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ENTREPRENEURS AND INDIGENOUS BUSINESS IN THE PACIFIC

by

John M. Hailey
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PREFACE

At its inaugural meeting in Pago Pago in 1981, the Pacific Islands Development Program (PIDP) was directed by the Standing Committee of the Pacific Islands Conference to identify the various social and economic factors contributing to the success or failure of indigenous businesses in the Pacific islands. The Indigenous Business Development Project was initiated in 1983 to undertake this research.

The project has published detailed country studies on seven Pacific island nations: the Cook Islands, Fiji, the Marshall Islands, Papua New Guinea, Solomon Islands, Tonga, and Western Samoa. These studies were designed to (1) assess the nature of indigenous entrepreneurship, (2) identify the problems and opportunities of individual businesses, (3) specify the characteristics of success, and (4) clarify the attitudes of individual entrepreneurs toward policy initiatives designed to stimulate and promote indigenous business.

These studies involved a representative sampling of surveys based on interviews with up to 200 entrepreneurs in each country. The interviews were based on a standard questionnaire designed to obtain information on the entrepreneurs themselves, their business problems, success factors, their attitude toward government initiatives, and their views on current policies. The major sectoral activities covered included trade stores, transportation, manufacturing, agro-businesses, tourism, repair services, and handicrafts.

The project was also responsible for convening the regional workshop on Indigenous Business Development in the Pacific, which was held in Apia, Western Samoa, in May 1986. The workshop, the first of its kind held in the Pacific, attracted over 50 participants from 20 Pacific island nations. They included leading entrepreneurs and those people responsible for providing management advice and training as well as representatives of development banks in the region. The workshop provided a forum where vital issues concerning the promotion and support of the indigenous business sector could be discussed. These discussions focused on the areas of training, finance, and policy support for the indigenous business community in the Pacific islands.
The Indigenous Business Development Project was financially supported by the East-West Center, the Canadian International Development Agency, the New Zealand government, and the United States Agency for International Development. The country studies commissioned by the project were submitted to the respective governments, and this research report is based on the findings published in these country studies.

The studies commissioned by this project have involved path-breaking research in the field of entrepreneurship and indigenous business development in the Pacific, an area in which there has been little research or analysis. This research report is a synthesis of the findings from the country studies, and as such it analyzes the data generated and examines their implications.
Chapter 1. INTRODUCTION

Local entrepreneurs and the indigenous business sector indisputably occupy a key role in the development of the Pacific islands. The importance of promoting the local business community is now recognized in the region. International experience has highlighted the important role of entrepreneurs in the development process.

The peoples of the Pacific who live on small isolated islands are faced with critical dilemmas as to the path of future development. These islands with their narrow economic bases experience low productivity and high costs. Pacific island economies have generally failed to diversify and continue to remain heavily dependent on foreign goods and markets. It is in the context of this unique island environment that the indigenous business sector has a vital role.

The adaptable nature of indigenous businesses and the aspirations of local entrepreneurs can make a significant contribution to balanced development. Local enterprise is an integral part of the interdependent local economy. The indigenous business sector is an area of dynamic growth and potential in which new economic opportunities can be created, new employment generated, and self-sufficiency fostered. These are essential if self-sustaining economic development is to be achieved in the Pacific islands.

The indigenous business sector is predominantly composed of small businesses that provide a valuable service to communities where larger firms cannot survive. They are well adapted to supplying goods and services appropriate to the local market and to meeting local consumer needs. The expansion of the indigenous business sector encourages the redistribution of wealth and therefore power throughout the community. This spread of opportunity encourages national cohesiveness and political stability. For example, the 1987 military coup in Fiji was provoked partly by the lack of Fijian participation in the country’s com-
mercial life and partly by the Fijians' perceived loss of control over their economic destiny.

The full potential of the indigenous business sector has yet to be realized, and continued efforts are required to tap this productive resource. Such measures include not only promoting and training local entrepreneurs, but also removing the many constraints to business growth such as government regulations that act as a barrier to the development of indigenous business. Island governments are confronted with the dilemma over the extent to which they should subsidize and provide expensive services to support undercapitalized and inexperienced indigenous entrepreneurs. Alternatively, they could rely on market forces to ensure that only the most viable and efficient businesses survive.

This dilemma is aggravated by the increasing awareness of the political and social dimensions of this issue. Non-indigenous investors have traditionally dominated the local market, and for reasons rooted in the local culture and the colonial experience, the indigenous population has historically been on the periphery of the business sector. As a result, there is growing pressure on governments to promote indigenous entrepreneurs, and economic considerations are no longer the major determinant of government policies toward the indigenous business sector.

Two immediate problems that the PIDP project researchers had to address were how to assess the size of a small business in an island environment and how to define indigenous entrepreneurship in the context of Pacific cultures. Legal definitions of small business differ from country to country, and such international criteria are generally inappropriate to the Pacific.

The criteria used in assessing the size of a business can include the number of employees, the annual sales turnover, the level of profit, the size of assets, the decision-making structure, and the degree to which control is separated from ownership. Such criteria are either too complex or inaccurate for the Pacific. For instance, many small businesses in the Pacific rely on relatives to work on an irregular or part-time basis. Thus an assessment of the size of a company by the number of regularly paid employees would not reflect the actual work force. It would also be inappropriate to rely on the accuracy of a company's figures
for sales turnover, profit on assets, etc., because of inaccurate bookkeeping and tax accounting procedures.

Given the business conditions that exist in the islands, a small Pacific business is defined in this study as "an independently owned and operated business that has a small share of the market and an annual turnover of less than US$40,000, and that is personally managed by its owner, who relies on five or fewer regularly paid employees."

Most definitions in the literature of entrepreneurship are based on research carried out in the urban industrialized economies of the developed world. Definitions based on such ethnocentric research stress individualism and acquisitiveness; they measure success in financial terms and emphasize the entrepreneur's role as a change agent. These values are alien to Pacific cultures and the isolated, predominantly agricultural island economies. Certainly, the ethnically indigenous Pacific islanders on whom this research is based resented such eurocentric interpretations.

Thus PIDP's project researchers, when defining Pacific entrepreneurship, emphasized the impact of communalism rather than individuality, reciprocity rather than acquisitiveness, and social gain rather than financial profit. Such culture-specific definitions are essential if researchers are to grasp the complexities of assessing business performance in the Pacific. It is suggested that Pacific entrepreneurs can be defined as those people who show a practical creativity and managerial ability in effectively combining resources and opportunities in new ways so as to provide goods and services appropriate to island communities and yet still can generate sufficient income to create new opportunities for themselves, their families, and the community.
Chapter 2. ENTREPRENEURS AND INDIGENOUS BUSINESS IN DEVELOPMENT

Pacific entrepreneurs play a key role in the balanced development of the Pacific islands. They are a catalyst for growth, able to create new economic opportunities, generate new employment, and distribute wealth and enterprise throughout the community.

By their very nature, indigenous businesses are relatively small and adaptable. These small firms operate in communities where large firms could not survive and are well adapted to supplying goods and services appropriate to local needs. As such, they not only provide new economic opportunities but also are well suited to promoting balanced development. Both development planners and politicians recognize that such a balance of economic opportunities needs to be available in the outer islands and rural communities and not just in the growing urban centers. A major consideration is that the impacts of economic imbalances are exacerbated in such small island nations with their narrow economic bases and limited resources. Moreover, uneven development and the concentration of wealth and opportunities in the urban areas can create pernicious political and social tensions.

Prior to independence these island nations were almost completely dependent on the largess of colonial governments to meet their economic needs. This phase in their development, part of the gradual preparation toward independence, was characterized by heavy investment in the local infrastructure and in state-owned enterprises. The logic of such strategies was to foster long-term economic self-sufficiency and to establish a diversified economic base. In reality, the government dominated the local economy, and state-owned enterprises flourished.

The economic reality of the post-independence period is that these developing island nations are now faced with increasing balance-of-trade problems, debt-servicing difficulties, a continued dependency on aid, and a reliance on foreign investment or overseas markets at a time when they espouse self-sustaining growth. Moreover, these isolated islands with their narrow economic bases
suffer from low productivity and high costs. Subsistence agriculture predominates, although some pockets of organized commercial activity flourish, mainly in ventures such as plantation agriculture, fisheries, timber, mineral exploitation, and tourism. Many of these activities are controlled by overseas business interests. Efforts to develop a viable manufacturing sector or agro-processing industries have been constrained by limited access to suitable technology and management expertise, while the limited size of the local market deters potential investors.

Rapid population growth in the islands has further aggravated the impact of these economic problems. One-half of the population of the Pacific is estimated to be under 20 years of age. This growing youthful population places heavy demands on scarce land resources and the existing infrastructure. This situation threatens not only the customary land tenure systems but also the generally stable social structure of island communities.

The economic aspirations of this youthful population place immense strains on government resources. The education systems and health services are becoming overstretched. The demand for new jobs will continue to grow. In Fiji, for example, it is estimated that 3,800 new income sources will have to be created each year until the end of the century to meet the demand for employment (Hailey 1985:38). The enormous pressures on urban infrastructure are already apparent; for instance, the population density on Ebeye in the Marshall Islands is already a phenomenal 19,700 per square kilometer. Furthermore, rising unemployment and increasing urbanization have resulted in political upheavals and social tensions. These tensions are reflected, for instance, in Papua New Guinea where martial law was introduced in 1985 to curb a worsening crime wave, and in Fiji where the army took power in 1987 to ensure that the interests of indigenous Fijians were protected.

The situation has been exacerbated by the failure of island economies to diversify. They rely heavily on overseas finance and remain extremely dependent on foreign goods and markets. Island governments compete to increase their share of overseas aid and actively pursue overseas investors with a variety of incentives and concessions. As a result, overseas businesses either
dominate many of the profitable business sectors or control access to lucrative overseas markets (Fairbairn and Parry 1986:57). Therefore, despite the policy initiatives designed to achieve balanced growth and greater economic self-reliance, there appears to have been little mobilization of indigenous enterprise to diversify the local economy.

The role of the private sector
The private sector is seen by island governments as an engine for growth, which fosters self-reliance and balanced development. The late Mosese Qionibaravi, Fiji’s former minister of finance, argued for an alliance between government and the private sector in which the onus for future development rested with the business community. He felt that entrepreneurial talent should be used to generate new investment and employment, while the government provided the basic infrastructure and stimulated the local economy (Qionibaravi 1987).

Such policy initiatives have been precipitated by the growing awareness that island governments need to reduce their presence in the national economy. The expense of servicing overseas loans, the reduction of overseas aid in real terms, the loss of revenue due to falling world commodity prices, and the impact of inflation have all consumed recurrent budget expenditures. Governments have consequently been forced to limit their budgetary commitments, restrict civil service recruitment, and generally reduce the level of planned government investment.

This process has been encouraged by political and economic pressures to reduce taxation and deregulate the economy. This situation, in turn, has been fueled by a healthy cynicism as to the efficiency and effectiveness of many government departments. Moreover, some politicians and their advisers have an ideological commitment to reduce government’s role in the economy, privatize state enterprises, and allow free market forces to stimulate future growth.

The private sector can contribute to the economic growth and social stability by creating wealth, generating new employment, and introducing new skills and technology to these island communities. The indigenous business sector, in particular, can provide a range of goods and services appropriate to local consumers.
Furthermore, by encouraging new industry and market opportunities, island economies can benefit from a reduced dependence on expensive imports. In addition, by encouraging exports of locally manufactured goods or produce, the balance of trade deficit can be reduced.

Business in the Pacific
The private sector in the Pacific islands has five district components. The first is the large commercial operations owned and controlled by major overseas business interests or multinational corporations. These are found in the mineral, fishery, timber, tourism, banking, and wholesaling sectors. The second component is the commercial ventures owned and managed by small overseas operations or individual expatriate investors. These are found in the tourism, business services, manufacturing, and processing sectors. The third is the joint venture enterprises in which local private investors or governments are partners with overseas investors. These are found in the tourism, transportation, manufacturing, and processing sectors. Fourth are the business ventures that are owned by non-indigenous Pacific island citizens such as the Indo-Fijians in Fiji, the Chinese in Papua New Guinea, and the Vietnamese or French in Vanuatu. The fifth component is the indigenous business sector, owned and operated by island entrepreneurs. These are normally small businesses offering goods and services appropriate to the local community, and they generally use local resources creatively and efficiently.

Each of these components forms an integral part of the business community in the Pacific. They complement one another and are interdependent for their success and profitability. The indigenous business sector is an integral component of the Pacific business community and, as such, must be recognized in the development strategies of these island nations. The indigenous business sector is predominately composed of relatively small enterprises with few (if any) employees, low turnover, limited assets, and minute profit margins. The adaptable nature of such entrepreneurial small businesses is appropriate to the market dynamics of both rural and urban communities in the Pacific islands.
Such small ventures can avoid the economic inefficiencies and structural inflexibility of large entities—whether they be government monopolies, cooperatives, or major corporations. As a result, these small entrepreneurial ventures can compete successfully with entrenched business interests. Despite the cost advantages enjoyed by large operations with their economies of scale, financial resources, and monopolistic market power, large firms pay a price through their inability to react to market dynamics or adapt to new opportunities. Moreover, they suffer from inbuilt structural inefficiencies, excessive administrative costs, organizational complacency, and intuitive avoidance of risk. Large firms can also be the object of political intrigue and a target for trade union activity.

In contrast, small enterprises in tune with local needs are often better adapted to a “flexible response.” This capability is of particular importance in the Pacific islands with their small, isolated markets often spread over a dispersed group of islands. Such small enterprises can also supply goods and services appropriate to local needs. They not only can widen consumer choice but also in time can reduce the reliance on inappropriate goods and foods imported from overseas.

It has been convincingly argued that a successful small business community encourages the redistribution of wealth and therefore power throughout the community (Bromley 1985:362). This can lead to a more stable social system and to a greater degree of national cohesiveness. Such stability is further enhanced by the creation of new employment opportunities because collectively small enterprises appear to employ a higher proportion of indigenous people. As a product of these opportunities, a skilled work force is created, which can then transfer its skills and expertise to others. New entrepreneurs can tap this source of skills and experience, and new innovations designed to meet needs may be developed using local resources. Evidence also suggests that such adaptable ventures can act as a buffer against rapid shifts in employment and the vagaries of international market forces.

Moreover, the working environment in many indigenously owned enterprises is often better suited to the indigenous em-
ployees because such businesses are normally run with a management style adapted to the character and dynamics of local culture. Employers and employees may benefit from a more harmonious working relationship and the resulting higher productivity and lower staff turnover. Malakai Tawake, lecturer at the University of the South Pacific, argues that the imaginative adaptation of existing work practices and decision-making procedures would motivate employees far more successfully than the inappropriate, eurocentric management techniques that are commonly being used in the Pacific. Frequently, these are only partially understood and as a result improperly applied (Hailey 1986:46).

Despite all these apparent advantages, the development of the indigenous business sector has lagged behind the growth of the other components of the private sector in the Pacific. This situation has led to an imbalance between these supposedly interdependent components and thus caused an uneven distribution of opportunity. As a result, there is increasing concern over whether indigenous Pacific islanders can participate in commerce without negative social, political, and economic repercussions.

**Regional workshop on indigenous business development**

Concern over the problems faced by indigenous entrepreneurs was expressed during the Pacific Islands Conference in 1981. This regional forum of island leaders requested the Pacific Islands Development Program (PIDP) to coordinate a research project to assess the various factors that contribute to the success or failure of small indigenous businesses in the Pacific.

This project, of which this volume is but an overview, carried out detailed research in island nations and sponsored a major regional workshop on Indigenous Business Development in the Pacific in 1986. The participants in this workshop also expressed concern about problems faced by indigenous entrepreneurs in the Pacific. Participants emphasized their concern that the gap between indigenous and non-indigenous enterprises appeared to be growing steadily, with indigenous enterprises apparently falling far behind (Hailey 1986:12). The indigenous business sector cannot be an effective component of the private sector until this imbalance is redressed.
Workshop participants stressed that the well-established, non-indigenous businesses have enjoyed advantages not available to the more recently established indigenous businesses. Non-indigenous entrepreneurs have a depth of experience and resources to draw from. They have a network of business contacts, an established reputation, greater access to capital and lines of credit, and control of prime business locations. Their market share enables them to dominate many areas of business in the Pacific. In contrast, indigenous businesses are predominantly found in less sophisticated, less profitable business sectors, often on the periphery of the business mainstream.

The next generation of indigenous entrepreneurs is expected to face even greater competition from non-indigenous businesses aiming to consolidate their market share and diversify their operations. Furthermore, increased international competition is expected. This competition will be stimulated by the introduction of policies designed to open Pacific markets, encourage free trade, deregulate financial markets, and remove currency controls. Indigenous entrepreneurs, however, will continue to be hampered by their limited exposure to business and the social obligations inherent in their local community. They will continue to suffer from market constraints, limited access to finance, a paucity of information, and inappropriate management training—unless increased efforts are made to encourage and support indigenous enterprise.

