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A Study on the Effects of Small Enterprise Start-up Preparatory Factors on Business Performance

Seung-Hee Kim*, Young-Ki Kim**, Shin-Hea Choi***

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Abstract

Purpose – The present study aims to examine the relationship between small enterprise start-up preparatory factors and increases in sales and operating profits, which are business performances utilizing the National Survey of Actual Conditions of Small Enterprises conducted by the Small Enterprise, Market Service.

Research design, data, and methodology – Start-up preparatory factors were divided into six types; business type, start-up history, start-up motives, preparatory periods, and start-up funds to figure out the relationship between sales and operating profits with regression analyses. Regression analyses were conducted based on the foregoing with a view to identifying the effects of start-up preparatory factors on business performance.

Results – Since start-up preparatory factors generally affect business performance, it was identified that start-up preparatory factors importantly affect operating profits and sales, which are business performances. However, start-up preparatory periods and the implementation of education among preparatory activities were shown to have no effect on business performances, and the effect of the ratio of start-up fund provided by the founder on operating profits was shown to be not significant.

Conclusions – The present study comprehensively examined those start-up preparatory factors that have positive effects on business performances after start-up. The present study is meaningful in that it can provide positive implications for efficient start-up of small enterprises hereafter.

Keywords: Small Enterprise, Start-Up, Start-Up Preparation, Business Performance, Survey of Actual Conditions of Small Enterprises.

JEL Classifications: D73, J58, M, MI.

1. Introduction

Small enterprises are the smallest form of economic units and enter the market through the form of start-ups. In the case of small enterprises, start-ups can be the last resort to perform economic activities. In particular, the start-ups of those who turn into small enterprises due to changes in personal circumstances such as retirement can be the last

resort for the economic activities they perform. In addition, since most of the small enterprises boil down to livelihood types, the start-ups of small enterprises can have large effects on family economy. As such, entering into the market as small enterprises is taking great risks and the results of start-ups can affect family economy per se. Therefore, small enterprises' preparatory factors are very important in the process of start-up.

Accordingly, many small businessmen are preparing for start-up of small enterprises, but they are experiencing difficulties in efficiently establishing an enterprise due to the lack of concrete knowledge about what must be prepared. In particular, since individual small businessmen should implement all processes ranging from business planning to opening, so many matters should be considered. Since all of such matters cannot be taken into consideration, small

* First Author. Professor, Kangwon National university, Korea.
 Tel: +82-33-250-6832, E-mail: kimseunghee@kangwon.ac.kr

** Department of Policy Research, General Manager, Small Enterprise and Market Service, Korea.
 Tel: +82-42-363-7870, E-mail: youngki00@semas.or.kr

*** Corresponding Author. Department of Policy Research, Senior Researcher, Small Enterprise and Market Service, Korea.
 Tel: +82-42-363-7876, E-mail: choish@semas.or.kr

businessmen become to set the priorities of start-up preparatory factors to establish a small enterprise. However, since this will have negative effects on efficient start-up of small enterprises with relatively less information as economic units, concrete matters to be prepared should be considered for efficient start-ups.

As the importance of small enterprise start-ups was presented as such, many studies have been conducted based on the importance of small enterprise start-ups. Such previous studies suggested that a start-up should be prepared based on the professional fields of small enterprise founders and accordingly, those studies were conducted focusing on the development of founders' competencies such as the characteristics, management mind, and self-efficacy of founders (Sung & Park, 2015; Lee, 2008; Kim & Jung, 2016). In addition, external environments such as social environments and government policies should be considered. Therefore, studies were also conducted on elements such as financial situations faced by small enterprises and changes in government policies (Yoo, 2014; Kim, 2014; Kim, Kim, & Yang, 2012; Yun & Jeong, 2012; Daniel, 2015).

