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**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

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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.

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Chapter One: Introduction

1.1 Overview of the thesis – the experiences of business in Solomon Islands

The Eurocentric and Anglo-Saxon conceptualisation of business is represented as the dominant perspectives in the literature. However, in Solomon Islands the varying social, cultural, situational and economic factors have influenced the development of business within their local context. Many small businesses faced significant challenges, yet they appear to survive by working through and alongside family and community practices. The influence of both the family and community is making business possible and constraining their development, in particular the influence of *wantok* system and practice of *kaon* in this region.

Many literatures have confirmed that small businesses including family businesses played an important role in the economy and are driven by profit motives. However, development of small businesses in rural villages and communities in Choiseul are motivated by family necessities such as children education, family wellbeing and livelihood rather than profit.

There is a gap in the literature. From my knowledge; no study has investigated issues pertaining to small business developments in rural areas of Choiseul Province. This study seeks to investigate the experiences of small business owners in the Solomons. In particular explores how they are made possible by family and community relations. Therefore, this study uses the notion of social capital to help explain and interpret the success and constraints in the development of small businesses. Furthermore, the study seeks to understand the experiences of small business owners and entrepreneurs and what influences their experiences in the start-up and operation process of small rural businesses within their area of locality. Therefore, to achieve this, the study uses a qualitative approach to explore what

influences the experiences of small business owners and entrepreneurs in rural areas of Choiseul Province in Solomon Islands.

In the next section, I want to describe the context, history and situational background of Solomon Islands and the specific location that this study focuses on in Choiseul Province.

1.2 Overview of Solomon Islands

1.2.1 Solomon Islands in context

People have lived in what I now know as the Solomons for tens of thousands of years and the first Western explorer, Alvaro de Mendana arrived in 1568 according to Dana (1995). Mendana and his crew landed in San Isabel and stayed for six months in search of gold and they gave the name Solomons after the ‘fabulous gold of King Solomon’s Mines’. During the first exploration by Mendana and his men, no particular mention was made about any contact with the locals over these six months. However it was later in the seventeen century, when the first contact was made between the Europeans and locals, in particular the French and British explorers (Dana, 1995; Oru, 2011). The Spanish explorers and their successors learned that the Solomon Islands consisted of six major islands - Malaita, New Georgia, Isabel, Guadalcanal, San Cristobal known today as Makira, and Choiseul, ranging in length from 80 to 200 kilometres and width from 15 to 50 kilometres (Dana, 1995).

1.2.2 Geographical and physical features

The geographical and physical features of the Solomon Islands has made communication, transport, and access to market and other essential services to be costly and inefficient (Boje, 2001). The Solomon Islands is located between 8° south latitude and 170.5° east longitude. This area stretches from Papua New Guinea in the north and to Vanuatu in the east. The Solomon Islands are a scattered archipelago, with 21 larger islands covering almost 29,785 square kilometres, and stretching across 1500 kilometres of the South Pacific Ocean. See

Figure 1.1 which shows the location of the Solomon Islands and its neighbouring countries of the South Pacific.

The country's physical climate is generally hot and wet, producing a perennial and luxuriant green canopy over the surface, with large islands with volcanic origin (Dana, 1995), and terrain ranging from rugged mountainous islands to low-lying coral atolls. The Solomon Islands, has six main islands, which comprise of nine provinces. Guadalcanal is the largest island on which the capital city, Honiara, is located. See map of the Solomon Islands and its six main islands below in Figure 1.2.

Figure 1.1 The location of the Solomon Islands in the South Pacific region.



(Source: <https://www.google.co.nz/search?q=map+of+south+pacific>)

Figure 1.2 Map of Solomon Islands



(Source: <https://www.google.co.nz/search?q=map+of+Solomon+Islands>)

The six main islands are rain-forested and mountainous with deep narrow valleys and coastlines with coconut palms and surrounded by beaches and coral reefs. The small islands are low-lying atolls and raised coral reefs and lagoons. These features have substantially influenced the logistics and effective delivery of services such as health, education and trading services mainly to rural centres and communities throughout the country.

1.2.3 Socio-economic and cultural context

The Solomon Islanders of native Melanesian origin consist of people with a diverse culture, language, and customs. The country's population as recorded in the 2009 national census is estimated at 515,870 (Solomon Islands Government, 2009) with the average growth rate of 2.17% estimated for 2012 (Prasad, 2005). The Solomon Islands is predominantly populated by Melanesians, which makes up approximately 95% of the total population, whereas the other 5% comprises of Polynesian, Micronesians, Chinese, and those of European ethnicity. About 120 local vernaculars are spoken. However the main language used is Melanesian pidgin. Most people live in small villages that are widely dispersed along the coasts.

According to the last national census held in 2009, approximately 80.2% of the total population comprises of rural households, and approximately 19.8% are urban households (Solomon Islands Government, 2009).

The Solomon Islands has a multicultural and diverse population, and each island group's social structure is different and unique in their own rights. Each island has their own, customs, values and beliefs, with recognition of kinship links and important obligations extending beyond immediate family groups and local and clan loyalties, far outweighing regional and national affiliations. The social structure of most communities is generally egalitarian; emphasising acquired, rather than inherited, status and a strong attachment of the people to the land. Most Solomon Islanders maintain this traditional social structure and find their roots in village life (Boje, 2001; David, 2001).

Christianity and religion plays a vital role in the Solomon Islands where approximately 96% of the total population belong to a Christian faith. This includes the Roman Catholic Church, Church of Melanesia, South Seas Evangelical, Seventh-day Adventist, United Church, the Christian Fellowship Church and other small Christian congregations (Prasad, 2005).

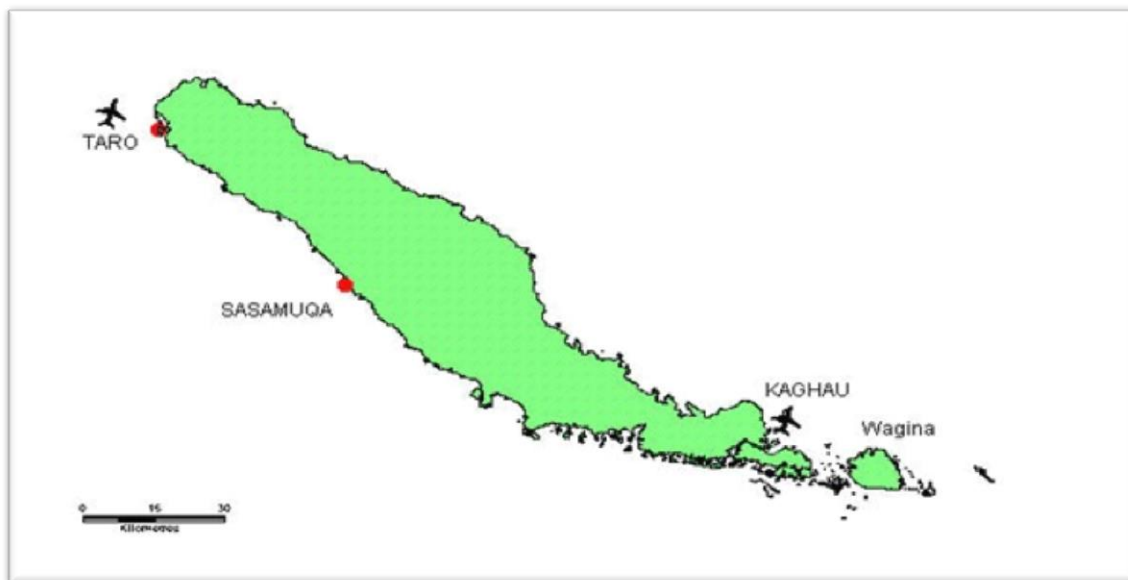
1.3 Overview of Choiseul Province: Specific location of this research study

1.3.1 Geographical and physical features of Choiseul

Choiseul Island, with the native name of '*Lauru*', is one of the six main islands in the Solomon Islands. It is located at 6.5⁰S-7.5⁰S and 156.5⁰E-157.5⁰E (Yang, 1989) situated at the north-western tip of the islands chain facing Bougainville, Papua New Guinea. The island is approximately 185 kilometres long and roughly 30 kilometres wide, covering a land mass of almost 3,000 square kilometres and is rugged and mountainous with many rivers, of which the largest is located in the south-central region. The vegetation of the island ranges from

low-lying coastal forests and mangroves swamps to plantations, lowland and mid-altitude rainforest to montane cloud forest (Yang, 1989). The highest point on the island is Mt Maetambe (1060 metres), a volcanic cone in the eastern central region (Gorman, Hanlon, & King, 1997; Yang, 1989). Gorman et al. (1997) generally described the island as one with a mass of deep valleys and sharp ridges averaging between 300 to 600 metres with very little flat ground except for a few highland plateaus and a few areas near river mouths along the coasts (Gorman et al., 1997). Figure 1.3 shows the map of Choiseul Island.

Figure 1.3 Map of Choiseul Island



(Source: <https://www.google.co.nz/search?q=map+of+choiseul>)

The climate is generally a typical equatorial maritime one with the average temperature ranging between 30 and 33 degrees Celsius, but generally cooler inland at the higher altitudes, and relative humidity is consistently between 75% to 85% (Gorman et al., 1997). In the wet season, a mean annual rainfall greater than 3,500 millimetres is common with only slightly seasonality distinguished by the wet season from November to April and dry seasons from May to October, respectively (Yang, 1989).

1.3.2 Social and cultural context of Choiseul

According to Gorman et al. (1997), the Choiseulese people are not well known anthropologically and limited information is available about them. According to Scheffler (1965), the origin of where the Choiseulese people originate from was unclear, but what was generally considered was that the Choiseulese are Melanesian both physically and linguistically with darker skin colour than the Solomon Islanders in the south and east of the Solomon Islands. It was however generally conceded that Melanesians and Micronesians are the two distinctive cultural groups in the province. Micronesian people, known as the Gilbertise settlers, had recently in the early 1960s settled at Wagina Island in the southern tip of the Choiseul Islands - see map on Figure 2 (Gorman et al., 1997). Although western modernisation has had a significant influence on Choiseul's population today, the island and its people retains distinctive cultural values and practices. It maintains a patrilineal family system that recognises male descendants as the head of the family unit. There is a strong sense of voluntary community contribution. The people of Choiseul still maintain the principles of caring and sharing of resources at the community level (Gorman et al., 1997).

In the 2009 national census, the total population of Choiseul was 26,372, with 52% being male and 48% female (Solomon Islands Government, 2009). Choiseul's population structure shows the following: 42% (under 15 years); 17% (15-24 years); 35% (25-59); and 6% (60 years and older) (Solomon Islands Government, 2009).