Workshop participants also suggested that a weak indigenous business sector threatened future social and political stability in the region. They identified three major areas of concern: (1) the growing pressure from indigenous Pacific islanders to have more control over their commercial destiny; (2) the pressure to ensure that indigenous Pacific islanders should have an equitable share of the business sector and no longer be commercially outgunned or be economically subjugated to non-indigenous business interests; and (3) the pressure to generate new economic and employment opportunities appropriate to the needs of this rapidly growing youthful population, given the estimates that over one-half of the population of the Pacific islands is under 20 years of age.
These concerns are symptomatic of the rapid change faced by the last three generations of Pacific islanders. Recent development has threatened the structure of traditional communal societies, and traditional values have adapted under the pervasive influence of "western" culture and education. Subsistence economies have evolved into cash market economies with their emphasis on cash returns, wage labor, and monetary exchange. This economic transformation was precipitated by the efforts of colonial governments at the end of the 19th century to encourage overseas business interests to exploit island resources often using indentured labor imported from Asia. One consequence of these policies is the continuing economic domination of non-indigenous business interests. Indigenous Pacific islanders resent the manner in which these groups have used their wealth and commercial contacts to reinforce their economic standing and gain political power.

Overseas interests in the Pacific
The failure in the past to mobilize indigenous enterprise and establish a degree of economic self-reliance has meant that many island nations continue to rely on overseas aid and foreign investment. As a result of such aid dependency, island governments compete among themselves for bilateral and multilateral aid agreements. International aid agencies have consequently been allowed to play an increasingly important role in policy formulation in the region (Knapman 1986:150). Similarly, island governments actively pursue foreign investors, competing for their investment funds and specialist know-how by offering a range of incentives, concessions, and facilities. A matter worth noting is that few of these incentives are geared to the needs of local investors. It appears that the confidence that came with independence, as well as the national aspirations toward self-sufficiency, has been tempered by political and economic reality. Thus island economies still rely heavily on non-indigenous investment and foreign aid.

The dependence on overseas investment and expatriate management has been a cornerstone of economic development in the islands for over a century. Since the end of the 19th cen-
tury, trading ventures such as the Sydney-based Burns Philp have operated throughout the South Pacific. In Western Samoa the local economy was dominated by the German firm Deutsche Handels and Platagen Gesellschaft (DH & PG), while in Fiji the Australian Colonial Sugar Refining Company (CSR) controlled the local sugar industry.

Any current survey of the independent island nations of the Pacific highlights the powerful role of non-indigenous interests in key sectors of the economy. Apart from the dominant role in commerce of non-indigenous Pacific islanders such as the Indo-Fijians in Fiji, evidence suggests there is an increasing concentration of wealth with expatriate investors. The fishing industry throughout the region is dominated by Japanese, Korean, and American companies. Mineral exploration and mining projects are controlled by major international corporations; for example, the U.S. multinational Amoco’s investment in the OK Tedi project in Papua New Guinea or Western Mining, an Australian company, which controls Fiji’s gold production. In Solomon Islands the most productive copra plantations are partly owned by the Anglo-Dutch multinational Unilever. In the area of tourism the key regional airlines, Air Pacific and Polynesian Airlines, are controlled by Qantas and Ansett, respectively, while American consortiums such as Sheraton Hotels or Aston Resorts are involved in major hotel projects. In the wholesaling and distribution sector, Australian companies like Burns Philp and W.R. Carpenters or the French company Ballande continue to control a major market share. Meanwhile, the manufacturing sector continues to be dominated by specialist overseas investors using their own experience and expertise. For instance, virtually all manufacturing employment in Tonga has been created through overseas investment in the Small Industry Centre in Nuku’alofa.

Despite this picture of extensive overseas investment in Pacific island economies, there is also growing evidence to suggest that key investors are pulling out of the Pacific (Taylor 1987:64). Their departure will leave a vacuum that local investors are ill prepared to fill.

These hitherto committed investors with extensive experience and interests in the Pacific are reviewing or liquidating their Pacific operations, even though they have well-established markets
and considerable management expertise appropriate to the Pacific. This dramatic disengagement was exemplified in 1986 by the withdrawal of Unilever from its extensive timber operations in Solomon Islands or by the Japanese C. Itoh Corporation's withdrawal from PAFCO, the major fish cannery in Fiji.

Other examples of major international investors withdrawing from the Pacific include the U.S. multinational Brewer Corporation from Solomon Islands in 1982. Barclays Bank's total withdrawal from the Pacific islands was completed in 1985. Burns Philp, the major Australian multinational conducting business in the Pacific for over a century, has since 1984 retrenched its Pacific operations by selling key assets. A similar picture emerges in the much-vaunted tourism industry, including the collapse in 1986 of investment initiatives by Chinese and Malaysian investors in major Fiji tourist projects and the withdrawal of proposals by international consortiums for major hotel investments in the Cook Islands and Western Samoa. In 1986 the flow of tourists to Vanuatu was halted by the withdrawal of the Australian Airline, Ansett, as a partner in the national airline. Similarly, the withdrawal of Continental Airlines flights to Fiji following the coup in 1987 seriously reduced the number of American tourists visiting Fiji. This example demonstrates the vulnerability of a key sector of an island economy to the whims of major overseas investors.

Why are all these well-established investors cutting their losses and quitting the Pacific? The reasons are varied and often interdependent. The lack of opportunity in these small island nations, due to the lack of a ready market and the limited economies of scale, is obviously important. Other factors include falling commodity prices, the relatively low productivity and high cost of island labor, restrictive legislation, and localization policies. This overall situation has been aggravated by the weakness of the Australian and New Zealand dollars, the continuing fall in the U.S. dollar, and the political uncertainty in the region arising from the military takeover in Fiji with its attendant repercussions in the local economy. Moreover, aggressive investors are gearing their overseas investment portfolios toward the more buoyant markets in the ASEAN countries, the United States, and Europe.

This trend shows that the Pacific islands can no longer rely on apparently committed foreign investors (particularly those
traditionally associated with the Pacific) for long-term development. Given this background, a buoyant and profitable locally owned business community can play a major role in fostering future economic development and thus generate a degree of self-reliance. The policy of encouraging foreign investors at the expense of local entrepreneurs may have long-term consequences on the development options of the Pacific islands.

Conclusion
In the economic climate of the 1980s island governments are turning to entrepreneurs and private investors to generate economic growth and develop local resources. The expansion of the indigenous business sector is an integral part of this development process. These predominately small businesses are well suited to supplying goods and services appropriate to local needs. The promotion of a buoyant and profitable indigenous business sector is one of the major challenges facing Pacific islanders, particularly because business opportunities in the past have been dominated by overseas business interests and non-indigenous entrepreneurs. There are now clear political and economic reasons why local entrepreneurs should play a decisive role in the island business sector and thus close the gap that has developed between indigenous and non-indigenous business interests.
Chapter 3. ENTREPRENEURSHIP IN THE PACIFIC

Local entrepreneurs are obviously key actors in the future development of the Pacific. But who is the Pacific entrepreneur? What is entrepreneurship in the context of the Pacific? What are the skills that Pacific entrepreneurs need to survive? Much of the confusion in defining the Pacific entrepreneur arguably arises because most existing definitions are based on inappropriate euro-centric perceptions of an entrepreneur. Most commentators now recognize that the definition of the entrepreneur is essentially location- and culture-specific. Yet the study of entrepreneurship in the Pacific is still rooted in western perceptions commonly found in textbooks published in the United States or Europe. Are such definitions applicable to the island communities of the Pacific? This chapter explores some of these issues and offers some insights on an appropriate definition for the Pacific entrepreneur.

Historical perspectives
Even though entrepreneurship is a concept alien to many Pacific islanders, entrepreneurs flourished in the Pacific islands long before the arrival of the Europeans. But in the late 19th century, two or three generations of Pacific islanders began to withdraw from participation in economic activity and commerce (Crocombe 1983:104). This withdrawal can be explained partly by the policies of colonial administrators responding to pressures from both traditional leaders and overseas business interests. As a result, islanders have not been exposed to business and have not been able to gain valuable entrepreneurial experience. Instead non-indigenous business interests have dominated the local economy. This situation effectively eliminated indigenous enterprise and explains the current shortage of successful Pacific entrepreneurs.

Prior to the arrival of Europeans, trade and commerce formed an integral part of island society. Early European chroniclers noted well-established market places and the degree of economic specialization in the different island communities. Local produce
was traded regularly at recognized market places, and, for example, an integrated marketing system in the larger Melanesian islands linked the coastal peoples with the inland population. Interisland trade flourished, and well-developed trading links existed between Fiji, Tonga, and Samoa. As a result, Tonga became increasingly dependent on Fiji for hardwood, sandalwood, and pottery and on Samoa for fine mats. Such trade was geared toward both reinforcing social and political ties and distributing necessary consumables or surplus produce. The medium of exchange was through barter, or currency equivalents such as shells, whales' teeth, feathers, stones, or even an intangible reciprocal debt or bond that could be called on at some future date. Profit was measured as much by prestige or social benefits as by commercial gain.

The arrival of Europeans in the 19th century and the expansion of the cash market economy introduced European mercantile concepts of business and profit to the Pacific islands. Certainly, some island leaders demonstrated a remarkable degree of enterprise in their willingness and ability to work with European business interests. They used their position to subvert the traditional social structure and exploited commoners for their own commercial gain. This fact is apparent in the mutually profitable business that European traders conducted with coastal Fijian chiefs in béche-de-mer and sandalwood in the early 19th century. Similarly, later in the century, Pomare II of Tahiti and the Arikii of Rarotonga both exploited their power over commoners to achieve leadership in commerce and maintain profitable trading contacts. To do so they controlled commercial activity by requisitioning trade goods or extracting export crops as tribute. They also restricted the access of commoners to commercial ventures unless they granted permission, a tactic commonly used by the Arikii of Rarotonga (Gilson 1980:54).

Where indigenous business ventures run by commoners did become established and successful, they were often perceived as a focus of discontent. They have been labeled as protest movements against the power and status of authority constituted in the traditional chiefs or the colonial government (Couper 1968:270). This attitude is reflected in a reference to the Vaitupu Company, a locally owned business established in Tuvalu in 1877
to collect and market copra. The venture was seen as “an alternative source of authority and prestige for men without legitimate claims to leadership, and gave malcontents a means to challenge the dominance of Tuua, the dominant Paikaiga” (the land controlling descent group within Tuvaluan society) (Munro 1985:174). Similarly, in Fiji, Apolosi Nawai, who founded the Viti Company in 1914, was hounded by European business interests and viewed by Fijian chiefs as a young upstart, an affront to chiefly prerogative.

Apolosi Nawai, a messianic figure, attempted to lead Fijians into a dimly perceived commercial age, one in which individual Fijians could compete on equal terms with Indians and Europeans. The Viti Company was established with the intention of keeping the export of food and produce in Fijian hands by eliminating the European middlemen. But because of his own personal excesses and political activities, Nawai posed a threat to both Fijian chiefs and expatriate business interests. He was therefore exiled to Rotuma in 1917 without a trial.

This example highlights the dilemma faced by colonial governments: should they bow to the vested interests of the local elite and the expatriate business community or encourage the local economy by promoting indigenous enterprise? In Fiji, as in other Pacific islands, the government chose the former. Any tradition of entrepreneurship was lost and the opportunity for future participation in commerce reduced. The fate of Nawai was an object lesson to many Fijians: Do not try to compete in business, stay in your villages; if you do not, you may be sent to Rotuma (Hailey 1985:21).

Thus as a result of the influence of vested interests and the impact of restrictive colonial policies, little was done to promote indigenous enterprise. The long-term impact is particularly apparent in the current state of the indigenous business sector in the Marshall Islands. This country’s history and tradition have combined to inhibit the risk-taking, profit-maximizing, competitive behavior often associated with entrepreneurship. For instance, the feudalistic nature of traditional Marshallese society constrained entrepreneurial opportunity. This ascriptive-based authority structure favored kings over commoners and reinforced the inequalities of the land tenure system. Today the remnants
of this traditional system continue to detract from the performance of local entrepreneurs. This situation has been aggravated as the German, Japanese, and U.S. colonial administrations each sustained the traditional structures during their respective tenures. More recently, the dependency relationship created by the U.S. administration has left Micronesia without any real economic base and eliminated any residual inclination that the Marshallese might have had toward entrepreneurial behavior (Carroll 1986:120).

**Pacific entrepreneurs: toward a definition**

From this colonial legacy a picture emerges of societies and cultures having a somewhat ambivalent attitude toward entrepreneurs and entrepreneurship. There has been little understanding of who or what is a Pacific entrepreneur. This situation is further confused by the general lack of agreement over the meaning of an entrepreneur elsewhere in the world. Because definitions of entrepreneurship appear to alter at the whim of each generation, they are diverse and often contradictory. For instance in the 18th century, Adam Smith saw the entrepreneur as both a supplier of capital and a manager who intervenes between laborers and consumers. In the same century Richard Cantillon suggested that an entrepreneur was merely "the bearer of uninsurable risks," while Jean Say perceived the entrepreneur as one who brought together the factors of production in such a way that new wealth was created (Kent 1984:3).

Two centuries later these contradictions still exist. Joseph Schumpeter writing in the 1930s described the entrepreneur as an innovator who combined resources in different ways and had the intuitive capacity to foresee the outcome. In the 1980s the renewed interest in entrepreneurship has been fueled by ideologists like Margaret Thatcher and F. A. Hayek or commentators like Peter Drucker and Israel Kirzner. Drucker has highlighted the role of the entrepreneur as a change agent seeking out and exploiting new opportunities (Drucker 1985:12). Kirzner sees the entrepreneur as someone who perceives what others have not and acts upon that perception (Kent 1984:3). Entrepreneurs appear to be a catalyst for change. They are a creative force able to coordinate business resources profitably. Entrepreneurial initiatives have resulted in new markets being opened, new tech-
nology being tapped, employment being generated, and new opportunities being created. Economists now emphasize the links among entrepreneurs, technical change, and organizational efficiency and recognize the entrepreneur as a key figure in economic growth.

Entrepreneurs have not always been viewed favorably. Entrepreneurs in the past have been castigated as greedy, exploitative profiteers with "an eye for the main chance"—the unacceptable face of capitalism. Moreover, economists until recently held the view that entrepreneurs were relatively unimportant in economic analysis. They were seen as merely a passive economic variable responsive only to external forces. William Baumol, in commenting on the absence of the entrepreneur from formal economic theory, stated, "Look for him in the index of some of the most noted of recent writings on value theory, in neoclassical or activity analysis models of the firm. The references are scanty and more often they are totally absent. The theoretical firm is entrepreneurless—the Prince of Denmark has been expunged from the discussion of Hamlet" (Baumol 1968:66).

This Shakespearian analogy dramatizes the failure of economists to include the entrepreneur in much of economic theory. But more important, it highlights the fact that much of the accepted wisdom on entrepreneurship is based on a singularly eurocentric vision of the entrepreneur. This perception is reinforced by the growing body of literature based on research on entrepreneurship in the United States and Europe. These societies have little in common with the social fabric of island communities in the Pacific. They favor impersonal work practices and emphasize individuality, monetary success, and individual acquisitiveness. These values are often incompatible with the communal culture of the Pacific, where customary obligations and reciprocal relations are still honored and traditional status or kinship ties are still respected.

Pacific entrepreneurs operate in small isolated markets. They have limited access to credit, technology, or trained staff. They have none of the opportunities available in the extensive, well-established markets of wealthy metropolitan countries. Entrepreneurs in these countries have access to a network of financial institutions, enjoy the advantages of various technologies, and
can benefit from a relatively well-educated, productive work force accustomed to sophisticated work practices. As a result, one must question the appropriateness of the economic models or business training manuals designed in the United States or Europe that are currently being used in the Pacific. This situation was aggravated in that, until the PIDP studies were completed, little research had been published that was directly relevant to the business needs or management characteristics of Pacific entrepreneurs. Most published research was mainly the work of social anthropologists, and it focused on entrepreneurs as part of the change process and often viewed them merely as oddities in a period of transition.

Efforts to define the role of the entrepreneur have been beset by conflicting opinions and theories. Definitions have responded to the whims of shifting fortune and have often been the product of ethnocentric bias and linguistic constraints. Many Pacific languages do not have the necessary vocabulary to describe eurocentric perceptions of entrepreneurship. For example, no Fijian words describe the concept of "risk taker," "innovator," or even "business." Because no such word exists in the Fijian language, does this mean these concepts are absent in traditional Fijian society? Can one therefore surmise that entrepreneurial activity is fundamentally alien to Fijians? Such linguistic and semantic questions need to be examined in-depth (Hailey 1985:34).

If to those inculcated in European or American nuances and values, the concept of entrepreneurship is deceptive and illusory, then to those imbued in a totally different set of values, it must be unfathomable. This is true of Pacific islanders who place great value in communalism and reciprocity rather than in individuality or acquisitiveness. Given this disparity, an effort is now made to assess the characteristics of the Pacific entrepreneur.

**The Pacific entrepreneur**
The following profile of the contemporary Pacific entrepreneur is based on the results of the interviews that PIDP research staff conducted with nearly 600 entrepreneurs in the region.

