

[Field Research]

A Study on Small Business Development and Support Policies

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Abstract

The number of small businesses being founded nationally is constantly increasing and various kinds of aggressive efforts are being made to remain competitive. As such, political support by the government for small businesses that have great productivity and competitiveness must increase.

The founding of small businesses is being promoted by the government in order to boost the economy, and interest in founding new businesses is high amongst not only college students, but even general workers.

Thus, the purpose of this study is to examine problems regarding the founding of small businesses, and to give new businesses a competitive edge by presenting political answers to these problems. After analyzing the status of current issues concerning the foundation of small businesses, this paper suggests some positive policy alternatives. Existing studies on small businesses were focused on the promotion of small and medium distributors, and studies on policy alternatives aimed directly at promoting the businesses are, so far, insufficient. Further studies are required to examine political alternatives from the perspective of the roles of non-profit organizations, which the Government is responsible for, in supporting small business.

Keywords: small business, promotion of the founding, policy alternatives

I. Introduction

To build up competitiveness of small commerce and industry, in other words, small business, researchers need to investigate current business foundation market environment carefully to find out problems and to suggest solutions. Studies on business foundations of small commerce and industry (small business) were not enough so that they needed to expand continuously. In particular, studies on business foundation of small commerce and industry need to be given information from point of view of build up of competitiveness owing to the Government's support, education and training. This paper inves-

tigated business foundation environment of small commerce and industry to examine problems and to give political alternatives of business foundation supports having competitiveness.

Small businesses have been suffering from difficulties under bad business environment mainly due to economic stagnation and the entry into their market of the large-scaled companies. Under the circumstances, it is assumed that small businesses need to develop and realize a variety of supportive measures by the government and profitable and feasible retail business models to survive and strengthen their competitiveness in the market. Small businesses occupying the vast majority of the businesses of the nation, in order for them to remain competitive in the market under the current market environment, need to build up more efficient sales and distribution systems and also enhance their marketing abilities.

A large number of small businesses have been reported to start just for the purpose of a livelihood without sufficient fund and experience in the market. Therefore, it is crucially needed to provide them with fundamental supportive measures so that they can enter into, and remain active in the market.

These days, number of the ones who found business is increasing in the society of economic stagnation as well as more unemployed. To meet demand of small business founders, the Government announced various kinds of support policies for small businessmen as well as venture business, simplification of business foundation procedures, and build up of business foundation system (Song Mu-ho, 2004). But, when small business founders launch business without competitiveness, they are forced to fail in the business to produce so many social problems. And, small businessmen are forced to compete with large-scaled marts such as discount stores and super supermarket as well as new distribution businesses to have difficulties at various kinds of business environments.

The government authority is expanding supports for small businesses. For instance, the government has opened market management support center that can promote market, business foundation promotion center that can promote foundation, and small business promotion center. The government can play more important role at promotion of foundation and business of small businesses to establish cooperative relations for direct supports.

Therefore, local distribution system has been diversified based on large-scaled marts to supply various kinds of retail products and to be multi-marts and to let large-scaled marts enter even existing business foundation area. The government is suggesting a variety of supports in favor of small businesses and is increasing governmental or-

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ganizations that are managed by government budgets. This is because common business founders are more interested in distribution business that they can get easy access.

This paper examined actual conditions and problems of small businesses by referring to analysis on actual conditions of small businesses published by Small Enterprise Development Agency (SEDA) (2007), and gave problems as well as political alternatives. Studies on foundation of small businesses were very much short of supply so far, and the ones on political alternatives that small businesses needed were also insufficient. Research on business foundation could elevate small business founders' competitiveness to require the government's political alternatives from various kinds of points of views.

II. Analysis on Actual Conditions of Small Business Foundation

1. An Analysis on small business foundation

The survey of 7,030 small-sized companies conducted by the Small Business Development Agency(SEDA) at 16 cities from May 14th to June 20th, 2007 shows that most of them lacked in business experience and hoped to be able to gain business stability in the future. In the study, up to 79.3% said that they had been doing current businesses because they could not obtain stable employment for their livelihood. The survey also shows that most of them did not start to make success, but only to avoid the probability of failure.