There are six major vernaculars or dialects spoken in Choiseul which are: *Vagua*; *Varisi*; *Ririo*; *Babatana*; *Sisingga*; and *Kirunggella*. In general these dialects seem to be closely related to one another, despite minor differences that exist which are largely phonemic (Gorman et al., 1997). Since 1905 people dwelled mainly inland, dispersed in small villages along the ridges (Gorman et al., 1997). However today, Choiseul's population prefers

inhabiting the coastal ranges which are now evident in that many small and widely dispersed communities and villages located along the coast. According to statistics from the national census about 96.9% (Solomon Islands Government, 2009) of the total population live in rural communities and villages in Choiseul, with fewer than 200 persons residing in their distinct cultural settings (David, 2001). This shows that only 3.1% of Choiseul's population lives in urban centres. The capital of Choiseul Province (Taro) is located on the island off the mainland of Choiseul Bay at the eastern tip of Choiseul Island.

1.3.3 Economic activity

Since 1992 when Choiseul became a separate province from the western province it has been experiencing a very slow economic growth rate due to various factors. Choiseul Province has a limited economic base due to its distance from markets for exports, poor infrastructure, and lack of capacity of institutions to promote sustainable growth in the province (Choiseul Province, 2012). Gorman et al. (1997) highlight the following factors: isolation; lack of infrastructure; outside of main economic route; and under-resourced provincial government as major contributors to the island's slow social and economic performance.

More than 80% of the total population of households in the Solomon Islands are rural-based. However in Choiseul it was reported that 80% of its population in rural areas was active in coconut production, while more than 90% were involved in subsistence gardening or farming (Gorman et al., 1997). The report further identified that in 2000, Choiseul Province produced 12.8% of the country's total copra output, with all of this mainly from smallholder producers. In 2012, the agriculture sector was identified as the single most important sector to the economy and rural livelihood in Choiseul with GDP contributions ranging from 35-42% annually, yet in terms of foreign earnings the two sectors (forestry and fisheries) remain the highest (Choiseul Province, 2012).

While statistics show that in 2007 Choiseul Province had a total of 591 small village-based enterprises, there were no major commercial businesses in operation in the province. Despite attempts made by the provincial investment authority over the years to venture into major business ventures, these have been unsuccessful due to a lack of capital (Gorman et al., 1997). Reports in 2012, identified that forestry provides a large income generator for people as a sources of their revenue, while other sectors such as retail, government and services do contribute but to a lesser degree (Choiseul Province, 2012).

1.4 Influences of small businesses to rural communities in Solomon Islands

Doing business in the Solomon Islands is a very daunting and challenging situation for many indigenous Solomon Islanders, both in urban and rural areas, given the unstable business environment following the civil unrest. When comparing the urban business environment to that of the rural business environment, it is evident that it is more challenging for rural business operators and entrepreneurs given the extreme factors they have to face (for example difficulty in accessing the markets, un-regular shipping services, limited access to banks, poor communications, geographical location of the business, etc.) The challenges and constraints that rural businesses encounter have created a wider gap between businesses operating in urban centres' compared to those operating in rural areas. This is because, businesses in urban centres have more access to better services such as banking, communications, access to markets, transport services and others. On the contrary, rural-operated businesses regard many of the factors mentioned previously as major constraints which have influenced and hindered their business operations.

One of the main drawbacks that have influenced the development of businesses in the Solomon Islands, thus having an adverse effect on business activities in rural areas, was the

social unrest that plunged the country's business and economic environment into chaos from late 1998 up until 2003.

1.4.1 Social unrest (commonly known as “ethnic tension”)

The social unrest commonly known to Solomon Islanders as “ethnic tension” started around 1998 between the two ethnic groups of Malaita and Guadalcanal. The crisis was triggered due to some Guadalcanal people being displaced because of the increased and fast-growing immigrant population: mostly Malaitans on their islands. In fact, the display of sectarian resentment prior to the crisis in 1998 by the Guale (Guadalcanal people) demonstrated their disagreement after multiple murders were carried out by Malaitan settlers on those in nearby settlements (Hameiri, 2007). As a result the Guadalcanal Provincial Premier at the time, Ezekiel Alebua, during a ceremony to mark the handing over to the province of alienated land in Lunga area, presented the Guadalcanal provincial demands to the national government (Kabutaulaka, 2001).

Despite the demands being submitted to the government by the Guale representatives, little or nothing was done to address their plight on the said issues raised. Therefore within months the violence escalated and the involvement of the two islands groups (Malaita and Guadalcanal) gave birth to the idea of the crisis also known as “ethnic tension”, a term that was commonly referred to when making reference to the social unrest in Solomon Islands in, 1998 - 2003. Subsequently the crisis, threatened national unity and further weakened the capacity of the state to address development issues (Kabutaulaka, 2001).

The crisis itself and its spill-over effects greatly impacted on the socio-economic development in the country. As a consequence some of the major impacts of the crisis, according to (Chand, 2002), include the following: the closure of large industries, for

example; Solomon Islands Plantation Limited (SIPL); the loss of investors' confidence; and the largest impact was threatening the financial sectors which at that time were in a volatile situation. In fact, the effect of the crisis extended way beyond the boundaries of those who were directly involved in the crisis; rather the spill-over effects also affected the entire country. Likewise, the impact of the crisis greatly affected the business activities in the main capital of Honiara, provincial urban centres, and the rural-based business activities. Since the crisis has ended some 10 years ago, its negative spill-over effects still have an adverse impact on business activities today, especially on small business enterprises owners and operators in rural areas and communities and the confidence towards starting and managing their own businesses.

1.4.2 Post-social unrest

Due to the social unrest, the experience of the Solomon Islands in the last decades created an economic collapse and saw the social fabric of the country significantly damaged. As a result, the Solomon Islands' economic performance deteriorated as reflected in the collapse of the government's formal systems. Since then, the government has re-emerged from this "post-ethnic tension" period and has charted what is termed a "Vision to Become a United and Vibrant Solomon Islands" (Solomon Islands Government, 2012). Following the experience of social unrest, the government responded as a matter of urgency to rebuild a harmonious society where economic growth can thrive, despite the challenges prevalent. Subsequently the government has since focused on investment in the private sector, which has emerged to be a key economic driver that can contribute to national economic growth with the ultimate objective of creating jobs for every Solomon Islander of working age. Therefore small and medium enterprises (SMEs) were identified amongst the other key players in the private sector as the best strategy to achieve the most rapid transformation of the Solomon Islands' economy (Solomon Islands Government, 2012).

The recent review of the (SME) policy and strategy by the Solomon Islands government shows that a major constraint was associated with a “lack of capacity” which has greatly affected the development and growth of SMEs in the Solomon Islands (Solomon Islands Government, 2012). Further, a report from the Asian Development Bank (ADB) indicated that many SMEs in the Solomon Islands fail as a result from the “One Talk Culture” (*wantok system*) that creates problems when families use credits that were acquired for business purposes, to support relatives. When the money is spent, the SMEs fail to meet the lender’s requirements. Therefore the possible solution to this problem again will have to be found in educational programmes through schools and financial literacy (as cited by, Solomon Islands Government, 2012).

It is also important to consider the context of the cultural settings in which these SMEs are located. Although, majority of the Solomon Islands’ population are Melanesian with different ethnicity, customs, cultures, language, and a diverse social group of people, these must be taken into account in developing policies to bolster SME business if it is to be successful.

1.5 Understanding I bring to this study

Often I usually spend my vacations, in the village. My personal observation is that these rural established small and informal businesses (for example canteens) operating in the village, are mainly concentrated on the provision of services such as selling commodities, mainly basic food and household items such as slat, tinned fish, soap, matches, biscuits, kerosene, noodles, and other basic items.

In the event that shipping has been delayed or there is no available transport to move cargo from wholesalers at the main urban centres to the village communities, most of these basic items are out of stock from these small village canteens and trade stores. The experience of a

shortage of stocks can go on for several months before the next consignment of cargo arrives, depending on the next available transport going to these villages. This sometimes creates a situation where rural business owners find it hard to operate their business as time is being lost while the demand for goods is high. This problem is further compounded because the delay in the arrival of cargo is beyond the business owners' control. In such a situation, business owners wouldn't be able to sustain the mounting pressure and other extra costs that they might incur over the delays which can also have other negative effects on the business operation including business failure or closure.

The continuous supply problem faced by small business operators in rural villages needs to be seriously addressed in order to provide a conducive business environment for local entrepreneurs. Most importantly, the establishment of good background knowledge within the business locality and other indirect factors impacting on local business is vital for dealing with the problem directly. Therefore the issue that this study aims to investigate is based on the broad question and constraints/challenges that have become a drawback that has influenced the experiences of rural people from venturing into new business and/or in trying to operate their business in a way that can lead into sustaining profitability and growth. Establishing background knowledge of factors that influence locals from starting a business under such an uncertain business environment leading to continuing business failures is also paramount. The study will also explore people's demand for goods and services within their community and the influence social and cultural practices or lifestyle (for example, according to some social (religion) groups, as part of their lifestyle and cultural practices, they do not eat pork, therefore goods that include any substance of pork will not be allowed to be sold in their canteen) have on business operations. However, this kind of situation will not meet the needs of other people who consume pork because the canteen does not provide such food

items. The underlying assumption is that most of the small rural business operators and entrepreneurs, venture into business activities to provide basic services to rural people and communities, but more so with the aim of being able to earn extra cash income that will help sustain their family well-being and livelihood. Exploring a better understanding of how small rural businesses can be further strengthened as a key economic and livelihood driver in rural communities in the Solomon Islands is a research topic worth being explored.

1.6 Research intention

The study explores the experiences of local small business owners and entrepreneurs and what influence on the establishment and operation of businesses in rural communities in Choiseul, Solomon Islands. Further the process also addresses the issues and challenges encountered by small business owners in developing and promoting a conducive business environment where local businesses and operators can operate and develop successful businesses. Therefore the purpose of this research is to develop a better understanding drawing from the generic description from stories and experiences told by small business owners and their relationships regarding their personal influences and the hindrance of starting up and developing businesses in rural communities in Choiseul Province in the Solomon Islands. The underlying research question guiding this research is:

What influences the experiences of small business owners in Choiseul, Solomon Islands?

1.7 Significance of this study

The findings from this study will assist and develop awareness of individual business owners of practices and strategies that may influence and improve existing business practices for small businesses in rural contexts. It will also enable the national government and provincial government authorities to develop evidence-based policies and provide much-needed support for rural business owners and operators in establishing and managing their business activities.

Similarly this study can also be generalised in order to contribute to the varying discourses on the topic on small businesses and their development in other rural communities in Melanesian countries and also in the Pacific region.