*Age and responsibility*
The contemporary Pacific entrepreneur is typically a man over 40 years old who has been in business for less than five years.
Business in the Pacific is still a man's world, but Chapter 5 shows that increasing numbers of women are successfully running profitable businesses. The relatively high age of the average entrepreneur raises questions regarding management succession and the possibility of conflict as to who should inherit the business. This concern is especially relevant, given the relatively low life expectancy in the Pacific. Training programs and advisory services should be designed with this fact in mind, and trainers should be sensitive to the needs of older entrepreneurs. But it should also be noted that in island societies, age and maturity can be valuable business assets. In Western Samoa, for instance, the older entrepreneurs are more likely to receive the respect and status necessary for their businesses to function profitably (Croulet and Sio 1986:29).

Mature entrepreneurs are usually well-established members of the local community. They often have extensive family and social commitments and have been able to control the demands and obligations associated with such responsibilities. These obligations and commitments are inherent in the communal societies of the Pacific and are rejected by the entrepreneur only at his own peril. If rejected, important kinship ties and reciprocal relationships may be threatened. Such ties are a valuable source of support and finance, and as shown in the PIDP studies, most entrepreneurs interviewed relied on their family and relations as a cost-effective source of labor, advice, and capital.

A more damaging drain on business resources is caused by the ubiquitous demands of the local churches on their members. These take the form of either gifts or tithing, and they can cripple already meager business resources (Croulet and Sio 1986:68; Ritterbush 1986:76). Certainly, the impact of the Christian churches in the Pacific is profound, and religious affiliations appeared to affect the attitude and performance of many entrepreneurs interviewed. For example, as compared with the overall population, a disproportionately high number was either Seventh-day Adventists or Mormons. These churches stress discipline and hard work and, through regular tithing, encourage capital accumulation—“the more you give, the more you get.” In contrast, the intermittent fund-raising activities of the tradition-
ally dominant Methodist or Catholic churches require a substantial investment of time and money with little apparent spiritual return.

The ability to handle these demands and to balance social obligations with good business practice was apparent in the performance of the more experienced, mature entrepreneurs. This ability, marked by maturity, diligence, and trustworthiness, was often commented on by respondents. In the Marshall Islands this ability was referred to as *tiljok* and in Fiji as *na tamata bula*.

Age, however, is not necessarily a prerequisite for business success. For example, in Papua New Guinea the evidence suggests that a "third generation" of young Gorokan entrepreneurs is emerging, which is beginning to control key sectors of the local economy. These young entrepreneurs in their early 30s have had some tertiary education and, in contrast to the older business leaders, have not had to follow the same slow path of business advancement through menial jobs and a succession of small enterprises. Instead, after completing their education and working briefly in government service, they have gone straight into business. In many cases, they have merely taken over existing family businesses (Finney 1987:48). The growing importance of such family businesses, which Finney calls "business dynasties," reflects the emergence of a new indigenous capitalist elite well placed to dominate the local economy.

**Experience and education**

Most indigenous entrepreneurs have been in business for only a comparatively short time, the majority for less than five years. This fact reflects the recent upsurge of interest in the local business sector. This phase has been described as an "experimental stage" in Pacific business development (Hailey 1985:67). Unfortunately, many entrepreneurial initiatives have ended in failure, often as a result of the individual's lack of business experience and management skills.

One explanation for this high failure rate is that few local entrepreneurs have had any family background in business. As a result, they have had little exposure to business practices and have not been inculcated in the business ethos. For instance, in the Marshall Islands, 80 percent of the entrepreneurs interviewed
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came from families rooted in the traditional subsistence economy (Carroll 1986:104–105). A similar picture emerges in Tonga. Here less than 10 percent of all those interviewed came from families previously involved in business. These entrepreneurs suffered from their limited exposure to business and the lack of business contacts, whereas their more successful counterparts could rely on a depth of experience and a well-developed network of contacts (Ritterbush 1986:75).

In contrast, the highly successful Indo-Fijian business community with its preponderance of well-established family businesses has an enviable heritage of involvement in Fiji’s commercial life. It can draw on a depth of experience not found elsewhere in the Pacific. For instance, 80 percent of the Indo-Fijian entrepreneurs interviewed were brought up in families where the father ran a business, and they themselves had worked in the family business from an early age. Moreover, two-thirds of this sample had only a primary education, and three-fourths had never undertaken any formal vocational training (Hailey 1985:75). This suggests that the importance of a formal education can be overstated and that entrepreneurial success is dependent as much on commercial insight and practical experience as the ability to pass exams.

In fairness, it must be noted that the majority of the islanders interviewed were better educated than the population at large, and that those with higher educational qualifications appeared better able to deal with problems. The highest proportion of better-educated entrepreneurs were found in the more profitable and sophisticated service sector. On the other hand, the least-educated entrepreneurs were found operating small, less sophisticated businesses in the retail and transportation sectors. An entrepreneur’s educational background obviously has some influence on his choice of business and his overall profitability. But the evidence suggests that early exposure and experience in business are arguably more important in ensuring business success than, for instance, formal educational qualifications.

Many entrepreneurs have compensated for this lack of business experience by spending time overseas. The confidence and skills gained overseas were often reflected in profitable business
practices, greater productivity, and market diversification. Exposure to different cultures and economic systems fostered innovation and product development, while business contacts overseas led to the opening of new markets. Such overseas exposure was particularly common among Polynesian entrepreneurs, and all except one of the entrepreneurs interviewed in Rarotonga had worked overseas (Fairbairn 1987:42). Although when the performance of Western Samoan entrepreneurs was evaluated, those who had been overseas for only a limited time performed less successfully than those who had never left Western Samoa at all. This apparent contradiction was explained by the time and expense of such short overseas trips, which were often undertaken for family reasons or arranged by church groups (Croulet and Sio 1986:34).

An additional concern is that even though the great majority of entrepreneurs interviewed had considerable previous work experience, few appeared to use this experience. This pattern was exemplified by the careers of some successful entrepreneurs who attended the 1986 regional workshop on Indigenous Business Development in the Pacific. For example, Mere Samisoni of Fiji, trained as a nurse, now manages a chain of bakeries; Elaine Bailey of Nauru is a trained primary school teacher who helps to run a range of businesses including the Od-N-Aiwo Hotel; and Esafe Vuki, a former civil servant, has built up Tonga's major poultry venture and food processing business (Hailey 1986:160-163). Thus the Pacific entrepreneur appears to be an innovator not bound by past experience or precedent and apparently not reliant on skills or contacts gained in a previous career.

**Imitation and motivation**

Many entrepreneurs interviewed had previously worked in the public sector, and their business skills were largely learned by trial and error. Given that the traditional method of learning in most Pacific societies relies on observation and then imitation, it is perhaps not surprising that many Pacific islanders chose to start businesses that were already highly visible—businesses that they could easily observe and imitate (Carroll 1986:110). This "copy cat mentality" is apparent throughout the region, and, as Ritterbush suggests, indigenous entrepreneurs have a tendency
to be "poor innovators but good imitators." She suggests that they lack the imagination necessary to perceive new business opportunities and instead merely copy already successful businesses. Such imitation leads to an overabundance of certain types of businesses and culminates in the success of a few and the downfall of many (Ritterbush 1986:76).

The chances of business failure are increased if those involved in the enterprise have limited relevant experience, as was the case with most entrepreneurs interviewed. Given the high rate of business failure in Pacific economies, Pacific entrepreneurs seem to invest in ventures in which they have little experience because they are genuine entrepreneurial risk takers. This contention is supported by the evidence that the majority of entrepreneurs interviewed used their own savings to finance their new business projects. Thus the picture emerges of risk-taking entrepreneurs, albeit unimaginative ones, who forsake their previous careers and risk their own money. This picture certainly belies the commonly held perception that the business community in the islands is conservative, unenterprising, and unwilling to take risks.

The motivation behind such risk-taking behavior appears diverse. Even though economic security and profit were major motives, they were not necessarily paramount. Many respondents claimed that they had gone into business to supply the needs of their local community. Others saw their commercial endeavors as a way of gaining independence, while others wanted the challenge that business offered. As a result, personal motives often superseded business logic. Economic motives were rarely paramount because business objectives were often secondary to personal advancement or social obligations.

A common underlying motive was the perception that through business success an individual could gain status or power in the local community. Thus in Western Samoa status and prestige within the hierarchical matai system could be achieved through commercial success. The attainment of status within this system depends on birth, age, and talent, as well as the ability to control wealth and material goods for ceremonial and religious purposes (Croulet and Sio 1986:25).

Similarly, in the Highlands of Papua New Guinea material wealth, if used shrewdly, could be used to weave a network of
political ties and advance the reputation and political power of the individual entrepreneur, the "bigman in business." This preeminent position is somewhat tenuous and depends on the entrepreneur's ability to generate wealth, manage his assets, and control the complex web of obligations he has built (Finney 1987:17). Thus an assessment of the performance of the Pacific entrepreneur must recognize that business is not merely a vehicle for making money. The motives of local entrepreneurs are, in fact, deeply rooted in their relationship with the local community and culture.

**Pacific entrepreneurship**

When Pacific entrepreneurship does manage to thrive, it is only within the framework of existing social relations and cultural mores. For instance, studies of successful Melanesian entrepreneurs stress the importance of the fluid social systems in traditional Melanesian societies. These societies with their preference for individual achievement are preadapted to the performance of individualistic entrepreneurs. In the Highlands of Papua New Guinea, Gorokans appear to be "conspicuous investors." They gain prestige and status by investing in conspicuous commercial assets because wealth and social standing are measured in terms of coffee production, business assets, and cash flow. Thus entrepreneurship can be seen as firmly inbuilt in Gorokan society—a society with an intrinsically competitive and fluid leadership system, which is conducive to the emergence of local entrepreneurs.

A prerequisite for success among Gorokan entrepreneurs is that they meet their traditional obligations and maintain close ties with their clan or wontoks. In fact, they are highly appreciated members of their clan, and clan members benefit materially from their commercial success. The successful entrepreneur contributes to clan payments, school fees, and ceremonial expenses. Such largess not only enhances the entrepreneurs' status and prestige but also ensures continued clan support. The clan is crucial to the entrepreneurs' success because it is an invaluable source of land, labor, and capital (Finney 1987:9).

Similarly, research in Fiji has highlighted the importance of meeting ceremonial commitments and maintaining communal
ties. For instance, the more successful Fijian farmers were those who staunchly supported community commitments and actively participated in ceremonies, using their discretion as to the amount of time and money they contributed. In contrast, the least successful were those who had isolated themselves on their farms, turning their backs on communal activities and thus becoming increasingly alienated from the local community (Rakoto 1979:186).

Some authorities, in differentiating between Melanesian and Polynesian societies, have concluded that the ascribed-status Polynesian societies, unlike the more fluid achievement-oriented Melanesian cultures, are not culturally preadapted to entrepreneurship. As such, it is arguable that the emergence of a dynamic entrepreneurial class has been delayed in Polynesian societies. This perception, which is common in the literature on entrepreneurship in the Pacific, overlooks certain characteristics inherent in Polynesian societies that may favor entrepreneurial activity. For instance, in Western Samoa these characteristics include (1) the motivation for a matai to improve his status by providing goods and money to members of his aiga (extended family unit); (2) the belief that individual members will live up to their traditional commitments and through their own enterprise will provide wealth to enhance the aiga's prestige; (3) the precontact practice of producing fine mats that were used as a valuable asset and a basis for exchange; (4) the high degree of occupational specialization in Samoan villages, whereby skilled individuals can make their living by exchanging specialized goods or services (Croulet and Sio 1986:25).

Whatever the conclusions of this debate, research emphasizes that Pacific entrepreneurs must be assessed in the context of their local community and its inherent demands on their business resources. The demands posed by family commitments and communal obligations can dictate the profitability of an individual venture. By rejecting such intangible but essential ingredients of entrepreneurial success, island entrepreneurs may forgo their reputation and reciprocal calls on the loyalty and labor of their fellows. Although these commitments can dissipate time and resources, any failure to respect them can jeopardize profitability and long-term survival.
This debate highlights one of the major dilemma’s facing Pacific entrepreneurs today. Do they run their businesses as individualistic, risk-taking, profit-maximizing businessmen; or do they accept and work within existing social values and communal obligations? If they reject these traditional values, a viable way of life is threatened; they also risk alienation and social ostracism. In so doing, important customer relations are jeopardized, potential employees can be alienated, and damaging personal tensions can flourish. Obviously, rather than face this dilemma, it is much easier to duck the issue altogether by having nothing to do with business at all, as many Pacific islanders have obviously done.

**Conclusion**

Despite this gloomy prognosis, the Pacific entrepreneur does exist. Given the opportunity he could have a major impact on the future development of the Pacific islands. Any definition of the Pacific entrepreneur must account for the culture and social structures of the communal societies of the Pacific. And researchers must forsake certain eurocentric perceptions of entrepreneurship and western stereotypes.

The future of indigenous businesses in the Pacific appears to depend on the ability of local entrepreneurs to resolve the inherent contradictions between contemporary business practice and the communal commitments that are integral to Pacific cultures and the island way of life. Accordingly, an appropriate definition of a Pacific entrepreneur is “one who shows a practical creativity and managerial ability in effectively combining resources and opportunities in new ways so as to provide goods and services appropriate to island communities, and yet who can still generate sufficient income to create new opportunities for the individual, the family, and the community as a whole.”
Chapter 4. THE PERFORMANCE OF PACIFIC BUSINESS

The previous chapter dealt with the concept of entrepreneurship and the context in which the Pacific entrepreneur should be assessed. This chapter focuses on the business operations in which these entrepreneurs are involved and identifies some of the salient features of their businesses. This assessment is based on a review of the data generated from interviews with nearly 600 entrepreneurs who operated businesses in both rural and urban areas. In many cases, these entrepreneurs operated more than one venture at the same time and were often involved in various business activities.

This curious phenomenon—the ability to establish and operate more than one business simultaneously—was characteristic of entrepreneurship throughout the Pacific. For example, in the Marshall Islands a typical entrepreneur was involved with three different business activities at any one time, and one of the entrepreneurs interviewed was involved in twelve different businesses (Carroll 1986:98). Three-fourths of the entrepreneurs interviewed in Rarotonga operated “secondary income earning activities” (Fairbairn 1987:69).

These secondary income earning activities were normally farms operating on family land using family labor. Often they complemented existing ventures, for instance, farm produce being sold through a trade store. Furthermore, the income generated by the farm could be channeled to support other businesses, which otherwise would have collapsed. Frequently, unprofitable but high profile businesses were kept going for reasons of status or social commitments. This is exemplified in Tonga where the income from profitable farming ventures is often channeled into non-agricultural businesses such as movie theaters, pool halls, retail stores, and buses. For the most part, however, these “subsidiary businesses” not only lost money, but also did so at the expense of commercial farming operations, profits from which had to be used to subsidize these entrepreneurial luxuries (Rit-
terbush 1986:56). Despite the dubious profitability of such subsidiary businesses, Tongan farmers still invested in them; they were apparently attracted by the status accorded to successful businessmen in contemporary Tongan society. One respondent commented, “most Tongans are still too concerned with style and appearance over substance and productivity. Because of this, farmers are not highly respected for our clothes are dirty and our hands rough” (Ritterbush 1986:73).

Apart from such societal prejudices, explanations for the predominance of multi-business involvement include the attraction of spreading risk through diversification and, in particular, of using agriculture as a “fallback” activity in the case of business failure. Entrepreneurs also see the advantages of economies of scale, management efficiencies, and the technical compatibility of participating in a range of mutually complementary businesses. Furthermore, the benefits of being engaged in a diverse number of activities include what has been called the “portfolio effect,” whereby an individual or family can rely on an alternative venture if one of their operations fails. Two or more ventures can also be mutually supportive in sharing the expense of large assets such as trucks and buildings (Croulet and Sio 1986:36).

Several researchers have hypothesized that the phenomenon of entrepreneurs being involved in multiple business activities may be simply a present-day manifestation of the traditional subsistence economy. As such, no one business predominates, and instead the business activities are assessed in terms of how well they provide for the family as a whole. Hence, indigenous entrepreneurs prefer to treat different business ventures as if they were, in fact, all one business and to shun reliance on only one discrete economic activity (Carroll 1986:99).

**Business type**

Two-thirds of the entrepreneurs interviewed ran businesses in the service sector. Nearly one-half operated retail stores and the remainder provided services or transportation to the local community or the increasingly profitable tourism sector. The predominance of service-related businesses not only reflects growing consumer demand, but also suggests these businesses are
relatively easy to start and finance. Certain store owners commented that the retail business was “easy money” because it demanded little hard labor and little capital and offered a relatively high rate of return on investment. In contrast, the low rate of return and the hard work involved in commercial farming operations rendered them an unattractive entrepreneurial proposition (Hailey 1985:68). Survey results in Tonga, however, indicated the expansion of an increasingly profitable, export-conscious commercial farming sector (Ritterbush 1986:90).

