the U.S., I can purchase shoes for \$40 and pay nothing

for delivery. In Russia, it costs \$150 to deliver shoes from Moscow to Vladivostok, an unacceptable cost since no one will pay a \$150 delivery charge for a \$40 pair of shoes. So cloners had to innovate in logistics, which meant innovations in warehousing, end of point distribution, couriers, etc.

Q: What made Israel so successful as a start-up nation?

A: Several reasons are cited, especially the Yozma investment scheme, but this was only successful because of the infrastructure (or ecosystem) building activities to increase the quality and quantity of investment opportunities for investors.

Much of the early Israeli tech came from the military, released to the private sector. Other success factors include an Israeli industrial policy that funded R&D to create deal flow and the unplanned creation of entrepreneurs.

The citizens of Israel live with risk. Israel lies in a region where it is threatened each and every day, with bombs, death and destruction, a cloud of risk

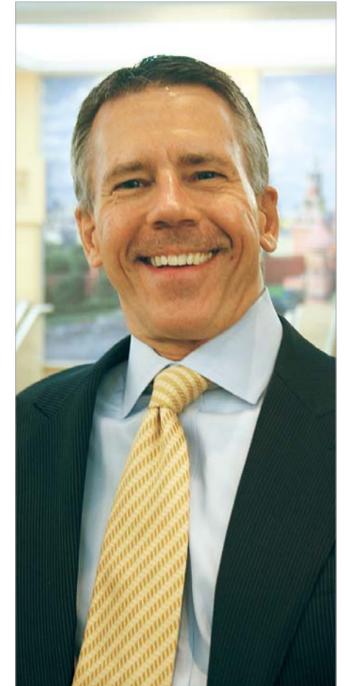
hangs over the country. Dealing with such risk every day, every year, builds a culture that accepts risk as a condition of life ... to deal with the consequences of risk — experiences useful in entrepreneurship too.

Q: How about U.S. Silicon Valley?

A: In the U.S., failure equals entrepreneurship, which gives the entrepreneur the freedom, second and third chances to raise funds. Investors willingly financing trial and error until the entrepreneur achieves success is the second characteristic which distinguishes investors in the U.S. from investors in most other countries, including in Europe.

Trial and error in developing a business model equals learning, and learning is accepted, especially when it results in a business unintended from the start. Google, Facebook and Groupon all emerged from first-generation business models which failed to generate customer traction with founders “pivoting” to other business models which achieved success.

Q: How can a country form a thriving ecosystem?



Thomas D. Nastas

- Thomas D. Nastas, the founder and president of Innovative Ventures Inc., has been an entrepreneur, venture capital investor and mentor in the U.S., Canada, Europe, Africa, Kazakhstan and Russia over the last 20 years.
- He advises the World Bank and the governments of Kenya, Uganda, Kazakhstan, Russia, Latvia, Slovakia and Croatia on VC investment and entrepreneurship.

“Too often I see entrepreneurs attempt to shape investor risk behavior when raising money. Instead entrepreneurs should look to shape their business models to match the needs of not just customers but investors too.”

A: Cloning Western business models is only one direction for entrepreneurs and investors to pursue for profit. Government policymakers and their sovereign wealth funds can catalyze the start-up communities in other ways.

Riches earned from oil and other natural resources funded Russian initiatives like the \$10 billion Russian Corporation of Nanotechnology, the \$1 billion dollar fund-of-funds called the Russian Venture Company and the Russian Government’s multibillion dollar Skolkovo program — to seed development of game-changing tech, investment and the creation of a new set of entrepreneurs.

Croatia is another small country with ambitions for more start-up communities. Its location on the Mediterranean is an ideal spot to transform selected areas of coastline into logistics, transportation and warehousing tech start-up centers to serve Central and Eastern Europe.

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Kim Joo-hyun contributed to this article.