1.8 Outline of this thesis

This thesis has seven chapters. Chapter one, the introductory chapter, provides a brief background to the study. Within this chapter an overview of the problem was identified. Further, a background overview of the Solomon Islands context and a specific overview of the Choiseul context is outlined, as is the influence of small businesses, the impacts of the social civil unrest on small rural businesses in the Solomon Islands, the context and understanding I bring into the study is described, and the research intentions are stated. Chapter two reviews the literature relevant to (SMEs), two types of business (family and community-based), contribution of SMEs, influence of culture to SMEs, and finally the constraints and enablers to SMEs. Chapter three describes the methodology of the study, which includes the nature of qualitative research, case study research method, the selection of participants, methods of collecting the data, ethical consideration, the field-work process and reflection, as well as the process of data analysis. Chapter four draws on the conceptual framework of social capital that in-form the basis of analytical discussion. Chapter five presents the main findings of the research. Chapter six discusses the findings in relation to the existing literature and the conceptual framework. Chapter seven concludes the key findings of this study, gives recommendations, identified the limitation of this study and recommend areas for further research.

Chapter Two: Literature Review

2.1 Introduction

Research on small to medium business enterprises (SMEs) has been gaining momentum over recent years, as researchers have recognised their importance towards the creation of employment, increase in income distribution, and furthermore the overall development of a nation's economy. Drawing from the literature, it is evident that many developed and developing countries have examined the dynamic roles that small business enterprises play in their country's development. Furthermore, the aspects that have enabled small business enterprises to achieve their prominence globally are mainly their degree of influence and level of contribution towards the nation's economy. *What influences the experiences of small business owners in Choiseul, Solomon Islands?* In order to deal with the complexity of small businesses and understand their contribution to a country's economy, this review of the literature enables an improved understanding of SMEs, their importance and influence, and factors contributing to their development.

This chapter begins with a brief discussion on the definition and different forms of small business structures and their contributions. The review begins by examining the definition of SMEs, their influences, small family-owned businesses and their contribution, and community-based businesses. It also examines the important role that SMEs play in the economy and the common constraints that have shaped the experiences of entrepreneurs. These include: lack of finance (access to capital); poor infrastructure; SME support services; entrepreneurial skills; culture; and regulatory and legal framework. Factors considered as enablers of small business enterprises are also covered. The chapter also provides the platform for discussing the core concept. In this regard I will use the notion of social capital to explain and interpret what business owners' encounter. The chapter then concludes with a

discussion of the gaps identified in the existing literature and how this study will further contribute to the wider research and discourse on small business enterprises, especially in the context of rural communities in the Solomon Islands and the Pacific.

2.2 Definition of SMEs

SMEs play a significant role in contributing to the nations' economy, although the literature highlights that there is no single or accepted definition for small businesses and/or SMEs. Therefore this has led to a diverse approach taken by different countries when it comes to defining SMEs within their context (Jahanshahi, Nawaser, Khaksar, & Kamalian, 2011). In terms of "small" businesses in different industries, they can be perceived differently depending on their investment in capitalization and human resources (Storey, 1994). Therefore with regards to the nature of the small business sector it will depend very much on the limited resources they have compared to other businesses or organisations (Kibassa, 2012). However in defining the small business firms, the related objective was measured against the size of employees, sales turnover, profitability and net worth as the key parameters, while on the other hand comparisons can be made between the different business firms within the different levels or sectors in the industry (Jahanshahi et al., 2011; Storey, 1994). The European Commission defines SMEs as postulated in Table 1 below (Commission, 2003).

Table 2.1: Definition of SMEs by European Commission

Company Category	Employees	Turnover	Or	Balance sheet Total
Medium-sized	<250	≤ € 50 m		≤ € 43 m
Small	<50	≤ € 10 m		≤ € 10 m
Micro	<10	≤ € 2 m		≤ € 2 m

Source: European Commission (2003)

New Zealand’s definition of an SME’s structure confines them as enterprises that employ 19 or fewer employees.

In the case of the Solomon Islands, the general definition representing the Solomon Islands context is provided in the table below (Solomon Islands Government, 2012).

Table 2.2: Definition of SMEs in Solomon Islands

Size of the Enterprise	Net Investment (in millions SBD)	Capital (in millions SBD)	Annual Turnover (in millions SBD)	Number of Employees (Full Time Equivalent)
Micro Enterprises	Less than 0.5		Less than 0.3	1 to 5
Small Enterprises	0.5 – 1.5		>0.3 – 10	5 - 25
Medium Enterprises	1.6 – 7.5		>10 – 50	25 - 50
Large Enterprises	>7.5		>50	>50

Source: Ministry of Commerce, Industries, Labour and Immigration (2012)

As noted, in order to qualify as an SME at least any two of the above conditions must be met. Further, an informal company or enterprise is defined as one not registered in accordance with the company instructions and Company Act. However the categorisation of SMEs is either as registered or unregistered and employs anywhere from 1-50 employees (Solomon Islands Government, 2012).

2.3 Types of small businesses and SMEs

This section explores two main types of small business structures and SMEs. The two common business types are family-owned businesses and community-based businesses.

2.3.1 Family-owned businesses

Family businesses constitute a significant part of the country’s economy (Olson et al., 2003; Ward & Steier, 2006) and are emerging as a significant field of inquiry. Over the years many studies have gone on to increase and mobilise academic resources and legitimise the activities of family businesses (Ward & Steier, 2006). Also in recent years, more research has shifted

the focus from general small business entities to family businesses because they have increasingly become a major contributor towards economic development in many countries (Daily & Dollinger, 1993). A study done in the US shows that family businesses represent a substantial portion of the US economy and have massively impacted on the economy as a whole (Astrachan & Shanker, 2003). In 1997, the National Family Business Scheme (NFBS) showed that family businesses have become more prevalent in many societies (as cited in, Olson et al., 2003). Meanwhile the writings of Steier (2008) support the notion that many of the world's firms have constituted a certain dimension of familial structure and he uses the illustration of the dynamics and emerging market in East Asia. The underlying reason for a focus on family-owned businesses is that they constitute an important aspect of national economic activities. Nevertheless, research on the development and role of family-based businesses still remains sparse and as a result this is still misunderstood. This is further compelled by the fact that different countries have different ways of supporting and managing family-based SMEs, depending on their country's development and institutional context.

2.3.1.1 Role of family businesses

The role of the family is an important aspect which Habbershon and Pistrui (2002) identified as stabilising the social and economic value creation of the trans-generational wealth process. They further argued that the vital aspects that family members provide to the family business are seed capital, employees, managers and advisors during the start-up and operation of the business (Habbershon & Pistrui, 2002). Habbershon and Pistrui (2002) further identified the vital process or role that the family serves in the social system including: the family role they play in economics; the family establishing a moral system that guides their conduct as a social unit; and the family unit creating its own culture. Apparently, the role that the family

plays in enhancing the economic outcome was pointed out in the writings of Steier (as cited by, Habbershon and Pistrui (2002).

The familial ties do play an important role in the development of business processes and family and is represented as a valuable repository of socio-economic resources. This further supports the argument emphasising the notion that families do rely on each other, especially with the sharing of resources during the initial creation or start-up of new business ventures. The social capital resource helps in establishing the moral conduct of the family which developed over the familial ties resulting from the continuous interactions and relationships that the family builds through the dimension of social capital (Fuller & Tian, 2006; Nahapiet & Ghoshal, 1998; Shields, 2005; Steier, 2001; Tsai & Ghoshal, 1998; Woolcock, 2002a). Family culture also does create a context through which members of the family are influenced by the motivating forces which focus on privately-owned enterprise start-ups and preserving it across a succession of generations for future members of the family (Habbershon & Pistrui, 2002).

2.3.2 Community-based businesses

Community-based businesses have also become another important vehicle of economic growth in different countries. The practice of community-based businesses has emerged as a solution to income generation among many poor nations in Latin America, Asia and Africa (Peredo & Chrisman, 2006). However to conceptualise the term community, according to Marressich and Monsey (as cited by, Phillips & Pittman, 2009, p. 5) it is defined as, “a group of people who live close to one another and are united by common interest and mutual aid.” Therefore the combination of these two terms– community and business – transpire to form the notion that community business is a subset of social enterprise and a business-like structure that primarily has social objectives as opposed to economic objectives. Its

establishment is for the purpose of benefiting the community rather than being profit driven. Tracey, Philips, and Haugh (2005) identified community enterprise as having its roots in ‘civil society’ and they also identified it as a wider social enterprise movement that is concerned with trading for a social purpose. Consequently, while community businesses have a strong commercial ethos that is needed to generate substantial revenues necessary to achieve their anticipated social objectives, most importantly they require a more collaborative community involvement (Muthuri, 2008; Tracey et al., 2005).

The study on community-based enterprises done by Peredo and Chrisman highlighted features that are significant to community enterprises. They define a ‘community-based enterprise’ as a “community acting corporately as both entrepreneur and enterprise in pursuit of the common good” (Peredo & Chrisman, 2006, p. 4). Arguably the notion of community business was driven with a collective purpose to create and operate an enterprise that pursues the economic and social goals of a community, consequently producing sustainable benefits or outcomes over the short or even long-term (Peredo & Chrisman, 2006) for the community.

2.4 Influence of SMEs in context

Recent research has highlighted that SMEs have and continue to be one of the key economic players in different countries’ development. They have become a net creator of jobs (Henry, Hill, & Leitch, 2003) and are a dynamic group of the enterprise/sector that has become a major player, contributing to different countries’ economic growth and development (Habaradas, 2008; Naidu & Chand, 2012; OECD, 2004). In the global economy, SMEs are considered as the backbone or engines (Okpara & Kabongo, 2009) for economic growth in high-income countries, but this is less evident in the less developed and in particular low-income countries. This creates great challenges for less developed nations such as the Solomon Islands in developing and sustaining SMEs in order to elevate private sector growth

through the provision of employment opportunities and/or venturing into starting small businesses in order to create opportunities to earn and increase income.

The prominence given to the role of SMEs is indicative of the increasingly important role that a majority of enterprises in both the developed and developing countries contribute to social and economic development. In the case of the Solomon Islands, the government in a recent publication describes SMEs as an ideal vehicle which can best facilitate the rapid transformation of its economy (Solomon Islands Government, 2012). In New Zealand, SMEs play a vital part in the economy where they account for 40% of the country's total output on a valued-added basis and 31% of all employees, and most enterprises are SME sized which make up about 97.2% of firms defined under an SME as of February 2010 (New Zealand. Ministry of Economic Development, 2011). Even in the Asian region evidence shows that SMEs have been a dominant form of business organisation, for example, in Indonesia it shows that more than 99% of business are SMEs and these are scattered widely throughout the rural parts of the country (OECD, 2012). For the Solomon Islands, there were about 1,059 registered companies in 2011, for which the majority are SMEs in nature.