Of course, these elements are very important for efficient start-up of small enterprises. However, approaches are necessary from diverse aspects in addition to competencies. That is, for efficient start-up of small enterprises that enter the market in the form of individuals, concrete measures necessary for start-up should be presented from a comprehensive aspect. In particular, in addition to personal aspects, external environments such as social environments and government policies should be considered when preparing for start-up. However, no previous study considered such comprehensive aspects. Even in some previous studies that deal with such comprehensive aspects, only some of the socio-environmental aspects are addressed based on the psychological aspects focused on business founders' capabilities.

Therefore, the present study aims to approach the efficient start-up preparation methods of small enterprises at the practical level by comprehensively examining the personal and social environments faced by small enterprises in the process of start-up, and support at the government level. To this end, preparatory factors for start-up of small enterprises will be comprehensively examined and which preparatory factors have positive effects of business performance will be revealed. Therefore, small enterprise start-up preparatory factors will be divided into six types; enterprise business types, start-up histories, start-up motives, preparatory periods, preparatory activities, and start-up funds, and the effects of these preparatory factors on the sales, operating profits, and actual performances of small enterprise will be identified. Through the foregoing, the effects of small enterprise start-up preparatory factors on the business performance of small enterprises will be identified.

2. Theoretical background

2.1. Concept of small enterprise and previous studies on start-up preparation

Small enterprises are a concept that includes one person enterprises and can be viewed as the smallest form of economic units. In its legal definition, a small enterprise means an enterprise that has less than ten or five permanent employees depending on the types of business (Yang & Cho, 2015; Song, Kim, & Jung, 2016; Min & Byeong, 2009). The stable business of small enterprises operated based on regional economy as such is directly related to the stable growth of the regional economy (Kim et al., 2012; Kim, 2010; Bae, 2012). Therefore, the role of small enterprises is very important because their failure can affect individuals, families, and even regional economy (Sung & Park, 2015; Jung & Moon, 2015; Kim & Kim, 2014; Yun, 2013).

The governments of many countries have direct support policies for small enterprises. The Korean government is implementing supporting policies for stable management of small enterprise according to small enterprises' cycles through the Small and Medium Business Administration and the Small Enterprise and Market Service. The Korean government supports small enterprises so that they can strategically respond to challenges according to the stages of their life cycle; start-up, growth, and decline (Small and Medium Business Administration, 2016). In particular, start-up preparation is a very important stage for stable management because in the case of small enterprises, individuals are directly exposed to competition in distribution environments from the beginning (Kim, 2014) and the cultivation of the ability to perform new works is very important since start-up in South Korea requires the relevant founders of small enterprises to be engaged in a new business type or work in many cases (Reid & Smith, 2000).

Previous studies have discussed start-up in terms of individuals, social environments, and government policies (Yoo, 2014). Studies from a personal perspective were focused on internal characteristics such as the entrepreneurship, internal motivations, needs for achievement, and risk taking of founders. Back and Seo (2013) argued that psychological elements such as problem solving desires, risk-taking tendencies, and active performance are very important elements for founders. Since internal experiences in the process of preparation for start-up have positive effects on future goal achievement, many scholars have suggested the importance of founder's personal psychology. Edelman, Brush, Manolova, and Greene (2010) argued that entrepreneurial expectancy affects starting a business and growth intentions and suggested that it is important to individuals in the start-up process because it is closely related to entrepreneurship and affects internal

elements such as self-realization and independence.

Scherr, Sugrue, and Ward (1993) conducted an empirical study on the determinants of debts of start-ups to find out that, in the case of small firms, elements such as the owners' risk-taking and underlying experience become to affect the determinants of debts and performance.

Studies from the socio-environmental perspective have discussed start-up preparatory factors in the social and cultural dimensions to which small enterprises belong. Cho and Kim (2010) emphasized the importance of start-up preparatory factors in the social dimension considering the financing methods and start-up types of small enterprise and market environments. They suggest that the socio-environmental elements of a small enterprise are very important because these elements are linked to future financial performance. Lee (2008) argues that changes in the social environment of self-employed small business owners may affect covert needs and also argues that changes in the social environment may affect start-up decision making and start-up intentions will increase in cases where the effects of start-up on the performance are shown to be larger than the effects of changes in the social environment.

