

Analysis of the Demand for the Transfer of Venture Companies to Local Cities for Balanced Development

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Abstract: Many local governments in Korea have created specialized complexes to foster and attract knowledge-based industries such as urban high-tech industrial complexes and high-tech industrial sites, but it is true that it is still difficult to find successful cases. This can be understood because most of these complexes focused on integration, which is a characteristic of knowledge-based industries, but most of them did not differentiate from general industrial complexes, and did not reflect the needs of venture companies that will move to each region in space. The purpose of this study is to analyze the needs of real-demand companies to attract venture companies in non-metropolitan cities. The research methods to achieve the research purpose are surveys and statistical analysis based on them. For the survey, 525 out of 18,712 venture companies located in the metropolitan area were surveyed using DB information from the Korea Chamber of Commerce and Industry, and the survey period is from April to May 2013. These analysis results provide various implications for local cities that hope to attract high-quality companies such as venture companies. First of all, in the case of local cities, it is necessary to create a convenient settlement environment so that companies can easily secure excellent manpower in the provinces along with corporate workers moving from the metropolitan area. Next, since incentives required by companies wishing to relocate to local governments often go beyond the authority of local governments, local governments need to actively consult with major project implementers such as the Korea Land and Housing Corporation. Finally, to realize the level of pre-sale prices and rent desired by local relocation companies, as mentioned above, public knowledge industrial complexes invested by local governments are expected to be needed.

Keywords: Administrative Complex City, Attracting Companies, Balanced Bational Development, Relocation of Venture Companies, Self-Sufficient City

1. Introduction

1.1 Research Purpose

Venture companies are innovation-oriented companies based on new technologies in the process of developing into knowledge-based industries and are recognized as a driving force for national and regional economic growth[1]. In particular, since the launch of local governments, various venture company attraction policies have been established and promoted with the aim of fostering knowledge-based industries to strengthen regional economic and industrial competitiveness. In order for venture companies to be revitalized, the environment surrounding venture companies (venture ecosystem) is important; therefore, it is necessary to create an environment in which the growth of venture companies and the development stage of the venture ecosystem are harmonized.

Received: April 13, 2023; 1st Review Result: May 16, 2023; 2nd Review Result: June 23, 2023
Accepted: July 25, 2023

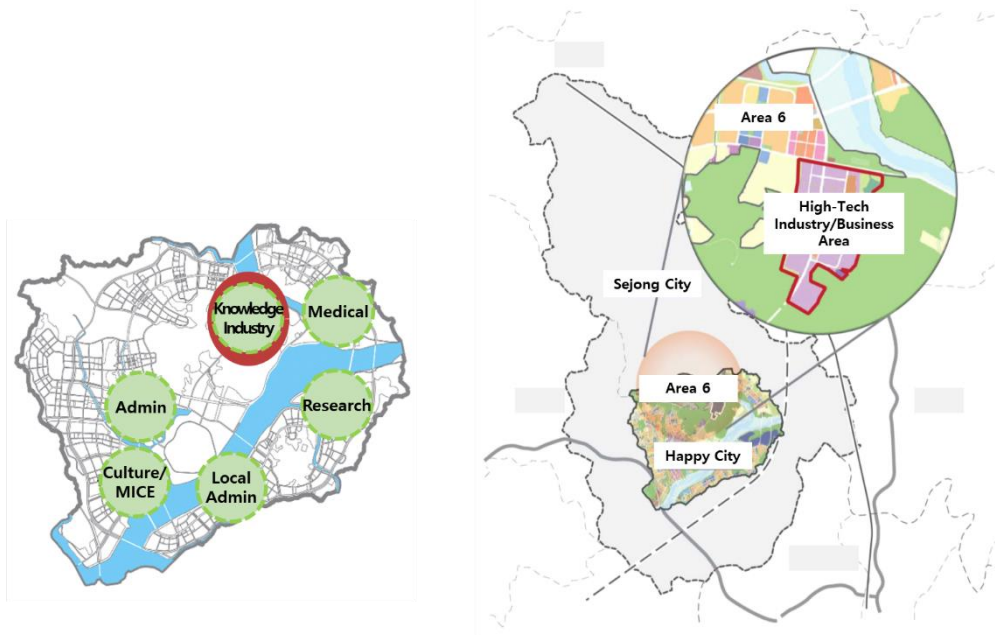
Accordingly, many local governments have created specialized complexes to foster and attract knowledge-based industries, such as urban high-tech industrial complexes and high-tech industrial work sites, but it is still difficult to find successful cases[2]. The reason is because most of these complexes focused on integration, which is a characteristic of knowledge-based industries, but most of them did not differentiate from general industrial complexes, and did not reflect the needs of venture companies that will move into each region in space[3]. In fact, most of the studies in the early 2000s, which was the time that many studies were conducted on the development and attraction of venture companies, focused on the analysis of their current location, making it difficult to apply the implications to non-metropolitan cities[4].

