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START-UP SUCCESS FACTORS PERCEIVED AS IMPORTANT BY USA AND KOREAN CONSULTANTS

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ABSTRACT

This study evaluates the determinants for the start-up process of successful businesses in the USA and Korea. In particular, this study focuses on the personal background of the consultants for start-up businesses from the two countries. How consultants perceive the determinants for start-up and the different factors between the two countries are examined.

INTRODUCTION

It is an important role of the consultant to help the entrepreneur have a successful start-up business. Consultants are dedicated to providing customer-oriented, full-service programs and accurate, timely information to increase opportunities for small business success.

This study discusses determinants of start-up businesses that are considered by consultants as being necessary for having a successfully operating small business. The specific objectives of the study were to determine whether Korean consultants differ from their USA counterparts with respect to: (1) personal background and (2) consultants who work on consulting for start-up businesses.

The literature regarding international comparison of Entrepreneurship practice is limited. So, this study will compare factors in Korea versus the USA that are essential for a successful small business. Most of the prior studies were based on the experience of small firms operating either in North America or in European countries (Luk 1996). These studies have concluded that business success is the result of a web of factors (Hills & Narayana 1990; Duchesneau & Gartner 1990; Keely & Roure 1990; Hattton & Ramond 1994).

Steiner and Solem (1988) investigated factors crucial for success of small manufacturing firms in the U.S.. They found that relevant managerial background and experience, flexibility in operations, availability of labor, and possession of identifiable competitive advantages are

the factors significant in determining success. Huck (1991) investigated competency factors for small business success of Jamaican entrepreneurs. He found that 12 competency areas (starting a business, planning and budgeting, management, marketing/selling, advertising and sale promotion, merchandizing, financing and accounting, personnel relations, purchasing, production, facilities and equipment, and controlling risk) are needed for small business success. Yusuf (1995) discussed critical success factors that are perceived by South Pacific entrepreneurs as being necessary for successful operation of small business. They found that entrepreneurs believe individual factors, such as possession of certain skills and of good character, and environmental factors, such as governmental support, political and traditional demand, and the need for balancing these demands with business comments, are critical to small business success. Ibrahim and Goodwin (1986) identified the entrepreneurial behavior and managerial skill as key success factors in small business.

In this study, we will ascertain the determinants that are perceived by USA and Korean consultants as being necessary for a successful start-up business. There are many factors to consider when starting a new business. Trying to establish a priority list would be difficult, but Grieco (1975) suggested the following: (1) determining the capital requirements, (2) obtaining legal assistance, (3) researching the market, (4) locating the business enterprise, (5) securing personnel, (6) providing physical facilities, and (7) creating a profit plan etc.

Lee (1998) suggested and validated the determinants to be considered for successful start-up business in Korea (Table 1) by querying 87 consultants about small businesses in 1998. Table 1 shows the determinants of successful start-up business in Lee's study.

RESEARCH METHOD

Data Collection and Samples

After the pilot survey in the USA and Korea, a three-page questionnaire was prepared and randomly sent to 240 consultants in each country. The names of the consultants were drawn at random from the SBDCs (Small Business Development Centers) in the USA and from consulting companies for start-up business in Korea. Fifty-three responses from the USA and 59 responses from Korea were received, for a total of 112 responses, yielding an average return rate of 27 percent. Surveys were discarded if they were not complete (n=12).

Respondent's Characteristics

Demographic variables of consultants are illustrated in Table 2. Seventy-six percent of the sample consisted of male consultants, and 24 percent consisted of female consultants. In terms of age, most of the respondent's portion in the U.S. (62 %) were 41 to 50 years old and Korea (52 %) were 31 to 40 years old. The area the Korean and USA consultants majored in at college was predominantly business (USA: 55 % and Korea: 65%).

The consultant's educational level was at least an undergraduate degree with the USA at 98 percent and Korean at 100 percent. These results explain why consultants need to have a special know-how and experience.

Many of the respondent's in the USA (61%) had more than 10 years of consulting experience, but the respondent's in Korea (62%) had less than 3 years. In terms of current positions, sixty percent of respondent's in the USA were middle managers and in Korea (55%) were first line managers. Table 2 shows the complete analysis of all the respondent's demographic characteristics.

Table 1: Determinants of Start-up Business in Korea

Marketing Factors

- Marketability: the customers demand for the product when it is introduced to the market
- Expected market share: the share of your item in the market compared to the total market share
- Distribution channel: availability of distribution/collection channel
- Pricing concerns: the item's competitiveness in terms of market price

Technological Factors

- Availability of core technology: the extent to which you have attained your core technology
- Availability of technical manpower: availability of technicians for production
- Technology intensity: the extent to which your core technology creates added value
- Availability of production technology: capabilities to attain and operate the technology required for production

Economic/Financial Factors

- Availability of factory/building site: the extent to which the factory sites are already attained
- Availability of machines and facilities: capability to secure machines and facilities
- Working funds/capital: availability of funds to acquire raw material, labor, manufacturing expenses etc.
- Profitability: expected profitability from the business