According to a report by the OECD (2004), SMEs are characterised as a very heterogeneous group and include a wide variation of firms ranging from grocery stores, restaurants, small machine shops, and computer software firms amongst others. Other literature refers to SMEs as small-scale and/or family businesses. In recognising the vital role that small businesses and SMEs play, Storey (1994) claims that when discussing economic policy, the nature of small businesses must always be considered because of the crucial roles they play and the significant and positive influences accrued towards a country's economy, the wider community and society in general.

2.5 Contribution of SMEs

In both developed and developing nations SMEs make a significant contribution as a vehicle of economic and social growth. Further, their development has gained momentum over the years and is seen as a source of flexibility and innovation and contributes to nation building in terms of the number of SMEs and the proportion of the workforce being employed (Smallbone & Welter, 2001). The organisation and management of SMEs is also influenced by a number of factors such as: generating employment; stimulating economic growth; improving the certainty of the business environment; and creating social cohesion (Habaradas, 2008; Naidu & Chand, 2012; Okpara & Kabongo, 2009). Although SMEs play a key role in contributing to developing economies, such as creating competitive advantage and sustaining economic development, there are various issues and constraints that have hindered and threatened their development and sustainability (Habaradas, 2008)

Meanwhile Mazzarol, Volery, Doss, and Thein (1999) emphasised that when respond to changing environmental factors, firms need to devote much of their resources such as time and effort towards their customers. At the same time, owners should invest more into developing the capacity of their SMEs to effectively respond to the changing environment. Smallbone and Welter (2001) highlighted that while many countries in Central and Eastern European are now transforming and adapting to new market economies and shifting away from the planned economies, the demand for SMEs has consequently become an integral part of their social and economic restructuring. Therefore it can be concluded that the influence of SMEs has consequently contributed significantly towards a country's nation building and their social capital and capacity. In the next section I will discuss the contribution of SMEs and family-owned businesses.

In developing economies, some of the significant roles SMEs played include: addressing poverty issues through creation of jobs and increasing incomes; providing a distribution network that reaches rural communities; providing broad-based sources of growth; acting as incubators for developing domestic enterprises into large corporations; and serving as suppliers and providers of support services for large enterprises (Habaradas, 2008, 2009; Oru, 2011; Smallbone & Welter, 2001).

In the next sub-sections discussion will focus on the specific contribution of SMEs including: addressing the issue of poverty; economic growth and performance; and social and economic restructuring.

2.5.1. Addressing the issue of poverty through job creation and income

In both developed and developing countries SMEs have been identified as a sector that has made a significant contribution towards elevating poverty through job creation and increasing the level of income. Further evidence shows that in all continents, SMEs represent a significant large number of firms that contribute enormously to employment creation (Aceleanu, TraȘCĂ, & ȘErban, 2014; Jahanshahi et al., 2011). Meanwhile others suggest that small businesses not only create employment but are also regarded as the engine of economics that drives the global quality of life (Hill & McGowan, 1999). In some countries like Africa, studies confirm that there are low opportunities and negative growth in income per capita during 1980-2000 (Okpara, 2011; Sachs et al., 2004). However the evidence postulates that SMEs have promoted and contributed to poverty alleviation through employment and income generation (Okpara, 2011).

Many countries also recognise the influence that SMEs play in creating job opportunities and their significant contributions towards the development of the private sector, which also on

the macro-scale has positively boosted countries' economic performance. Thus in this light, the Solomon Islands government has envisaged within its SME policy and strategy framework that the contribution of SMEs to national economic growth in the short and long-term will be significant. Its ultimate objectives will be to create jobs for all working aged people and alleviate poverty by the year 2020 (Harorimana S, 2012; Solomon Islands Government, 2012)

2.5.2. Economic growth and performance

SMEs have also contributed enormously towards fostering economic growth and performance in private sector development at the micro-level and also the nation's economic growth at the macro-level. As mentioned above, there is overwhelming evidence in the literature that SMEs have contributed positively towards economic growth and it does positively have an influence on the performance and prosperity of nations at the macro-level (Habaradas, 2008; Naidu & Chand, 2012; Okpara, 2011; Okpara & Kabongo, 2009). According to a review by the World Bank on small business activities, SMEs are a core strategic element fostering economic growth and the growing recognition of the SME's role is that they have contributed to the global recovery of local economies (Ayyagari, Beck, & Demircuc-Kunt, 2007). Also the recent study by Aceleanu et al. (2014) highlighted the important role of the SME's influence on economic growth and overcoming the crises and recovery process.

2.5.3. Social and economic restructuring

SMEs also contribute towards the social and economic restructuring of a nation's economy at a macro-level. In Central and Eastern European countries, acknowledgement is made that SMEs played an integral role towards the wider social and economy restructuring process in the transformation of the planned market economy (Smallbone & Welter, 2001). However it is also noted that the conditions that constrained and/or enabled the process were other

factors, such as the social, economic, political and institutional context, over which the government has a major influence (Smallbone & Welter, 2001). In the Solomon Islands, a similar case is quite evident with the government's access to vast resources with a huge potential to excel in its economic development. The government's role is in creating an enabling business atmosphere for SMEs and the private sector that is conducive to the Solomon Islands' context (Harorimana S, 2012), and it will provide the impetus for them to play an increasingly important role in the country's social and economic development.

The contribution of family-owned businesses has also increasingly becoming a vital element for different nations' economies and society as a whole. Therefore under the social structure of the family, it is argued that families (as members) make a substantial contribution to family businesses (Olson et al., 2003). Family businesses also have a significant influence on the economic development of many countries in the world today which are described as the engine that drives socioeconomic development and wealth creation (Fahed-Sreih, Pistrui, Huang, & Welsch, 2009). The consequential effects of family businesses on economic development have resulted in the establishment of different governing structures supporting business organisations both in the developed and developing economies (Chu, 2009).

It is evident in developed economies that family businesses contribute largely to job creation opportunities along with the promotion of economic and technological prosperity (Chu, 2009). However as family businesses constitutes mainly family ownership, job creation is not so prevalent in some of the literature on family business. The empirical study of Shanker and Astrachan (1996) highlighted that despite family businesses not being very prevalent in job creation, as the statistics show in the case of the US there is consensus by economists who have postulated that small businesses have been a major contributor of new jobs in the past

two decades. In 2003, according to Astrachan and Shanker (2003) family businesses employed approximately 62% of the US workforce.

Furthermore family businesses do provide an avenue to achieve economic security and an avenue to earn monetary returns and are a major contributor to countries' national gross domestic product (GDP) (Shanker & Astrachan, 1996; Winter, Fitzgerald, Heck, Haynes, & Danes, 1998). A good example is the study done in the US that shows statistics in 2003 that small family businesses contributed a substantial amount of about 64% to the country's GDP (Astrachan & Shanker, 2003).

It was also identified that in Western Europe, South and East Asia, the Middle East, Latin America and Africa, a majority of the public-owned business firms are family controlled (Burkart, Panunzi, & Shleifer, 2003). Further in the US and UK, a few of the largest public trade business firms are family controlled (e.g. Wal-Mart Stores and Ford Motors) (Burkart et al., 2003). According to Burkart et al. (2003, p. 2167), "most of the firms in the world are controlled by their founders, or the founders' families and heirs." This statement by Burkart et al. highlights an important role that family businesses play in the governance structure of a business organisation. Similarly the writings of Demsetz and Lehn (1985 as cited by, Chu (2009) also highlighted that among the *Fortune 500* firms it was found that families continue to hold about 33% of equity stakes and board seats of these firms.

2.6 Influence of cultural factors to SMEs

Culture is regarded to be one of the factors that influenced the development of SMEs. Meanwhile the role of culture has affected the development of SMEs and its impacts still remain unclear and continue to be part of the academic debate. How does culture influence the experience of business owners and entrepreneurs who operate and manage small business

and SMEs? According to Luczak and Mohan-Neill (2009, p. 16), culture is a “construct that is difficult to directly observe, but may be inferred from daily societal activities and verbal exchange.” Drawing from the seminal work of Hofstede (1984), he postulated that there are ongoing debates on the influence of culture on the behaviour of an individual or organisations. Meanwhile Ritchie and Brindley (2005, p. 107) defined culture as a “matter of ideas and values, a collective cast of mind”. Meanwhile Kovalainen (2006) highlighted the influence of culture which appears to be an important aspect, especially when considering policy formulation and its ability to stimulate business owners with activities relating to the running of SMEs. It was further identified that the impacts of culture on SMEs evolved due to learned values and attitudes with accepted meanings being shared by members of communities and social groups, all of which influenced directly both the material and non-material way of life (Kovalainen, 2006; Saffu, 2003).

It was also pointed out that in economic activities, there are cultural outcome linkages to it (Fershtman & Weiss, 1993; Kovalainen, 2006). Similarly Fershtman and Weiss (1993) pointed out that society differs across cultures, so there is variability in the way that it is relevant to how business operations should be performed. Therefore it is crucially important to draw up policies for SMEs that are relevant to the local entrepreneurs’ and business owners’ cultural context (Kovalainen, 2006). This ensures compatibility of policy with the social and cultural realities of SMEs.

Meanwhile the culture impacting on SMEs and entrepreneurs is not only confined to values, attitudes and habits, but it is also found in other existing social and economic institutions (Kovalainen, 2006). This therefore highlights the notion that the local cultural sets of values and attitudes are widely shared and accepted in local communities as is the case in the

Solomon Islands which has a strong direct influence on people's way of life. For example, the influence and demand for modern money has replaced the traditional way of exchange which is embedded within the social capital of many local rural people over the past and which plays an important part in their material and non-material way of life and well-being.

2.7 Constraints of SMEs

This section provides a brief review of the literature on the common constraints facing SMEs and their ability to enhance the development of small business operations. Despite the increased and significant contributions SMEs have made to the global economy, there are many constraints and challenges that need to be overcome in order to enhance their development and survival in both the local and global arena. These constraints vary in different countries and their impacts on SMEs also vary according to the environment in which they operate. The constraints and challenges which SMEs encounter are a common phenomena in many island nations in the South Pacific, including the Solomon Islands, and indeed in other developing and developed nations as well. These constraints include: access to finance; lack of infrastructure; narrow economic base; low productivity and high costs; lack and shortage of entrepreneurial or management skills; regulatory and legal framework; cultural values and practices; and geographical factors such as the remoteness and wide dispersal of islands and difficult terrains (Hadjimanolis, 1999; Onu & Ekine, 2009; Siemens, 2012; Venkateswarlu & Ravindra, 2012; Yusuf, 1998). As shown in other studies carried out in the South Pacific, a significant difference exists in the way SMEs operate and the factors impacting on their operations compared to the Westernised way of organising business. This is particularly the case in the research done in Fiji, Papua New Guinea, Western Samoa and Tonga by (Fairbairn, 2006).

