A Study on the Entrepreneurship and Marketing Activity in Distribution & Service*

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Abstract

Purpose – This research identified the factors to be considered when CEOs establish small companies and improve their businesses by analyzing the effects of their entrepreneurship and marketing activities on the business performance of small companies and suggested measures to utilize them strategically.

Research design, data, and methodology – The research conducted a survey for companies located in Busan, and Gyeongnam area in Korea. To verify the model and hypothesis mentioned above, relevant items were allocated to each variable.

Results – the research found that the innovation of entrepreneurship negatively affects formalization and centralization along with the propensity for risk-taking which negatively affects all the characteristics of an organization's structure. It was also found that the pro-activeness which was rejected in the selection and verification of hypothesis is the CEOs characteristics which positively affect all of the organization type are contrary to the initial hypothesis.

Conclusions – The results of these efforts will positively contribute toward developing a start-up strategy helpful for small companies CEOs, to change the business environment proactively, to operate their organization efficiently and to develop market-oriented marketing activities and objectives. This research found the role of market-oriented characteristics demanded by the CEO to overcome organizational structure, business innovation and bad business situations

Keywords: Entrepreneurship, Marketing Activity, Mediating Effects, Organizational structure, Market Orientation.

JEL Classifications: L1, L10, L16, D3, M14.

1. Introduction

1.1. Purpose of Research

Recently, small business owners have been following the abolition of the unique industry system. Large companies have entered the service industry and wholesale and retail sectors. Consumers' cognitive, affectional, and intentional loyalty levels are relatively higher than those of small businesses and traditional wholesale and retail trade. The reason for this can be interpreted as consumers' habitual purchase tendency (Action inertia). Due to the loyalty of consumers in their habitual purchasing tendencies, the management of SMEs and SMEs is becoming more difficult. Therefore, it is an issue that the inclusion of small businesses as a suitable industry should be included in the revision of the win-win law. In this study, however, we intend to conduct research in an internal management environment rather than an external management environment. The purpose of this study is to investigate the role of entrepreneurship in the retail industry through the intermediary path of entrepreneurship (Suh, Kim, & Suh, 2015).

Various research approaches on SMBs and the direction of marketing studies that can be practically applied to

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government policies seem to contribute greatly to the development of the Korean marketing area (Suh, Seo, & Yoon, 2011a; Suh, Hong, Jin, & Jo, 2012).

Therefore, the research will find the factors that founders need to pay attention to SMB foundation and business improvement meetings by analyzing the effect of SMBs management entrepreneurship and marketing activities on business performance and suggest the way to utilize them strategically (Sara & Yi, 2016; Muhammed & Sara, 2013). This research could suggest internal and external factors that CEOs should emphasize when developing a foundation and marketing strategy and further provide basic data for the government's policy making for SMBs from an academic point of view.

2. Theoretical Background and Prior Study

2.1. Entrepreneurship, Organization Structure, and Business Performance

This study has the purpose of an empirical experiment of strategy and structure. This study examined the causal relationship between entrepreneurship and organizational structure. Then, we examined what kind of market orientation was possessed by organizational structure. This process is a causal analysis of what strategies are affected by the type of organization. Especially, in the case of wholesale and retail business, the market orientation can make the choice of organizational structure different. For example, a market-oriented wholesaler can choose a customer-or region-centric structure rather than a product and more flexible structure for the customer. Of course, this study will be analyzed by structural equation model (Lisrel Program). The results of the structural equation model will provide sufficient strategic implications (Suh et al., 2012).

Traditionally, entrepreneurship has been treated as core element to achieve outstanding business performance. Accordingly, many precedent researches tried to identify the effect of CEOs' demographic characteristics such as gender, age, academic background, experience or background, psychological and behavior characteristics on business performance (Begley & Boyd, 1987; Yoon & Suh, 2003; Ryu, Swinney, Muske, & Zachary, 2012).

In this situation, the entrepreneurship can be defined as business process, practical work carry-out and organizational propensity required to operate company such as innovativeness, risk taking, and proactiveness (Matsuno, Mentzer, & Ozsomer, 2002). Among them, the innovativeness can be defined as new idea creation, new product, various tests, various and creative work process, etc as well as has been focused as an important subject of business research together with risk-taking propensity. The risk-taking propensity can be defined as CEOs' will to take

risk to achieve good business opportunity. The pro-activeness is creativity that a company challenges for the first time in its area to obtain an advantage, target setting in order to segment premium-level markets, pricing activities for high price and skimming to be better than competitors in its market (Zahara & Covin, 1995).