In a study conducted with female-owned enterprises in Nigeria, Dodo, Potluri, and Gazara (2017) argued that sustainable entrepreneurship was a major element for the start-up of small enterprises because sustainable entrepreneurship was a major concept necessary to resolve difficulties that might occur in start-up situations depending on social, economic, and environmental influences on the start-up. Brooks, Heffner, and Henderson (2014) argued that responses to changes in social environments are an important element for the start-up of small businesses. These researchers argued that as part of the responses, knowledge of social media could effectively act for the start-up competitiveness of small businesses and analyzed the fact through SWOT. Consequently, they revealed the fact that enterprises with knowledge of social media could more effectively survive in competition.

In addition, recently, as government-led policy support for small enterprises has been strengthened, studies on small enterprises from the perspective of policies have also been conducted. Kim (2014) suggested that start-up success rates would increase when the government's supporting policies that fit the types of young start-ups were provided. He suggested that government policy support for start-up should be provided considering the fields of start-up by young founders because the content of support should vary according to the fields of start-up. Kim et al. (2012) suggested that supporting policies based on the laws for small enterprises should have positive effects on the growth potential of small enterprises and the promotion of start-ups. In particular, they regarded that the education assistance, policy funding, and technical assistance provided by the government are the main factors of start-up preparation and

affect the improvement of the business performance of small enterprises.

As such, small enterprises, which are small economic units, are formed in the form based on regional economy, and the stable business of small enterprises greatly affects regional economy. Therefore, the life cycles of small enterprises should be considered. Out of the life cycles, the stage of start-up, which is faced by small enterprises first, can be said to be a very important stage because it is directly related to stable growth of small enterprises.

2.2. Previous studies on the business performance of small start-ups

Small enterprises are economic units based on regional economy and their primary start-up goal is to maintain livelihood (Kim & Kim, 2015). That is, the performance that small enterprises want to pursue through start-up is to maintain individuals' lives and, in the long run, is related to the pursuit of the quality of life. Recently, the failure of small enterprises has been increasing due to the entry into the low growth period of domestic economy and the depression and this can be regarded to be serious because affects the decline of national competitiveness from a long-term perspective (Park & Choi, 2015). Therefore, to prevent the failure of small enterprises, small enterprises should be thoroughly prepared from the start-up stage to derive measures to prevent failure.

Previous studies suggest that the business performance goals of small enterprises should be clearly established and consistent management from the process of start-up is important. Business performances in the start-up of small enterprises can be divided into quantified initial success and non-quantified initial success (Back & Seo, 2013). The quantified initial success can be calculated with concrete values such as sales, operating profits, growth rates, and earnings rates. The non-quantified initial success can be identified with subjective performances such as the achievement of expected goals, satisfaction, and expectation of results.

In relation to quantified initial success, previous studies were conducted from the viewpoint of profit creation through clear goal setting. Sung and Park (2015) argued that small enterprises' behavior of setting goals through the management mind leads to performances. That is, these researchers suggest that to measure performance, management mind, which is a subjective performance, should be established because quantified initial success can be achieved through management mind. Yoo (2014) argued that performance goals in the start-up stage were closely related to stable business operations. The business performance in this case is the objective performance of profit creation, which indicates how much quantified initial success is important for small enterprises' business performance. In addition, Inderst and Muller (2004) argued

that success in the start-up stage is determined by the characteristics of the capital market. They regarded that in the start-up stage, capital market conditions, such as market competition and entry costs, would affect venture businesses' profit creation as non-quantified initial success.