On the other hand, business foundation market is continuously expanding because of economic stagnation as well as more population of early retirement. And, new labor force who graduated colleges joined business foundation to expand foundation market continuously. But, restaurant business is found to be already saturated in accordance with expansion of business foundation, and small business should be founded to let founders support their living lives and to promote business foundation having competitiveness.

National Tax Service's statistics has shown that number of self-employed increased from 3,570 persons in 2004 to 4,210 persons in 2010 to b 17.9% up (Fig 1). In particular, number of real estate rent, service business and retail business increased remarkably. Business foundation increased continuously to grow up greatly depending upon business type.

<Table 1> Motives of Small Business Foundation

| Classification | Support living lives (no alternative available) | Judge success possibility by business foundation | Take over family business | Major areas | Miscellaneous |
|--------------------------------|---|--|---------------------------|-------------|---------------|
| Motives of business foundation | 79.3% | 16.4% | 2.1% | 0.5% | 1.7% |

Source: An Analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007)

As high as 80 percent of small business founders said that they founded business to support their living lives, and the rate is continuously increasing. (Table 1). These days, not only early retirement but also unemployed young people is increasing to expand business foundation without alternatives. In particular, small business founders do business during short time of preparation to support living lives. Such a trend can lower margin so that small business founders are demanded to keep a certain degree of preparation time and to investigate opportunity factors carefully.

<Table 2> Maintenance rate of business after foundation

(unit: %)

| Classification | New business in the nation | Lodging & restaurants in the nation | Lodging & restaurants at Seoul |
|----------------|----------------------------|-------------------------------------|--------------------------------|
| 1-year | 72.6 | 71.6 | 71.9 |
| 2-year | 56.5 | 54.1 | 54.1 |
| 3-year | 46.4 | 43.3 | 42.6 |
| 4-year | 39.2 | 35.7 | 34.4 |
| 5-year | 33.4 | 29.1 | 27.2 |

Source: JoongAng Ilbo, Small business founders are unable to exceed 3-year after foundation. (article dated February 2011)



<Fig 1> Number and increase rate of the self-employed by each business type (Comparison between 2004 and 2008)

Source : Statistics of self-employed published by the National Tax Service (2010)

Table 2 has shown opening rate by each term after foundation. More than half of new business was closed not later than 3 years after foundation.

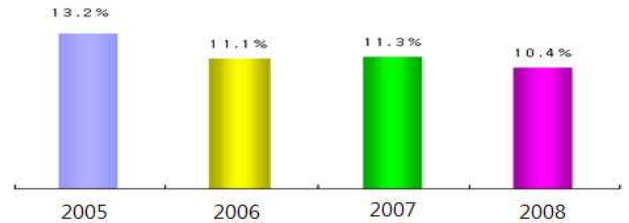
<Table 3> Business Performance depending upon Foundation Preparation Time

| Foundation preparation time | Less than 3-month | 3 months to less than 6 months | 6 months to less than 1 year | 1 year to less than 2 years | 2 years or more |
|--|-------------------|--------------------------------|------------------------------|-----------------------------|-----------------|
| Number of business earning less than million Won of monthly income (unit: %) | 50.1 | 16.4 | 10.9 | 8.7 | 13.8 |
| Monthly sales on average (unit: 10,000 Won) | 719.0 | 926.0 | 960.1 | 1,083.2 | 857.9 |

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007)

It took less than 3 months for small businesses to prepare for foundation, and number of business earning less than million Won of monthly income occupied 50%. (Table 3). The shorter foundation preparation time, the less monthly income. The founders having enough foundation preparation time could earn more operating income. 50% of small business founders who spent less than 3 months to found business earned less than million Won of monthly income, so that business foundation preparation time was found to have close relations with monthly income. It took at least 6 months for franchisee to prepare for foundation by taking advantage of rather good system of foundation. Therefore, small business founders need to prepare for foundation with enough time(Cho, Young-Sang, 2011).