The researches on organization structure have considered as formalization, centralization, and departmentalization at the beginning time. The formalization is defined as relationship by role and authority, communication, criteria, permission and process of Norma concept and degree of organization formalization on procedures in organization operation characteristics. The centralization is defined as level and permission of delegation on the authority of decision making right on wide range of organization and participation formed by organization members. Finally, the departmentalization is defined as the level of separation and co-existence that a department is independent and distinguished for the behavior of organization. Recently, it is highlighted again in terms of professionalization as departmentalization.

This research defines organizational structure with three concepts for formalization, centralization, and departmentalization entrepreneurship, the independent variable considering Korean characteristics and situations of small and medium business. Now, the research reviews the result of precedent researches on the effect of entrepreneurship on organization structure.

Matsuno et al. (2002) defined innovativeness, risk taking, and proactiveness as a wide single concept of entrepreneurial proclivity. But each path on each characteristics of entrepreneurship was not identified. The research found that overall entrepreneurship affects organization structure negatively. Jaworski and Kohli (1993) started the research assuming that organizational structure negatively affects market orientation and finally found that the standardization and centralization of organization structure negatively affect information creation and distribution of market orientation as well as market response.

Caruana et al. (1998) divided organization structure into two perspectives - formalization and centralization and defined the centralization as a forced power in determining and giving a direction of work. They thought that standardization acts as a hindrance against innovative activities at company starting stage but becomes a driving force to positively act for the companies in business implementation and expansion stages.

The research hypothesis is set as follows: High centralization makes low entrepreneurship and increased formalization improves entrepreneurship. After verification, it was found as contrary, that centralization puts restraints on entrepreneurship and that standardization affects entrepreneurship positively.

Currently, the research on the effect of entrepreneurship on organization structure is in the initial stage in Korea, and

even exact theory is not properly established. In this situation, if the study examines variate strictly with a structural equation model based on multiple regression analysis to identify the effect of entrepreneurship on organization structure, it will become more complicated than previous researches.

Therefore, the research can infer that entrepreneurship negatively affects formalization, centralization, and departmentalization of the SMB organization operation which is different from general venture's business performance due to their refined vision, strong leadership and high risk-taking propensity. As found in these precedent researches, the research divided entrepreneurship into three concepts innovativeness, risk taking, and proactiveness and expected these leading variables will significantly affect organization structure and business performance in different directions. Then the researches make the following hypothesis.

<H1> The entrepreneurship will negatively affect the
　　 formalization of organization structure.
　<H1a> The innovation will negatively affect the
　　　　 formalization of organization structure.
　<H1b> The risk-taking will negatively affect the
　　　　 formalization of organization structure.
　<H1c> The proactiveness will negatively affect the
　　　　 formalization of organization structure.
<H2> The entrepreneurship will negatively affect the
　　 centralization of organization structure.
　<H2a> The innovativeness will negatively affect the
　　　　 centralization of organization structure.
　<H2b> The risk taking propensity will negatively affect
　　　　 the centralization of organization structure.
　<H2c> The proactiveness will negatively affect the
　　　　 centralization of organization structure.
<H3> The entrepreneurship will negatively affect the
　　 departmentalization of organization structure.
　<H3a> The innovation will negatively affect the
　　　　 departmentalization of organization structure.
　<H3b> The risk taking will negatively affect the
　　　　 departmentalization of organization structure.
　<H3c> The pro-activeness will negatively affect the
　　　　 dartmentalization of organization structure.
<H4> The entrepreneurship will positively affect business
　　 performance.
　<H4a> The innovativeness will positively affect business
　　　　 performance.
　<H4b> The risk taking will positively affect business
　　　　 performance.
　<H4c> The proactiveness will positively affect business
　　　　 performance.
<H5> Marketing activities will positively affect market
　　 orientation.
<H6> Marketing activities will positively affect business
　　 performance.
<H7> The formalization type of organization structure will

negatively affect market orientation.
<H8> The centralization type of organization structure will
　　 negatively affect market orientation.
<H9> The departmentalization type of organization
　　 structure will negatively affect market orientation.

2.2. Market Orientation and Business Performance

Until now, many researchers identified that market orientation positively affects business performance. Kohli and Jaworski (1990) defined market orientation as a group of faith considering customers interest with a priority to develop long-term profit of companies. Jaworski and Kohli (1993) investigated the effect of market orientation on customer attitude and behavior as well as benefit in terms of employees. The research found that employees working for customer satisfaction have self-confidence and employees achieving their objective feel individual accomplishment and have the feelings of belonging. and the others researched the effect of market orientation on business performance. They divided employees into sales area and administrative area and investigated them. As a result, they found that in cases where employees face customers directly in the sales area, market orientation highly affects business performance. But in cases of employees in the administrative area, business performance is more highly affected by strategy than by market orientation.