In addition, with regard to non-quantified initial success, previous have been conducted in terms of the sense of accomplishment owned in the start-up preparation stage through internal motivation. Clercq and Arenius (2006) argued that in the start-up activity stage, the knowledge to establish firm's positioning later is important as individuals' possession. That is, these researchers suggested that, by having the knowledge at the start-up stage, corporate identity and entrepreneurs' self-efficacy, which are the ultimate goals of start-up, could be achieved. With regard to the performance of small businesses, Alhniy, Mohamad, and Ishak (2016) argued that among the elements of global entrepreneurial orientation, government intervention affects the performance. For the foregoing argument, these researchers measured the relationships between owners' elements of entrepreneurial orientation and the performance with Jordanian business founders and revealed that among the abovementioned elements, innovativeness, risk-taking, and proactiveness had positive (+) influencing relationships with the performance and government intervention was acting to provide mediating effects between the former and the latter.

In addition, Lechner and Gudmundsson(2014) argued that the owners entrepreneurial orientation affects on the firm strategy and performance. these researchers measured the relationships between entrepreneurial orientation's six factor: innovativeness, proactiveness, autonomy, competitive aggressiveness, risk taking and performance with small business.

Chinomona(2013) argued that the expertise and training skill of owners were playing important roles. These researchers argued that an owner should clarify how the performance of his/her business should be recognized in the process of start-up, should have professional properties based on the foregoing recognition, and should develop and train employee skills so that productivity could be improved. They revealed that through the foregoing, the expertise of the owner could not only directly affect the performance of the small business but also indirectly affect the performance through the mediation by employee skills training.

Yoon and Park (2008) tried to understand the effect of the franchisees' start-up spirit on quantitative and non-quantified initial success. To this end, they divided franchisees' business performances into financial performances and non-financial performances such as customer satisfaction and organizational performance and tried to identify the effects of each on franchisees' business performances.

And Omri et al.(2015) argued that qualitative and

quantitative factor of capital : human, social, financial are related to the entrepreneurial success, these researcher tested the relationships between qualitative and quantitative factor and small business success in tunisian.

As such, fundamental performances through small enterprise start-ups are quantitative and non-quantified initial successes and the ultimate performance can be regarded to be sustained maintenance of business activities.

To this end, the subjective and psychological non-quantified initial success of small enterprises is a very important element for goal setting. However, quantified initial success is more important in that it enables maintaining the lives of individual small enterprise owners. That is, sales, operating profits, and the rates of return for maintaining livelihood, which is a fundamental goal of start-up, are important in that they enable continuously maintaining business.

The present study therefore seeks to understand the conceptual characteristics of small enterprises as such and the various preparatory factors appearing in the start-up stage to identify the effects of the start-up preparatory factors on sales and operating profits as concrete and objective business performances. To this end, the effects of the major start-up preparatory factors that appeared through the Survey of Actual Conditions of Small Enterprises conducted by the Small Enterprise and Market Service on business performances will be examined.

3. Research Question and Study Methods

3.1. Research Question

Small enterprise start-ups are constantly increasing and the goals mostly boil down to livelihood. These livelihood type start-ups are very important because they can affect not only individual small enterprise founders but also regional economy and national competitiveness. Therefore, the government is implementing support policies to enhance the competitiveness of small enterprises through the Small Enterprise and Market Service(Kim, 2010). In particular, through the National Survey of Actual Conditions of Small Businesses, the government continuously surveys the factors of government supporting policies, employment, management, and start-ups and business performances. As such, the importance of small enterprise preparatory factors is recognized at the government level and the government continuously figures out the effects of small enterprise preparatory factors on business performances and small enterprises' present situations.

Many of previous studies on the success factors of small enterprises have been conducted on personal areas, socio-environmental areas and government policy areas. However, studies that enable comprehensive understanding

of how small enterprise can efficiently prepare for success cannot be easily found. <Table 1> shows the tendency of previous studies on the success factors of small enterprises. In the present study, personal, socio-environmental, and government policy areas will be comprehensively considered excluding tendencies for which small enterprises' individuality is strong to conduct the study on efficient start-ups of small enterprises.

The present study therefore focused on that fact that studies on the effects of small enterprise start-up preparatory factors on business performance have been lacking thus far, despite the importance of small enterprises. Despite their importance, the start-up preparatory factors that are constantly being addressed by the Survey of Actual Conditions of Small Enterprises have not yet been comprehensively studied.