This section identifies the main constraints and challenges that have influenced or hindered the development of micro, small and medium enterprises in developing countries including the Solomon Islands. They include access to start-up capital, lack of infrastructure, lack of SME support activities, and lack and shortage of entrepreneurial or management skills.

2.7.1 Access to start-up capital

Access to capital is one of the major constraints that influences SMEs and their performance. According to Marlow and Patton (2005) they suggest that access to finance is a critical element to business start-up and performance level. However the difficulty in accessing the start-up capital is one of the major hindrances faced by SMEs. The literature also argues that the problem is exacerbated by small businesses which makes it less viable for financial institutions to devote resources to building expertise in financing SMEs (Denis & Loi, 2004). Meanwhile the study by McPherson and Rous (2010) suggests that access to credit finances or access to capital is deemed to be an assumption that is seen as an important determinant to business start-up and growth. However it was argued that there are non-related issues such as credit to finance which are also important to business start-up and growth (Marlow & Patton, 2005; McPherson & Rous, 2010).

The difficulty in accessing capital has caused SMEs to have an enduring and negative impact on the start-up and the operation process which affects the business. Research done in Sri Lanka and Tanzania reveals that lack of access to finance was identified as the most severe constraint on business expansion and also emerged to be the leading constraint to SMEs in both countries in terms of obtaining start-up capital (Levy, 1993). Likewise a case study analysis of SMEs in India highlights the constraints they encounter with heavy start-up costs, which hinders their ability to secure sufficient finance for purchasing of needed assets and to meet the daily operational expenses of their businesses (Venkateswarlu & Ravindra, 2012).

Moreover one of the major reasons cited for lack of capital is the difficulty in borrowing money from the bank because of the lack of the required collateral to be used to secure loans. Therefore, according to the World Bank (2011), a lack of finance has created a major setback to SME development in developing countries. Furthermore SMEs are affected by a poor credit guarantee system, lack of support from financial institution such as banks, an extremely high stock market threshold, and poor accounting systems that discourages banks from lending to them (Beck & Demirguc-Kunt, 2006). All these have contributed as impediments for SME start-up and development in both developed and developing countries.

Although the assumption of access to credit sources links to issues of lack of finance and access to capital, perhaps SMEs may tend to succeed not necessarily by relying on capital finance but also depending on other factors such as entrepreneurial skills and/or presence of human capital (McPherson & Rous, 2010) and gender (Marlow & Patton, 2005). Human capital is an important enabling resource which relates to family capital and its relationship is mainly to family-owned businesses. Through family social capital, often it is enlisted that family human capital supports the notion that members of the family provide the potential resources such as knowledge, experience, ability and energy contributing towards the development of businesses (Sorenson & Bierman, 2009). Therefore there is evidence showing that businesses may succeed despite having issues of lack of finance or access to credit sources.

2.7.2 Lack of infrastructure

Lack of infrastructure is one of the major factors that has influenced the experiences of SMEs and entrepreneurs. Consequently lack of infrastructure does influence the physical nature of business development, which also contributes significantly towards the failure of many small businesses (Okpara, 2011). The existing body of literature arguably acknowledges that lack

of infrastructure is also a constraining factor that hinders the growth of SMEs in developing countries. Further the issue of remoteness and poor transportation has led to the increased cost of transport cost due to isolation and poor infrastructure (Limao & Venables, 2001; Saffu, 2003; Wynne & Lyne, 2003). However by having proper and quality infrastructure it will enable businesses to improve their condition of services and poverty reduction.

In Nigeria, a study showed that poor infrastructure, services such as electricity, transportation and water sanitation play a critical role in a country's development and are directly impacting on small business success and economic growth (Lal, 2007; Okpara, 2011; Okpara & Kabongo, 2009). Further to that it was also identified that lack of proper infrastructure has caused difficulties for SMEs in accessing wider market opportunities, communications and fulfilling their commitment to customers (Irjayanti & Azis, 2012; Olawale & Garwe, 2010). Further the high transaction cost faced by developing nations has also caused the poor state of the physical infrastructure which directly impacts on SME growth and performance (Wynne & Lyne, 2003).

In the Solomon Islands its isolation and geographical fragmentation has contributed to a high cost of transportation which makes it difficult to achieve the needed scale of returns to expand economic activity (Lenga, 2005). Consequently the high cost of transportation due to isolation from the markets and high transaction costs does influence and cause a rise in the existing value of primary products. Lenga (2005) pointed out that most of the infrastructure in the Solomon Islands was constructed around the colonial days and since then little has been done to improve it. Even today most important infrastructures are still being neglected by authorities and most of roads, wharves and navigational aids are in a state of disrepair. Overall the state of the infrastructure impacts significantly on the ability of SME businesses

to carry out their businesses efficiently, and for those trading beyond their geographical boundaries it also contributes to the increasing cost of shipping as is the experience in the Solomon Islands.

However in mitigating the issue of poor infrastructure, the literature has identified that having proper infrastructure enables the alleviation of the issue of poverty reduction (Balisacan & Pernia, 2002; Okpara, 2011). Further by having quality infrastructure it can potentially affect the growth prospect to businesses, which also encourages formation of new businesses in developing countries (Olawale & Garwe, 2010). Also to improve the competitiveness of SMEs, a study shows that it is important to have an efficient infrastructure so that it can mitigate the constraints and challenges affecting SMEs (Lal, 2007). Meanwhile the reduction of the transaction cost will alleviate the distribution of the cost into improving the physical infrastructure, which will provide more better public goods and services to help encourage SMEs to expand and grow their business (Wynne & Lyne, 2003).

2.7.3 Lack of entrepreneurial and management skills

While the success of SMEs depends on the entrepreneurial and management skills of its owner, the research confirms that lack of entrepreneur/management skills and experience is one of the major causes contributing to the failure of SMEs. The notion entrepreneur implies distinct ways of thinking which increase the likelihood of identifying opportunities and developing new ventures to exploit these (Boyles, 2012).

Fairbairn (2006) emphasised that the shortage of entrepreneurial skills is widely felt among Pacific Island countries (PIC), an absence that has invariably restricted the capacity to boost business development and economic growth in general. Furthermore it is argued that management problems, including accounting, finance, personnel and management issues,

have been cited as major causes of business failure for small businesses (Okpara, 2011; Tushabomwe-Kazooba, 2006). This is due to poor record-keeping and a lack of basic business management skills, which are major contributors to small business failure in developing countries (Okpara, 2011; Okpara & Kabongo, 2009). In addition, research by Boyles (2012) pointed out that the practice of entrepreneurs has indicated that the shortage of highly-skilled workers inhibits the growth of their own companies as well as the development of new entrepreneurial firms. The literature therefore posits that a growing demand of a high-skilled workforce is vital to compete on a long-term basis in the global economy (Boyles, 2012). Developing and fostering strong entrepreneurial skills and knowledge establishes a strong foundation locally for these SMEs to participate in markets beyond their geographic locations. It is therefore significant to explore opportunities to develop the entrepreneurial and business management knowledge and skills of those involved in existing SMEs, including those who aspire to venture into business in future. A possible avenue would be to increase more graduates to obtain high levels of qualifications that help build entrepreneurial skills and knowledge.

2.8 Policy environment

The literature has also found that the policy environment in which SMEs operate can have either a positive or a negative impact on their development and eventual success. In most less developed nations, SMEs are confronted with ineffective and weak government policies which act as a major constraint to successful small business development. In the case of the Solomon Islands, Harorimana S (2012) highlighted that having conducive policies with quality government support will provide SMEs and the private sector with opportunities to boost their potential to excel the nation economically. However Harorimana further stated that the policies should be not merely a statement but must be strategically practicable and reflect on their outcome with a strong mentoring mechanism. According to Smallbone and

Welter (2001), despite those individuals who can be creative in having the urge and/or commitment to set-up and grow their business, the process can very much depend on the government's actions and conditions that can be constraints and/or enablers. This of course is contingent or affected by the social, political, economic and institutional context in which the government operates. Some of these factors are beyond the government's ability to control.

2.9 Enabling factors for SMEs

In this section, a review of the literature will focus on some eminent enablers or drivers for SMEs. Despite the constraints and challenges complicating the operations of small businesses, there are also enabling factors that influence the experiences of small businesses/SMEs such as the culture and community belief system. And as for family-owned and operated businesses, social capital resources provide enabling drivers that positively influence the business operations and outcomes.

Culture plays a vital part as the basis to any development and it is at the center of any social order which serves to promote and maintain cultural traditions and way of life. In any development including business, community and cultural identities are reinforced and at the same time its collective identities strengthened. Meanwhile a study shows that some indigenous South Pacific Island entrepreneurs have collectivist cultural motives that are rooted in their relationships with the local community and culture (Saffu, 2003). These motives produce an enabler especially to small business owners for taking priority in achieving the social obligation rather than on their business security and performance. A classic example was the motivation of Papua New Guinea entrepreneurs described and reinforced as social and 'egalitarian individualism' (Saffu, 2003), which can be related to a utilitarian view of business.

For family businesses, the strong connection that members of the family are establishing through daily interactions and relationships generates an enabling effect positive to business operations. Consequently through traditions and practices upon marriage, it brings both the family members of the husband and wife to bond together in a life-long partnership that requires them to provide mutual support. This practice generates a stronger sense of unity that is created between families which promotes harmony and social cohesion. This is an important enabler to family businesses that builds on the asset of family partnership, through the notion of social capital, constituted from the network of relationships (Nahapiet & Ghoshal, 1997). Sometimes it can be challenging for families that are obligated to provide support through means of sharing of resources, but its outcome is hugely accepted and appreciated by members of the family. This is inconsistent to what (Arregle, Hitt, Sirmon, & Very, 2007) identified, stating that family ownership is focused more on the business yet members of the family strive to achieve and maintain businesses through their relationships. Therefore the involvements of the family in business through constant interactions are important enablers that affect the development of family businesses.