Therefore, the purpose of this study is to analyze the needs of real-demand companies to attract venture companies in non-metropolitan cities. To this end, this study analyzed the needs, including the determinants of their relocation area, for the actual demand of venture companies willing to move to high-tech industrial sites in Sejong City's administrative complex city.

The results of this study are expected to help local governments in non-metropolitan areas establish policies related to fostering and attracting knowledge-based industries in the future. In particular, it can be used as important basic data for planning modifications and operation plans for knowledge-based industrial complexes currently being planned or created.

1.2 Scope Research

The spatial scope of the study is a high-tech industrial work site in Sejong City's administrative-centered complex city. The administrative-centered complex city is an intricate self-sufficient city centered on administrative functions by relocating central administrative agencies and affiliated agencies to correct the side effects of excessive concentration in the metropolitan area and strengthen national competitiveness. The target site is planned as a high-tech industrial work site to attract high-tech companies to the administrative complex city, and it is very important to achieve the goal of completing a self-sufficient city with a population of 500,000.



[Fig. 1] Survey Target Area; Location of Target Site in Administrative Complex City

According to the National Agency for Administrative City Construction, the high-tech industrial work site in the six living areas of Sejong Special Administrative Complex City is 1,118,000 m², about 15km

from KTX Osong Station, and 40km from Cheongju International Airport. 25 national and general industrial complexes are distributed within a radius of approximately 20km.

The time range of the study was in 2013, when the survey was conducted, and the content range of the study was venture companies located in the metropolitan area.

2. Literature Review

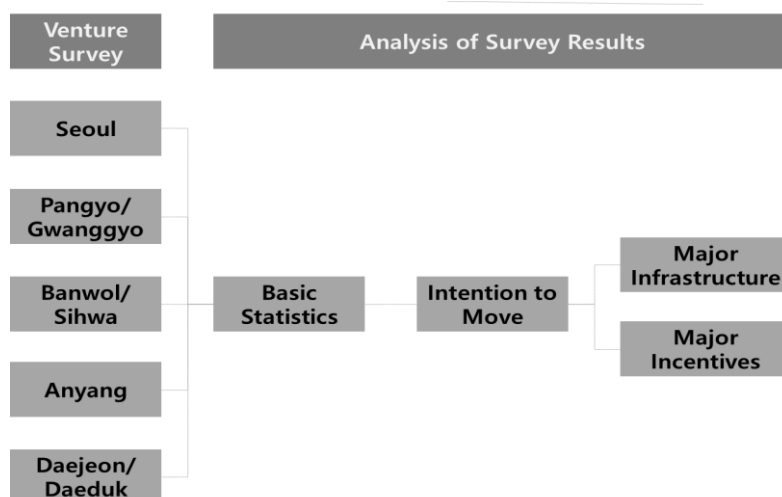
Over the past 50 years, balanced national development has been one of Korea's biggest policy challenges due to the continuous centralization of the metropolitan area. Accordingly, in addition to administrative-centered complex cities, Korea is making efforts to transfer companies that are concentrated in the metropolitan area to the region by creating innovative and corporate cities. Local cities are also continuing to try to attract competitive companies for urban sustainability, but the results are insignificant.

As the most important support system for corporate relocation to local areas, the need to introduce a tax reduction system such as tax credit and tax reduction is emphasized[5]. In addition to these support policies, it is necessary to improve regional development investment conditions and corporate management conditions to attract local companies, and government policies such as regulations in the Seoul metropolitan area are important[6].

The analysis results of actual companies show that administrative services, location policies, and incentives are important in attracting companies[7]. In particular, "Solar World Korea," a successful case of attracting companies in local cities, has been analyzed that government policies and incentives, active roles of public officials, and strong will of local government heads are important[8].

Despite these previous studies, there is not much analysis of attractable companies targeting specific urban industrial sites, and this study is different in this respect.