Although previous studies on start-up preparatory factors can be found, most of them were not conducted from the viewpoint of start-up preparation or partially studied start-up preparation. The start-up preparatory factors discussed in previous studies are composed of founder's surrounding environments, foundation motives, and social environments and figure out the effects of these on the performance. In addition, the performance of start-up is composed of decision-making attitudes and satisfaction levels in the psychological aspect in most cases leading to difficulties in concrete measurement of the degree of performance. These previous studies are meaningful in that they play an important role in the motivation and behavior formation of small enterprises. However, since the purpose of start-up of

most small enterprises is livelihood, these studies have limitations in understanding the relationship between start-up preparatory factors with business performances such as sales and operating profits, which are important to those small enterprises.

Therefore, the present study aims to supplement the limitations of previous studies. First, the present study presented six major factors are necessary for start-up preparation. The start-up preparatory factors consist of business types, start-up histories, start-up motives, preparatory periods, preparatory activities, and start-up funds, which have been investigated as major factors of start-up preparation through the Survey of Actual Conditions of Small Enterprises. The present study plans to utilize those start-up preparatory factors included in the Survey of Actual Conditions of Small Enterprises that have been suggested to be importance but have not been studied this far. In addition, the present study tried to concretely identify the effects of start-up preparatory factors on business performances by replacing the psychological variables that have been raised for performance measurement with objective variables, that is, actual sales and operating profits. To this end, the results of the Survey of Actual Conditions of Small Enterprises conducted with small enterprises with experience in actual start-up were utilized. Based on such discussions, the present was intended to present the following research questions regarding the correlation between small enterprise start-up preparatory factors and business performance.

<Table 1> Previous studies on small enterprise success factor

Author	Personal Area				Socio-environmental Area				Government Policy Area	
	Tendency		Career		Plan management	Fund raising	Start-up type	Preparatory periods	Policy support	Education and consulting
	Self-realization	Risk taking	Experience	Motivation						
Cho et al. (2010)		○			○	○	○			
Back et al. (2013)	○			○			○			
Kang et al. (2012)		○		○		○		○		
Cheong et al. (2012)		○		○			○			
Min et al. (2009)	○				○	○	○	○		
Chung (2008)			○			○	○	○		
Lee (2008)	○	○					○			
Park & Choe (2003)		○		○			○			
Bin & Park (2002)	○	○				○		○	○	
Sung (2015)		○	○		○	○		○	○	○
Kim (2014)	○	○		○					○	○
Edelman et al.(2010)	○		○	○		○		○		
Peterson et al. (2009)		○	○			○		○		

Source: Own

<Table 2> General characteristics of survey subjects

Variable	Division	Frequency(%)	Variable	Division	Frequency(%)
Sex	Male	5,365(56.9)	Business type	Construction industry	460(4.9)
	Female	4,070(43.1)		Education service	671(7.1)
Age group	20~29 years	107(1.1)		Technological services	334(3.5)
	30~39 years	851(9.0)		Wholesale and retail sales	1,790(19.0)
	40~49 years	2,469(26.2)		Real estate/ leasing	832(8.8)
	50~59 years	3,409(36.1)		Business services	256(2.7)
	60~69 years	2,020(21.4)		Repair/ personal services	1,219(12.9)
	70 years or older	502(5.3)		Lodging business/ restaurant service	1,706(18.1)
Residence	Seoul and capital area	2,415(25.6)		Entertainment/ culture	494(5.2)
	Six major metropolises	3,096(32.8)		Transportation business	1,044(11.1)
	Si/gun or countrysides	3,924(41.6)		Manufacturing business	515(5.5)
Highest level of education	Middle school graduation or lower	1,230(13.0)		Publishing/ image	114(1.2)
	High school graduation	4,979(52.8)			
	University graduation	2,973(31.5)			
	Higher than university graduation	133(1.4)			

Source: Own

Research question 1. What are the start-up preparatory factors that have positive effects on sales growth, which is the business performance after small enterprise start-up?