In small island economies with their limited resources and lack of available land, the service sector predominates. In the Marshall Islands the majority of businesses depend on the large public sector and the U.S. base on Kwajalein (Carroll 1986:74). Similarly, the economy of the Cook Islands is also dominated by a service sector that embraces government, communication, trade, and tourism. Service businesses, as compared with ventures in other sectors, have also benefited from the Cook Islands’ continued reliance on aid, remittance payments, and the recent growth in tourism (Fairbairn 1987:18).

Less than one-fourth of those interviewed were in the manufacturing sector, mainly in food processing and small miscellaneous manufacturing. In general, the manufacturing sector was dominated by non-indigenous businessmen. The shortage of skills and the lack of finance restrict local participation in this capital-intensive sector. This fact is obviously a cause for concern, particularly if national policy is geared toward self-sufficiency or economic diversification. Such a strategy demands the creation of a dynamic, locally owned industrial sector using local resources, labor, and management skills.

Indigenous businesses appear to be concentrated in the service sector. Unfortunately, this means that the retail, transportation, and service sectors are saturated with small businesses that compete directly against each other. Not only does this reflect the tendency for island entrepreneurs to merely imitate existing profitable businesses, but also it highlights the failure of indigenous entrepreneurs to grasp new opportunities. As a result, resources are duplicated and the local economy stagnates. Both policymakers and business leaders need to address these issues.
Business status
Nearly three-fourths of the businesses in the survey sample could be legally categorized as “sole traders.” A sole trader business is inexpensive, easy to form, and flexible. It allows for prompt decision making and for the entrepreneur to be directly responsible for operating the business. The relatively small number of private limited companies identified may also reflect a general lack of understanding of the legal realities of entrepreneurship and the commercial benefits of limited liability companies.

Another finding of interest was the absence of partnerships in Pacific business. Given the communal nature of Pacific societies, it would seem that formal partnerships would fulfill a useful role. But the tensions inherent in such business relations and the associated demands on business resources (particularly if the partners are members of the same community or extended family) seem to cripple any partnership arrangement. Thus Pacific entrepreneurs appear to have avoided establishing formal partnership arrangements with their extended family or clan.

This finding is exemplified in the recent history of business groups in Papua New Guinea. In 1974 legislation introduced a simplified institutional framework that allowed customary groups or clans to engage in business. This scheme was initially popular, and hundreds of business groups were registered. Yet a decade later, most of these were either moribund or not working well, primarily due to internal disputes and dissension. Instead, businesses based on the “family group” performed better than the extended clan or multi-clan organization. Such “family groups” based on the nuclear family form a more cohesive organization than the disparate, broadly based business groups (Finney 1987:64).

A similar picture emerges in Fiji where the extended clan, the mataqali, appears to be an inappropriate business unit, often riven by conflicts over land, leadership, and the distribution of profit. In contrast, the i tokatoka, a smaller more unified family grouping, was identified as a more effective and cohesive grouping on which to build a business (Hailey 1985:77). As was noted in Tonga, a stable business built around the nuclear family was usually of benefit to the entire extended family; in particular, “family partnerships” based on husband and wife teams have
been identified as among the most efficiently operated and most financially healthy businesses in the region (Ritterbush 1986:81).

**Employees**

Data on the number of employees regularly employed in indigenous businesses did not accurately reflect the number of employee hours actually devoted to a business. Certainly, it was rare for an indigenous business to employ more than five people either on a formal or an irregular basis. The great majority of local entrepreneurs relied on their relatives to work in the business on an irregular or part-time basis. The importance of family labor cannot be overemphasized in explaining the survival of many businesses in the Pacific. In the Marshall Islands entrepreneurs expected their relatives to work in the business as part of their family responsibility. They were offered money or merchandise in lieu of wages (Carroll 1986:100).

The use of such irregular labor means that stores can be kept open up to 16 hours a day, taxis can operate through the night, and crops can be harvested seasonally. Wage costs are kept to a bare minimum, and the expense and bureaucratic delays involved with employee insurance or taxation can be avoided. But a drawback to using family labor, as has been noted, are the tensions and jealousies inherent in family business groups. In addition, family and communal commitments can drain meager business resources, particularly because, in lieu of wages, family members may expect some payment in kind to compensate for the hours worked. All these demands place further strains on the business and exacerbate tensions, if only because such employment was initially agreed upon or accepted amicably.

Where local labor was employed in a full-time paid capacity, the data suggest that wage rates were extraordinarily low. For example, in Tonga local entrepreneurs pay the minimum wage, which is equivalent to three U.S. dollars a day. Evidence in Fiji suggests that foreign-owned companies pay up to five times the wage rates of small local companies. This dramatic cost undercutting, in conjunction with the relatively low productivity of local labor, has threatened the viability of foreign-owned companies and has jeopardized their future investment plans (Hailey 1985:15).
The lack of qualified, reliable, and skilled staff remains a pressing problem for most entrepreneurs. Overall productivity is affected by the general lack of skills and training in the region, as well as by the limited experience of the labor force. Several Tongan entrepreneurs noted, however, that the lack of skilled manpower was not the major problem, and that the inherent lack of a work ethic in Tongan society was of greater concern. One frustrated respondent, in commenting on the unreliability of local labor, noted that “their constant excuses for not turning up or for turning up late are because of funerals.” They always shrug their shoulders and say, “too many people in Tonga die” (Ritterbush 1986:120).

Perhaps much of the blame lies with the employers. In general, employees are exploited as cheap labor. Few employers invest in relevant training for their employees. Employees have little job security, few career prospects, and few or no fringe benefits. The reputation common to many Pacific businesses is one of poor productivity, unreliability, and poor workmanship. This is a reputation that few businesses can afford in the increasingly competitive markets of the Pacific. Much of the blame for this reputation rests with the employers and their shortsighted attitude to labor relations.

**Business performance**

Any attempt to accurately gauge the financial health of the businesses in the sample was blighted by the fact that many entrepreneurs did not maintain accurate records due to ignorance or willful falsehood. As a result, no reliable assessment of the strengths and weaknesses of respective businesses could be made. Furthermore, many researchers commented that when they were able to obtain financial data, the profit margins or the value of cash reserves and assets were grossly underestimated. In general, few entrepreneurs kept accurate records or were able to analyze their significance. The lack of accurate record keeping appeared to be endemic among entrepreneurs who ran small businesses. When asked about this, they often claimed that record keeping was a waste of time and was needed only by large corporations (Carroll 1986:109).

Despite these provisos, certain underlying financial trends did become apparent after a review of the data.
First, most indigenous businesses are undercapitalized. They have a small financial base and limited assets. This penury creates various problems that are not limited to small-scale operations. For example, a multimillion dollar corporation like the Gouna Development Corporation based in the Highlands of Papua New Guinea suffers from inherent undercapitalization because the shareholders, local landowners, feel that they have already contributed enough money to the corporation, and there is no need to donate any more. The sale of shares in such corporations is restricted, and the company has been forced to borrow heavily at high interest rates and become engaged in intricate financial maneuvers to finance expansion plans. This is an example of the implicit contradiction between the demand for investment capital and the desire for local control (Finney 1987:30).

Second, most of the businesses sampled registered a mediocre return on capital, about 2 percent, certainly well below the levels acceptable to entrepreneurs in the metropolitan countries. Money earned from the hours worked was comparable to wage employment in the respective islands.

Third, the relatively low sales turnover common to many indigenous businesses and the related poor cash flow and associated liquidity problems aggravated the problems posed by the poor return on capital. Of the majority of businesses in the sample, the mean adjusted sales revenue was estimated to be less than US$450 a week. This low sales turnover reflects the limited size of the local market, and the lack of customers means the business cannot enjoy the benefits of economies of scale or bulk purchasing. Consequently, retail businesses often carry a limited range of overpriced goods. In Fiji the average price charged by Fijian retailers was 20 percent higher than that charged by other retail operations. The higher the price, the smaller the selection, and so customers took their money elsewhere. This vicious circle was the death knell for many Fijian businesses (Hailey 1985:79).

This poor financial position jeopardizes plans for future expansion and even long-term survival. Limited sales and poor market performance are not a strong basis from which to raise money. There is little opportunity for capital accumulation and potential for reinvestment or diversification.
Business finance
Undercapitalization is one of the major causes of business failure in the Pacific. An underlying reason is that most Pacific entrepreneurs are dependent on informal sources of finance. Rarely can sufficient funds be raised through such informal, non-institutionalized contacts. Surprisingly few (approximately 35–40 percent) of the entrepreneurs interviewed had access to funds from their local banks. Entrepreneurs generally financed their businesses through a combination of personal savings, sales of shares to friends or relatives, or loans from family sources. This well-developed non-institutionalized credit system is itself supplemented by a network of money lenders. This system relies as much on close family and friends as on the extensive connections throughout the extended family or wontok system (Rizer 1984:17).

Some entrepreneurs depended on a regular salary to finance their business ventures. They continued to hold full-time posts, commonly in the public service, and ran their businesses in their spare time or relied on their wives and family to handle the daily operations. In some cases, compensation awarded due to some personal tragedy or family dislocation was used to finance new enterprise. For example, in the Marshall Islands the compensation paid to islanders affected by testing U.S. nuclear weapons has been used to finance new businesses. Similarly, the rent money paid to traditional landowners after they were displaced by the U.S. base on Kwajalein was used as a source of finance by local entrepreneurs (Carroll 1986:107).

This continued reliance on informal, non-institutionalized credit sources results from the difficulties that indigenous entrepreneurs have in raising funds through formal banking institutions. This situation is particularly unfortunate because the banks themselves claim to have sufficient investment funds and are willing to lend to viable commercial borrowers. But often they will lend only to well-established operations with suitable guarantees, which rarely include indigenous entrepreneurs. Certainly, most entrepreneurs interviewed complained that both commercial banks and development banks neglected the needs of small indigenous businesses and even discriminated against them.
Banks appeared to favor large well-established operations with a proven track record and showed little concern for the special problems facing indigenous businesses. For instance, in Fiji the average size of loans to Fijians by the Fiji Development Bank was about one-third smaller than the average loans to other races. Moreover, Fijians received only one-fourth of the commercial and industrial loans available between 1978 and 1983 (Hailey 1985:54). Many entrepreneurs related their bitter experiences when dealing with local banks. A graphic experience was told by Mere Samisoni, probably the most successful entrepreneur in the Pacific today. Her initial approaches to her local development bank to help her establish her chain of Hot Bread Kitchens were rejected, and the proposal was condemned as risky and impractical. After rejecting the advice of her local development bank, she persevered and successfully established her chain of bakeries (Hailey 1986:29).

Various reasons were identified in the PIDP studies to explain the inability of local entrepreneurs to raise sufficient funds from local banks. These include the failure of entrepreneurs to prepare viable business plans or establish clear objectives and their inability to supply accurate financial data or forecast market projections, as well as an inability to appreciate the extent of long-term financial commitments and the cost of recurrent expenses or cash flow needs. Entrepreneurs themselves felt that the banks made their applications purposely difficult, using complex banking terminology that was poorly explained and rarely translated into the vernacular. They also claimed that the collateral or security demanded by banks was excessive and inappropriate in relation to the resources of most indigenous entrepreneurs.

In reviewing bank operations, the studies noted that the administrative costs of processing large numbers of small loans were a drain on meager bank resources. It is obviously more cost effective for the bank staff to handle a small number of large loans. The impact of these considerations was exacerbated in countries such as Tonga, the Cook Islands, or the Marshall Islands, which have few banks and virtually no branches in the rural areas.

In general, small indigenous businesses are often grossly neglected by the formal financial sector in the Pacific. Instead, local entrepreneurs rely on personal savings or the contributions
of family or friends to finance business ventures. Banks appear to favor large borrowers who have the resources to prepare comprehensive business plans and are able to offer suitably guarantees and propose commercially viable ventures. An overall concern common to all the studies was that bankers in the Pacific had forsaken their role in the development of the islands by overlooking the financial needs of the indigenous business community.

Conclusion
Small indigenous businesses in the Pacific are marked by the limited business experience of the owners, their lack of resources, undercapitalization, and the low returns on their time and investment. Yet they continue to survive and multiply because business is an attractive proposition for many Pacific islanders, a challenge too tempting to forgo. In many cases, the entrepreneur was involved in a range of business activities. The ability to operate more than one business simultaneously was a feature common to many Pacific entrepreneurs.

Indigenous businesses are concentrated in the service sector, particularly in retail and transportation operations. These are relatively unsophisticated operations that are easy to start and finance and that demand few skills. They are predominantly sole trader operations, relying on unpaid irregular family labor. In general, businesses were undercapitalized. They suffered recurrent problems arising from their lack of funds, insufficient assets, and low sales turnover. Yet despite these constraints, indigenous businesses survive, albeit in their own way and in their own time. They rely as much on luck and family support as on skills and business acumen.
Chapter 5. PACIFIC WOMEN IN BUSINESS

Because over 80 percent of the 600 entrepreneurs interviewed in these studies were men, an obvious conclusion is that Pacific business is a man's world. Yet several highly successful businesswomen run profitable ventures in their respective islands. Their careers testify to the crucial role that women entrepreneurs can play in the future development of island economies and new markets.

This potential role was emphasized at the 1986 regional workshop on Indigenous Business Development in the Pacific where nearly one-half of the entrepreneurs were women. This fact in itself reflects the growing importance of businesswomen as key figures in the Pacific business community. The selection criterion for this conference had been to bring together leading entrepreneurs from the Pacific, irrespective of gender. The presence of such successful entrepreneurs as Marie Melvin from the Cook Islands, Mere Samisoni from Fiji, Bungtabu Brown from Papua New Guinea, and Papiloa Foliaki from Tonga not only affirmed the caliber of the businesswomen of the Pacific, but also highlighted their leading role in the local business community. This chapter examines the economic significance of women in the Pacific, assesses their business performance from the data collected, and analyzes the constraints they face in the island business environment.

In general, statistics confirm that in employment outside the home, women constitute a small percentage of the paid work force. With the exception of the tiny island nations of Tuvalu and Wallis and Futuna, an average of 24 percent of paid labor in the Pacific islands is composed of women. The great majority is employed in menial low paying jobs; relatively few women have access to management or supervisory training courses; and the percentage of administrative and management positions being held by women is less than 1 percent (Renshaw 1986:161). In Fiji, for instance, only 10 percent of the total number of Fijian women
of working age was estimated to have regular paid employment (Hailey 1985:86). Thus up to 90 percent of women of working age were family bound, playing the role of wife and mother, participating in community activities, and, where necessary, acting as unpaid labor in family businesses or earning a meager living in income-generating projects.

Most women are shackle by the perception that their status is secondary to men and that their role is to manage the home and be a wife, mother, and lover. In all Pacific island countries, women traditionally have responsibility for the home and family, including growing food to feed the family. These family-centered responsibilities frequently expand to include village and community responsibilities, for example, by participating in ceremonial activities or producing much of the ritual wealth used in customary exchange. Moreover, women are expected to participate in a range of community-based projects ostensibly designed to improve their quality of life, such as up-grading sanitation and health facilities, building water supply systems, or generating funds to meet church commitments.

Where women are involved in the cash market economy, it is often in income-generating projects—such as making handicrafts, fishing, sewing, or selling produce from their gardens—rather than in the formal business sector. These income-generating activities require little capital and are done on a part-time basis. As an important part of the local economy, they are often a collective or group activity whose benefits and success are assessed using both societal and financial criteria. The profits from these informal women-run ventures are used to pay school fees, buy clothes, support church activities, and meet village obligations.

These collective income-generating ventures are a valuable source of necessary income and useful vehicles for lessons in entrepreneurship. However, the continued emphasis on these income-generating projects diverts resources away from business training programs and financing arrangements that are geared specifically to the needs of the individual businesswomen. At present, there are no formal training courses designed specifically for the needs of women entrepreneurs, and as yet no business association exists to sponsor research or lobby for the needs of the growing number of businesswomen in the Pacific islands.
Resources continue to be focused on organizations and programs that advocate women's involvement in income-generating projects that are inherently handicapped by their lack of capital and low cash turnover. An example is the International Labour Organization's project on Women and Money in the Pacific. Similarly, on a national level women's organizations such as the Soqosoqo Vakamarama in Fiji or the Laga Fonua in Tonga, which continue to promote collective income-generating projects are often marked by their limited resources and narrow horizons. A rare example of an ambitious fully capitalized collective project is a soap manufacturing venture recently established in Papua New Guinea by the East New Britain Council of Women.

The Pacific woman entrepreneur

The role of the individual woman entrepreneur in the Pacific has been overlooked. Few studies have been commissioned on the performance or needs of individual businesswomen. As a result, few policy initiatives have been introduced or financial arrangements made to meet their specific needs. In an effort to respond to this shortcoming, PIDP's research reports for Tonga and Fiji specifically assessed the role of women in business.

In Tonga, for instance, only 16 percent of the businesses sampled were owned exclusively by women, but three-fourths of the businesses reported that the wife acted as a business partner and assisted in the operation of the business. Even though these women carried out many of the menial tasks essential to the running of small businesses, they also fulfilled essential management and marketing functions. Yet less than 20 percent of the women interviewed had received any specific business training or had completed secondary education.