3. Research Method



[Fig. 2] Conceptual Framework of Study

The design of this study is as follows. Among Korean venture companies, venture companies located in major venture complexes in the metropolitan area and major venture complexes in the Chungcheong area were intended to organize their intention to move to an administrative complex city and necessary conditions.

To this end, this study used DB data from the Korea Chamber of Commerce and Industry to determine

and investigate 525 out of 18,712 venture companies located in major venture complexes in the metropolitan area and major venture complexes in the Chungcheong area through proportional stratification sampling. At this time, the subjects of the survey were corporate executives who could determine the migration of each company.

The sample error of the survey is ± 4.3 with a 95% confidence level.

Next, the survey was conducted for about two months from April to May 2013, and researchers surveyed in advance based on structured questionnaires through phone calls and faxes.

Finally, a basic statistical analysis was conducted based on the results of the survey to find implications.

[Table 1] Population and Sample Composition

	Districts	Population Number	Sample Number
Seoul Digital Complex	Guro	738	62
	Geumchon	874	54
Pangyo/Gwanggyo Techno Valley	Sungnam	124	32
	Suwon	71	19
Banwol/Sihwa Industrial Complex	Siheung	497	62
	Ansan	599	68
Anyang Venture Valley	Anyang	628	106
Daejeon/Daeduk Research Complex	Daejeon	584	122
Total		4,291	525

The survey of this study obtained consent to use survey data including personal information in advance for academic research to protect personal information of survey respondents, and the collected data was managed under the supervision of an authorized data manager.

4. Results

4.1 Survey Results

Among the companies that responded to the survey, companies with more than 50 employees accounted for the largest number, and companies with less than 10 employees also accounted for the majority, indicating that most venture companies are not large.

Among the venture companies that responded to the survey, generator companies were the most, followed by growth stages, stagnant companies, growth companies, and mature companies. Next, most of the companies with plans to relocate their workplaces among all companies hoped to relocate to the Seoul metropolitan area. However, companies in the metropolitan area hope to relocate back to the metropolitan area, and most companies in the Chungcheong area hope to relocate back to the Chungcheong area, indicating that they are generally choosing areas close to their current location.

Land sales prices and land and building rental prices were the highest in the previous region, and convenient transportation, customer and customer access were also important factors in determining the previous region.

As for the type of occupancy, the proportion of people wishing to sell out was somewhat higher among the ratio of pre-sale and lease, and it was found that about 200 pyeong per company was needed.

Finally, residential facilities were the highest as important environmental factors when moving in,

and convenient living facilities and research support facilities were also found to be important. In particular, in the case of companies in the metropolitan area, the demand for residential and living convenience facilities was higher than that of companies in the Chungcheong area, indicating that the facilities were important in attracting companies in the metropolitan area.

[Table 2] Basic Statistics of Survey Respondents

		Case (N)	Ratio (%)
Total		525	100.0
Employee	~ 10	114	21.8
	10 ~ 50	294	55.9
	50 ~	117	22.3
Sales Amount	~ 1 Bill	91	17.3
	1 Bill ~ 10 Bill	277	52.7
	10 Bill ~	131	25.0
	No Response	26	5.0
Year of Establishment	~ 5yrs	176	23.6
	5yrs ~ 20yrs	306	58.2
	20 yrs~	43	8.2
Manufacturing Status	Manufacturing	339	64.5
	Non-Manufacturing	186	35.5
Region	Seoul	170	32.3
	Kyunggi/Incheon	279	53.2
	Chungcheong	76	14.6