Governmental/Regulation Factors

- Governmental support: whether the business is entitled to request regulatory support from state (local) or federal (central) government
- Financial support of government: the range of the government's financial support to start-up (interest rate, period of repayment etc)
- Environmental issues: whether the business needs to consider juridical and/or social regulations with respect to environmental issues
- Tax support: whether the business is entitled to request support in terms of taxes

Managerial ability

- Raising capability of funds: capability of raising operating funds
- Marketing/service management capability: capability to conduct various marketing activities and provide appropriate services to customers
- Organization management capability: capability to manage an organization and human resources
- Forecasting capability: capability to forecast and analyze broader industries

Measurement

For the personal background of respondents in a categorical format, they were asked to indicate their sex, age, major at college, education level, consulting career and current position. For the determinants of start-up businesses, successful business start-up factors (five) were measured on a seven-point Likert type scale (1=very unimportant; 7=very important). These factors were already categorized within the survey of entrepreneurs and consultants in Korea (Lee, 1998). A reliability test on the final data revealed a Cronbach alpha coefficient of .85 in the Korea's data and .88 in the U.S.'s data for the scale item. Therefore, the scale was deemed highly reliable for this analysis.

RESULTS

Since the focus of this empirical study was on determinants of start-up businesses in Korea compared to those of U.S. counterparts, a bivariate analysis was deemed appropriate. Entrepreneurs were divided into two groups, general entrepreneurs and technical entrepreneurs. *t*-tests and chi-square analysis were utilized for comparison of characteristics of start-up businesses between the two countries.

The Personal Background of the Consultants

The first research question was to compare the personal background of Korea's consultants with their U.S. counterparts. Table 2 presents the statistical results of the Chi-square analysis. Four variables (sex, age, consulting career, current position) out of six significantly differentiated Korean consultants from U.S. consultants.

The majority (76%) of consultants were male, but compared to the U.S. counterparts there were many more male Korean consultants ($\chi^2 = 13.05$; $p < .001$). The majority of consultants in USA (83%) were over 40 years old but the majority in Korea was under 40 years old (70%). So Korean consultants tended to be younger and have more males compared to their U.S. counterparts ($\chi^2 = 84.14$; $p < .001$). In terms of educational backgrounds between each country, for example college degrees, and educational levels, there were no differentiations. Most of the consultants majored in business & economics and similarly had an undergraduate (42%) and a master degree (48%).

Sixty-two percent of consultants in Korea had less than 3 years consulting experience but sixty-one percent of USA consultants had more than 10 years of consulting experience. So, USA consultants had more years of consulting experience than their counterparts ($\chi^2 = 111.80$; $p < .001$).

Ninety-two percent of respondents in the USA were middle and top managers but seventy percent of Korean respondents were operatives and first line managers. So, USA consultants had higher current positions than their Korean counterparts ($\chi^2 = 121.25$; $p < .001$).

A COMPARISON OF START-UP SUCCESS FACTORS PERCEIVED AS IMPORTANT BY USA AND KOREAN CONSULTANTS

A series of *t*-tests were conducted on the means of the two groups' (Korea & U.S.) responses to 20 start-up business factors. A total of 12 start-up business factors were significant at a .05 level or lower. Table 3 presents start-up business factors of the mean scores of all respondents by 5 groups (marketing, technological, economic/ financial, governmental/ regulation, managerial ability factors), as well as the *t*-test results for 20 start-up business factors.

Table2: Chi-square Analysis of Personal Characteristics of Consultants

Demographic variable	USA (%) (n=53)	Korea (%) (n=59)	Total (%) (n=112)	χ^2 Test of Relation Between Consultants & Personal Characteristics
Sex				
Male	63	90	76	13.05***
Female	37	10	24	(df=1)
Age				
Under 30 Years	0	19	8	
31-40 Years	17	51	31	84.14***
41-50 Years	62	19	44	(df=3)
Over 50 Years	21	11	17	
Major at College				
Business & Economic	55	65	60	
Engineering	8	11	10	2.79
Others	37	24	30	(N.S.)
Education Level				
High School	2	0	1	
Undergraduate Degree	45	40	42	4.5
Master	47	50	48	(N.S.)
Doctoral Degree	6	10	9	
Consulting Career				
Less than 3 years	5	62	24	
4 – 6 years	13	21	15	111.80***
7 – 9 years	21	12	18	(df=3)
More than 10 years	61	5	43	
Current Position				
Operatives	1	15	6	
First Line Manager	7	55	27	121.25***
Middle Manager	60	13	41	(df=3)
Top Manager	32	17	26	

*** $p < .001$.
N.S. (Not Significant)

Expected market share (t=2.75; p<. 01), one of the marketing factors, was perceived to be slightly more important for Korean consultants (Mean=5.61). In addition, pricing concerns (t=4.79; p<. 001) were more important for Korean consultants (Mean=6.00) than for the USA consultants (Mean=4.88).

Availability of technical manpower, technology intensity, and production technology were shown to be more important for Korean consultants.