Starting a small-sized business as a franchisee requires 7 to 8 stages of procedures; These include preparing for business registration, selecting the type of business, making business plans, selecting store location, selecting franchiser, making contract with the franchiser, funding, organizing the store for opening, and opening the shop, etc. It takes about 3 months for a franchisee to make contract of franchise membership, and it may vary depending upon franchiser: In general, it takes 6 months for a franchisee to open his or her own shop (Song Mu-ho, 2005). This long period of preparation largely results from the considerable time consumed in building up business infrastructure network. It is highly probable that small business founders could face difficulties in entering distribution business without infrastructure network that enables them to be pre-measured for the start of the business and for sales. (Yoon Myeong-gil, Kim Yu-oh, 2010).



<Fig 2> Decrease of Business Closing Rate within 3-Years after Foundation Source : Self-employed's statistics published by National Tax Service (2010)

These days, business closing rate within 3 years after foundation was found to decrease. (Fig 2). But, business founders often made change of business types, and they were forced to do business in red continuously because they could not find out another job after business closing.

Small business had lower sales and income on average than salary workers did (Table 4). In 2007, small business recorded 8.38 million to 1.81 million Won of monthly sales on average to be higher than 1.205 million won of 4-persons family's minimum cost of living and to be much lower than 2.626 million Won of 5 persons or more business's monthly salary on average from January to March 2007. (Small Enterprise Development Agency (SEDA), 2007).

<Table 4> 2007 Sales and Income on Average of Small Businesses

| Classification | Monthly sales on average | Net profit rate to sales | Monthly income on average |
|---------------------------|--------------------------|--------------------------|---------------------------|
| Sales & income on average | 8.38 million Won | 25.8% | 1.816 million Won |

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007)

Table 5 has shown sales and income on average depending upon foundation preparation time. The shorter foundation preparation time, the less monthly income on average.

<Table 5> Sales and Income on Average depending upon Foundation Preparation Time

| Foundation preparation time | Monthly sales on average (unit: 10,000 Won) | Net profit rate to sales (unit: %) | Monthly income on average (unit: 10,000 Won) | Business having less than million Won of monthly income (unit: %) |
|--------------------------------|---|------------------------------------|--|---|
| Less than 1 month | 682.9 | 25.8 | 158.7 | 23.8 |
| 1 month to less than 3 months | 751.2 | 26.4 | 178.8 | 26.3 |
| 3 months to less than 6 months | 926.0 | 24.7 | 198.9 | 16.4 |
| 6 months to less than 1 year | 960.1 | 24.1 | 192.2 | 10.9 |
| 1 year to less | 1,083.2 | 23.5 | 201.8 | 8.7 |

| | | | | |
|-----------------|-------|------|-------|-------|
| than 2 years | | | | |
| 2 years or more | 857.9 | 28.7 | 179.6 | 13.8 |
| Total | 838.3 | 25.8 | 181.7 | 100.0 |

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007).

Therefore, specific foundation preparation time is needed to raise monthly profit rate to sales on average. Careful preparation for foundation can assure of successful foundation of small businesses.

2. Problems of Small Business Foundation

Small business founders had difficulties at financing (44%), selection of location (19.3%), shortage of management know-how (6.5%), and selection of business type (6.2%). (Small Enterprise Development Agency (SEDA), 2007). The founders were supplied money from bank (54.5%), friends and relatives (24.9%), the Saemaoul Finance (7.5%) and private loan (6.2%) in order. At the time of foundation, own capital was found to occupy 70%.

Small business had difficulties at less sales because of economic stagnation (52.7%) and keen competition in same business type (Table 6).