A feature common to the Tongan women entrepreneurs interviewed was their recognition of the valuable role played by their families and husbands in their business success. Spousal assistance in generating useful contacts, procuring or cosigning bank loans, offering advice, and giving moral support were regarded by many businesswomen as crucial to their success. But above all, their ability to persevere and deal with essential business details under difficult conditions characterized the successful Tongan woman entrepreneur (Ritterbush 1986:78).
In Fiji of the nine businesswomen interviewed, five ran retail stores, three were hairdressers, and one was a taxi operator. All but one operated in urban centers, which may reflect not only market opportunities and the economic necessity of urban life, but also a more liberal attitude in urban communities to women's entrepreneurial activities. Moreover, urban consumers demonstrated marked racial and sexual preferences as to where they shopped. For example, many Fijian women prefer to use a Fijian dressmaker or buy cosmetics from a shop run by Fijian women. In view of the growing spending power of women in Fiji, such lucrative business opportunities in the urban centers should not be underestimated.

The majority of the women in the Fiji survey was relatively young (most being under 40 years old), had a secondary education, and had been in business for an average of four years. Five of the women were married and, like the Tongan businesswomen, acknowledged the importance of their husbands' role in their business activities such as giving advice, checking accounts, and arranging finance. Apart from these obvious benefits, such spousal support seemed to provide a valuable emotional prop, particularly because many of the women interviewed felt that by going into business they had alienated themselves from their traditional social role (Hailey 1985:86).

This contention is supported by the belief that successful Pacific women are social deviants in that they do not fit the accepted norms of Pacific cultures. Moreover, such powerful women are arguably a threat to the social structure and traditional patrilineal society. Their family and communal commitments, however, did not prevent them from moving beyond the home to achieve in other areas. By drawing on their internal strength and relying on the external support offered by the family, they were able to perform both as managers and as entrepreneurs (Renshaw 1986:171).

Many of the women interviewed attributed their success to their concern for details and ability to maintain good customer relations. Both the Tonga and Fiji studies highlighted the individual woman's own personality as well as determination and hard work. In character these women appeared to be thorough and assertive. These characteristics are often stereotyped as a
prerequisite for a successful woman but, in fact, may be symp-
tomatic of the self-selecting process that applies when women
establish themselves in male-dominated societies.

The Pacific woman entrepreneur: the challenge
The challenge faced by these businesswomen reflected structural
constraints inherent in developing island societies. All commented
on their need to compensate for their lack of business experience,
inadequate training, and inability to raise capital. Career oppor-
tunities for women in the private sector are limited. The educa-
tional curriculum is often irrelevant to employment needs and
merely reinforces traditional attitudes toward women. Career
guidance was non-existent, and available training opportunities
were often geared toward the traditional female occupations of
nursing, teaching, and secretarial work. There is little encour-
agement or support for young Pacific women to train in growth areas.
Previous work experience was the most important factor in decid-
ing the business career of the businesswomen interviewed. Fur-
thermore, most of these entrepreneurs complained about
discrimination in their efforts to raise bank loans, about being
asked for excessive loan guarantees, and about the male-
dominated bank staff, which did not give them the same recog-
nition as male applicants when assessing their loan applications.

Additional challenges include gaining the confidence of the
male-dominated business community and banking fraternity.
Moreover, the threats posed to women’s legal status by the mores
of traditional patrilineal societies jeopardize many business ven-
tures. This is evident in the lack of women’s legal rights over land
and the associated inability to raise investment funds due to their
lack of collateral. To counter this threat one of the women inter-
viewed even registered her business interests in her own and her
daughter’s name to ensure that only her daughter could inherit
her extensive business interests rather than her son or husband.

The following profiles are based on interviews with some of
the women entrepreneurs included in these studies. For exam-
ple, Marguerite Soga was thrust into business under tragic cir-
cumstances. On the death of her husband she became the owner
and manager of a busy service station located on the outskirts
of Goroka in the Eastern Highlands of Papua New Guinea. Apart
from facing the challenge of running a business she knew little about, she also had to cope with the demands of her husband's brothers. They claimed that because she had married into their family, Marguerite had no rights to her late husband's property because in the patrilineal society common to the Highlands they were, in fact, the rightful heirs.

She resisted this threat to her livelihood and began to learn how to run a business. Service stations and garages are usually regarded as a male domain, but she has operated the business profitably and has paid off the initial loan and other debts. Marguerite's success came through her own perseverance and at the risk of alienating her husband's relatives. But as she readily admits, she has benefited from the support given by the Goroka Women's Investment Corporation, the local Office of Business Development, and her main supplier, the Shell Oil Company (Finney 1987:54).

Mere Samisoni, the managing director of the chain of Hot Bread Kitchens based in Fiji, seems determined to dominate and revolutionize the bakery industry throughout the Pacific. Her bright, efficient open-plan bakeries can be found throughout Fiji, and through franchising arrangements or partnership agreements, her Hot Bread Kitchens have opened in such diverse places as Honiara in Solomon Islands or Waianae on Hawaii's Oahu. Mere had to overcome the preconceptions of bankers, prospective partners, and the general business community about the viability of her initial proposal. She has successfully faced potential partners who pulled out at the last minute, tried to talk her out of her proposed investment, and even attempted to remove her from the company because they thought that the concept was not commercially viable or that she did not have the skills or ability to carry it through successfully (Hailey 1986:28). In addition, her local development bank rejected her application for a loan and actively discouraged her from proceeding with the project.

She not only had to overcome this prevailing lack of faith in the concept for the Hot Bread Kitchens, but also had to face the challenge of entrenched competition from the long-established bakeries that dominated the local market. But as she commented after her business gained a major share of the Fiji market, "the failure of our competitors and imitators was a significant achieve-
ment for me personally. As an indigenous Fijian woman taking on the business giants, I suspect that even some of my close friends would have written me off when we first started” (Hailey 1986:30).

Similar frustrations were experienced by other businesswomen in the region. Papiloa Foliaki, a trained nurse, noted how she had been forced into premature retirement because her husband, a doctor, was appointed director of Health Services in Tonga. Her position as a supervisory nurse was seen as a conflict of interest, so she resigned. Out of boredom and economic necessity, she turned to business, and among other ventures she now operates a bus service and a hotel in Nuku’alofa. Apart from the problems caused by her lack of formal business training, Ms. Foliaki, in drawing from her own experience, noted that Tongan women have no title to land. This means that they have no obvious collateral and so are unable to secure a loan in their own name, having to rely instead on the husband’s title (Hailey 1986:43). Bungtabu Brown, an entrepreneur from Rabaul in Papua New Guinea, outlined a similar experience when raising loans for her own extensive business activities. The local banks insisted on obtaining her husband’s personal guarantee before they would grant her a loan (Hailey 1986:37).

Several features were common to the successful businesswomen interviewed in these studies. In many cases, they were raised in families dominated by women, with either several sisters or a strong-willed mother of an independent nature. Interestingly, most women entrepreneurs who attended the regional workshop on Indigenous Business Development were also the oldest children in large families of sisters. The evidence suggests that through such sororal support and parental expectations, they were encouraged at an early age to accept greater responsibility and play a more outgoing role.

Many women noted that they were encouraged to think for themselves and show more independence than girls of a similar age. They often had benefited from greater educational opportunities and through overseas travel were able to build up an extensive network of contacts. On a more mundane level these entrepreneurs relied heavily on paid domestic help, which enabled them to concentrate on their business activities. Finally,
all women commented on the ready encouragement and moral support of their husbands or families.

The Pacific woman entrepreneur: the problems

A major challenge of the Pacific businesswoman is to overcome the constraints and problems that threaten their survival and profitability. Not only must they contend with the same business obstacles that men face, but also they face problems specific in their role as women in business. These include the demands of family and community commitments, a general lack of confidence in their abilities aggravated by their legal status, and the associated problems of raising capital as well as the paucity of relevant training.

First, they have to meet assorted family and communal obligations, including the daily demands of husbands and children and the particular stress of caring for sick children. Formal child care facilities are virtually non-existent in the Pacific islands. A Pacific woman is also expected to meet the needs of the extended family and contribute to community projects and ceremonial occasions. A successful businesswoman must be prepared to lead a multi-faceted life not only in meeting daily management demands at work, but also in acting as a wife and mother in the home. Such a life is marked by flexibility and pragmatism; as a result, these businesswomen appear less hidebound and autocratic than their male contemporaries.

Second, they have to contend with the attitudes prevalent in many Pacific societies that successful businesswomen are in some way socially deviant, unreliable, and prone to failure. Many of the women interviewed commented on having to deal with the scepticism of their local community and the ridicule of other women in their business efforts. This lack of faith pervades island societies generally. Its extent depends on cultural mores and expectations as to women's abilities, which are often based on preconceived notions. These preconceptions are reflected in the attitude of the business community generally and are demonstrated in the reluctance of bankers to grant potential businesswomen loans or in the failure of wholesalers to extend lines of credit. Similarly, government officials and development planners have made only token gestures to encourage women's enterprise
and overcome their constraints. This general lack of esteem inhibits all but the most courageous to "give their all" and subject themselves to public ridicule about their expected failures. Such discrimination causes many women particular problems in raising capital, as well as impairs individual's confidence. Insecurity is not the most propitious state of mind in which to start a business.

Third, women have limited political power in most Pacific islands and in many countries lack equal legal rights. Few women hold political positions or become senior government officials in the Pacific islands. Political campaigns are geared to the male voters, and women's issues are rarely discussed in political forums. Women thus have a limited power base to influence the male-dominated legislative process or judiciary. Their lack of legal rights is reflected in the paucity of legislation addressing women's interests in, for example, divorce cases, paternity suits, rights of abortion, or even the rights to full citizenship status.

The impact on businesswomen of such discrimination in the traditionally patrilineal societies of the islands is that they cannot enjoy full legal rights. Thus Marguerite Soga had to fight against the legal claims of her husband's relatives. Bungtabu Brown was unable to raise a loan without a male guarantor, while in Tonga women are denied the right to lease or inherit land. These legal provisos mean that women entrepreneurs cannot use land as a collateral for a loan and that long-term planning is jeopardized.

Pacific businesswomen suffer from a lack of relevant training and a general lack of exposure to business. School curricula are not conducive to the skills appropriate to women's business careers. Career guidance, where available, encourages girls to go into secretarial work, nursing, and teaching, areas traditionally dominated by women rather than the male-dominated technical or professional fields. Business training courses are rare in the Pacific, none is geared to the needs of individual women entrepreneurs, and selection criteria normally favor male participants. In Pacific businesses, women usually are employed as support staff or in menial laboring positions; few are recruited to management positions or are delegated independent author-
ity. The resulting lack of experience inhibits the development of the Pacific woman's role in the Pacific business sector.

**Conclusion**

To reduce the impact of the constraints facing businesswomen, the research conclusions contained several policy recommendations designed to encourage women entrepreneurs. These include improved access to capital and training opportunities, introduction of advisory and consultancy services to meet the particular needs of local businesswomen, improvements in informational and market support for women, and the establishment of clear policy guidelines emphasizing the role of women in the development of the local business sector.

Pacific women clearly have a role in the development of island economies. At present many women support their families through subsistence farming or an income below the minimum wage. To open new opportunities for these women, PIDP's research concluded that Pacific women must be treated equally and receive their fair share of available finance, training, and support because their ambitions and skills are a valuable resource that should not go unused.
Chapter 6. GOVERNMENT POLICY AND PACIFIC BUSINESS

The influence of government policy on the performance of local enterprise should not be underestimated. Close government business relations are characteristic of island economies. On the one hand, government plays a major role in promoting enterprise by providing finance, facilities, and incentives; on the other, government policies restrict business opportunities and discriminate against small locally owned businesses. This contradictory relationship is characteristic of government business relations in most developing countries, but its impact is exaggerated in the closed insular environment of the Pacific.

In their efforts to encourage entrepreneurship and support indigenous business, island governments have established a range of programs and agencies to assist in the promotion of these ventures. The Melanesian nations have adopted policies geared to direct intervention in support of local business, whereas a laissez-faire approach is characteristic of the Polynesian nations. Given these different approaches, this chapter reviews some policy initiatives adopted by island governments and identifies some new policies proposed by the PIDP studies.

Policy statement
National development plans, budget statements, and speeches at the opening of Parliament have outlined government policies. The purposes are to define policy objectives, establish goals against which programs can be measured, elaborate on mechanisms to implement new proposals, and publicize government initiatives. But no development plan in any country in the region specifically deals with the role of the indigenous business sector in national development; instead there are passing asides and allusions to the role of the small business sector. Indigenous business development is obviously not a major priority. In comparison, explicit policy guidelines do exist to promote overseas business investment. Does this ambiguity reflect government in-
difference over the future of the indigenous business sector? Certainly, this ambivalence creates confusion. It also means few resources are invested in small business development, and little is done to alleviate the constraints faced by small local businesses. All of these factors generate apathy and frustration among local entrepreneurs who continue to feel that the government does little to support them.

Investment incentives
In all the island nations a diverse range of incentives and concessions is available to encourage new investment and promote commercial activity. These incentives are normally detailed in comprehensive investment guidelines. Ministries and specialist agencies like the Cook Islands Monetary Board or the Fiji Trade and Investment Board exist to process investment and incentive applications. Legislation has been passed to promote new investment such as Western Samoa’s Enterprise Incentive Act.

The range of fiscal incentives includes income tax relief, tax holidays, and, in the case of Vanuatu, no direct taxation at all. Concessions are available for specific types of investment including double tax relief and accelerated depreciation. Import duties on selected raw materials or industrial imports can be waived. Exchange control restrictions are manipulated at will. Quotas and other protection can be applied to protect a fledgling local industry.

These incentives are often inappropriate and irrelevant to the needs of small indigenous businesses. For example, tax concessions are of little use to small investors who normally operate their businesses below the tax threshold anyway.

Investment promotion agencies are geared toward overseas investors, and their information is couched in the language of international commerce. Their interests are international and expansive rather than parochial and small. This situation generates additional frustration among indigenous entrepreneurs and aggravates perceptions that foreigners are being encouraged to gain a lucrative share of the local market. Moreover, the financial and political costs of these concessions in terms of the funds invested and revenue forsaken are a greater drain on public funds
than if they had been invested in indigenous business (Rose 1981:5, 6).

Two issues of further concern should be noted. First, evidence suggests that a proportion of the capital invested by overseas investors is, in fact, raised locally. This fact questions the much-vaunted role of the foreign investor as an importer of needed venture capital. Second, overseas investment is normally capital intensive; for every job it creates, an estimated $20,000 is invested. In contrast, for each job created in the indigenous business sector, as little as $2,500 needs to be invested. Thus for every job created by the expatriate investor, eight jobs could be created by the indigenous entrepreneur. The policy implications of this equation are obvious yet are often underrated.

Government initiatives
Despite these overall concerns, several government-sponsored initiatives and special schemes have been successfully introduced to foster indigenous business development. These include the availability of industrial estates, factory units, special lease arrangements, access to finance, business start-up schemes, management agencies, marketing arrangements, and redevelopment authorities. Some of the more innovative and successful initiatives are reviewed here.

Stet pasin stoa scheme: Papua New Guinea
In 1977 the Papua New Guinea Development Bank established the Stet Pasin Stoa Scheme, or as it is called in English, the Straight Fashion Store Scheme ("straight fashion" refers to operating a store in a proper manner so that customers obtain value for their money and the entrepreneur still earns a profit). Candidates chosen for the program are sent to a special school for training in retail operations. They are then assigned to a store, normally in an urban location, which has been purchased with a loan from the Papua New Guinea Agricultural Bank. Loans are repaid with the cash flow generated from the store, while the new proprietor receives ongoing assistance in management and accounting. This scheme successfully provides training, finance, and regular supervision, without which the new entrepreneur would be struggling (Finney 1987:29).
National Plantation Management Agency: Papua New Guinea

After Papua New Guinea gained independence, many of the coffee, copra, and cocoa plantations were localized, and the need for efficient management support became acute. The government's response was to form a statutory body, the National Plantation Management Agency (NPMA), to provide, for a fee, the needed management services. These services normally involve the hiring of a resident management and often staff, usually expatriates, to manage the plantation. The NPMA also provides accounting and other expert services. In fact, when a bank grants a loan for the purchase or development of, for instance, a coffee plantation, the bank requires that an expert manager or management agency such as the NPMA be hired to operate the property. Its funding is built into the terms of the original loan (Finney 1987:28).

Small Industry Centre: Tonga

The Small Industry Centre (SIC) was established in Tonga in conjunction with the Industrial Development Incentives Act. Located with easy access to Tonga's major wharf facilities, the SIC provides ready-built factory units or small-scale industrial units. A comprehensive range of utilities and support services is also offered. Rental conditions are designed for new ventures and are based on the concept of "no profit, no loss." In small island nations where existing industrial facilities are limited and land is scarce, such appropriately designed mini-industrial estates are a valuable mechanism to encourage a local industrial sector. For overseas investors, their "one stop" approach is particularly attractive. Certainly, the SIC has grown rapidly since its inception in 1980, and several new factory units have been built (Ritterbush 1986:35).