Research question 2. What are the start-up preparatory factors that have positive effects on the increase in operating profits, which are the business performance after the start-up of a small enterprise?

3.2. Survey design and analysis of general characteristics

The present study utilized the results of the National Survey of Actual Conditions of Small Enterprises conducted by the Small Enterprise and Market Service with small start-ups. The questionnaire survey was conducted from August to September 2016 with a total of 10,069 business operators corresponding to small enterprises at the time of the survey, who had experience in start-up. Among the responded questionnaires, 9,435 copies were used in the analyses excluding those with unfaithful responses. SPSS 21.0 was used for processing and statistical analysis of the collected data. In the present study, socio-demographic variables such as sex, age, region, and distributed business types were used.

The general statistics of these variables are as shown in <Table 2> below.

4. Study Results

4.1. Operational Definition and Measurement of Variables

In the present study, start-up preparatory factors were

operationally defined as "preparatory factors necessary for small enterprise start-up procedures" (Bin & Park, 2002; Kim et al., 2012). To measure the start-up preparatory factors, the six start-up preparatory factors surveyed through the Survey of Actual Conditions of Small Enterprises were utilized.

First, with regard to business types, small enterprises were divided into single-unit establishments and franchises to measure the types of start-up of small enterprises. Second, with regard to start-up histories, whether small enterprises had experience in start-up or not and the number of times of experiences in start-up were measured. Third, start-up motives were divided into active motives and passive motives such as retirement that leads to the establishment of small enterprises for livelihood and these motives were measured by composing relevant questions. Fourth, with regard to start-up preparatory periods, the time small enterprises spent to prepare for start-up was measured in months. Fifth, with regard to start-up preparation activities, whether or not small enterprises implemented business area information system, education, and/or consulting, which are supported by the start-up policies implemented by the Small Enterprise and Market Service, was measured.

Finally, with regard to start-up funds, the money invested by small enterprises as self-funds at the time of start-up was measured in amounts. In addition, business performance was operationally defined as "business performance created by small enterprises through start-up." (Cho & Kim, 2010; Chung, 2008). To measure the business performance, the sales and operating profits of small enterprises in the relevant year were measured in amounts and utilized. In addition, business periods as the periods during which small enterprises continued business after

start-up and the total costs for the estimation of start-up scales were measured and utilized as control variables.

4.2. Results of Analyses of the Effects of Each Start-up Preparatory Factor on Business Performances

To examine the effects of those factors that are prepared by small enterprises for start-up on the business performances, regression analyses were performed using sales and operating profits, which are actual business performances, as dependent variables. Prior to the analyses in earnest, correlations and multi-collinearity between independent variables were diagnosed first.

The minimum value of the tolerance limits between the independent variables of the present study were found to be .697 and the maximum value of dispersion expansion factors (VIF) was 1.436, which satisfied the diagnostic criteria for multi-collinearity (tolerance limit > .10, dispersion expansion factors <10) (Kim & Park, 2015; Saleem, 2017; Panwar, Nybakk, Hansen, & Pinkse, 2017). Therefore, the relevant variables were found to have no problem in constructing the regression equation and the results are as shown in <Table 3>.

As can be seen from the study results, small enterprise start-up preparatory factors had significant effects on business performances. First, with regard to enterprise types, franchise type enterprises were shown to have larger effects on business performances than single-unit establishments. Franchises were estimated to be more effective because their tasks were more standardized than single-unit

establishments and their brands affected consumer recognition. Second, start-up histories were also shown to affect business performances. Start-up histories were assumed to have positive effects because small enterprises with experience in start-up can prevent failure through previous experiences. Third, start-up motives were also shown to affect business performances. In the case of start-up motives, active motives can be assumed to be effective for business performances. Fourth, preparatory periods were shown to have no effect on start-up performance. In the case of some business types, start-up may increase rapidly without any particular preparatory period and in the case of certain business types, long preparatory periods are undergone. Since start-up periods vary with business types as such, no absolute importance of periods could be suggested. Fifth, start-up preparatory activities such as business area information systems and consulting were also shown to affect business performances. Such activities are supported by government's supporting policies so that small enterprises can analyze their surrounding environments and obtain business area information for their business type by themselves. Since small enterprises figure out competition situations by themselves through environmental analysis, faithful preparation was assumed to have positive effects on business performances. However, among the preparatory activities, education it did not affect the business performance. This is because the education provided pursuant to government policies is focused on the theoretical part. Therefore, curriculums for practice and practical know-how