Matsuno et al. (2002) investigated market performance in market share, and the sales ratio and ROI of new product in total sales and suggested interesting research result that market orientation does not affect market share and new product sales ratio negatively affects ROI.　Suh et al. (2010, 2012) found that if formalization and officialization　are high and confliction between departments is low, the market orientation is high in the research of hotel companies. The research reconfirmed that if market orientation becomes higher, a differentiation strategy is used and market performance is achieved by an intervening role of employees' satisfaction.

As we have seen the above, market orientation as a competitive advantageous strategy provides an instruction for the direction that a company seeks and directly affects business performance. The market orientation has been made a close relationship with business performance in terms of competitiveness achievement. As a result, the research found that if the market orientation is sought with a long-term perspective, positive result can be achieved. Also, the research pointed that post research is required for the fact that company with low market orientation eventually shows low financial performance. Considering these discussions, market orientation will positively affect business performance if the process to create and spread a wide sense of information to properly respond the necessity and preference of customer is developed and the response to customer is improved(BanNir, John, & Pat, 2003; Siu, 2002).

As shown in these precedent researches, the research assumes that market orientation significantly affects quality level of product, growth ratio, company image level and business success, etc and has established the following hypothesis.

<H10> The market orientation will positively affect business performance.

3. Research Model and Hypothesis Setting

3.1. Research Model

Through research on above literatures, the research carried out a study on the following structure model as shown in the <Figure 1>.

In this situation, the entrepreneurship can be defined as business process, practical work carry-out and organizational propensity required to operate company such as innovativeness, risk taking, and proactiveness (Matsuno et al., 2002).

The researches on organization structure have considered as formalization, centralization, and departmentalization at the beginning time. The formalization is defined as relationship by role and authority, communication, criteria, permission and process of Norma concept and degree of organization formalization on procedures in organization operation characteristics. The centralization is defined as level and permission of delegation on the authority of decision making right on wide range of organization and participation formed by organization members. Finally, the departmentalization is defined as the level of separation and co-existence that a department is independent and distinguished for the behavior of organization. Recently, it is highlighted again in terms of professionalization(Caruana et al., 1998).

Kohli and Jaworski (1990) judged that market orientation is an organization that creates, spreads and responds a wide sense of market information. Based on the concept of research constructs of these researchers, they were developed as a scale. Operational definition and measurement scale of this research construct revised the previous researcher's scale.

4. Research Demonstration Analysis

4.1. Collection of Empirical Data

The research conducted a survey for companies located in Busan, and Gyeongnam area of the Distribution Retail & Service. To verify the model and hypothesis mentioned above, relevant items were allocated to each variable.
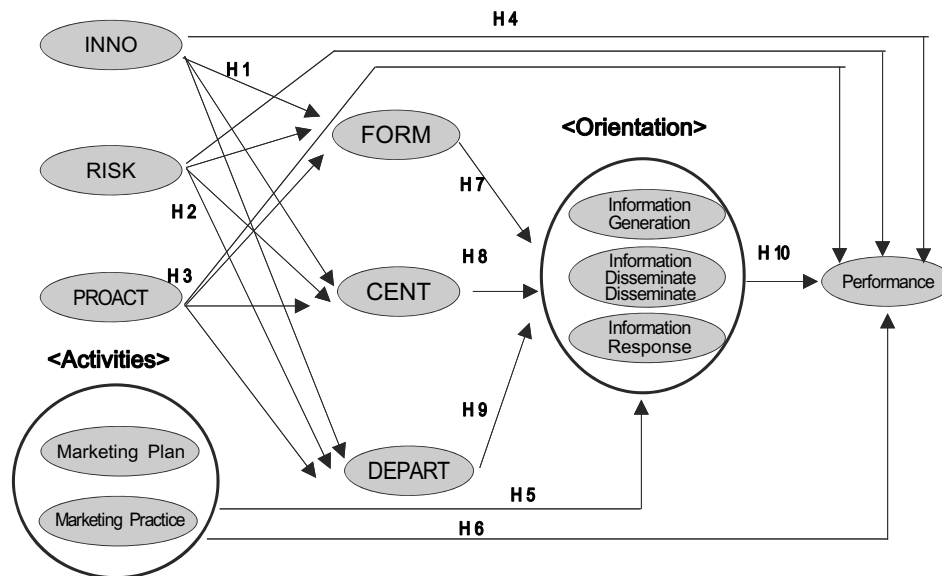
<Figure 1> Concept of research model

4.2. Research Model Analysis and Hypothesis Verification

Demographic characteristics of the sample analyzed to carry out this research are as follows: Of 255 CEOs, 180 men (51.6%), 109 were university graduates (51.2%) and 94 were below high-school graduate level (70.6%). In the age category, 115 (48.1%) people were in their forties, 75 people (29.4%) were in their fifties, 18% were in their thirties and 4.7% were in their twenties. Most of the people were married (89.80%). 128 companies (50.8%) operate wholesale and retail business, 84 (17.3%) companies were service businesses, 53 (26.8%) companies were food and accommodation businesses and 25 (9.8%) companies were manufacturing and sales businesses.