Fagatogo Redevelopment Project: American Samoa

The Fagatogo Redevelopment Commission was established by Governor Lutali in 1985 to provide recommendations for the redevelopment and revitalization of Fagatogo. The objective of their project was to revitalize the downtown area, from which
business had been steadily drifting away, by creating a physical and economic environment in which existing businesses would be encouraged to stay and expand and in which new businesses could thrive. Land is being rezoned, and access roads are being improved, new business sites prepared, and new offices built. A program of financial assistance, based on a revolving fund, has been established to promote business investment in downtown Fagatogo (Hailey 1986:56).

**Enterprise Support Organizations**
Enterprise Support Organizations (ESOs) have been established by several governments in the Pacific as a major tool to support indigenous business. The role of these organizations is supposedly to encourage new and existing indigenous entrepreneurs. The staff members of these ESOs are expected to offer managerial advice, provide technical assistance, offer training programs, prepare feasibility studies, and undertake market research. This agenda is impressive considering their limited resources and lack of trained staff. As a result, these organizations rarely fulfill their stated role. This state of affairs has caused increasing disillusionment in their performance, reduced staff morale, and undermined client confidence.

ESOs include the Business Opportunity and Management Service (BOMAS) in Fiji, Na'Oiwi O'O'Aku in Hawaii, the Maori Employment Development Scheme in New Zealand, the Provincial Business Development Offices (BDO) in Papua New Guinea, the Business Development Branch (BDB) in Solomon Islands, and the Business Development Advisory Bureau (BUDAB) in Tuvalu.

These ESOs were established to play a major role to stimulate, support, and sustain indigenous business. Yet governments throughout the region have granted insufficient funds and inadequate staff to meet the needs of their expected clients. They have failed to realistically define their role or delineate their area of activity. Expectations have been raised that these organizations are unable to fulfill. To some, ESOs are merely an expensive political sop of little value or relevance to the local business community.

In support of this contention, the majority of the entrepreneurs interviewed did not use or have access to such advisory
services, and they instead relied on family or friends for business advice. In Fiji, for example, where BOMAS was established in 1975 to promote and advise Fijians in business, only 14 percent of the Fijian entrepreneurs interviewed had actually used BOMAS services (Hailey 1985:82). In an analysis of this disturbing finding, it was found that 90 percent of BOMAS staff was based in Suva and had relatively little contact with the rural areas. Only 10 percent of BOMAS funds was spent on training; the staff appeared to have little relevant business experience; and a disproportionate amount of time was spent advising a few large companies with well-connected directors (Hailey 1985:52). None of these factors has enhanced the reputation of BOMAS among the Fijian people.

Moreover, the role of ESOs often overlaps with that of other government agencies established to facilitate local commercial activities such as development banks or marketing authorities. This lack of coordination leads to duplication of resources and conflicting advice to clients, all of which does little to generate the credibility of ESOs.

Policy concerns

Policy and legislation
Many entrepreneurs interviewed commented on the inadequacy and restrictive nature of government policies, for instance, the excessive competition from, and the preferential treatment given to, government-owned businesses. Several major state-owned enterprises exist in the region such as Western Samoa Trust Estates Corporation (WSTEC) in Western Samoa or government agencies such as the Marshall Islands Development Authority, which is the business arm of the Marshall Islands government. Other respondents commented on the negative impact of restrictive price control legislation. These laws made unrealistic demands on small businesses because the controlled price did not allow for the cost of the transportation and the time involved, particularly in the rural areas. These factors reduced the already-small profit margins and threatened the survival of small rural retail stores. Government tendering procedures were also seen as unrealistic and out of touch with the needs of local businesses. They were
seen as too complex and took too long to process, in addition to being subject to the whim of politicians or other arbitrary procedures.

Government policy and legislation were seen as discriminatory to small indigenous businesses. Restrictive regulations and excessive controls inhibited local enterprise. The costs include the expense of meeting tax demands, the costs of import tariffs, the onerous conditions involved in business licenses, the impact of inappropriate planning controls or zoning restrictions, the effects of restrictive legislation often adopted from overseas that imposes inappropriate consumer bylaws or health and safety conditions, the delays caused by government red tape, and the cumbersome often arbitrary procedures in granting incentives or concessions. All of these have a greater impact on small resource-poor businesses than on the well-heeled large operations.

Training
Government involvement in business training is marked by its range and diversity rather than its excellence and efficiency. At a national level, commercial courses are offered in schools or technical institutions, while at a regional level the University of the South Pacific based in Fiji and the Papua New Guinea University of Technology at Lae offer academic business and accounting courses. There is little coordination among any of these institutions, and courses lack appropriate materials or curricula. This situation seems to be caused by the shortage of trained teachers in commercial subjects and the paucity of research in this area.

Many entrepreneurs were concerned that the focus of business training programs was imprecise and irrelevant. Those who had attended such courses commented that they were too academic or emphasized only bookkeeping techniques, rather than the practical aspects of preparing a business plan or other aspects of marketing or stock control. They expressed the hope that in the future such courses would also include practical action learning components or participative case studies. Entrepreneurs also noted that selection procedures should be more rigorous; many commented that they had been frustrated by the inclusion of
inappropriate participants, for instance, unemployed school dropouts.

Finance
Government-sponsored development banks were created with the intention of promoting expansion of the local economy by granting medium- and long-term loans and providing technical and advisory assistance to the local business community. Yet, as has been shown, most indigenous entrepreneurs were dependent on informal sources of finance. Some entrepreneurs interviewed suggested that these banks discriminate against small businesses, and many felt alienated by the attitude of bank staff. This attitude is of particular concern because of their key role in national development strategies. They are powerful, enjoy sufficient resources, and yet do not cater to the needs of one of their target clientele—small indigenous businesses.

Conclusion
Despite the criticism of these policies and agencies, at least such policies and agencies do exist, which is more than can be said for other important support activities. For instance, few, if any, resources are invested in research and development. Little research is sponsored to develop products appropriate to the needs of local consumers, and no testing facilities exist to assess the quality or safety of locally manufactured goods.

Entrepreneurs especially complained about both the indifference of island governments to their plight and the lack of support policies. But perhaps government is an easy target to blame for what (as shown in the following chapters) are genuine problems created by the ignorance and inefficiency of the Pacific entrepreneurs themselves.
Chapter 7. OPPORTUNITY AND SUCCESS FOR PACIFIC ENTREPRENEURS

Any attempt to assess the success of any single entrepreneur is in itself a task loaded with intangibles and subjective perceptions. Is success measured by the size of the business? Or by the number of businesses any one entrepreneur can manage successfully? Or by the length of time the business has survived? Or merely by the profitability of a business? All of these are valid criteria and, as such, were used by the interviewers in the PIDP studies to measure the success of the entrepreneurs included in their sample. But whichever measure of success was applied, certain similarities marked the performance of successful entrepreneurs. Hallmarks of a successful entrepreneur in the Pacific were managerial expertise, marketing skills, sufficient initial investment, and a particular entrepreneurial personality.

Managerial capability
Most entrepreneurs interviewed considered that their success depended on what they called "good management." This illusory term reflects not only their maturity and reliability but also their ability to exploit resources efficiently and achieve their business goals. In a review of these studies, the essential characteristics of a successful manager in the Pacific included the ability to apply effective business plans with clear operational objectives, the ability to marshal and coordinate resources, accurate record keeping, a willingness to accept advice where necessary, and a desire to balance communal obligations and family commitments with business demands.

The studies showed that the professional and profitable entrepreneur worked toward clear business goals based on measurable objectives, instead of unrealistic personal or social goals. A business plan based on accurate information and clear objectives appeared to be a prerequisite for success. Such plans were based on a realistic assessment of the local market as well as accurate projections of initial capital costs, operational expenses,
and cash flow requirements. Business plans are only as good as the individual entrepreneurs, whose skills, as previously discussed, depend on their past experience and their educational qualifications. Any business plan must therefore be formulated on a realistic assessment of the experience, skills, and contacts of each entrepreneur.

As the performance of any business is a reflection of how resources are assembled and exploited, the effective use of business resources therefore presupposes some understanding of, or training in, techniques such as cash flow analysis, budgeting, and stock control. Most researchers commented on the adeptness of successful entrepreneurs at marshaling and coordinating their business resources through accurate budgeting, tight control of credit, and effective debt collection. Of equal importance was the ability to obtain sufficient resources to ensure profitability. These resources include generating capital, recruiting and training reliable employees, maintaining equipment and premises, effectively controlling stock, and using time productively.

The managerial ability of an entrepreneur seems to be a major characteristic in determining business success. To strengthen managerial capabilities, more resources should be invested in training opportunities for indigenous entrepreneurs because appropriately designed management training programs are a cost-effective way of passing on skills and knowledge of management techniques. Such knowledge is especially essential in the increasingly competitive business environment of the Pacific islands.

In a paper presented to the regional workshop on Indigenous Business Development in the Pacific, Malakai Tawake argued that management training in the Pacific should incorporate those cultural traits and structural characteristics that could be effectively applied by local managers. Managers should be trained to be aware of the complex interaction between cultural mores and management practice. Trainers need to forsake the myopia of mainstream management thinking for a more appropriate culturally sensitive management style. Entrepreneurs need to understand how to balance the demands of business with their obligations in the community (Hailey 1986:46).
Marketing skills
A key element of business success in the region was the ability of entrepreneurs to grasp market opportunities and tap the local market. In the increasingly competitive business climate, successful entrepreneurs, working out of suitable locations, maintained their market share and customer loyalty by offering competitively priced goods and quality service. These qualities are particularly important in the small highly personalized markets of most islands where consumers demand fairness and reliability. In a precarious business environment, entrepreneurs need to be aware of consumer idiosyncrasies and be able to adapt to market demands. Entrepreneurs who display this ability to develop a profitable slot in the local market have “marketing savvy” (Ritterbush 1986:82).

Successful entrepreneurs who offered a range of competitively priced goods or services not only benefited from an increase in sales but also consolidated their market share. Moreover, the cost advantages from increased sales turnover resulted in improved profitability. Their pricing policy was not merely cost plus, but rather one that reflected the dynamics of the local market. Furthermore, successful entrepreneurs were prepared to invest in product promotion. Effective presentation, attractive packaging, and appropriate advertising quickly paid for themselves, as did an emphasis on quality control, reliability, and clean business facilities. Unfortunately, such marketing necessities were often seen as inappropriate and costly luxuries, whereas, in fact, they were highly prized qualities sought by local consumers.

Most entrepreneurs interviewed referred to the importance of meeting customer needs and maintaining good customer relations. They stressed the importance of market factors and the benefits of applying their marketing savvy. Many entrepreneurs felt that the tourism market was an area of potential growth, and some suggested that their island image and particular culture were valuable market assets that could be exploited sensitively and profitably. The lack of training in marketing was a concern to most entrepreneurs who intuitively appreciated that their business success depended on their ability to grasp market opportunities.
Initial investment

A crucial indicator of whether a new business will succeed or fail is the amount of capital available at its inception. Most new businesses expect to lose money for several months after commencing operations and thus should be fully capitalized to cover these expenses. Unfortunately, the more money that was invested initially, the less money was available to meet ongoing expenses. Indigenous entrepreneurs were particularly susceptible to this problem because, as already noted, most indigenous entrepreneurs relied on informal, non-institutionalized sources of capital. They were therefore rarely able to generate sufficient capital to meet both start-up costs and initial operating expenses.

Successful entrepreneurs tapped various sources to raise sufficient investment funds. These included family and friends, personal savings, development banks, and credit unions. Such loan source diversification provided the entrepreneurs with greater flexibility, access to different interest rates, alternative channels for further investment, and reduced reliance on limited family capital. Moreover, several successful businesses did not rely on loan capital alone; instead they used equity financing to ensure sufficient investment. In this way they were able to distribute risk and become established without having to worry about principal and interest payments. Highly leveraged businesses dependent on a high proportion of loans and other liabilities are inherently a more risky investment. Equity redemption is normally set for a longer period and unlike interest payments can be more easily deferred without jeopardizing the firms’ existence.

Successful entrepreneurs obviously need fair and equal access to financing. The availability of sufficient capital is a crucial factor as to whether a business will succeed or fail. If the venture is initially undercapitalized, there is little flexibility and limited opportunity, and much time is often spent searching for additional finance. Entrepreneurs who raised sufficient capital initially were therefore able to establish the new business, meet cash flow demands, and not waste time in the demanding task of raising funds to keep the business afloat.

Entrepreneurial personality

As suggested in Chapter 3, an entrepreneur’s experience and background have a considerable influence as to whether he will sur-
vive or fail. Entrepreneurs who had been overseas, had suitable work experience, or attended a relevant training course were more likely to succeed than those who had not. In addition, the individual's own character or personality was a key factor in determining whether he would succeed or fail. A review of the PIDP studies showed that some kind of entrepreneurial personality was common to the Pacific islanders who ran successful businesses in the region.

The different PIDP studies highlighted different facets of these entrepreneurial personalities. Thus in Tonga successful entrepreneurs were described as having a single-minded devotion to business, with a genuine enjoyment and belief in the work they were doing. They were able to forgo present pleasures for future rewards and often appeared to be pragmatic dreamers with a stubbornness tempered by the ability to be flexible when necessary (Ritterbush 1986:86).

Successful entrepreneurs were confident of their own abilities, yet they also had a realistic appreciation of the feasibility and shortcomings of their efforts. Although they were personally ambitious, they were equally motivated by family commitments or social demands and by individual needs or expectations. Many relied on their personal charisma to develop business contacts, maintain customer loyalty, and exploit family or friends. They developed a network of business contacts that allowed them access to a range of information, advice, and support. Unfortunately, few recognized the importance of maintaining good relations with their employees, which could improve productivity, while reducing absenteeism and staff turnover.

Any assessment of the personality of the successful entrepreneur is bound to be subjective and value laden. Yet these studies show that successful entrepreneurs in the Pacific were personally ambitious and enjoyed a charisma with which they established a network of valuable contacts both in the business community and in government. Honesty and hard work, the traditional basis of the work ethic, were also major facets of entrepreneurial success and contributed to their reputation of reliability and trustworthiness, which are important in these island communities. Thus successful entrepreneurs exploited local net-
works, their local reputation, and their individual persona. All of these factors further reinforce the perception that Pacific entrepreneurs must be assessed in the context of their relationship with the local community and culture.

Optimism and opportunity
Most entrepreneurs interviewed were optimistic about their future business prospects and the opportunities opening up in the region. A review of the PIDP studies identified three major areas where such opportunities exist: (1) the opportunities available in the developing Pacific island economies, (2) the opportunities promoted by government agencies and in national policies, and (3) the opportunities inherent in traditional Pacific societies.

1. The opportunities available in the developing Pacific island economies include the relatively untapped market potential of the growing indigenous population. Entrepreneurs can capitalize on the particular needs of the local population by offering a range of products and services appropriate to their needs. A variety of business openings also exists in the expanding tourism and service sectors of the island economies. Pacific entrepreneurs have an advantage in these sectors because they have valuable contacts, understand local customs, and are in a special position to promote and market goods and services that are unique to the Pacific and attract people from all over the world. Indigenous entrepreneurs are also in a position to use their local knowledge and contacts to support and facilitate overseas investment or go into joint venture partnerships. They can negotiate franchise or licensing agreements with international corporations, undertake lucrative sub-contract work, and bid for tenders offered by overseas investors.

2. The opportunities offered to indigenous entrepreneurs through national policies are based on the growing number of agencies established to promote indigenous business and the recognition that indigenous enterprise is an essential component of balanced development. Governments have established a range of institutions: development banks and credit unions to finance indigenous enterprise, cooperatives and commodity boards to market local produce and handicrafts, and Enterprise Support Organizations to offer management advice and prepare feasibil-
ity studies. Various training programs have been established throughout the region focusing on practical business training, the mechanics of record keeping, and management education. Many governments also offer a package of support measures that includes investment incentives, tax concessions, subsidies, and tendering preferences. Their success appears to depend on the degree of coordination among relevant agencies, the resources available to support them, and the extent to which their role is understood. If these criteria are met, then these government-sponsored initiatives offer many openings and opportunities for local entrepreneurs.

3. The range of opportunities inherent in the traditional societies of the Pacific islands allows individuals to develop their talents and find their identity through custom and tradition. Pacific entrepreneurs have potential customers and a ready-made market in their own communities. They can use these contacts and their traditional status to develop their business ventures. The family is an important source of labor, investment, and finance as well as advice. Extended communal groups can form the basis of viable commercial operations so long as personal rivalries and community demands are kept to a minimum. Members can instead pool their resources and work toward mutual profit. But as shown in Chapter 4, many such ventures have failed, and ambitious entrepreneurs prefer to avoid working with communal groups.

Conclusion
These inherent opportunities that are open to indigenous entrepreneurs should not be overlooked. Even though Pacific entrepreneurs may face a range of major problems, a review of the PIDP country studies suggests that they also enjoy the advantages of many unheralded opportunities.