Family resilience is also an enabler that positively influences small business operations. According to the study of Ates and Bititci (2011), they describe resilience as a key capability for sustaining any form of organisation including small businesses in a turbulent business environment. And further, with almost 70% of SMEs contributing to world production it is of considerable paramount importance to sustain SMEs (Ates & Bititci, 2011). To adapt in any challenging situation or environment, it requires resilience. The articulation of resilience according to Ates and Bititci (2011) is the capacity that an organisation or firm can survive, adapt and sustain itself in any environment that may inflict change. The findings of Ates and Bititci (2011) in their theoretical standpoint identifies that a change in management capability

has proven to be essential in building resilience of SMEs. Change management does require proper knowledge and skills in order for business owners to learn new skills that may apparently be influenced through training which is an enabler for SMEs.

Evidence has also shown in the literature that acquiring proper knowledge and skills does have an influence on business start-ups and its operation. In a study by De Clercq and Arenius (2006) it highlights the importance of knowledge-based factors as one of the motivators that enables a person to become an entrepreneur. Therefore the influence of knowledge was argued to be an important factor towards the business start-up process. The study of small businesses and e-commerce by (Darch & Lucas, 2002) also confirms that proper training is an important aspect that provides the necessary knowledge and skills that enable SMEs to promote their small business operations. The findings of a study by (Migdadi, 2009) confirms a positive relationship existing between knowledge management and organisational/business success therefore rendering support to the importance of initiatives targeted at developing knowledge and skills business operations and management. Meanwhile De Clercq and Arenius (2006) pointed out that knowledge is based on the notion of self-efficacy which individual entrepreneurs do have and this is vital in building their confidence in their own capabilities. Litt (1988) describes the concept of self-efficacy as one of the integral parts of building or motivating entrepreneurs' willingness and ability to perform certain acts or activities. Despite the different challenges faced by SMEs, the literature has also identified a number of key factors which contribute as SME enablers.

2.10 Gaps in the literature

Although there are many studies being done on the development of small business enterprises in other countries, the search in the literature shows that to date limited research has been conducted on their development, especially in trying to understand the factors that influence

the experiences of small business owners in small developing island states. In fact, no study in particular has been conducted specifically to explore the experiences of SMEs in the context of rural communities in the Solomon Islands. Thus, this creates a gap with respect to understanding the problems and issues facing small business owners, particularly in Choiseul Province, Solomon Islands. In this case, the proposed study will provide a different dimension by exploring in-depth the experiences, perceptions and observations of the rural business owners, including key stakeholders such as government officials who are involved with supporting the development of SMEs in rural communities in the Solomon Islands.

2.11 Conclusion

The purpose of this study is to explore within the context of the rural business owners in Choiseul the factors that have influenced the experience of business owners within their area of locality under study. Based on the literature, SMEs have increasingly contributed towards the economies of both developed and developing countries through the creation of job opportunities, increasing the level of income and in addressing social issues. In developed countries, SMEs has been considered as the backbone or the engine of economic growth and compared to the case of less developed countries where their overall contribution has been less prominent. Despite the huge potential that SMEs provide there are great challenges for less developed nations in promoting them in order to elevate their contribution to private sector growth through the provision of employment opportunities and encouraging the development of the small businesses necessary to create opportunities for the local populace to earn an income and to sustain a livelihood and improve local economic growth. To date there is still no single definition of SMEs, so therefore a diverse approach has been taken by different countries in approaching their development based on their context. The common definition used for SMEs focuses on indicators such as the size of employees, sales turnover, profitability and net worth as key indicators. Highlighted in the review are: (1) two types of

business structure – family-owned business and community-based business; (2) influence of SMEs, particularly their contribution to addressing social and economic goals; (3) influence of SMEs and culture; (4) constraint of SMEs, particularly their support activities, lack of entrepreneurial and management skills; (5) enabling factors for SMEs; and (6) the gap in the existing literature.

In the case of Solomon Islands, where many small businesses are family and privately-owned and with the recent approval of the SME policy by the national government as a priority national development, the focus is on providing opportunities for local business owners and entrepreneurs to engage in business activities both in urban and rural areas. Therefore this study had explored the existing small businesses and what has influenced the experiences of business owners and entrepreneurs in starting and operating their business operations in Choiseul Province, Solomon Islands. In the next chapter, I will discuss the research methods used in this study.

Chapter Three: Methodology

3.1 Introduction

Business and management research is a discipline inquiry with actually very broad background and institutions relating to business and management problems and questions. Of course, the business and management discipline often relies and is built on other disciplines such as statistics, psychology and/or sociology as well (Myers, 2008). As individual researchers, they have seen or view the world differently. Therefore the research process from contextualising a problem to collecting and analysing data, and to interpreting the findings are varied to the set of different and unique to the researcher and the particular questions. Also this inquiry adds knowledge to existing information on business and management issues and improves the immediate establishment of relevant practices (Myers, 2008) with new ideas and approaches that will help inform policy-makers and other stakeholders to influence their decision-making. In attempting to establish the potential constraints and enablers that affect small rural businesses and small and medium business enterprise (SME) owners in the Solomon Islands, I chose to undertake a qualitative research project that will include observation of participants (field notes), interviews and having informal narrative story-telling with participants. A case study will explore the context of business owners and the locality of the environment surrounding the businesses in Choiseul Province, Solomon Islands.

This chapter outlines the research methodology, together with the research methods of data collections; ethical considerations; field-work processes and reflections; the process of data analysis, and later concludes with a summary of the research process.

3.2 Qualitative research

Myers (2008) describes that the qualitative research method was developed within the field of social science that helps researchers to observe and interpret social and cultural phenomena. This is to help researchers to understand the social and cultural contexts within which people live (Myers, 2008). However Denzin and Lincoln (2008) highlight that qualitative research is a field of inquiry in its own right that cross-cuts different disciplines, fields and subject matters. They further provide a generic definition of qualitative research as an activity that locates the observer in the world with the view to construct and interpret certain phenomena (Denzin & Lincoln, 2008). Qualitative research acknowledges the different social realities that individuals or groups within a social structure construct as they participate in the research that will make sense of the actions, intentions and understanding of these studies (Denzin & Lincoln, 2008; Hatch, 2002).

On the other hand, qualitative research employs a broad set of interpretive practices in order to gain in-depth meaning of the world around them or understand the context at hand (Denzin & Lincoln, 2008) and make meaning from what the participants provide. Further, Cohen, Manion, and Morrison (2011, p. 22) emphasised that within the interpretative paradigm, the ultimate aim of the researcher is to “begin with individuals and set out to understand their interpretations of the world around them”. Initially the theory is based on the particular situations upon which the researchers build their theory which makes sense to whom it may be applied to and become meaningful for a better understanding of their participants’ behaviours (Cohen et al., 2011). Danes, Stafford, Haynes, and Amarapurkar (2009) emphasised the qualitative research method as a useful method when describing a phenomena from the epic perspective of the participants towards the problem from their native point of view or local context.

Qualitative research is highly a subjective research practice comprised of different approaches that include: ethnography study; grounded theory; phenomenology research; narrative approaches; a case study; action research; and discourse analysis. Although qualitative research was said to be a best approach to study a particular subject in-depth (Myers, 2008), the collection of qualitative data is also an important aspect to consider. Therefore qualitative data that are mediated through human instruments to qualitative researchers must physically go to the people, organisations, and settings to collect data in the natural setting. Accordingly this study will be conducted in a rural community with local business owners (both former and current) and also will involve other stakeholders such as community people (customers), and relevant authorities (Ministry of Commerce, Industries, Labour and Immigration). Further, it will involve hearing and taping stories from local rural business owners and operators about their personal experience they encountered and obtaining related documents as the sources of qualitative data.

3.3 Case study research

A case study is an approach that has a rich history for exploring between the world of theory and the experience of practice which involves gathering detailed information about one individual, a group or institution. Yin (2003) pointed out that a case study can be used in many other situations in order to contribute to knowledge of individuals, groups, organisations and social, political and other related phenomena. In fact, case studies are now employed in many disciplines including management, education, psychology, sociology, political science, social work, and anthropology (Burns, 2000; Cohen et al., 2011; Yin, 2003). Starman (2013) pointed out that case studies have become a very useful approach to social science studies and found it to be a valuable practice - oriented in the field of management studies and social work. In other fields of study such as educational research, researchers conduct case studies in order to describe, explain or evaluate particular social phenomena

(Gall, Gall, & Borg, 2005). The use of qualitative case studies embraces the holistic nature and characteristics of the real life in any organisations.

A case study involves the process of learning about a case and the product of our learning. A case can be seen as an individual, or a group, an institution or even a large-scale community. According to Johnson and Christensen (2012) a case is defined as a bounded system and a case study relates to a story about a bounded system, or a set of interrelated elements that form an organised whole. In addition, a case study is set in temporal, geographical, organisational, institutional and other contexts that enable boundaries to be drawn around a case. These case studies can be defined by the individuals and groups involved; as well as by the participants' roles and functions in the case (Cohen et al., 2011). Therefore for this study eight selected villages formed a case bounded system that is particular to them. These eight villages are located in the southern region of Choiseul Province and they are all situated at rural areas and were all privately-owned businesses. Initially I interviewed people who were identified based on a snowballing sampling method and those who had volunteered to participate in the interview process. I then gathered from the participants' experiences and stories, in order to provide insights into the business operation in rural areas. Analysis and interpretation of data from these cases were drawn out from existing informal and formal local business practices and structures identified from the interview which may potentially help to build on or further develop the establishment and operation of small businesses in rural areas in Choiseul Province. I also have drawn out issues that may hinder or become constraints to the development of small businesses. This aspect also forms the boundary of this case study.

A case study often involves a multiple process of collecting very extensive data, in order to produce an in-depth understanding of the entity being studied (Burns, 2000). Burns (2000) asserted that to enable the collection of such in-depth data, the main technique used was personal interview (both unstructured and structure) and participation observation of primary sources. Difficult though it may be in collecting multiple data as required under a case study approach, given the time constraints and accessibility to study sites, the adoption of the case study approach involving collection of multiple sources of data from in-depth semi-structured interviews together with field notes, it is important to improve the truthfulness of the data and findings (Burns, 2000).

Case studies are differentiated by their dynamic way of providing a deep description of a single bounded system in a social nature such as an organisation, family, community or an institution (Welman & Kruger, 2001). The choice drawn on the uses of the case study was made based on the expectation of the understanding towards the research phenomena. Therefore for this study case study it is appropriate because it provides a unique example of how businesses in rural areas are organised and operate in real situations. Thus gathering a rich deep description of details of lived experiences from the rural business owners in this study will offer an understanding of how rural businesses perceive the various social phenomena in the social world.