If we see business characteristics of respondents, 204 (80%) companies have capital stock valued less than one hundred million won and 51 (20%) companies were valued from one hundred million won to seven hundred million won. 245 (96.1%) companies had between ten to fifty employees (3.9%) companies had from ten to fifty employees. 36 (14.1%) companies have experienced success in their previous businesses and 24 (9.4%) companies has past failures. Currently, the samples of Korean CEOs are equally distributed in Korean situation.

4.2.1. Verification of Reliability

In the research, the reliability was analyzed using Cronbach's alpha to review the internal consistency of the criteria measured with various items to identify twelve (12) measurement variables. Of the measurement variables, one variable to reduce α value has been removed from the CEO's pro-activeness. After refining nine criteria that hinders single dimension in a confirmatory factor analysis process for validity review, Cronbach's alpha for the final measurement concept is shown as Minimum .852 and Maximum .952.

This is a value that exceeds the permissible criteria for alpha (α = .70) suggested by Nunnalley (1978). It is shown that each item measuring each component concept has a high reliability. Measurement item and reliability by specific research concept are as shown in <Table 1>.

4.2.2. Verification of Validity

After reliability analysis, the verification of validation was reviewed in three stages using SPSS12.0 (Statistical Package for the Social Sciences) and LISREL 8.5. (Linear Structural Relations) First, a factor analysis was started using SPSS 12.0. As there are many measurement items, they are divided into exogenous variables and endogenous variables. In accordance with the principal component analysis using the Varimax method, an exploratory factor analysis was conducted. First, the group of exogenous variables was divided into four factors after randomly extracting the group with four factors. Of these loadings, the minimum value is .69 which is highly loaded. It is found that the maximum value of loadings of items classified as other factors was .39 which was loaded low.

In the group of endogenous variables, the research decided the number of factors to be four according to the research concept and analyzed them. The business performance was excluded from the factor analysis as it is a formative scale measured variable. As a result of a factor analysis where one independent variable is excluded, the minimum value of loadings of the same factors was .61 which was highly loaded. The maximum loading of the item classified as other factor was .41. This result shows that each of the measurement items have discriminate validity. The concept of this study is very many. The largest variable was added to the factor of the conventional structural equation.

<Table 1> Reliabilities for Variables of Study

Study Variables		Measure Item		Cronbach's α
		Reliability	Validity	
Entrepreneurial Orientation	Innovativeness	4	3	.930
	Risk Taking	4	3	.912
	Proactiveness	3	3	.946
Marketing Activities	Planning	5	3	.918
	Practice	5	3	.894
Structure Organization	Formalization	4	3	.942
	Centralization	4	3	.952
	Departmentalization	4	3	.852
Market Orientation	Information Generation	3	3	.908
	Information Disseminate	3	3	.920
	Information Response	3	3	.904

<Table 2> Exploratory & Confirmatory Factor Analysis

Variables	Measure Variables	E.F.A Loading*				C.F.A Loading
		Factor1	Factor2	Factor3	Factor4	t-value
Entrepreneurial Innovativeness	INO1 INO2 INO3	0.810 0.837 0.827				18.78 17.19 18.31
Entrepreneurial Risk Taking	RIS1 RIS2 RIS3		0.821 0.857 0.800			18.14 18.86 15.83
Entrepreneurial Proactiveness	PRO2 PRO3 PRO4			0.695 0.774 0.808		16.09 14.76 15.04
Marketing Activities	PRAC PLAN				0.750 0.724	16.18 17.25
Eigen Value		6.87	1.00	0.92	0.47	
R^2 = 84.34		24.52	24.47	21.44	13.90	
Variables	Measure Variables	E.F.A Loading				C.F.A Loading
		Factor5	Factor6	Factor7	Factor8	t-value
Formalization	FOR2 FOR3 FOR5	0.865 0.692 0.821				13.43 17.31 18.00
Centralization	CEN3 CEN4 CEN5		0.842 0.840 0.821			19.02 19.89 19.44
Departmentalization	DEP1 DEP2 DEP3			0.675 0.612 0.719		14.07 15.72 13.01
Market Orientation	GENE DISE RESP				0.836 0.822 0.805	17.97 18.95 18.20
Eigen value		7.70	1.14	0.69	0.48	
R^2 =83.55		26.10	23.12	18.20	16.12	

* Exploratory Factor Analysis : Factors were extracted by the component analysis and Varimax rotation method.