4.2 Characteristics of Companies that Want to Move

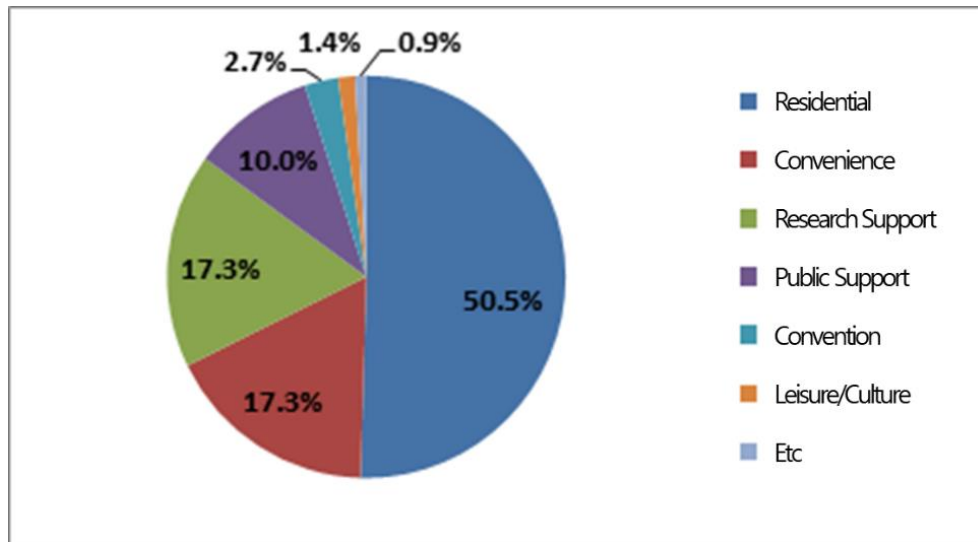
According to the survey, about 28 companies said they would actively relocate, and 59 companies said they could, of which 16 companies actively expressed their intention to relocate to the Seoul metropolitan area, 43 companies actively considered relocating, 12 companies actively.

Looking at the major relocation functions of the above relocation companies in detail, companies that can relocate to the metropolitan area mainly consider the relocation of office functions, while companies that can relocate to administrative complex cities consider the relocation of manufacturing functions more than office functions.

[Table 3] Number of Companies that Want to Move

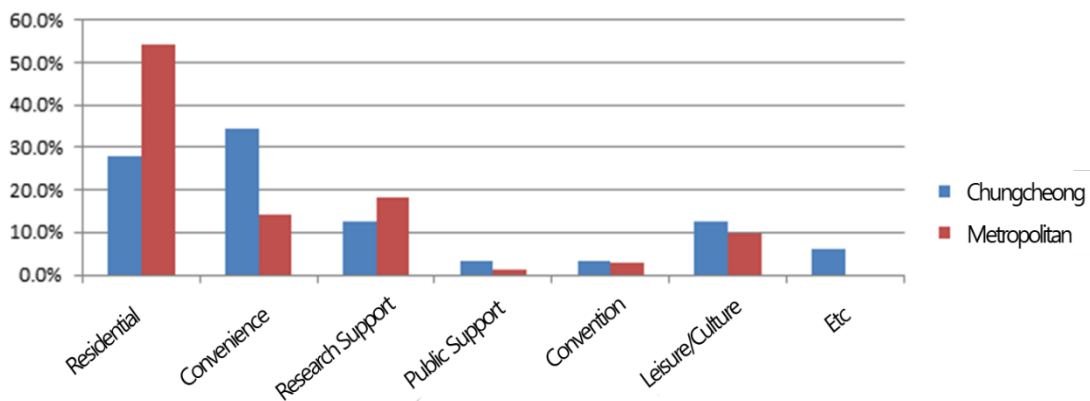
	Office Work Function		Manufacturing Function	
	Active Willingness to Move	Possible to Move	Active Willingness to Move	Possible to Move
Metropolitan Area	9	35	7	7
Administrative Complex City	2	7	9	9

The infrastructure of companies that responded relocation was possible mainly considered selecting the target site, in which the most important were residential facilities, research support facilities, public support facilities, convention facilities, and leisure and cultural facilities.



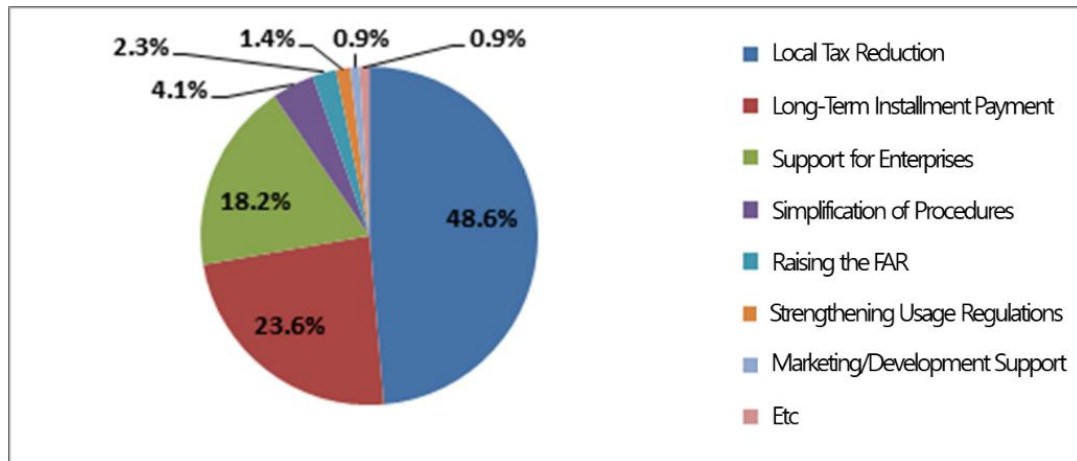
[Fig. 2] Major Consideration Infrastructure for Migration Location Selection