<Table 6> Small Businessmen's Difficulties

| Item | Number of business | Ratio (%) |
|--|--------------------|-----------|
| Keen competition in same business type | 111 | 26.0 |
| Less sales because of economic stagnation | 225 | 52.7 |
| Shortage of fund in accordance with business expansion | 55 | 12.9 |
| Shortage of experience and knowhow | 15 | 3.5 |
| Others | 21 | 4.9 |
| Total | 427 | 100 |

Source: An Analysis on Actual Conditions of Small Business Foundation and Financial Structure Improvement Fund Users, published by Small & Medium Business Administration (2001)

The statistics of this report reveals that small business people having difficulties by the lack of marketing and sales abilities earn low income(Table 7). They have troubles at a start level in store operation and marketing by various problems such as lack of information for starting business, insufficient fund. In order to help them to get out of this kind of situation, it is required that their difficulties be examined from a variety of view-points, and realistic and effective measures be taken.

<Table 7> Sales and Income on Average depending upon Difficulties of Business Foundation

| Difficulties of business foundation | Monthly sales on average (unit: 10,000 Won) | Net profit rate to sales (unit: %) | Monthly income on average (unit: 10,000 Won) |
|--|---|------------------------------------|--|
| Selection of location | 841.9 | 25.9 | 194.5 |
| Selection of business type | 765.2 | 27.3 | 212.8 |
| Financing | 861.8 | 23.1 | 163.1 |
| Complicated administrative regulations | 1015.7 | 29.5 | 215.1 |
| Recruitment | 1629 | 21.0 | 282.8 |
| Market information | 790.2 | 26.8 | 172.8 |
| Shortage of management knowhow | 742.6 | 26.8 | 178.7 |
| Shortage of technology | 688.6 | 26.5 | 143.4 |
| Others | 779.5 | 32.1 | 353.2 |
| No problem | 678.3 | 33.2 | 188.6 |
| Total | 837.9 | 25.8 | 181.6 |

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007).

In this paper, small business had difficulties at foundation, for instance, keen competition between small businesses, low quality and poor services, financing and collection of premium, and shortage of use of foundation policies.

1) Competition between Small Businesses

First of all, distribution network needs to set up in order to found small business. Small businesses can communicate with customers through distribution network and forecast flow of the sales. Small businesses shall make efforts constantly in business foundation market to invite customers. But, small businesses have difficult environmental problems at foundation market from point of view of distribution structure. Large-scaled distribution businesses already expanded distribution networks so that many products and goods were saturated at foundation market to worsen competition between small businesses.

In particular, Small Enterprise Development Agency (SEDA) found that small businesses faced worse management environment to have low sales and net profit because of keen competition between small businesses. Restaurant business franchise has often drawn attention at foundation market to found business easily and to worsen competition between businesses. In particular, large businesses have recently entered small business areas to produce various kinds of problems. As high as 80% of small businesses agreed with nomination of business type being suitable to small businesses according to Chosun Ilbo questionnaire survey dated September 2011.

<Table 8> Causes of Worse Management Environment of Small Businesses

| Classification | Keen competition between small businesses | Appearance of large-scaled businesses | Changes of consumers' buying patterns | Declining of business type of the products | Rise of labor costs, rental charge and other costs |
|----------------|---|---------------------------------------|---------------------------------------|--|--|
| Sales | 87.7% | 28.2% | 19.6% | 5.9% | 0% |
| Net profit | 82.8% | 20.1% | 16.1% | 5.1% | 18.1% |

Large scaled marts had influence upon foundation of retail business of small businesses to worsen management (Table 8, An analysis on failures of small businesses published in 2007). Super supermarket and large-scaled marts rushed to enter market and to have great influence upon foundation of retail business and to require political supports from point of view of worsening management environment.

2) Poor quality and services

Small businesses lost competitiveness at foundation because of poor quality and services. Consumers' buying patterns made change a lot so that counteractions and services that could satisfy customers were required, and competitiveness of good quality could make customers visit small businesses again. Small businesses lost credit from customers because of poor quality and service so that quality and services should be elevated.