Therefore, this study shows that the final dependent variable (e.g., performance) can only be omitted in factor analysis. These results are considered to be acceptable because they fit the GFI in the structural equation model (Tax, Brown, & Murali, 1998). The verification result of the specific convergent validity and confirmatory factor analysis is as shown in <Table 2>.

Second, the confirmatory factor analysis including all research concepts and measurement items was conducted. The correlation data of all items except fourteen (14) items excluded from reliability analysis and exploratory factor analysis process was obtained from PRELIS and used them as basic data for the confirmative factor analysis.

For analysis, the items of high modified exponent which obstructs uni-dimensionality according to 2-step approach insisted by Anderson and Gerbing (1988) were removed. Plan management in marketing activities, one variable in customer management and one variable in market orientation were removed additionally.

As a result of review of convergent validity through the confirmatory factor analysis, all measurement items were significant at p< .01. Min. value t of factor loadings was 13.01 which means that all measurement items suggested by research model have convergent validity sufficiently.

For the third verification approach of validation, the paired comparison analysis was conducted that compares nine research concepts in each pair. For the comparison between models, the research compared non-constraint model that freely estimates an inter-relationship between two latent variables and constraint model that constraints an inter-relationship to 1.

In the comparison of all 27 pairs, the difference of χ^2 value of two models all exceed the $\chi^2(1)$=3.84, the threshold at p< .05. Each research concept has discriminant validity as constraint model has bigger χ^2 value than non-constraint model in all pairs.

Also, marketing activities and market orientation were analyzed with the multi-dimensional structure factor in this measurement variables. For marketing activities, two variables of plan and practice were identified with the multi-dimensional structure factor. For market orientation, three variables of marketing information acquisition, information spread and response on market information were identified with the multi-dimensional structure factor. These aggregation process used a aggregation analysis method to analyze the multi-dimensional structure model of Tax et al. (1998). As a result of verification of the measurement model for measurement items after analysis of reliability and validity, the fitness was χ^2=455.06(df=263, p= .000) which is significant. In the other fitness index, the fitness was RMSEA= .036, RMR= .042, NFI= .93, NNFI= .96, CFI= .97, GFI= .88, and AGFI= .84 which was confirmed as it is no problem to analyze the structural

model. An average, standard deviation and correlation are shown in <Table 3>.

4.2.3. Verification of Hypothesis

To verify the hypothesis of this research, covariance structural equation model was analyzed with the SIMPLIS using Lisrel 8.50. The data used for analysis is raw data made through PRELIS. It is a correlation matrix of measurement items that pass through refinement process by measurement model fitness analysis. There are 11 x variables, these are independent variables. The y variables are 13 dependent variables and mediating variables. The number of variables represents the number of manipulated variables of the measured variables.
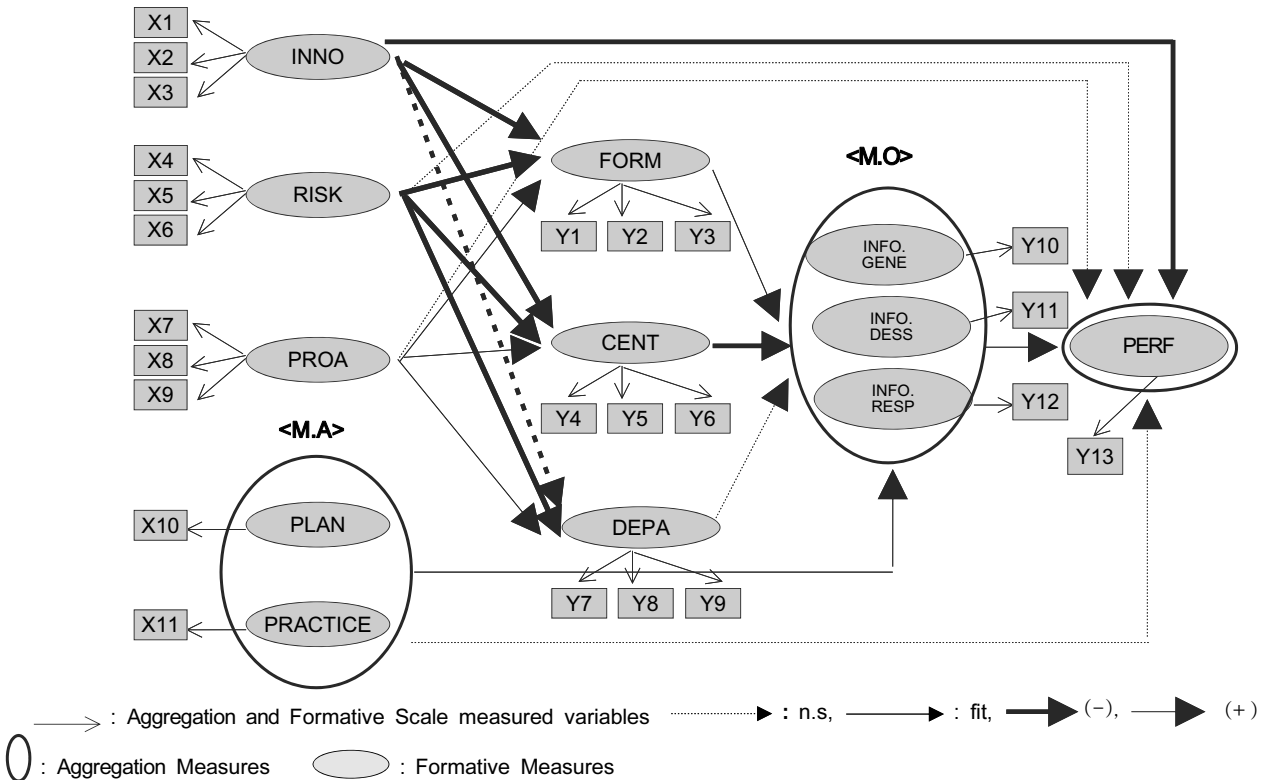
Also, to overcome the problem that the measurement variables of this research have more items than general analysis, the research converted into DSF file instead of directly applying Covariance Matrix of ETA and KSI result to analyze data with more advanced method. Of component concepts suggested by research model, two variables - marketing activities and market orientation were selected as Aggregation concept, multi-dimensional structure factors.