Availability of factory/building site (t=9.79; p<. 001), classified into economic/financial factors, was perceived to be more important for Korean consultants (Mean=6.35) than for their U.S. counterparts (Mean=4.60). And then, Availability of machines and facilities (t=6.06; p<. 001) were slightly more important for Korean consultants (Mean=6.01) than their USA counterparts (Mean=4.84).

Governmental/regulation factors (governmental support, financial support of government, environmental issues and tax support) were shown to be more important for Korean consultants than for their U.S. counterparts.

Forecasting capability (t=3.81; p<. 001), classified into managerial ability, was shown to be slightly more important for Korean consultants (Mean=5.96) than their U.S. counterparts (Mean=5.11).

Table3: Start-up Success Factors Perceived as Important by U.S. & Korean Consultants

		Mean		
Determinants	Total Mean	USA (n=53)	Korea (n=59)	t-value
Marketing Factors				
Marketability	6.07	6.03	6.11	0.31
Expected market share	5.25	4.88	5.61	2.75**
Distribution channel	4.88	4.81	4.94	0.54
Pricing concerns	5.44	4.88	6.00	4.79***
Technological Factors				
Availability of core technology	4.76	4.86	4.66	-0.97
Availability of manpower	5.45	5.01	5.88	5.12***
Technology intensity	4.86	4.31	5.40	5.14***
Availability of production technology	5.27	4.83	5.71	4.10***
Economic/Financial Factors				
Availability of factory/building site	5.48	4.60	6.35	9.79***
Availability of machine and facilities	5.43	4.84	6.01	6.06***
Working funds/capital	5.73	5.90	5.55	-1.51
Profitability	5.25	5.30	5.20	-0.43
Governmental/Regulation Factors				
Governmental support	4.46	3.91	5.00	4.17***
Financial support of government	4.61	3.69	5.52	8.44***
Environmental issues	4.63	4.16	5.10	3.88***
Tax support	4.54	3.77	5.30	5.69***
Managerial Ability				
Raising capability of funds	6.19	6.05	6.33	1.22
Marketing/service mgmt. capability	5.83	5.84	5.81	-0.14
Organization management capability	5.83	5.88	5.77	-0.45
Forecasting capability	5.53	5.11	5.96	3.81***

* p < .05. ** p < .01. *** p < .001.

Standard deviations and the entire list are available from the authors upon request.
Score from 1(very unimportant) to 7(very important).

CONCLUSION AND DISCUSSION

Despite the rapidly growing area of global entrepreneurship in recent years, very little is known about the characteristics of this sector including research on factors about start-up business. The primary goal of this study was to evaluate the different factors between the USA and Korean consultants for start-up business.

In terms of personal background, four demographic variables (sex, age, consulting career, current position) out of six significantly differentiated Korean consultants from USA consultants. For example, the fact that the Korean consultants are younger and have less consulting experience are interrelated. This could be interpreted to mean that the consulting

profession might be much more recent in origin in Korea in general. Also, our study found that a higher percent of the Korean consultants held lower level managerial positions relative to the USA consultants, even though on average the latter were more highly educated. This difference could be partly explained by the fact that Korean consultants professionally started to consult only in the last few years. The other variables (major at college, education level) do not differentiate Korean consultants from USA consultants at a significant level.

This study analyzed the differences of characteristics on determinants of start-up businesses between Korea and the USA and used *t*-tests for this analysis. It was found that a total of 12 start-up business factors were significantly different in Korean consultants compared to their USA counterparts at a .05 level or lower.

Expected market share and pricing concerns, classified into marketing factors, were perceived to be slightly more important for Korean consultants than for their USA counterparts. This may be due to the fact that as Korean firms increase their service quality and reputation, they also increase their price. Technical manpower, technology intensity and availability of production technology, classified into technological factors, were perceived to be slightly more important to Korean consultants than to their U.S. counterparts. This may be due to the fact that Korea imports much of the related technology for start-up business and Korea is more production driven. Also, this result may be different because entrepreneurial style may be either general/opportunistic entrepreneur or technical/craftsman entrepreneur.

Availability of factory/building site and availability of machines & facilities, classified into economic/financial factors, were perceived to be slightly more important to Korean consultants than to their USA counterparts. These factors may seem to be more important to Koreans because these are scarce resources in Korea compared to the large availability of resources in the U.S.. Governmental/regulation factors (governmental support, financial support of government, environmental issues, tax support) turned out to be slightly more important to the Korean consultants. This could be interpreted to mean that Korean businesses depend on their government for support much more than U.S. businesses do. Forecasting ability, classified into managerial ability, was perceived to be more important to Korean consultants than their USA counterparts. The ability to forecast demand could be very useful when operating a business in the fluctuating Korean economy.

Overall, there seems to be a significant difference between the attributes and factors considered important by consultants in Korea and the USA. However, some of these differences might be related to cultural or governmental differences. Nevertheless, the consultants in Korea or the USA will garner the skills and abilities necessary to succeed.

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