

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

**Understanding the experiences of small business
developments: A case study of local business owners
in Choiseul Province, Solomon Islands**

**A thesis submitted in partial fulfilment of the requirements for the degree
of Master of Management**

**at Massey University (Manawatu campus) Palmerston North
New Zealand**

By

Tozen Leokana

Massey University 2014

Abstract

Using data drawn from interviews with ten Solomon Island business owners, this study explores the influences and practices that shape the development and operation of small businesses in this context. The study explains these experiences and influences using the three dimension of social capital identified by (Nahapiet & Ghoshal, 1998). The study highlights the influence of family and community in both making business possible and constraining their development. The study discusses in particular the influence of the *wantok* system and practice of *kaon* on the success of small businesses in this region.

Table of Contents

Abstract.....	1
Table of Content.....	2
List of Tables.....	5
List of Figures.....	6
List of Appendices.....	6
Acknowledgement	7
<i>Chapter One: Introduction</i>	9
1.1 Overview of the thesis – the experience of business in Solomon Islands.....	9
1.2 Overview of Solomon Islands.....	10
1.2.1 Solomon Islands in context.....	10
1.2.2 Geographical and physical features	10
1.2.3 Socio-economic and cultural context.....	12
1.3 Overview of Choiseul Province: Specific location of this research study	13
1.3.1 Geographical and physical features of Choiseul.....	13
1.3.2 Social and cultural context of Choiseul	15
1.3.3 Economic activity	16
1.4 Influences of small businesses to rural communities in Solomon Islands	17
1.4.1 Social unrest (commonly known as “ethnic tension”).....	18
1.4.2 Post-social unrest	19
1.5 Understanding I bring to this study.....	20
1.6 Research intention.....	22
1.7 Significance of this study.....	22
1.8 Outline of this thesis	23
<i>Chapter Two: Literature Review</i>	24
2.1 Introduction.....	24
2.2 Definition of SMEs.....	25
2.3 Types of small businesses and SMEs	26
2.3.1 Family-owned businesses	26
2.3.1.1 Role of family businesses	27
2.3.2 Community-based businesses	28
2.4 Influence of SMEs in context	29
2.5 Contribution of SMEs.....	31
2.5.1. Addressing the issue of poverty through job creation and income	32
2.5.2. Economic growth and performance	33

2.5.3. Social and economic restructuring.....	33
2.6 Influence of cultural factors to SMEs	35
2.7 Constraints of SMEs	37
2.7.1 Access to start-up capital	38
2.7.2 Lack of infrastructure.....	39
2.7.3 Lack of entrepreneurial and management skills.....	41
2.8 Policy enviroment	42
2.9 Enabling factors for SMEs.....	43
2.10 Gaps in the literature.....	45
2.11 Conclusion	46
<i>Chapter Three: Methodology</i>	48
3.1 Introduction.....	48
3.2 Qualitative research	49
3.3 Case study research.....	50
3.4 Selection of participants.....	52
3. 5 Methods of data collection.....	55
3.5.1 Semi-structured interviews	55
3.5.2 Narrative story-telling.....	56
3.5.3 Field notes.....	57
3.6 Conducting interviews and transcription	58
3.7 Data analysis.....	59
3.7.1 Rationale for using thematic analysis	60
3.8 Ethical considerations	61
3.8.1 Low-risk notification to Massey Human Ethics Committee.....	62
3.8.2 Access to institutions and participants	62
3.8.3. Informed consent	62
3.8.4. Confidentiality	63
3.9 Research procedures and reflection	63
3.10 Reliability and validity.....	64
3.11 Conclusion	65
<i>Chapter Four: Conceptual Framework</i>	67
4.1 Introduction.....	67
4.2 Social capital.....	67
4.3 Dimensions of social capital	70
4.3.1 Structural dimension	70

4.3.2 Relational dimension	71
4.3.3 Cognitive dimension	72
4.4 What is the wantok system?.....	72
4.5 Rationale for using social capital	74
4.6 Conceptualising the concept of social capital to this study	76
4.7 Conclusion	78
<i>Chapter Five: Findings</i>	79
5.1 Introduction.....	79
5.2 Section A: The participants' cases.....	80
5.2.1 Peter	81
5.2.2 John.....	82
5.2.3 Nick.....	84
5.2.4 Paul	85
5.2.5 Tom.....	86
5.2.6 Matt.....	88
5.2.7 Tony	89
5.2.8 Luke	90
5.2.9 Jerry	91
5.2.10 Ben.....	92
5.3 Section B: Emerging themes.....	94
5.3.1 Social factors.....	94
5.3.1.1 Family well-being and livelihood	94
5.3.1.2 Schooling (education)	97
5.3.1.3 Influence of community and culture	100
5.3.2 Economic factors	105
5.3.2.1 Access to capital and financial support.....	106
5.3.2.2 Poor cash flow situation.....	108
5.3.2.3 Infrastructure.....	110
5.3.2.4 Lack of entrepreneurial skills.....	111
5.4 Conclusion	114
<i>Chapter Six: Discussion</i>	115
6.1 Introduction.....	115
6.2 Family-owned businesses	116
6.2.1 Purpose of initiating and conducting family businesses	117
6.2.2 Family resources and opportunity.....	118