These days, consumers thought much of quality rather than prices because of changes of life styles, and quality was valuable at foundation of small businesses. Quality and service can make customers buy products again to keep customer loyalty. Employees' roles shall be very much important from point of view of supply of services. This is because customers' buying power relies upon employees' service attitudes. But, small businesses are unable to employ employees enough because of small scale of business.

Small businesses that recorded small amount of sales were forced to bear high labor costs: On the other hand, the ones that recorded large amount of sales had difficulties at frequent resignation of the employees.

<Table 9> Average Sales and Income by Difficulties of Control of the Employees

| Difficulties of labor force | Monthly sales on average (unit: 10,000 Won) | Net profit rate to sales (unit: %) | Monthly income on average (unit: 10,000 Won) |
|---|---|------------------------------------|--|
| Shortage of recruitment and job opportunity information | 1520 | 20.7 | 273.1 |
| High wage | 989.3 | 22.8 | 194.9 |
| Frequent resignation | 1328.1 | 22.1 | 253.2 |
| Shortage of labor force | 1610.4 | 20.4 | 222.9 |
| Poor quality of the employees | 1278.9 | 26.6 | 256.3 |
| Payment of 4 major insurances | 1996.8 | 17.4 | 254.1 |

| | | | |
|---------------|-------|------|-------|
| Others | 877.7 | 18.3 | 126.2 |
| No employee | 515.2 | 32.3 | 166.4 |
| No difficulty | 747.9 | 21.2 | 143.8 |
| Total | 838.3 | 25.8 | 181.7 |

In particular, small businesses that had high monthly sales on average had difficulties at high wage, frequent resignation and shortage of recruitment and job opportunity information. On the other hand, the ones that had low monthly sales on average had difficulties at no employee. In other words, number of employees was found to have relation with sales. Small business that increased sales had difficulties at labor costs and resignation so that effective labor control was needed(Song Mu-ho, 2004).

3) Financing and Collection of Premium

Small business founders had difficulties at foundation, management and restructuring. At foundation stage, the founders had difficulties at financing, selection of location, and management knowhow in order. (Table 10). They had difficulties at financing when expense for initial project investment increased.

<Table 10> Difficulties at Foundation Stage

(unit: %)

| Classification | Financing | Selection of location | Shortage of management knowhow | Obtaining of market information | Selection of business type | Recruitment | Pass of complicated administration regulations and rules | Shortage of technology |
|---------------------|-----------|-----------------------|--------------------------------|---------------------------------|----------------------------|-------------|--|------------------------|
| At foundation stage | 57.7 | 35 | 20.1 | 13.4 | 12.4 | 7.8 | 6.2 | 5.2 |

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007).

Considering the greatest difficulty of financing at foundation stage, finance support policy needs to support small businesses continuously.

<Table 11> Difficulties at Management Stage

| (unit: %) | | | | | | | | | | |
|---------------------|------------------------|--------|------------------------------|--|----------------------|-----------------------------|------------------|--------------------------------|-----------------------|---------------------------------------|
| Classification | Shortage of the demand | Market | Shortage of finance and fund | Difficulties at product and customer control | Location of business | Competitors' unfair actions | Employee control | Shortage of market information | Price competitiveness | Poor quality than that of competitors |
| At foundation stage | 59.6 | 20.1 | 19.1 | 13.8 | 13.7 | 12 | 8.6 | 7.2 | 6.7 | 1.4 |

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007).

And, small businesses had difficulties at shortage of the demand and market at management stage. Small businesses need demand to produce profits when they manage business. But, small business founders had difficulties at shortage of the demand and market development because of shortage of infrastructure.

Small businesses had difficulties at collection of premium, selling of business and disposal of existing facilities and equipment at restructuring stage. They had difficulties at monetary losses in accordance with disposal of premium and selling of business at restructuring stage.

4) Less Use of Foundation Policy

To be given useful information, small business founders shall build up and make use of comprehensive information network of the Government's foundation support policy. The foundation information network has included various kinds of information and statistical material of fairs and business types. However, most of founders were found not to find out and understand the Government's foundation policies and support policies in detail.