Successful entrepreneurs have also learned how to balance business commitments with traditional demands. They have demonstrated management expertise, marketing, and financial skills, but clearly a prerequisite for success is their continued respect for the obligations and communal commitments inherent in the local culture. At times conflict may occur between traditional values and business efficacy, but the test of any
entrepreneur is his ability to resolve these conflicts. Successful entrepreneurs have learned to accommodate traditional values with contemporary business practices.
Chapter 8. PROBLEMS AND CONSTRAINTS OF PACIFIC ENTREPRENEURS

Despite the optimism and the opportunities in the burgeoning business sector, Pacific entrepreneurs still face the genuine threat of business failure. Although failure rates are no greater than those elsewhere in the world, there is a pervasive assumption fueled by political rhetoric and grassroots grumbling that businesses owned and operated by Pacific islanders will fail and collapse in bankruptcy. This assumption has bedeviled efforts to encourage small business in the Pacific. It has even been hypothesized that the expectation of business failure has become so engrained in island thinking that it has become a self-fulfilling prophesy (Tawake 1983:10). Island businesses often appear to start with the latent expectation of failure.

Moreover, Pacific entrepreneurs face business problems peculiar to the communal societies of the Pacific. They encounter an array of social commitments and traditional obligations that are an integral part of the culture and way of life of Pacific communities. Most entrepreneurs are firmly embedded in their local society, and they overlook these obligations at their peril. Any analysis of Pacific entrepreneurship must be cognizant of these links with the local community. As shown in the previous chapter, the key to business success is the ability to balance the competing claims of the family or community with those of the business.

The pressure on local business to meet these competing demands cannot be overemphasized. If these communal obligations or ceremonial duties are rejected, the entrepreneur risks being alienated from his family and ostracized from the community. Often these obligations are merely intangible commitments, reciprocal arrangements of value only to the parties concerned. This is exemplified by the custom of bubati in Kiribati, fate in Rotuma, facamolimoli in Tuvalu, and kerekere in Fiji. These commitments are all a form of customary borrowing that carried an obligation to reciprocate sometime in the future when the need arises.
Numerous businesses have collapsed because the owners were unable to devise ways of controlling their commitments, which consume both time and energy and drain both money and assets. Many entrepreneurs have met their commitments by exercising discretion as to the use of their business resources. As a result, they have avoided the damaging effects of inherent customary burdens.

**Constraints**

Certain underlying constraints in the contemporary Pacific may have restrained the full flourish of Pacific entrepreneurship and inhibited business development. These constraints include the structural conformity of traditional island society, the expense of meeting communal commitments, the impact of remittance payments, historical conditioning, and the easy life in the island environment.

A first constraint is the traditionally hierarchical character of many Pacific societies that demands conformity. Such structural conformity can easily inhibit innovative behavior and stifle the initiative so vital to entrepreneurial success. This interpretation is commonly used to explain the relative paucity of individual entrepreneurial talent in Polynesian societies. These ascribed societies are marked by their hierarchical nature. In support of this contention is a body of research that suggests the fluid social structure common to Melanesian societies is pre-adapted to the emergence of local entrepreneurs. The debate as to whether societal mores condone or constrain individual initiative is tortuous and inconclusive. Certainly, more research is needed to assess the complexity of Pacific entrepreneurship before this debate can be resolved. The suggestion may be too simplistic that entrepreneurial success can be easily delineated on a Polynesian/Melanesian nexus.

The second constraint that productive individuals often face is pressure from their family and neighbors to distribute their surplus produce or any profits. This surplus can be distributed within the extended family, used to pay outstanding school fees, or contributed to meet ceremonial or church demands. As a result of this forced largess, there is little incentive to invest or work long hours, especially when the fruits of labor are often dissi-
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pated throughout the community. Moreover, individual entrepre-
neurs are often unable to save money for reinvestment or un-
expected contingencies. There is no established tradition of saving
or long-term investment planning. Public generosity is still the
norm in most Pacific societies, and available money is spent on
family commitments, ceremonial expenses, church contributions,
travel, and gifts.

A third constraint, particularly in Polynesia, is the damag-
ing impact of remittance payments on local enterprise. The is-
land economies of the Cook Islands, Tonga, and Western Samoa
partly rely on foreign exchange forwarded by relatives living over-
seas. For instance, many Samoans live and work in New Zealand
or the United States and regularly send remittance payments back
to their relatives in Western Samoa. The effect is a mixed bless-
ing because, on the one hand, in some Samoan villages remit-
tances provided one-half of the villages' cash income; it is a
valuable source of investment capital and has considerably im-
proved Western Samoa's overall balance of payments position.
On the other hand, remittances stifle local enterprise because they
allow the recipient to forgo the need to generate any regular in-
come. Evidence also suggests that remittances are rarely spent
on productive investment and normally used for unproductive
ceremonial purposes or luxury items. Either way, there is little
incentive to work with a ready source of unearned income flow-
ing into the economy (Croulet and Sio 1986:28).

Fourth, as a result of the historical domination of the busi-
ness sector by overseas entrepreneurs, it has been hypothesized
that the role of the entrepreneur in the Pacific became institu-
tionalized as belonging to foreigners, and that the dominant en-
trepreneurial role of the descendants of these traders represents
the modern legacy (Belshaw 1955:155). Research has highlighted
the influential role of the descendants of these early European
traders. Thus in Tahiti the *demis* formed an early local entre-
preneurial elite, as did the *afakasi* population in Samoa, and the
part-European community in Fiji (Hailey 1985:27).

An important aspect of this legacy is that only in recent years
has the business sector been seen as a suitable career for ambi-
tious Pacific islanders. In the past a career with government was
the respectable and appropriate avenue for any ambitious, educated young man. This attitude, fostered by the colonial governments, still exists today. Certainly, the status and fringe benefits enjoyed by civil servants appear more attractive than an uncertain career as an entrepreneur. Thus many potentially enterprising young Pacific islanders have turned their backs on a career in business, to the detriment of island economies.

A fifth constraint is the problem of obtaining land for business development. Freehold land is rare, and often leased land either has restrictive conditions or is granted only for a limited term. Several entrepreneurs commented that they had encountered problems with landowners over lease agreements, rent payments, or extensions of their leases. Thus not only is there limited availability of land, but also the uncertainty associated with land arrangements in the Pacific inhibits long-term investment and restricts the use of valuable business locations.

Finally, entrepreneurship has been inhibited by the lush and naturally productive environment of many Pacific islands, where life’s necessities such as food, water, and shelter can be easily found in abundance. With such an idyllic subsistence lifestyle, what motivation is there for anyone to face the pressures of commerce or the hassles of the entrepreneurial life?

**Rural areas: problems and constraints**

Over one-half of the entrepreneurs interviewed lived in rural areas or in the outer islands, where the economy is primarily agricultural and based on subsistence farming, copra, and fishing. Pockets of light industry exist, together with the occasional major plantation and timber or mining operation. In general, rural businesses are marked by simplicity of operation, limited capital outlay, few assets, poor sales turnover, and low profits. Yet rural entrepreneurs appeared satisfied with their scale of operation. Their businesses were geared to their own needs and those of the local community. Small is obviously beautiful in these rural areas. Consequently, policies, training, and advice designed to support rural entrepreneurs must be appropriate to their special needs.

Rural businesses experience problems particular to their isolated location. For instance, island retailers must order their stock
well in advance because transportation links are irregular and uncertain. As a result, retailers carry an expensive stock of retail items, spare parts, and fuel to cover delivery delays. This expense, as well as the cost of transportation and transshipment, is reflected in the uncompetitive prices charged to consumers and the limited variety of goods offered. Irregular transportation can also cause considerable disruption if equipment or refrigerators break down and spare parts or service engineers are delayed. Commercial farmers also suffer if valuable export crops are spoiled, if they cannot meet shipping timetables, or if cargo space is inadequate.

Rural areas generally lack support and infrastructure. Training opportunities are limited, skilled workers are at a premium, and advisory or accounting services are non-existent. Capital is hard to raise, and banks are few and far between. Very few industrial sites exist, and warehouse facilities or repair centers are virtually non-existent.

Land issues are a continual source of tension and uncertainty, usually over finding suitable land to lease or over lease conditions and rent payments. Land is commonly an entrepreneur’s major asset. Yet most banks are unwilling to accept land as collateral for loans because of the complexity of local land tenure systems and the virtual impossibility of redeeming communally held land. There is an obvious need to establish long-term, legally enforceable leases, whereby the traditional landowners can maintain their title, while the entrepreneur has a marketable lease agreement that can be used as collateral to borrow money.

Faced with these recurrent costs, rural entrepreneurs have devised various mechanisms to bail themselves out of their ongoing financial crises. Apart from using family savings or relying on remittance payments, one of the most successful mechanisms commonly adopted is the reliance on multiple businesses. The entrepreneur can then subsidize one venture with the profits from another enterprise.

Communities in rural areas and the outer islands are generally less monetized. They are relatively self-sufficient, and barter is a common means of exchange. In these small markets where entrepreneurs are hampered by irregular and expensive transportation, business life expectancy is short, profits are low, and
entrepreneurs have limited expansion plans. Moreover, they are susceptible to the demands and obligations inherent in any tight-knit rural community. In coping with these recurrent problems, rural entrepreneurs are characteristically adaptable and pragmatic. They appear to accept the vagaries of their small markets and the uncertainty of their links with wholesalers and suppliers. Their reward is not necessarily measured in financial profit, but rather in status and personal fulfillment.

Business problems
An analysis of the PIDP studies revealed that the causes of business failure can be traced to a common set of problems, which are similar to those faced by most entrepreneurs in the developing world. The major problems identified included a lack of management skills and business experience, undercapitalization, the impact of government policies, and the inability to control personal relations or communal commitments. Additional problems were lack of information, uncertain market factors, and inappropriate training and advice.

Obviously, the impact of these problems cannot be quantified in any definitive order. Problem interpretation is the product of personal experience, yet the order in which these problems are ranked reflects the general consensus of the research. The perceptions of the researchers were supplemented by interviews with officials of organizations that work with indigenous enterprises. However, a salutary warning was made by one such official when he commented, “It is much easier to highlight the problems than to find workable solutions” (Rizer 1984:81). Based on these factors, the following assessment highlights the problems faced by indigenous entrepreneurs in the Pacific.

Lack of management skills and business experience
The lack of management skills complained of by many Pacific entrepreneurs can be traced to their limited business experience. Few had been born into a business family, and most were previously civil servants, farmers, or craftsmen. This lack of exposure was reflected in their ignorance of business ethics and management techniques, an inability to keep accurate records, and gen-
eral lack of confidence in their business dealings. The resulting inability to assess their business performance or financial position caused them further difficulties in recognizing forthcoming problems or planning for the future.

Many entrepreneurs were unable to prepare realistic business plans. Feasibility studies were jeopardized by their inability to assess information accurately or make realistic projections. Rarely were business goals clearly identified or achieved. Such goals were often confused with personal or social obligations. Poor planning resulted in overambitious projects. Their success was threatened by insufficient resources, inappropriate skills, and irrelevant goals. Such lack of foresight is seen in the imitative "copy cat" mentality of many Pacific entrepreneurs who insisted on entering markets already adequately served by indigenous businesses. These markets became rapidly saturated with similar small businesses, all of which were competing against each other, and none of which made a satisfactory profit.

The overall lack of planning that resulted in unrealistic expansion appeared to be a common cause of business failure. Entrepreneurs need to have the skills to apply effective plans and the wherewithal to marshal and control the necessary resources. For instance, many entrepreneurs were unable to gauge the financial worth of their business. Even when accurate records were kept, few entrepreneurs had the experience to interpret the data and predict potential problems, let alone evaluate financial ratios or prepare cash flow forecasts.

Because of the general lack of understanding of, and ability to apply, basic management techniques, there was often little control over recurrent costs or any use made of cost-effective purchasing agreements or credit arrangements. Thus the lack of experience in management techniques and skills is reflected in higher costs and uncompetitive prices that in time often lead to business failure. This situation may help explain why the average price charged by Fijian entrepreneurs is 20 percent higher than that charged by Indo-Fijian counterparts (Hailey 1985:79).

As increasing numbers of Pacific islanders go into business and new management training opportunities are opened, then a body of management and business skills will gradually be developed in the region. But this development will take many years,
during which time the business community will be increasingly dominated by non-indigenous businesses. The economic gap will widen between the existing business elite and the potential entrepreneurs. This problem has been exacerbated by the lack of indigenous Pacific islanders being trained in management positions in non-indigenous businesses. Policies are obviously needed that will encourage management development and generate business experience. Educators and trainers need to develop courses that demythologize management practices. Their materials should use concepts that are appropriate to the mores and cultures of the Pacific islands and that have been translated into the vernacular (Hailey 1986:46).

**Undercapitalization**

Lack of capital is a common cause of business failure. Problems arise due to the lack of initial start-up funds and insufficient operating funds to ensure long-term survival. The impact of undercapitalization is reflected in a broad range of damaging problems. These include recurrent liquidity problems, a limited range of stock and equipment, substandard business premises, poor location, little promotion or advertising, an inability to finance effective expansion, and especially recurrent instability. Undercapitalization appears to be a recipe for business failure.

Banks in the Pacific islands generally have adequate financial resources; there is no shortage of business capital in the islands. The problem instead appears to be one of how indigenous entrepreneurs obtain access to these funds. Bankers claim that they are willing to lend to any viable commercial proposition but that often indigenous entrepreneurs do not make viable investment proposals. Their loan applications are rarely supported by accurate market projections, effective business plans, or sufficient information. It was further suggested that indigenous entrepreneurs were ignorant of basic bank practices and loan procedures.

The entrepreneurs, in turn, were generally critical of the unsupportive attitude of banks in the region. In general, Pacific entrepreneurs relied heavily on informal sources of capital. Most of the entrepreneurs interviewed assumed that banks favored the large borrowers and purposely made loan procedures difficult.
for small indigenous businessmen. This perception was supported by the contention that banks demanded loan guarantees and collateral that local entrepreneurs could rarely afford. Furthermore, most entrepreneurs complained about the high rate of interest charged and short payback period. Commercial banks were the most severely criticized. Apart from lending expensive short-term working capital, they appeared to avoid lending to indigenous businesses at all. Indigenous entrepreneurs felt that banks discriminated against them. They saw this as a conscious policy that starved them of capital; as a result, they were less able to survive the vagaries of conducting business in the Pacific.

**Government policy**

Government policies were commonly cited as a major obstacle to small business. Governments hold a central position in island economies, and civil servants and statutory bodies play a major role in regulating the local economy. This situation is exacerbated in that few governments appear to recognize the role of small indigenous business in economic development. Few development plans identify the potential of the indigenous business sector in national development. They emphasize instead the role of foreign investors and the benefits of large capital-intensive projects. There is little awareness of the multiplier effect of entrepreneurial activities or of the role of small enterprise as an integral component of balanced diversified development.

Some specialist agencies have been established to promote indigenous business, but their efforts have been frustrated by the lack of staff and resources. There is little cost-efficient coordination of advice or training for entrepreneurs. The resulting confusion and duplication have meant that these benign efforts have little credibility. The entrepreneurs interviewed appeared disillusioned with the official indifference, restrictive policies, excessive bureaucracy, and conflicting advice that they claim marked government's dealings with the indigenous business sector.

An analysis of the PIDP studies revealed specific criticisms of government policy that were regarded as serious obstacles to small business. These included the cost of high tariffs on imported goods, equipment, or spare parts; the lack of access to capital or availability of loan guarantees; insufficient equity funding; a
lack of industrial units for small business; poor infrastructure in rural areas; the lack of support programs or availability of business advice or training throughout the country; the high tax rates and the complexity of processing taxes; the delays caused by government red tape and the cumbersome, often arbitrary procedures in granting incentives, concessions, or subsidies; the impact of restrictive legislation including inappropriate employee or consumer bylaws; unwarranted planning restrictions; and the onerous conditions of obtaining business licenses. All these constraints and restrictions are impediments to small businesses but appear to have a lesser impact on large ventures.

Entrepreneurs also complained about the pervasive influence of government-owned businesses. These large, often highly capitalized ventures, which are often inefficient and unprofitable, can easily dominate the local business community in these small island nations. Such state-owned enterprises not only offer excessive competition and restrict individual enterprise, but also frequently receive preferential treatment, subsidies, and political concessions. These ventures were viewed as ideal for privatization, and some of the more ambitious entrepreneurs interviewed expressed willingness to bid for these ventures.

Another concern was the effect of price control legislation introduced by governments to contain the price of basic consumer necessities. A worthy motive, but one that is imposed at the expense of small entrepreneurs operating in rural areas. The controlled price does not realistically account for the costs of transportation and time involved in distributing goods in rural areas. The legislation allows little profit margin on staple goods, which compose most of the stock of small retail stores. The costs involved in this legislation are carried by the small business community, an added burden they can ill afford.