As a result of these analysis, the fitness value of research model was calculated as χ^2=480.16 (df=229), RMSEA=0.066, NFI=0.92, NNFI=0.95, CFI=0.96, GFI=0.86, RMR=0.04 and overall model fitness of index is shown as good. The measurement variable result of the Aggregation and Formative Scale analysis is as shown in <Figure 2>.

<Table 3> Correlation, Mean, Standard Deviation

	Mean	S.D	FORM	CENT	DEPA	M.O	PEF	INNO	RISK	PROA	M.A
FORM	3.62	1.02	1.00								
CENT	3.63	1.17	0.75**	1.00							
DEPA	3.35	1.12	0.70**	0.72**	1.00						
M.O	3.05	1.29	0.66**	0.60**	0.75	1.00					
PEF	3.34	1.13	0.66**	0.61**	0.72**	0.83**	1.00				
INNO	2.85	0.95	0.42**	0.32**	0.54**	0.78**	0.64**	1.00			
RISK	3.02	1.01	0.45**	0.38**	0.53**	0.68**	0.61**	0.63**	1.00		
PROA	3.41	0.97	0.62**	0.61**	0.64**	0.77**	0.71**	0.63**	0.64**	1.00	
M.A	2.98	1.08	0.58**	0.58**	0.72**	0.87**	0.83**	0.70**	0.63**	0.73**	1.00

** : p< .01,   * : p< .05

<Figure 2> Aggregation and Formative Scale analysis

The result of the <Hypothesis 1> identified the role of entrepreneurship for organization structure newly. It was found that CEOs who have high innovation and risk-taking propensity operate low-standardized organization structure instead of highly standardized organization structure.

This result shows that innovation and risk-taking propensity are not helpful to effectively lead employees, to supervise working rules and to stabilize organization operation in an early time and even it shows interesting implication that pro-activeness improves the standardization of organization.

The interesting implication found in the <Hypothesis 2> is CEOs progressive start-up entrepreneurial proclivity. Instead of vague uneasiness to various business environment change, risk-taking propensity and innovative challenge, CEO's positive mind to business environment and pro-activeness that develop new business partners and good business opportunity with harmonized employees can be helpful to operate an effective and concentrated organization based on practical base, the result of disproof.

This result founded new fact on the path and structural role related to CEO's pro-activeness and characteristics of organization structure. It told us that CEO's pro-activeness to be the leader in his/her area in this bad economic situation is the most important issue in Korean situation.

The result of the <Hypothesis 3> is a comprehensive concept of conscious characteristics as like the result of Matsuno et al. (2002), Jaworski and Kohli (1993)'s research. It was generally similar to the result that overall CEO entrepreneurial proclivity negatively affected organization structure. The result on correlation path and structural role of entrepreneurship divided with pro-activeness, risk-taking propensity and innovation to the organization structure of formalization, centralization, departmentalization is the verification of the hypothesis which was not researched before. The findings of the research is that CEOs whose risk-taking propensity and proactiveness are higher focus their organization operation characteristics to professionalization.

The result of the <Hypothesis 4> is generally similar to the research result of Caruana et al. (1998). The fact that entrepreneurship is not directly linked to business performance shows one side of modern business environment that high entrepreneurship will not always lead to successful business.

