

**UNIVERSITY OF NEW ENGLAND  
DEPARTMENT OF ACCOUNTING & FINANCIAL MANAGEMENT**

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**THE ATTRIBUTES OF THE SMALL BUSINESS, THE COMPETENCIES  
OF ITS OWNER / MANAGER AND THEIR RELATIONSHIP TO THE  
PERFORMANCE OF THE SMALL BUSINESS**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTER OF ECONOMICS  
AT THE UNIVERSITY OF NEW ENGLAND, ARMIDALE.**

**DECEMBER 1995**

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## **Certification**

I hereby certify that the substance of this dissertation has not already been submitted for any other degree and to the best of my knowledge, any help received in preparing this dissertation and all sources used have been acknowledged herein.



Jill Anne Scott

June 1995

## **Acknowledgements**

Various people were instrumental in assisting me to complete this dissertation.

Firstly, I would like to thank both my supervisors, Mr Ray Day and Mr John Staunton, for their encouragement and assistance in completing this dissertation. All those microscopically written comments on my draft chapters were very helpful in clarifying my thoughts and keeping me "on track".

Secondly, I would like to thank Mr John Dickie of Byrons' Chartered Accountants for his comments on performance indicators for the newsagency industry and for his provision of contacts within the newsagency Industry.

To The Newsagents' Association of N.S.W. & the A.C.T. Inc. I also owe a big thankyou for allowing me to distribute and collect responses to my survey free-of-charge to their membership. Without this assistance my research would have been more costly, time-consuming and in all likelihood more difficult. To my friend, Christine Kotsaris, the maths & statistics "whiz", a big thankyou for all her assistance with fathoming the depths of statistical analysis within the framework of Lotus version 4 without too much incident.

Finally, my biggest thankyou goes to my family, especially my husband, who managed to pack up and move our entire household across Sydney and renovate our new house whilst I sat writing this dissertation at my computer. Without your encouragement and determination to let me keep writing, free of the interruptions of daily living, I would not have been able to complete this dissertation.

I would like to dedicate this thesis to my husband and our new child due in March 1996.

## **Abstract:**

Research in both Australia and overseas, has shown the major economic importance of small businesses to employment creation and economic growth. However in spite of their importance, small business remains difficult to define. Nonetheless, one of the unique features or characteristics of small businesses is the simplicity of their management structure. Typically, the small business is directly managed by owners who make nearly all the important decisions and most often oversee their execution as well (Perry et al, 1988, p.74). However, like any business, a small business requires specific management skills which need to be acquired to lay the foundation for a viable business. The high rate of small business failures attests to the need for such skills.

Recent management literature however, has gone one step further and linked performance not just with having the right skills, but also with having the right knowledge and the right attitude for the job. Together, the sum of these are known as "competencies". Thus, previous studies have established a link between competency in specific management skills, known as management competencies, attitudinal, behavioural and knowledge competencies and the performance of small businesses (Small Business Review, 1990-91, p.xvii)

However, little is known about the factors that may contribute to the relationship between the management, attitudinal, behavioural and knowledge competencies of small business owner/managers and the performance of their small businesses (Small Business Review, p.xvii). As a result, there is debate over what type of competencies, if any, are the most useful and relevant.

Research into the causes of both small business bankruptcies and small business growth has meant research into small businesses has focused on identifying the specific management competencies and external factors that seem to be related to performance in small business. This is also the focus of this study. Specifically, this study seeks to identify whether or not there is some relationship between the small business owner/manager, specific management, behavioural / attitudinal and experiential / educational competencies and the performance of the small business.

In this study, a list of competencies was developed from past research. A sample population from the retail trade sector was surveyed to ascertain whether or not there is a relationship between specific management competencies and attitudinal, behavioural and knowledge competencies, the small business owner/manager and the performance of their small business. Self-assessment was used to measure these competencies. The attributes of the small business itself were also examined and measured by self-assessment, to ascertain their relationship, if any, to the performance of the small business.

In line with past research, the survey results highlighted the fact that small business owner-managers who possessed specific management, behavioural and attitudinal competencies such as an entrepreneurial attitude, previous industry or related business experience and effective management skills, as compared to other local business competitors, had a significant impact on the performance of their small business. It was concluded that such competencies allowed those

owner-managers to scan the operating environment of their small business, select opportunities, formulate & put into action strategies that took advantage of opportunities (Chandler & Hanks, 1994, p.79).

The alternative proxy variable used to measure performance quantitatively with respect to sales growth over the three years to 1994, unfortunately showed no significant relationship with any independent variable. This meant it was difficult to quantify the difference such competencies have on performance. Nonetheless, responses to this question showed that average growth over the period was on par with the industry average published by the Australian Bureau of Statistics and comparable figures published by independent, private bodies such as the Financial Management Research Centre and Pracdev Key Indicator Reports.

The study had several limitations, the most important of which was the small sample size relative to the population from which it was drawn. However, the homogenous nature of the industry and the findings of qualitative research undertaken enhanced confidence in the study's results. The latter research drew similar conclusions to the quantitative analysis undertaken but also highlighted the importance of the nature of the newsagency industry with respect to its impact on industry performance and thus the performance of small businesses operating within it.

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