<Table 3> Differences in business performances among start-up preparatory factors

	Sales		Operating profits	
	b	β	b	β
Constant	1001.934***		344.965***	
Start-up preparatory factor variable				
- Business type	598.016**	.097	98.272***	.063
- Start-up history	63.527*	.020	26.569**	.034
- Start-up motivation	-193.399***	-.077	-17.994**	-.028
- Preparation period	1.709	.013	.009	.000
- Preparatory activities : Business information system	-52.762*	-.021	-25.864***	-.040
- Preparatory activities : Education	80.802	.022	2.548	.003
- Preparatory activities : Consulting	-305.565***	-.070	-96.722***	-.087
- Start-up funds : Ratio of the fund paid by the fonder	-170.906***	-.039	11.036	.010
Control Variables				
- Business periods	-.014	-.004	-.009	-.012
- Total cost : Start-up scale	1.874***	.191	.377***	.151
R^2	.067		.044	
$adjR^2$	0.66		.043	
F	68.106***		43.209***	

* Significance level ***p<.001, **p<.01, *p<.05 (Source: Own)

that will be utilized in business practice later are expected to be necessary. Recently, in order to improve the performance of business branches, enterprises have been implementing education centered on action learning and practices. This is the education contents that contain the know-how of the field, and it has the characteristic that it can be directly applied to the practice. In this way, it can be suggested that the education of small enterprise should be changed into the form of action learning and practice that can be directly applied to the practical work. The contents of such education contain field know-how that can be directly applied to business practice. Therefore, it can be suggested that small enterprises' education should be also changed into the forms of action learning and practice that can be immediately applied to business practice.

Finally, the ratio of start-up funds provided by the founder was shown to have significant effects on sales but not on operating profits. This indicates that the input of large amounts of capital has effects on sales but not on operating profits, i.e., net profits. In addition, the business period as a control variable was shown to have no effect on business performance indicating that, as with preparatory periods, rather than business periods per se, the business performed during business periods directly affects actual business performances.

Despite that start-up preparatory factors have significant effects on business performances as such, when start-up preparatory factors were inputted into sales out of small enterprises' business performances to examine the explanatory power, the total explanatory power (adjusted R^2) was shown to be 6.6% and start-up preparatory periods and education among preparatory activities were shown to have no effect on sales. In addition, when the explanatory powers were examined using operating profits out of small enterprises' business performances as a dependent variable, the total explanatory power (adjusted R^2) was shown to be 4.3% and start-up preparatory periods, education among preparatory activities, start-up funds, and the ratio of start-up fund provided by the founder were shown to have no effect on operating profits.

The reason why the explanatory power of the model is somewhat low is that, in the present study, the effects of common start-up preparatory factors of a total of as business types on business performances were examined despite that factors that are regarded as being important for start-up may be different depending on business types.

5. Conclusion and Suggestions

5.1. Result of the Study

Most small enterprises perform economic activities based on start-up and participate in social activities as the smallest

economic units. Recently, needs for start-up have been increasing due to social problems such as the retirement of the baby boomer generation and the youth unemployment problem. However, imprudent start-up may lead to shut down, which causes very large risks to small enterprises that are based on family economy. Therefore, the process of start-up can be regarded to be the most important stage for small enterprises. Therefore, supporting policies are provided at the government level so that the start-up of small enterprises can be continued. In addition, through the National Survey of Actual Conditions of Small Businesses, the Small Enterprise and Market Service examines elements necessary in the start-up process of small enterprises to identify the effects of the elements on business performance.