The small businesses that collected information from business incubator, private organization's business incubator, and business foundation fair were found to earn more monthly income on average than the ones that collect information from relatives, friends, Internet and the ones having no experience did (Table 12). Collection of foundation information from the Government and business foundation fair was thought to be of considerable help to earn income. Table 12 has shown relation between foundation information source and monthly

income on average. The small businesses that collected information from business foundation fair and the Government's business incubator were found to earn more monthly income on average. So, continuous public relations was needed to make use of the government's foundation policy.

Currently, the founders had difficulties at the use of information from the Government's business incubator and business foundation fair. The government's business incubators have various types, and business incubator systems shall build up infrastructure to allow small business to get easy access. The business incubators for founders need to set up systematic control system that shows supporting system easily and conveniently.

III. Promotion of Small Business Foundation Policies

In order to boost the foundation of small businesses, high quality information and support should be offered to the founders-to-be, and to make these kinds of measures effective and valid, the government and related organizations should try to clearly understand what their difficulties are and make efforts to solve the problems as soon as possible. In general, small businesses start on a small scale and they face the high rate of closing. To make them remain competitive, a variety of supportive measures and policies urgently should be made

<Table 12> Relations between Foundation Information Source and Monthly Income on Average

| Foundation information source | Monthly sales on average (unit: 10,000 Won) | Net profit rate to sales (unit: %) | Monthly income on average (unit: 10,000 Won) |
|--|---|------------------------------------|--|
| The Government's business incubator | 1497 | 23.1 | 269.5 |
| Private organization's business incubator | 1079.3 | 24.7 | 217.9 |
| Association and organizations of concerned business type | 889.4 | 29.4 | 195.8 |
| Business foundation fair | 1438.1 | 23.1 | 309.7 |
| Relatives and friends | 838.9 | 24.6 | 176.1 |
| Internet | 927.3 | 23.7 | 174.4 |
| Others | 889.2 | 21.6 | 171.3 |
| No experience of information collection | 762.1 | 26.4 | 174.8 |

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007).

and executed.

Business foundation is being encouraged to build up national competitiveness; So, small business founders shall be given opportunity to build up competitiveness and to put various kinds of policies into practice effectively.

1. Supports of Political Fund

Financing is said to be the most difficult at foundation of small businesses. Financing shall be politically set up to develop it. Most of business entities had difficulties at financing (Table 13). In particular, shortage of fund and finance was found to be the most difficult at foundation stage so that small businesses should be given various kinds of supports to found business stably at beginning stage. Table 13 has shown business difficulties by business entity. Shortage of fund and finance was found to be the most difficult.

have close relations with net profit. In particular, small businesses could earn more foundation information through either business incubator or foundation fair than relatives and friends. So, the Government was found to play very much important role at foundation.

But, the Government's foundation policy has not been well known so that the Government is demanded to build up infrastructure to let founders cognize its foundation policy. Table 14 has shown foundation and management of competitors.

Small businesses got more business information from relatives and friends and less information from the Government's business incubator. Small businessmen who did not get business information occupied large ratio, and they were asked to make effort to learn various kinds of policies through the Government's business incubator and foundation fair to prevent business failures.

Small businesses did not cognize the Government's policy toward them nor made use of it. Small businessmen who cognized the