The result of <Hypothesis 5> is the same as those of Dunn et al. (1986), Siu (2002). Especially, the higher marketing activities is then the higher marketing orientation is. This implies that marketing activities directly affect market orientation. The result of <Hypothesis 6> is contrary to the result which is related to findings and concept of new variables such as additional business immersion, etc. Actually, it shows the necessity of empirical study that proves it is separated.

In <Hypothesis 7>, the result shows that if the level of formalization becomes higher, the market orientation in turn becomes higher which differs from the research result of Matsuno et al. (2002). In the Korean situation where market structure is not complicated and simple sales and a defined retail path are established, it is definitely different from the

fact that the market orientation of only professionalized organizations has an negative effect. It shows another point of the Korean situation.

In the <Hypothesis 8>, the research result was contrary to that of Matsuno et al. (2002) and the same as that of Jaworski and Kohli (1993). The centralization of organization structure negatively affects market orientation. If founders' organization centralization is low, it can increase market orientation by prompt and customer-oriented judgement and reaction. Considering that the scope of sales target is large and the frequency is high in business environment, highly centralized organization operation against new market situation has long work approval and decision line which does not enable immediate response and reaction against customer and market response.

In the <Hypothesis 9>, departmentalization in the organization structure does not affect market orientation significantly which is different from existing researches results. It seems that SMB employees have insufficient ability to show that their spontaneous and proactive attitude significantly affect market orientation when their behavior and objectives are respected for their jobs and departmentalized as professionalized.

In the <Hypothesis 10>, the market orientation variables were aggregated as three concepts - acquisition of market information, its creation and response and execution. The research established the hypothesis that market orientation positively affects business performance using aggregate analysis method to identify multi-dimensional structural model. As the market orientation in the <Hypothesis 10> positively affects start-up performance, it was adopted. This research result is the same as those of Matsuno et al. (2002), Jaworski and Kohli (1993). If the market orientation gets higher, business performance gets better. If summarizing the research result of structural model, it is as shown in the <Table 4>.

<Table 4> Estimation Results

Hypothesis	Path Parameters		Path Coefficients	t-value
H1a	γ_{11}	INNO → FORM	-0.31	-2.95**
H1b	γ_{12}	RISK → FORM	-0.47	-4.08**
H1c	γ_{13}	PROA → FORM	1.43	9.23**
H2a	γ_{21}	INNO → CENT	-0.54	-4.86**
H2b	γ_{22}	RISK → CENT	-0.55	-4.72**
H2c	γ_{23}	PROA → CENT	1.64	11.24**
H3a	γ_{31}	INNO → DEPA	-0.15	-1.56
H3b	γ_{32}	RISK → DEPA	-0.34	-3.20**
H3c	γ_{33}	PROA → DEPA	1.30	9.47**
H4a	β_{51}	INNO → PERF	-0.33	-3.39**
H4b	β_{52}	RISK → PERF	-0.01	-0.16
H4c	β_{53}	INNO → PERF	-0.05	-0.28
H5	γ_{44}	M.A → M.O	0.97	12.60**
H6	γ_{54}	M.A → PERF	-0.63	-1.09
H7	β_{41}	FORM → M.O	0.12	2.50
H8	β_{42}	CENT → M.O	-0.15	-2.58**
H9	β_{43}	DEPA → M.O	0.06	0.89
H10	β_{54}	M.O → PERF	1.93	3.11**

NOTE: All significance tests are based on two-tailed t-test.
**= p< .01,   *= p< .05

5. Conclusion

5.1. Research Result and Strategic Implication

This result tried to identify variables in the whole point of view which are directly inducing or intervening successful SMB start-up in terms of structural relationship. The research divided CEOs' characteristics into innovation, risk-taking propensity and pro-activeness and found that these characteristics are important factors that determine SMB business performance.

In the correlation between marketing activities and market orientation, the marketing activities affect market orientation as an antecedent variable which is a related concept. Actually, the research proved empirically that it is a separated concept. In addition, it has been seemed that the characteristics of SMB's organization structure has no relationship with CEOs' characteristics and market orientation in current Korean situation. However, the research found new and interesting fact that marketing activities significantly affect market orientation and business performance. When considering these theoretical implications, the research result provides the following strategic and practical implications which can be used for start-up of small companies.

First, this research identified entrepreneurship with three concepts and empirically showed that these factors have a structural relationship and role to organization operation characteristics and market orientation and eventually play a critical role for successful start-up of small companies. The research found that innovativeness negatively affects formalization and centralization. Also the risk taking propensity negatively affects the three characteristics of the organization structure of the CEO's characteristics. It was also found that proactiveness is a characteristic of entrepreneurship which affects all organization types positively contrary to the initial hypothesis even though it was rejected from the hypothesis selection and verification process. If the research suggests important characteristics of small company CEOs, then CEOs need to gradually lower their innovation and risk-taking propensities, to establish the objective to be a leader and further to select proactiveness as their core capability and go about to develop it.