6.3 Community and culture.....	119
6.3.1 Influence of <i>kaon</i> system	120
6.4 Influence of economic factors.....	122
6.4.1 Access to capital and financial support.....	123
6.4.2 Poor cash flow situation.....	124
6.4.3 Poor rural infrastructure	126
6.4.4 Lack of entrepreneurial skills.....	127
6.5 Conclusion	129
<i>Chapter Seven: Conclusions and Recommendations</i>	131
7.1 Introduction.....	131
7.2 Conclusion of the key findings	131
7.2.1 Lack of access to capital and financial support.....	133
7.2.2 Poor cash flow situation.....	134
7.2.3 Infrastructure.....	134
7.2.4 Technical support/entrepreneurial skills	135
7.2.5 Family-owned business.....	136
7.2.6 Community and culture.....	136
7.2.7 Social capital.....	137
7.3 Recommendations.....	137
7.3.1 Social factors.....	137
7.3.1.1 Family-owned businesses	137
7.3.1.2 Community and culture.....	137
7.3.1.3 Curriculum	138
7.3.2 Economic factors	138
7.3.2.1 Access to capital.....	138
7.3.2.2 Poor cash flow situation.....	138
7.3.2.3 Development of infrastructure	138
7.3.2.4 Business support	139
7.4 Limitation of the study.....	139
7.5 Further research	141
7.6 Concluding comments	141
REFERENCES	143

LIST OF TABLES

Table 2.1 Definition of SME by European Commission.....	25
Table 2.2 Definition of SMEs in Solomon Islands.....	26

Table 3.1 List of participants and the type of business they operate including the years of experiences	53
--	----

LIST OF FIGURES

Figure 1.1. Location of Solomon Islands in the South Pacific region.....	11
Figure 1.2. Map of Solomon Islands and location of Choiseul.....	12
Figure 1.3. Map of Choiseul Islands.....	14
Figure 3.1. Showing women selling local produce from their garden.....	54
Figure 3.2. Canoe making-one of the sources of income generating activity male engaged in to earn cash in Choiseul.....	54
Figure 3.3. 15 horse powered boat being used to collect data in Choiseul islands.....	54
Figure 3.4. Local ferry boat serving between Honiara and Western ports to Gizo.....	54
Figure 3.5. A businessman attending to his family-owned trading business.....	54
Figure 3.6. Typical business setup operating under the owner’s house.....	54
Figure 3.7. A run down community based building usually housed the community trading business.....	54
Figure 5.1. Two broad themes and the key sub-themes identified in the findings	94

APPENDICES

Appendix 1: Letter to Ministry of Education and Human Resources Development (MEHRD)	150
Appendix 2: A Letter to the provincial Education Authority	152
Appendix 3: Letter of Approval from Ministry of Education and Human Resources Development	154
Appendix 4: Participants Consent Form	155
Appendix 5: Information Sheet.....	156
Appendix 6: Low Risk Notification Approval Letter	157
Appendix 7: Interview Guide.....	158

Acknowledgement

I wish to acknowledge a number of individuals and institutions for their support in helping me complete this research project.

First, I am indebted to my two supervisors, Dr Joanne Bensemann and Associate Professor, Craig Prichard, who have provided me with advice, support and encouragement as I pursued my research interest. I would also like to thank them for guiding me in developing a deeper understanding of my research topic. I am thankful and privileged to have had them as good mentors, who challenged and encouraged me throughout this research.

Second, I would like to thank the Head of School of Management, Professor Sarah Leberman, for providing me sufficient time to complete my study.

Third, I am indebted to NZAID for giving me a scholarship and the opportunity to pursue my study at Massey University. I would like to extend my sincere thanks to Manawatu Campus International Support Staff, the Pacifica Student Services, Sunlou Liuvaie and Semimani Havea for their advice, encouragement and support.

Fourth, I would like to express my heart-felt gratitude to the 10 participants - Peter, John, Tom, Paul, Nick, Jerry, Matt, Tony, Luke and Ben, who have devoted that time to be willing to participate in this study and for sharing their experiences and stories. Furthermore, I would like to thank my brothers, Winter Philip and Tora Lekelalu, and my uncle, Davita Hakizama, and his son for providing the 15 horse-powered outboard-motor and the ray boat that we used in traveling to the villages for collecting data.

Fifth, I would like to thank the Ministry of Education and Human Resources Development and the Choiseul Provincial Secretary for granting me permission to conduct my research.

Sixth, I would like to thank Mr and Mrs Morris Toiraena for their financial help during my fieldwork. My humble thanks also go to the Principal of the Puzivai Community High School for providing me and my team with accommodation.

Seventh, I would like to acknowledge the support and sacrifice of my wife and daughter. A thank you also goes to my family and friends for your many prayers and support.

Finally, all glory, honour and praise is accredited to God for knowledge, wisdom and understanding. God's mercy and love have never failed and the completion of this study reflected that God has never left me to walk alone in this journey.