

**The Roles of Managerial Competence, Local Environment,
and the Macro-Economy in Small Business Failure**

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by

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Declaration

I certify that the substance of this dissertation has not been submitted for any degree and is not currently being submitted for any other degree.

I certify that, to the best of my knowledge, any help received in preparing this dissertation, and all sources used, have been acknowledged.



John Campbell Chamard

Abstract

The purpose of this thesis was to evaluate the relative importance of management, the local environment, and the macro-economic environment in small business failures.

The sample used was thirty three years of business directory data from Armidale, NSW. The start-ups and disappearances of all small businesses in the geographic area were recorded and local environmental and macro-economic variables noted for each of the thirty-three years.

Probit analysis was used to associate success or failure with each of the variables.

It was found that the explanatory power of the model was improved by including in it variables from each of the three categories: management, local environmental variables, and macro-economic variables. Among the individual variables most associated with small business failure are poor choice of type of business to enter, lack of business diversification, drought in the local area, and reductions in the money supply (M3).

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