The purpose of the present study is to examine the effects of preparatory factors necessary for start-up of small enterprises on business performances. Since existing studies on small enterprise start-ups have focused on the psychological aspects such as motivation and satisfaction, studies on behavioral and practical aspects necessary for start-up preparations are insufficient. Therefore, in the present study, small enterprise start-up preparatory factors were divided into six categories utilizing the Survey of Actual Conditions of Small Enterprises conducted by the Small Enterprise and Market Service to examine the effects of the preparatory factors on business performances. In particular, the present study is meaningful in that it presented preparatory factors discussed at the level of business practice for small enterprise founders and identified the association between the preparatory factors and business performances.

According to the results of the study conducted as such, multiple start-up preparatory factors have positive effects on business performances indicating that there are preparatory factors necessary to improve business performance in the small enterprise start-up preparation process. The implications of the present study based on these results are as follows.

First, the present study is meaningful in that to identify the effects of start-up preparation on business performances, it figured out the effects of start-up preparation on business performances in all business types of small enterprises. That is, the present study identified the effects of start-up preparation on business performances 12 business types in which small enterprises are mainly engaged thereby presenting what are those start-up preparatory factors that are necessary for all business types of small enterprises and how the start-up preparatory factors affect actual business performances.

Second, the present study is meaningful in that it regarded sales and operating profits, which are regarded to be important to actual small enterprises, as business performances unlike previous studies on small enterprise start-up that focused on psychological aspects such as satisfaction, motivation, and self-efficacy as performance

variables. Since the purpose of start-up of small enterprises is directly related to livelihood, rather than psychological aspects, how actual performances would appear is very important. The present study is meaningful in that it measured sales and operating profits, which are actual business performances necessary for small enterprises as such, as performances.

Third, the present study is meaningful in that it identified the effects of business preparation on business performances at the level of business practice utilizing the results of the National Survey of Actual Conditions of Small Enterprises conducted by the Small Enterprise and Market Service.

This indicates the importance of the area of small enterprise start-up in the aspect of current government policies and it is important because it suggests the direction of future small enterprise supporting policies.

That is, in the theoretical aspect, the present study is meaningful in that it supplemented to limitation of existing previous studies that were conducted focusing on the psychological aspect and presented six start-up preparatory factors that can directly affect business performances of small enterprises after start-up. The present study can be said to be the most theoretically meaningful in that it classified the individual areas used in previous studies related to start-up into individual, social/environmental, and government policy areas, comprehensively organized the elements used in individual areas, and utilized the elements to conduct the study focusing on the most important part among the success factors of small enterprises, that is, start-up preparation processes.

In addition, the practical significance of the present study can be presented in that it investigated the relationships between six start-up preparatory factors and sales and operating profits, which are actual business performances.

Since the start-up of small enterprises is directly related to livelihood in most cases, the most important results of start-up are sales and operating profits, which are actual business performances. The present study can be regarded to have the highest practical significance in that it tried to identify the relationships between start-up preparatory factors and business performances focusing on business performances, which are regarded as being important in the actual process of start-up of small enterprises.

5.2. Limitation of the Study

However, despite these academic and practical implications, the present study has the following limitations.

First, the model explanatory power for the relationship between start-up preparatory factors and business performances was shown to be somewhat low. This is because the effects of common start-up preparatory factors in a total of 12 business types on business performances were examined. In the future, it will be necessary to understand what start-up preparatory factors are important according to business types.

Second, although the present study classifies the preparatory factors necessary for small enterprise start-up preparation into six categories, future studies will need to expand the studies in consideration of the socio-cultural, political, and economic environments faced by small enterprises. Finally, since the present study is regarding what preparatory factors are necessary in the small enterprise start-up stage, future studies should consider situations after start-up. That is, the effects of start-up preparation on overall performance in the process of business should be measured and presented considering overall business of small enterprises.

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