Companies that can move to the Seoul metropolitan area responded in the order of residential facilities, research support facilities, living convenience facilities, leisure cultural facilities, convention facilities, and public support facilities. On the other hand, companies that can relocate to administrative-centered complex cities responded in the order of living convenience facilities, residential facilities, research support facilities, leisure cultural facilities, public support facilities, and convention facilities.



[Fig. 3] Major Consideration Infrastructure for Migration Location Selection By Location

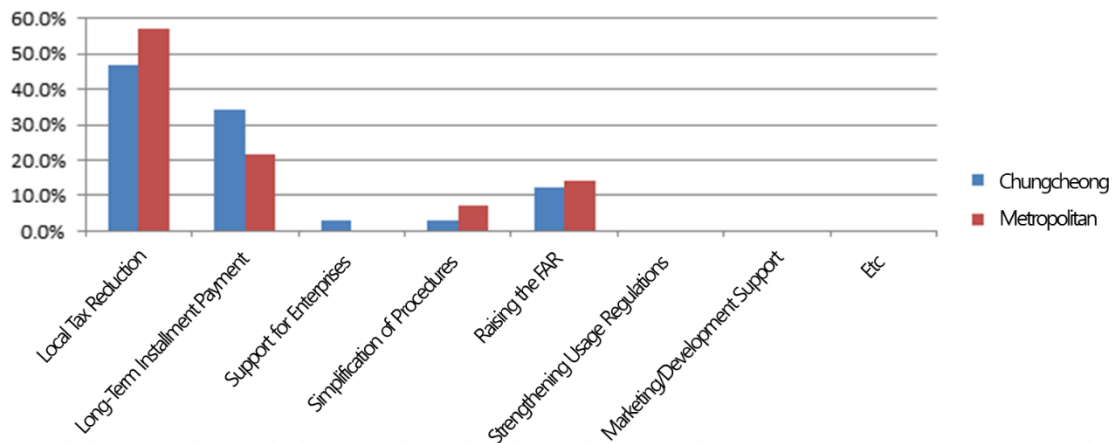
Looking at these differences along with major migration functions, it can be understood that when the main migration function to the metropolitan area is office work, convenient living facilities and leisure cultural facilities were important, and research support facilities capable of collaboration with office work functions were high. On the other hand, considering that companies that can move to administrative-oriented complex cities are relocated to the provinces, it can be understood that convenient living facilities, residential facilities, and leisure and cultural facilities for workers are important.



[Fig. 4] Major Consideration Incentives for Migration

The most important incentive for corporate relocation is local tax reduction, followed by long-term installment payment of pre-sale prices, support for SME development funds, simplification of procedures, raising the floor area ratio, deregulation, marketing, and R&D support.

Local tax reduction, long-term installment payment, increased floor area ratio, and simplified procedures were the most important incentives for companies that can move to the metropolitan area.



[Fig. 5] Major Consideration Incentives for Migration By Location

Of the companies wishing to move, 83% wanted to sell, and 17% wanted to rent. At this time, companies wishing to sell wanted an area of about 500m², and companies wishing to rent wanted an area of about 138m². Looking at this by region, among companies that can be relocated to the Seoul metropolitan area, companies wishing to sell responded that they needed an area of roughly 300 to 350m², and companies wishing to rent responded that they needed an area of about 80 to 110m². Next, among the companies that can be relocated to the Chungcheong region, companies wishing to sell responded that they needed an area of about 600 to 700m², and companies wishing to rent responded that they needed an area of about 150 to 200m². At this time, the desired sale price in the metropolitan area was about 3.4 million won per 3.3m², and in the case of administrative-centered complex cities, it was about 2.1 million won per 3.3m². Finally, the desired rental price in the Seoul metropolitan area is

about 180,000 won per 3.3 m², and the desired conversion rent per 3.3 m² in the administrative-centered complex city is about 50,000 won.