<Table 13> Business Difficulties by Each Type of Business Entity

| Classification | | Market | Shortage of finance | High prices | Low quality | Location and place | Customer control | Employee control | Shortage of market information | Unfair transaction and trade | Shortage of the demand | Excessive competition | Others | No difficulty | Total |
|---------------------|------------------------|--------|---------------------|-------------|-------------|--------------------|------------------|------------------|--------------------------------|------------------------------|------------------------|-----------------------|--------|---------------|-------|
| Business entity (%) | Independent shop | 11.3 | 11.8 | 2.9 | 0.6 | 6.3 | 5.8 | 3.9 | 2.4 | 5.8 | 41.9 | 0.5 | 4.1 | 2.7 | 100 |
| | Head office | 18.4 | 13.2 | 7.9 | | 0.0 | 5.3 | 10.5 | 5.3 | 7.9 | 21.1 | | 2.6 | 7.9 | 100 |
| | Member shop | 12.2 | 12.0 | 7.6 | 1.6 | 6.0 | 11.3 | 9.7 | 4.4 | 5.3 | 25.3 | 0.0 | 2.1 | 2.8 | 100 |
| | Directly managing shop | 4.8 | 19.0 | 7.1 | | | 40.5 | 7.1 | | | 11.9 | 4.8 | | 4.8 | 100 |
| | Branch office | 17.1 | 14.3 | 2.9 | | 2.9 | 8.6 | | 2.9 | 11.4 | 31.4 | | 2.9 | 5.7 | 100 |
| | Others | 50.0 | | | | 50.0 | | | | | | | | | 100 |

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007).

<Table 14> Foundation and Management Information Source of Competitors

| Classification | | Information source | | | | | | | | Total |
|-----------------|-------------------------------------|-------------------------------------|---|--|-----------------|----------------------------|----------|--------|----------------------------------|-------|
| | | The Government's business incubator | Private organizations' business incubator | Association and organizations of concerned business type | Foundation fair | Relatives and friends, etc | Internet | Others | No experience to get information | |
| Competitors (%) | Neighboring small businesses | 23 | 1.3 | 12.6 | 0.6 | 37.7 | 1.2 | 3.3 | 40.9 | 100 |
| | Neighboring large-scaled businesses | 28 | 1.9 | 11.1 | 1.3 | 36.1 | 0.7 | 2.8 | 43.3 | 100 |
| | Internet and TV home shopping | 26 | 1.8 | 14.9 | 1.3 | 37.8 | 2.1 | 4.4 | 35.2 | 100 |
| | Others | 1.0 | 0.8 | 13.2 | 0.0 | 29.3 | 0.5 | 2.3 | 52.8 | 100 |
| | None | 2.6 | 0.4 | 8.4 | 0.3 | 25.4 | 1.0 | 3.6 | 58.3 | 100 |
| Total | | 24 | 1.3 | 12.0 | 0.8 | 35.5 | 1.1 | 3.2 | 43.7 | 100 |

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007).

Government's policy toward small business responded to the Government's policy toward small business well.

2. Public Relations of Foundation Policies

As said before, learning of foundation information was found to

<Table 15> Rate of the Use of the Government's Policy by Monthly Net Profit on Average

| Classification | Rate of the use of the Government's policy |
|--------------------------|--|
| 4 million Won or more | 10.5% |
| 2 million~4 million Won | 7.6% |
| 1 million ~2 million Won | 6.6% |
| less than million Won | 5.0% |

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007).

The small businesses that did business well owing to good sales were found to occupy 7.5%. Small businesses having innovative motives that thought much of business success rather than making a living were found to sell well. The small businesses having innovative motives sold 1.9 times and earned net profit 1.5 times more than small businesses that did business for making a living did.

And, preparation time for foundation had very much close relations with the profit. In other words, small businesses having 1 to 2 years preparation time for foundation had the best management outcome.

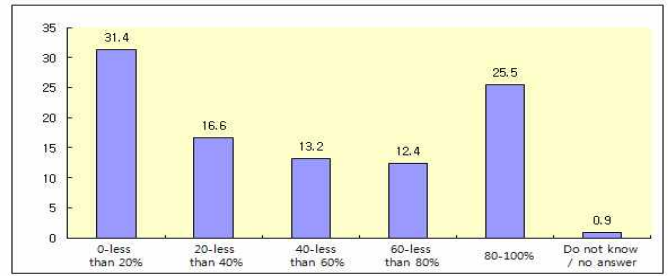
3. Improvement of Management Environment

Small business people need to improve management environment at various kinds of areas. Firstly, facilities need to be changed in a customer-oriented way. For instance, old-fashioned store signboards should be replaced and the store should be kept clean, and quality service should be offered to the customers to expand sales network. Secondly, sales infrastructure network should be enlarged by the enhancement of customer service. In addition, sales environment should be reorganized to ensure customers' repurchasing(Kim, Yoo-oh & Kim, Su-hwan, 2004).