3.4 Selection of participants

Fieldwork is an important process as it enables researcher to gain first-hand information from reliable sources (O'Leary, 2010). As there are strategies to select participants, therefore for this study, purposive and snowballing sampling strategies were employed to select participants for the interviews. This sampling strategy is where participants or key informants who have been interviewed earlier refer the researcher to other potential participants in the

study (O'Leary, 2010). The interview was conducted in eight different villages, and was basically interviewing them about their personal experiences and observation about managing and operating their business in their rural contexts. A total of 10 participants were interviewed (see Table 3.1)

Code ID	Sex	Type of business operated	Years of experience in business-related activities
John (P1)	M	Village trade store	3 ½ years
Nick (P2)	M	Village trade store Petrol depot Timber buyer	17 years
Peter (P3)	M	Village trade store Petrol depot Timber buyer	2 ½ years
Paul (P4)	M	Managing community store	40 years
Tom (P5)	M	Managing a cooperative society	31 years
Matt (P6)	M	Village trade store	20 years
Tony (P7)	M	Village trade store Petrol depot Origin gas agency Photocopy/printing services	29 years
Luke (P8)	M	Accommodation services	8 years
Jerry (P9)	M	Canteen Copra buyer	4 years
Ben (P10)	M	Village trade store	20 years

Table 3.1: List of participants and the type of business they operate including the number of years of experiences

The obvious thing about the participants in this study is all were males, which gives a clear indication that most of the small businesses operating in Choiseul are male-dominated. This creates a gap that needs to be investigated in any future study. However females are never left out of the scene, especially family-owned businesses because they do play a major role in influencing the males (business owners) through emotional support by being the supportive wives. Meanwhile during my stay in the villages for data collection, I observed that females also engaged in small income-generating activities that enable them to earn very little income to pay for necessities item such as soap, box matches, kerosene, salt and other household items from the village trade store. Figure 3.1 shows women's involvement in small income activity by selling products from their village vegetable garden.



Figure 3.1. Showing women selling local produce from their garden (photo courtesy of Milton Keremama, 2011).



Figure 3.2. Canoe making - one of the sources of income-generating activity males engaged in to earn cash in Choiseul (photo courtesy of Milton Keremama, 2011).



Figure 3.3: 15 horse-powered ray boat being used to collect data in Choiseul Islands (photo by Tozen Leokana, 2013).



Figure 3.4: Local ferry boat serving between Honiara and western ports to Gizo photo by Tozen Leokana, 2013).



Figure 3.5: A businessman attending to his family-owned trading business (photo by Tozen Leokana, 2013)



Figure 3.6: Typical business set-up operating under the owner's house (photo by Tozen Leokana, 2013)



Figure 3.7: A run-down community-based building usually housed the community trading business (photo by Tozen Leokana, 2013)

3.5 Methods of data collection

Collection of data and analysis for this research was concerned with sourcing of information to understand the key issues identified in the research question and objectives. Therefore data will be collected through interviews with key participants at relevant government official, local communities and from the selected rural business owners (both former and current). This approach provides a means to understand what participants tell the researcher - not only their experience but also about their perceptions, perspectives, and feelings (Collis & Hussey, 2009; Fukuyama, 2001; Khan, 2011). Interviews are a major tool in collecting qualitative data in the field of business and management discipline (Burns, 2000; Myers, 2008). Interviews are classified into three basic types; (1) structured interviews; (2) semi-structured interviews, and; (3) unstructured interviews (Myers, 2008). Interviews provide the opportunity for interviewer and interviewee "...to discuss their interpretations of the world in which they lived, and to express how they regard situations from their point of view" (Cohen et al., 2011, p. 349). Researchers adopt interviews as it often provides a means of understanding what the participants tell about their experience, perceptions, perspectives and feelings (Cohen et al., 2011; Collis & Hussey, 2009).

3.5.1 Semi-structured interviews

For the purpose of relevance in this study, semi-structured interviews provide a richer data with a deeper understanding of the respondent's world, that humanises the research process by raising the role of the researcher and presents a more realistic view of the world (Khan, 2011). Furthermore semi-structured interviews provide a flexible approach that allows the researcher to discard, reframe, retain or alter the questions (Bryman & Bell, 2011; Burns, 2000). Myers (2008) even pointed out that semi-structured interviews involve the use of some pre-formulated questions, but with no strict adherence to them. This gives freedom to the interviewers to probe far beyond the answers to their prepared questions, in order to provide clarification, additional information or a follow-up, and it also gives freedom to the

interviewees to explain their thoughts and to point out their individual interests and expertise (Berg, 2009). In fact Burns (2000) highlights the advantages of semi-structured interviews to both the researcher and informants:

- Repeated periods of contact and greater length of time spend with the informant, which increases rapport;
- The views gain solely the informant's perspectives rather than, the perspectives imposed by the researcher;
- The informant uses language natural to them;
- Equal status of participation between the informant and researcher within the dialogue.

On the contrary, it is also important to recognise the disadvantage of semi-structured interviews. Myer (2008) argues that by sticking to the set of prepared questions during interview sessions, researcher will be unable to pursue new lines of enquiry that might emerge in the interview process. Hence there is a greater possibility of missing out on new insights of information that the interviewee would have given the researcher if they not have been prepared to ask. As interviews will encourage interviewees to talk freely relating to things they consider as important, then by interviewing participants who are not in a talkative mood it, can result in gathering of data that may not be relevant to the topic at hand (Myers, 2008).

3.5.2 Narrative story-telling

Narrative story-telling is increasingly used in qualitative research methods of inquiry that involve human experience. The main claim for the use of narrative inquiry is because humans are story-telling organisms who individually and socially lead storied lives (Connelly & Clandinin, 1990). Further through story-telling the researcher is able to capture the lived experiences of participants (Gray, 2004). The narrative story-telling is a more holistic design

of collecting qualitative data that encourages the use of oral and life history and a form of unstructured interviews (Bryman & Bell, 2011; Gray, 2004).

The use of narrative story-telling attempts to understand how participants think through events and what they value (Riley & Hawe, 2005). Therefore by talking with people or participants about certain issues or events, and closely examining what they talk about and draw from their perspectives, it will enable researchers to make sense of such issues or events (Riley & Hawe, 2005). According to Bryman and Bell (2011), they suggest that story-telling of life history is particularly useful to situations when the researcher is attempting to understand the complex processes where-by people make sense of their organisation reality.

In Pacific research study, a story-telling method can be similarly related to the aspect of the Talanoa method that has recently become an emerging method that is accepted in the academic community in New Zealand. Vaioleti (2006) stated that Talanoa derives from oral tradition and its appropriateness in Pacifica research enables it to contextualised how Pacific participants interact and create authentic knowledge which is applicable in finding solutions for Pacific issues. Talanoa is a Tongan term that is referred to “as a conversation, a talk, an exchange of ideas and thinking, whether formal or informal” (Vaioleti, 2006, p. 23). The Talanoa method has created a potential cultural aspect that enables Pacific people to engage in a social conversation that may lead to critical discussion and knowledge creation, which develops and allows rich contextual and inter-related information to be constructed as stories (Vaioleti, 2006).

3.5.3 Field notes

Field notes are a written account of what the researcher sees, experiences, hears and thinks about the subject study (Bogdan & Biklen, 1982; Danes et al., 2009; Myers, 2008). Further

studies highlights that field notes provides an initial reflection to researchers on events, conversations and behaviours towards the events or case in study (Bryman & Bell, 2011; Payne & Payne, 2004). The reflections derive from having complete, accurate, and detailed field notes (Berg, 2009). As field notes involve hard work, time and discipline, it is important to be aware that notes must always be written up and note-taking must be considered mandatory (Burns, 2000; Gray, 2004) and should be organised and indexed systematically (Myers, 2008). Also if a field note is taken at the time of observation, it will enable the researcher or the observer to capture the patterns that will emerge from the data collected (Mertler, 2006).

Some authors suggested that field notes represent a major component of any ethnography study (Spradley, 1979). However Myers (2008) argues that field notes depend on the topic and kind of research being done. In fact, field notes help the researcher to capture the real live experience in a particular situation (Burns, 2000; Stake, 1995). Field notes can provide accounts of at least three categories of observable experiences (Goodall, 2000, p. 218) that include:

- Verbal exchanges (between others or the researcher and others);
- Practices (various routines, actions, and interactions among and between participants); and
- Connections between and among observed exchanges and practices.

3.6 Conducting interviews and transcription

The interview was conducted at the venue determined by the participant. A digital recorder was used for the interviews. In addition, the interviews were conducted in Pidgin English which all the participants were comfortable to use. Prior to each interview, I introduced myself and provided a brief purpose of my research. The interview statement was read and

explained to the participants. Once the participants had understood the nature of the interview, they signed the consent form (see appendix 5) and undertook the interview.

The duration of the face-to-face in-depth interview with open-ended questions ranged from 30 minutes to one hour. Since it was an open-ended in-depth interview an interview guide (see appendix 7) was formulated to guide the interview process and align with the broad questions asked. The questions were asked in a more flexible or an informal manner rather than in a formal manner. The approach took for asking questions was introduced in a narrative style. Such as using the phrase “You save storim come ...” (“Tell me about ...”) so that participants would be encouraged to reply freely and openly express as much and as extensively as possible. The participants were also encouraged to ask questions during the interviews, if they were not sure about my questions. Each of the interviewees was recorded and this was subsequently transcribed.

3.7 Data analysis

The purpose of analysing data is to find meaning about the data, and to systematically arrange and present the information so that comparisons, contrasts, and insights can be demonstrated (Burns, 2000; Gray, 2004). According to Cohen, Manion, and Morrison (2007, p. 461), data analysis involves “making sense of the data in terms of the participants’ definitions of the situation, noting patterns, themes, categories and regularities”. Importantly, the form of data analysis used ought to be suitable to the data collected (Cohen et al., 2007).

Data from this research study was collected from 10 individual local rural business owners and entrepreneurs in nine different villages in the southern part of Choiseul Province, focusing on the broad question of the study. First, the semi-structured interviews were recorded and transcribed word-for-word in a narrative format and field notes were used to

keep a record of other details during the process of data collection. The transcription process was very difficult because all the 10 participants were interviewed in Pidgin English (Lingua Franca of the Solomon Islands).

3.7.1 Rationale for using thematic analysis

Thematic analysis was used to analysis the qualitative data in this study and presents themes that relate to the data. Thematic analysis is widely applied to qualitative information obtained in social science research. Therefore in this study, a thematic analysis was adopted, since it is a process commonly used with qualitative information (Braun & Clarke, 2006). Thematic analysis is a method that, “focuses on identifiable themes and patterns of living and/or behaviour” (Aronson, 1994, p. 1). In other words, thematic analysis may involve the identification of themes through reading and re-reading of data, whereby these identified themes or patterns from the data may become the categories for analysis (Fereday & Muir-Cochrane, 2006), and it provides purely qualitative details and a subtle account of data (Vaismoradi, Turunen, & Bondas, 2013).