These analysis results provide various implications for local cities that wish to attract companies, including administrative-centered complex cities. First of all, in the case of provinces, it is necessary to actively strive to attract manufacturing functions rather than attracting office functions, including corporate headquarters. Next, in attracting companies in the metropolitan area, it is necessary to have high-quality residential facilities, convenient living facilities, and leisure and cultural facilities so that workers can move to the provinces and attract excellent manpower from the provinces. Various administrative incentives such as local tax reduction, long-term installment payment, increase in floor area ratio, and simplification of procedures are needed to attract active companies, which is expected to involve efforts such as the designation of national industrial complexes and close consultation with project implementers such as the Korea Land and Housing Corporation[9]. Finally, compared to the metropolitan area, companies wishing to relocate to administrative complex cities expect 61% of the metropolitan area and 27% of the rent, which will require efforts to designate a national industrial complex and create a public knowledge industry center.

5. Discussion

Summarizing the analysis results, 59 out of the 525 companies that responded to the survey could move to the Seoul metropolitan area and 28 companies could move to administrative-oriented complex cities. At this time, the functions of relocation to the Seoul metropolitan area were mainly office functions such as the headquarters, and the functions of relocation to the administrative complex city were mainly manufacturing functions of factories. The results of this analysis are consistent with the change in corporate distribution in Korea, where corporate headquarters are concentrated in the metropolitan area and factories are concentrated in the Chungcheong area due to regulations in the metropolitan area[10][11]. It also means the need to establish a systematic strategy to attract corporate headquarters in the mid- to long-term while focusing on attracting manufacturing function-oriented companies in the short-term.

Next, the important infrastructure for relocation to an administrative complex city is convenient living facilities, residential facilities, research support facilities, and leisure cultural facilities, which are highly considered for the settlement environment before the non-metropolitan area. This is a similar result in studies related to the relocation of central administrative functions to administrative-centered complex cities, showing that it is important to provide a good settlement environment for workers in the relocation of companies to non-metropolitan areas[12].

Companies said they needed local tax cuts, long-term installment payments, increased floor area ratios, and simplified procedures for local relocation, and hoped for a sale price of about 60% and a rent of about 27% compared to the Seoul metropolitan area. The results of this analysis mean that efforts should be made to lower the sale price of land through the designation of urban high-tech industrial complexes in attracting companies in administrative-oriented complex cities[13]. It is also necessary to have a corporate support function for active administrative support[14].

In summary, it provides various implications for local cities that want to attract high-quality companies, such as venture companies, and in the case of local cities, it is necessary to create a convenient settlement environment so that companies can easily secure excellent manpower in the provinces. Next, since the incentives required by companies wishing to relocate to local governments often exceed the authority of local governments, local governments need to actively consult with major project implementers such as the Korea Land and Housing Corporation[15]. Finally, it is expected that a public knowledge industrial complex invested by local governments will be needed to realize the sale price and rent level

desired by local relocation companies[16].

6. Conclusions

Due to the continuous concentration of the metropolitan area, the population of local cities has significantly decreased, reaching the risk of local extinction. A fundamental alternative to this is to attract high-quality jobs to the provinces, and in this respect, attracting and fostering venture companies is paramount. Accordingly, this study examines the transfer demand for high-tech industrial work sites in the six living areas of the administrative complex, and seeks to derive policy implications by dividing them into relocation of the metropolitan area and the relocation of the administrative complex.

This study is important in that it analyzes all the conditions necessary for actual companies along with their intention to move to the administrative-centered complex city, the most symbolic city for balanced national development, to derive policy implications. However, since the survey of this study is limited to venture companies, there is a limit in generalizing to general companies. In addition, venture companies show various characteristics depending on the industry, and specialized industries such as Chungcheong, Honam, Gangwon, and Gyeongsang, including administrative complex cities, have limitations that do not reflect these differences. Despite these limitations, this study is meaningful in that it analyzed the conditions necessary for local relocation for actual companies, and the methodology of this study is expected to be applied to research on various types of companies and regions other than venture companies in the future.

7. Acknowledgments

The research was supported by a grant from the 2022 program for visiting professors overseas in Korea National University of Transportation.

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