42% of small businesses kept credit card system (An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007), Credit card payment rate occupied 43.3% on average (Fig 3 and 4). Credit card payment rate of 0-20% occupied 31.4% to be the highest, and that of 80-100% occupied 25.5% to be high. As such, small businesses' credit card payment rate occupied high.

But, small businesses were forced to bear credit card commission. When credit card payment was popular, small businesses often put credit card calculator from point of view of convenient payment.

(unit: %)

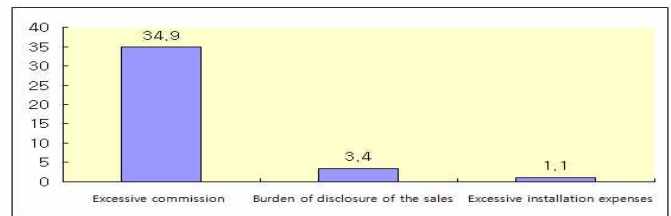


[Fig 3] Small Businesses' Credit Card Payment Rate

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007).

The use of credit card has a problem of excessive commission. Commission of the use of credit card may give small businesses financial burden that should be given supplementary alternative.

(unit: %)



[Fig 4] Problems of the Use of Credit Card

Source: An analysis on Actual Conditions of Small Businesses published by Small & Medium Business Administration (2007).

4. Education and Training Consulting

Small businesses shall be given supports of education and training consulting. Small businesses need to be given education and training consulting to expand market and to strengthen marketing competitiveness.

Small Enterprise Development Agency (SEDA) has Small Enterprise Support Center that supports management diagnosis, education & training, consulting, trade area analysis and location analysis. Educational program for small businesses needs to be developed from point of view of marketing and market competitiveness. Government agencies shall educate and train market experts having special knowledge and information to give them good treatment and allowance. Education and training consulting can give small businesses have competitiveness at foundation to discover various kinds of success models and to expand bench-marking. Education and training consulting support may be needed from many aspects to expand from point of view of strengthening of competitiveness. Small Enterprise Development Agency (SEDA) shall build up small businesses' competitiveness by using various kinds of consulting supports. Therefore, government agencies need to give small businesses consulting services to find out small businesses' problems and to support them.

IV. Conclusions

Small businesses' foundation can play an important role at improvement of national competitiveness as well as business productivity. Small businesses shall be expanded to develop nation based industries so that they should be expanded to elevate productivity. Small businesses can elevate business competitiveness to develop them actively by systems. First of all, small businesses shall be given political supports, and objective development policy in favor of small businesses can be of help.

This paper examined not only small businesses' difficulties at foundation but also small businesses' environmental problems at management after foundation. The paper investigated political alternatives for strengthening of competitiveness of small businesses. Despite increase of small business founders, small businesses could not be given benefits of the Government's foundation policy enough nor cognized it. Therefore, active public relations of foundation policy was needed, and associated agencies and organizations were demanded to collect information on political supports. And, government agencies need to educate and recruit experts and to support small business founders' management environment improvement.

Small businesses shall make effort to have various kinds of competitiveness in favor of customers to expand competitiveness of the foundation and to supplement and strengthen following up control system. The government agencies and organizations shall give founders foundation information, legal services at foundation and foundation consulting considering rapid increase of number of founders, and shall expand benefit of government support projects.

The government agencies and organizations need to be interested in small businesses' difficulties politically and to collect opinions and ideas. Further studies on small business foundation shall be made continuously.

Received: July 27, 2011.

Revised: September 08, 2011.

Accepted: January 13, 2012.

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