Government policy and legislation were seen as discriminatory to small indigenous businesses. Restrictive regulations and excessive controls inhibited local enterprise. Few clear policy guidelines had been established to support the indigenous business sector, and initiatives designed to promote indigenous enterprise were rare. There are no cohesive integrated policies to stimulate, support, and sustain Pacific entrepreneurship.
Drawing from their experience, several entrepreneurs argued that they should be more closely involved in the policymaking process. They proposed that they should be consulted by development planners as to the future of the indigenous business sector. Moreover, they were also prepared to provide submissions to legislators and policymakers on issues that affected their productivity or profitability. Improved consultation with government and enhanced communication among entrepreneurs were viewed as essential if indigenous enterprise was to flourish.

**Personal and communal commitments**

Major problems arise for indigenous entrepreneurs because of their inability to control relationships with customers, family, and the community. As already mentioned, communal obligations, traditional commitments, and ceremonial exchange are integral to island cultures. Such reciprocity is inherent in the way of life of many Pacific islanders today. For example, in Tonga *fua kavenga*, the obligatory contribution shared by the Tongan family, is inherent in the nation's social structure. By social convention, this inherent "reciprocity" defines the daily interaction among Tongans, as with many other Pacific islanders. Such reciprocity acts as a means not only of sharing goods communally, but also of ensuring a balance of material possessions among the people. The extent and sophistication of this distributional mechanism are manifest in the different forms of reciprocal relations. In Tonga, for instance, these include *kole* (to make a request, to ask, or to borrow), *fatongia* (a duty or obligation), and *takitaki* (a social obligation with ulterior motives) (Ritterbush 1986:72).

The entrepreneur's skill lies in his ability to control credit, collect unpaid debts, and check the flow of business resources to meet these reciprocal obligations. Successful entrepreneurs, in an attempt to keep communal demands within acceptable limits, have enacted a set of self-imposed rules that are recognized and respected by their customers. These included black listing the non-paying customers; keeping a strict credit ceiling; introducing an allotment system with direct payment arrangements for civil servants to pay outstanding bills; opening separate bank accounts, one for business expenses, one for family ex-
expenses, and one for communal or ceremonial expenses; providing a standard offering, such as a bag of rice, for all ceremonial demands, weddings, and funerals; and breeding pigs or chickens as a side venture purely to meet local obligations.

Apart from such community demands, many respondents commented on the pressures arising from within their own families, particularly friction among family members. Family tensions diverted attention from the business and threatened access to land, labor, and capital. The causes of these tensions were multifold; they often arose from quarrels over land ownership and the distribution of rent. Furthermore, business success bred arguments over the distribution of profits, while long-standing conflicts over work allocation simmered bitterly. Over-reliance on undependable family labor was noted in the PIDP studies as a common cause of friction and poor business performance. Many communally owned businesses, which superficially appear to build on strong family ties, are threatened by intrinsic jealousies and tensions. Quarrels in family or communally owned businesses are a fundamental feature of the Pacific business environment.

Pacific entrepreneurs often had not devised ways of controlling relationships with their customers, employees, families, and community. These problems drain business resources, affect employee productivity, and disrupt family or communal ties. Although easy to identify, they are difficult to resolve to the satisfaction of all parties concerned.

Other significant problems that emerged from the interviews with the entrepreneurs include the following:

*Lack of information.* Entrepreneurs commented on the lack of current trade and market data, as well as the lack of information about subsidies and concessions available to promote indigenous businesses. They proposed a comprehensive business information and advisory network to resolve the problems arising from this constant lack of information. Suggestions included the use of radio and other media, training workshops, and extension services (Rizer 1984:40).

*Market limitations.* The principal market-related problems stem from the small fragmented nature of island markets and the limited spending power of local consumers. Few Pacific entrepreneurs
appeared to display any real market awareness. As a result, their businesses were marked by unattractive facilities in poor locations, poor quality goods, unreliable service, uncompetitive pricing, poor customer relations, and a general lack of investment in promotion. Furthermore, many island entrepreneurs appeared to be unimaginative, poor innovators, and unwilling to grasp new ideas or alternative suggestions. This is typified in the "copy cat" mentality common to the islands, whereby new entrepreneurs merely copied existing successful businesses. To compound the problem, Pacific business has suffered from the total absence of marketing training in the region.

Inappropriate training. Training is a cost-effective way of passing on skills. The lack of management skills and ignorance about applying management techniques threatens many businesses. Yet there continues to be a paucity of appropriate management training or relevant business education in the region. There is little coordination among teaching institutions and training agencies to develop appropriate business courses. There is little training material of relevance to the island business environment or little standardization of curricula among the business training programs that do exist.

An underlying concern was that training materials were irrelevant, rarely translated into the vernacular, and had little meaning to Pacific islanders for whom English was often a third language. Entrepreneurs also complained that existing courses were too academic and not rooted in practicalities and that they relied too much on didactic teaching methods. This approach was frequently resented by the mature experienced students who usually attended such courses. They demanded instead a more participative and action-oriented approach using practical examples. Training should be designed around the participants' experience and business plans. The focus on individual courses should reflect the needs of a particular group, for example, carpenters, storekeepers, or yaqona farmers. In general, there appeared to be a general lack of appropriate training and little attempt to coordinate management or business training in the region. Of particular concern was that few training opportunities were available in the rural areas, and these were often a one-off experience with no follow-up.
Conclusion
Pacific entrepreneurs face a variety of problems, many of which are common to any business community in the world today, but some relate to the culture and insularity of the Pacific islands. The causes of business failure are varied and diverse; in many cases, they are a result of an entrepreneur's ignorance or mismanagement. Failure is a risk that all entrepreneurs take when they start any business, but the chances of failure can be reduced if appropriate measures to train and advise Pacific entrepreneurs are introduced. The following chapter identifies certain policy recommendations that may alleviate the impact of these problems and reduce the number of business failures in the Pacific.
Chapter 9. RECOMMENDATIONS AND CONCLUSIONS

There is a growing impetus in the Pacific islands to encourage indigenous participation in business. A successful indigenous business community can reduce the economic gap that has developed between Pacific islanders and the other races. Non-indigenous entrepreneurs have consolidated their market position and now control most business opportunities. If this pattern continues, the widening economic gap between the races will threaten political and social stability.

The data gathered in the field surveys clearly suggest that the success of any attempt to encourage Pacific islanders in business depends on the motivation and perception of the people themselves. Island peoples cannot be forced into business, no matter what the politicians and development planners may like to think. They can be encouraged and supported, but the final decision lies with the individuals themselves. Business success depends on individual motivation and the ability to bring resources together in profitable combinations. Such skills and desires can be encouraged, can evolve, but can never be imposed. The benefits of any money invested in supporting indigenous business can be assessed only over the long term. No short-term panacea is available. Thus cohesive policies to encourage and support indigenous entrepreneurs are recommended if Pacific islanders are to have any chance of competing on equal terms with other races.

For many Pacific islanders, "business" remains an alien concept. The business ethics of the cash market economy, measurable economic returns, individual acquisitions, and the "profit motive" work against the traditional communal cultures of the Pacific. Any attempt to encourage business threatens traditional values and thus a way of life. Yet, economic development and the reality of the existing situation dictate that the indigenous people of the Pacific islands should participate in business. This fundamental dilemma marks the thinking of many politicians,
planners, and entrepreneurs. The limited commitment to support indigenous entrepreneurs is a symptom of this dilemma. Such vacillation is, however, counterproductive. The cash market economy is now well established in the Pacific; the culture is adapting under its influence; and individuals increasingly are exploiting market opportunities created in the growing business sector. Pacific entrepreneurs now need to be encouraged by policies that will stimulate, support, and sustain their efforts if they are to thrive and succeed in business.

Governments have a clear choice whether to let market forces take their toll on indigenous enterprise or whether to promote indigenous entrepreneurship by investing in appropriate training and advice. The consensus of the researchers was that the stakes were too high to merely let indigenous entrepreneurs sink or swim in the tide of market forces. As a consequence, island governments were advised to invest in the development of indigenous business and encourage Pacific entrepreneurship. The political and economic repercussions of the failure of the indigenous business sector could impinge on all aspects of island society. For example, the leaders of the Taukei movement, one of the key instigators of the recent military coup in Fiji, voiced their concern about the loss of control by Fijians over their commercial destiny and their lack of participation in business.

Recommendations of the country studies
The following brief country statements identify specific problems faced by local entrepreneurs and highlight some recommendations proposed in each of the PIDP country studies to promote the indigenous business sector.

Cook Islands
The main problems encountered by entrepreneurs in the Cook Islands were those arising from (1) irregular and infrequent transportation links, (2) the impact of weak local markets and poor marketing institutions, (3) the shortage of capital and poor banking services, (4) the shortage of skilled workers, and (5) limited government support. In light of these problems, the principal recommendations to the government of the Cook Islands were to
• Improve regular shipping and air services to offer more cargo space and greater reliability.
• Develop new marketing outlets for exports and improve local infrastructure including storage facilities and marketing agencies.
• Encourage local banks to become more responsive to the special needs of the indigenous business sector.
• Upgrade the advisory services for local entrepreneurs, provide more information through the local media, and reinforce business training programs to build up basic management skills (Fairbairn 1987:4).

Fiji
The main problems encountered by entrepreneurs in Fiji were those arising from (1) lack of management experience and limited business skills, (2) the failure to control or exploit community relationships, (3) lack of sufficient financial resources, and (4) limited marketing skills. In light of these problems, the principal recommendations to the government of Fiji were to
• Create a cohesive, integrated policy to coordinate all aspects of support for the small business sector and make a ministerial-level appointment to oversee the implementation of these policies and to ensure the availability of sufficient resources.
• Evaluate thoroughly the effectiveness of business training courses, the impact of BOMAS, and the role of extension services with Fijian entrepreneurs.
• Make resources available to support and select potential entrepreneurs.
• Encourage local entrepreneurs to demonstrate greater originality in their business activities and offer innovative schemes to promote indigenous business.
• Develop culturally acceptable mechanisms so that traditional obligations need not drain business resources (Hailey 1985:106).

Marshall Islands
The main problems encountered by entrepreneurs in the Marshall Islands were those arising from (1) Marshallese social and
cultural practices, (2) the inability to control credit while honoring traditional relationships, (3) the lack of government support, (4) a customer pool characterized by limited buying power, and (5) a shortage of venture capital. In light of these problems, the principal recommendations to the government of the Marshall Islands were to

- Define clearly the role of indigenous entrepreneurs in government policy statements and the national development plan.
- Publish a foreign investment guide that clarifies the level of foreign investment, given the potential role of indigenous entrepreneurs.
- Improve the productive capabilities of local businesses by investing in both formal and nonformal business education programs.
- Give high priority to promoting small indigenous businesses and establish small business advisory services (Carroll 1986:5).

**Solomon Islands**

The main problems encountered by entrepreneurs in Solomon Islands were those arising from (1) the lack of support services, (2) the lack of management skills aggravated by the entrepreneurs' lack of experience and knowledge of business operations, (3) lack of physical infrastructure, (4) the impact of traditional communal demands and the *wontok* system, and (5) the lack of market opportunities and general lack of finance. In light of these problems, the principal recommendations to the government of Solomon Islands were to

- Consider the establishment of a coordinating body for all business and investment applications.
- Encourage and support business associations to work with government business, provide useful information, and liaise with government on new initiatives.
- Establish the rural credit systems and expand the banking system to encourage investment opportunities in outlying areas.
- Coordinate and rationalize shipping and road transportation.
• Review the availability of infrastructure including engineering and repair services, warehouses, and new industrial estates (Rizer 1984:2).

**Tonga**
The main problems encountered by entrepreneurs in Tonga were those arising from (1) their lack of confidence, (2) limited exposure to business practice and lack of business "savvy," (3) limited experience and training, and (4) a fatalism over their lot in life. In light of these problems, the principal recommendations to the government of Tonga were to

• Coordinate government services to streamline the technical and financial processes crucial to the development of new businesses.
• Create a more effective and integrated in-country marketing agency and assist efforts to market local products and services.
• Provide flexible loan payback terms and create a small business aid fund.
• Provide more formal and informal training and education programs that teach basic business skills, financial management, and equipment maintenance and repair (Ritterbush 1986:4).

**Western Samoa**
The main problems encountered by entrepreneurs in Western Samoa were those arising from (1) restrictive government policies and the lack of support programs, (2) limited business skills and managerial expertise, (3) lack of access to capital, (4) a paucity of technical skills and appropriate training, and (5) weak domestic and export markets. In light of these problems, the principal recommendations to the government of Western Samoa were to

• Provide greater access to training opportunities and overseas experience.
• Improve the infrastructure in rural areas.
• Reorient the school curriculum to include business studies and strengthen technical training.
• Mobilize the financial resources vested in the local churches in the private sector.
• Provide more inservice training opportunities in management and marketing (Croulet and Sio 1986:3).

Regional workshop
The discussions at the regional workshop on Indigenous Business Development in the Pacific focused on how to effectively encourage the promotion of indigenous enterprise and, in particular, on how to narrow the widening gap between indigenous and non-indigenous businesses. To this end, participants highlighted the government's role in stimulating entrepreneurship and thereby supporting and sustaining indigenous business. They suggested that business failures could be reduced if relevant and sensitively designed training programs were provided. Furthermore, sufficient loan finance and equity or share capital should be made available to local entrepreneurs. In summarizing their findings, participants made the following major recommendations:

• That there be increased participation by indigenous entrepreneurs in the formulation and evaluation of national development plans and policies.
• That existing government policies be evaluated and that there be closer coordination among existing agencies and ESOs.
• That greater effort be made to disseminate information on policies, tax, incentives, and advisory services.
• That agencies be established at a national level focused on "small business" to coordinate resources, formal and nonformal training, and advisory services.
• That, wherever possible, training programs be geared to local needs and that training materials be translated into the local vernacular.
• That formal and nonformal training programs be geared to all levels of expertise based on practical experience and be offered in both rural and urban centers.
• That greater efforts be made to channel savings into productive local investments as equity or share capital.
• That commercial banks be required to provide special assistance to indigenous entrepreneurs and that alternative sources of finance be explored.
That development banks not only provide special loan schemes to indigenous entrepreneurs, but also offer start-up support for prospective entrepreneurs as well as a range of training and advisory services (Hailey 1986:12).

Conclusion
In a review of the recommendations presented in the PIDP country studies and discussed in the regional workshop, five themes recur. These include (1) the impact of government policy on small indigenous business, (2) the problem of gaining access to capital, (3) the value of relevant business training, (4) the importance of up-to-date information, and (5) the need for suitable infrastructure.

First, the impact of government policies. There appears to be an urgent need to clarify and coordinate an integrated government policy approach appropriate to the needs of indigenous business. Such a cohesive approach should ensure that government support services and incentives are available to entrepreneurs in both rural and urban areas and help to alleviate the effect of restrictive regulations or burdensome taxes.

Second, the need for fair access to capital. Banks and their staff should be geared to the needs of small businesses by offering appropriate support, simplifying procedures, and demonstrating more flexibility in determining pay-back terms or demands for sufficient collateral. Moreover, research should be encouraged on alternative, easily accessible ways of providing finance. This is particularly important in rural areas, which are starved of capital.

Third, the importance of relevant business training. There is an overall need for appropriate training to be offered through an integrated network of formal and nonformal training agencies. These would have appropriately designed and translated training materials, using practical exercises and supplemented with regular follow-up sessions and easily accessible advisory services.

Fourth, the role of an information network. There is an important role for regular information links with the business community. The media could be used to transmit relevant information and advise as well as provide details on training courses, the availability of incentives or concessions, prices, and market opportunities. Such business outreach programs need to be in the
vernacular, while being designed for and scheduled according to the needs of local entrepreneurs.

Fifth, the value of suitable infrastructure. There was considerable pressure for greater investment in basic infrastructure, particularly in rural areas and the outer islands. Included were improved transportation links, improved utilities, comprehensive repair services, and the availability of appropriate industrial sites geared to the needs and finances of small indigenous enterprise.

What then are the alternatives open to island governments? Ratu Sir Kamisese Mara, Fiji's former Prime Minister, has argued that indigenous businesses should not be protected from market forces by excessive government support, and that they should either "sink or swim" (Mara 1986). Alternatively, some would argue, like the Taukei movement in Fiji, that island governments should introduce legislation that actively discriminates in favor of indigenous entrepreneurs as has been done in Malaysia. Or governments instead can adopt the more moderate interventionist policies as have been recommended in the PIDP country studies. Either way, governments need to clarify their commitment to indigenous entrepreneurs; if not, the present ad hoc collection of policies and agencies common to many Pacific islands will continue in their ineffectual way.

In the final analysis, the success of indigenous enterprise in the Pacific rests with the ambitions and abilities of the individual entrepreneur. The future of indigenous entrepreneurship depends on an entrepreneur's willingness and ability to integrate personal values with market potential, financial resources, and business efficacy. Moreover, the long-term survival of indigenous businesses in the precarious economies of the Pacific islands depends on the ability of Pacific entrepreneurs to resolve the inherent contradiction that exists between contemporary business practice and the communal commitments that are integral to Pacific cultures and the island way of life.
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