Second, the research separated CEO's characteristics and marketing activities and empirically identified how these exogenous variables affect start-up performance. In the structural equation model, only innovation negatively affects start-up business performance and marketing activities do not affect start-up performance which is different from expectation. It was unexpected result and showed new structural relationship between CEOs characteristics and marketing activities which was not found before. The result showed that it is effective that consciousness and characteristics of CEOs of small companies need to operate high formalized and low centralized organization structure

and have significant market-oriented marketing activities to reach meaningful start-up performance.

As practical implications which must not be ignored at working practice, the research showed that even though 19 marketing activities are high, they do not positively affect business performance and sales increase all the time. It highlighted important role of market-oriented direction setting at marketing strategy development. Also, it empirically proved that marketing activities was related to the concept as a precedent variable of market orientation but actually separated concept. As like this, marketing activities and entrepreneurship need to obtain accurate market information for market situation in accordance with 3-stage approach, implement an appropriate design and take an effective action by reprocessing these information suitable for the situation of company and market.

Third, the formalized organization positively affects and the centralized organization negatively affects market orientation which is different from expectation.

This result says that small companies could achieve meaningful business performance by establishing proper business system and framework, as Korean small companies have weak organization and their operation system is not established. Therefore, the whole of organization structure in small companies can maximize business performance based on market-oriented attitude by clarifying proper business rule and process for performance when employees carry out their work. The fact that the centralization negatively affects market orientation means that the if CEOs reinforce the centralization of authority to control at its decision in organization, the prompt response to market response is decreased. It shows that it is desirable that CEOs of small companies lead their company to the direction that reduces the level of supervisor's work approval, the level of sanction to employee's behavior, the level of employees' approval on supervisor and the level of participation of manager's independent decision for new work.

Fourth, the researches on market orientation were conducted with slightly different concepts by each researcher. This research based the research of Matsuno et al. (2002) and established it again by expanding their theory with more systematic approach and form.

As a practical implications of this research model, the research found that CEO's characteristics directly or indirectly affects business performance through organization structure and market orientation and marketing activities reach business performance through market orientation, the parameter. This result found that it facilitates desirable result to increase pro-activeness of small companies CEO's entrepreneurship and restrain excessive innovation on business improvement to improve business performance of small companies. In the operation of organization structure, the research found that small companies try to establish the formalized frame but to restrain excessive centralization of decision line for market orientation and business

performance.

Finally, the research found that four independent variables have direct and indirect effect on start-up performance as a result of post analysis even though the research did not draw hypothesis and verify them. The result was -0.27(t -2.92) for innovation, -0.01(t -0.10) for risk-taking propensity, -0.03(t -0.15) for pro-activeness and 1.24(t 5.99) for marketing activity which significantly affects business performance.

The implication from this result is that CEOs need to develop marketing program, practicable in work place suitable for current business environment and market situation and to raise its application ability.

Based on empirical verification result, CEOs of small companies need to participate in various economic forums and CEO programs to improve CEOs talent for good business performance and try to develop and facilitate marketing activity reinforcement programs through participation in professional training for marketing professionals.

When summarizing research result as above, it is necessary to operate organization with positive and proactive attitude suitable for business environment and activities for bad situation overcoming and business innovation instead of excessive innovativeness and risk taking propensity. Also, the formalized organization frame suitable for small companies in Korean situation need to be established in an early time. Also, CEOs drive organization members to efficiently and immediately take an action for market response through low-centralized organization operation. The result of this effort will contribute to start-up strategy, initiative change for business environment, CEO's efficient operation of organization, and market-oriented marketing activity in a

positive and implicated way.

As a result, individual ability and entrepreneurship characteristics of CEOs will effectively drive meaningful result on business performance to develop independent and proactive Korean-type small companies with effective organization frame.

5.2. Limit of Research and Future Direction

Regardless of theoretical, and practical contribution and marketing implications, the limitation of research and future direction can be summarized as follows;

First, the selection of main determinating variable had limitation. There are quite various variables in determining SMB's start-up performance. In this perspective, it was necessary to review additional variables to show various values such as business immersion, capital operation, finance management, business item, product life-cycle, etc. In the concept of marketing activities, various factor variables such as sales management, sales promotion and service management exist. If the research approached in a comprehensive point of view including these variables, it is expected that more strategic implications were drawn.

Second, it is necessary to sophisticate the relationship and component concept of the suggested assumptions. For this, situational variables such as CEOs' demographical propensity for company characteristics and business immersion needed to be introduced to identify their control effect. There might be much change and various implications in the relationship between parameters and antecedent variables depending on various situation change such as the degree of involvement.

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