One of the benefits of using thematic analysis is because of its flexible nature and it is widely applied to analyse qualitative data (Braun & Clarke, 2006). Apparently when performing a thematic analysis, it is important to be guided by a certain process of analysis. Aronson (1994) provided a pragmatic view of thematic analysis and identified a four broad step process to thematic analysis, which this study considers. The first step is to collect the data. In this step, I engaged each of the participants through semi-structured interviews, and consequently the preliminary analysis of qualitative data commenced from the time when the interview was recorded. After completing all the interviews, I transcribed the data. This is a process that I felt comfortable with as I was able to familiarise myself with the data as I went through the process of transcription. I then went through the transcription and identified

patterns that were repeatedly reoccurring throughout the participants' conversations or stories. The second step was to identify all data that related to the patterns in the first step. In this step I fit all corresponding data under the specific patterns. In the third step I combine related patterns and identify the common themes. In this step, I brought all the corresponding and specific patterns of the data as identified in the second step and organised them under emergent themes in a coherent and meaningful way. Finally, the focus was to define and build an argument based on the emergent themes. This step involved the writing of the report and supporting it with the existing literature.

3.8 Ethical considerations

In qualitative research Payne and Payne (2004, p. 66) describe ethical practice as a moral stance that involves “ respect and protection for the people actively consenting to be studied”. As this research will involve human participants the researcher will uphold the code of ethics as a guideline at each stage of the research. In this case, ethical considerations of this study will comply with the Code of Ethical Conduct for Research, Teaching and Evaluations (2010), which are the guidelines and principles of Massey University. Ethical issues can relate to both the subject matter of the research, in addition to its methods, procedures and appropriate treatment of participants (Burns, 2000). The researcher at all times has the duty to identify the ethical issues that are important in the research and to act ethically at each stage of the research, as ethical issues may emerge and change during the process of the research. The rights of all participants will be taken into consideration and the participants will be assured that the researcher will take all conceivable steps to protect privacy and confidentiality issues. An ethics application will be submitted to the Massey University Ethics Committee to ensure that this research fully complies with the requirements of the Massey University Code of Ethical Conduct for Research, Teaching and Evaluations.

3.8.1 Low-risk notification to Massey Human Ethics Committee

This research involved 10 participants in eight different rural villages in parts of the southern region of Choiseul Province, and also the villages are varying in their sizes as far as their population is concerned. Therefore the ethical considerations needed to comply with the Code of Ethical Conduct for Research, Teaching and Evaluations involving participants at Massey University. Upon consultation with my supervisors, the research had been designed as a low-risk study and I submitted a notification of low-risk research/evaluation involving human participants to the Massey University Human Ethics Committee for approval, prior to conducting this research in the Solomon Islands during August and September, 2013. See Appendix 6 for the low-risk notification approval.

3.8.2 Access to institutions and participants

Under the Solomon Islands Research Act (1984) any person wanting to conduct research has to seek prior permission from the Ministry of Education and Human Resource Development (MEHRD) before any research can be carried out in the country. Hence, I contacted MEHRD with a letter (see Appendix 1) that sought approval to conduct research in the Solomon Islands (see Appendix 3). As this research will be conducted in Choiseul Province, I contacted the responsible provincial authority (see Appendix 2) and was granted approval prior to entering the selected communities.

3.8.3. Informed consent

The participants took part in the research prior to giving their consent by signing the participant consent form and duly understood the nature of their involvement and participation. Before formally confirming their participation in the interview, I held a brief meeting to introduce myself and my research interests and why I chose to undertake my study with them. After the introduction, I gave them the information sheet (see Appendix 5) in which I briefly explained my research study and went through the information sheet with them. Upon agreeing to take part in the research, each participant was given the consent form

(see Appendix 4) to sign. Participants were also given time to ask any questions regarding the research, along with the necessary time of discussion about how the interview was going to be conducted, the implications, possible risks, potential benefits and how their information is going to be used. However they were not coerced to participate in this study and they can decline or withdraw from the research without prejudice.

3.8.4. Confidentiality

As the size of population of Solomon Islands involved a close-knit nature of communities in Choiseul with very small sizeable population less than 26,372 recorded in 2009, and with communities and villages close to each other, it means there is a high risk of identifying the participants in this study. However participants were assured that all measures were taken to conceal their identity with only pseudonyms being used rather than their real name. Further the participants were also assured that the raw data provided would be kept confidential and the only people (besides the researcher), who would have access to the data would be my supervisors.

3.9 Research procedures and reflection

The fieldwork was conducted in selected villages in part of the southern region in Choiseul Province in the Solomon Islands. I made several contacts back to the Solomon Islands while I was still in New Zealand, especially trying to organise logistical matters such as informing those in Choiseul that I will be doing a research there so if they can prepare boats and motors that I can use during the data collection process. Also I contacted my contact person in Choiseul Provincial Headquarters (Taro) with regards to the approval of me doing home located research in Choiseul. I arrived in Honiara from New Zealand on 25 July 2013 and left Honiara for Choiseul via the Western Province. For my travel between Honiara and Choiseul where I collected my data I used sea transport, and sometimes when the weather was not favourable, I had to delay my trips between islands and villages.

I traveled to Choiseul via Gizo, the capital center for the Western Province, where I travelled on a local ferry (see Figure 3.4) for about 24 hours. From Gizo to my home village in Choiseul, I travelled on a ray boat powered by a 40 horse-power outboard motor which took us approximately two-and-a-half hours. I spent almost a week at my home village as there was a religious program happening in that same week which attracted people from different villages in that region I was supposed to collect from. After that week, I conducted my first two field interviews with two local business owners; both operate a trading service business. Later that week I travelled to those selected villages interviewing participants using a ray boat powered by a 15 horse-powered outboard motor. The process took me the whole week from Sunday 11 to Friday 16 August 2013 for conducting the interviews and collecting of the data from these eight different villages selected in the southern part of Choiseul. After completing the interview of 10 participants, I traveled back to Honiara. I then returned to New Zealand on 5 September 2013.

3.10 Reliability and validity

In research, the aspect of reliability and validity are important criteria being established so that it assesses the quality and relevance of the research (Bryman & Bell, 2011). Meanwhile Thyer (2001, p. 273) pointed out that “reliability and validity depend on the skills of the researcher.” In qualitative research reliability is regarded as a fit between the records of data collected by the researchers and what has naturally occurred in the actual setting that is being researched (Cohen et al., 2007). Such a notion emphasises the degree of accuracy and comprehensive coverage of data being collected within their natural setting, in which reliability then measures the consistency over time (Cohen et al., 2007).

The reliability of interviews can be enhanced through the piloting of interviews to check that the interview helps to eliminate ambiguous wordings, checks the readability level of the interviewees, and gives necessary feedback on the questions (Cohen et al., 2007). Prior to the actual interview process, the researcher for this study conducts a pilot interview to gain experience. Pilot interviewing happens through training and practice and, enables humans to become more reliable (Burns, 2000). The pilot interview will enable the researcher to check and help minimise or where possible to eliminate ambiguous wordings, interview procedures and protocols prior to the field interviews.

Thyer (2001) pointed out that “validity is concerned with the accuracy of the findings” for which research can also be measured by its validity. In interviews, story-telling and field notes, validity depends on the extent to which the methods being used in this study do capture the experiences of small business owners. The internal validity seeks researchers to demonstrate that data collection is done in a manner that ensures accurate representation of data on the specific subject being studied, and also an accurate manner of observation and measurement are vital (Thyer, 2001). On the other hand, external validity relies on generalisation of the findings to the extent where findings can be applied to other similar settings or situations. In this case for this study, will the 10 participants under this study be similar to other business owners in Choiseul Province? However the issue of generalisation of results is problematic and must be considered in relation to the entity of data.

3.11 Conclusion

In this chapter, I have discussed the methods and methodologies that have been fit for the purpose of this study. For the purpose of qualitative research study, I have chosen the case study approach as it coincided well with the approach I took in trying to understand the influencing effect of the experiences that the participants selected under this study, which we

can build upon, in order to develop the engagement of local business owners and entrepreneurs within this local context. Semi-structured interviews were the most relevant methods of data collection, which provided opportunities for the participants to tell their story and field notes are also relevant in regard to the situation about my thoughts and viewpoints on the entire research process and the approach taken to analyse the data. Relevant ethical issues were identified and discussed in this chapter. The significance of the field-work and reflection of the whole process was also identified, as well as the reliability and validity of data and the research process.

Chapter Four: Conceptual Framework

4.1 Introduction

The analysis of the social capital theory helped to inform this study. The reason for choosing the concept of social capital is because it provides the basis to better understand the social nature of the Solomon Islands and the richness of the social capital, mainly the development of social relationships that are constituted amongst different ethnic and multi-cultural groups, families, individuals and how they are related within the dimensions of social structure. It is also becoming common knowledge in the Solomon Islands today that most operated small business ventures were family-owned businesses, and identified the main leverage point of success that lies in shared resources (both capital and human) through members sharing the same common belief and trust. Research also proves that the positive effects of relationships amongst members of a family have a positive impact towards business performance and the research finding postulated that “blood is thicker than water in accordance when it comes with stewardship”(Davis, Allen, & Hayes, 2010, p. 1110). Therefore using the concept of social capital will provide a framework that will help to put in perspective the road map for this study. And also it will help to investigate and unpack constraints and challenges that narrow or hinder the development of small business enterprises in the Solomon Islands, particularly to small rural business enterprises.

4.2 Social capital

The concept of social capital had become popularised in 1990s within the wide range of social science literatures (Adler & Seok-Woo, 2002; Portes, 1998; Woolcock & Narayan, 2000). The basic concept of social capital is a person’s family, friends and associates that constitute an important asset that someone can find helpful in times of crisis, and leverage for material gain. In general terms, social capital can be defined as a function and not a single

entity but a variety of different entities which consist of some aspects of social structure (Coleman, 1988). However, Bourdieu who designed the contemporary analysis of social capital emphasises the definition of the concepts as the “aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition” (Bourdieu, 2008, p. 286). In contextualising the definition of social capital as postulated by (Coleman, 1988) in the Solomon Islands perspectives, the characterisation of social capital helps the researcher to understand the perception of local business owners and entrepreneurs and to better interpret and explain the nature of starting and operating business in Choiseul. Considering the private sector, especially the small business sector, the elements of family involvement and participation help us to interpret the dimension of social capital formation through family-owned businesses, and the influence that members of a family play towards the successfulness of family businesses and their experiences in achieving growth.

The common aphorism by Woolcock (2002b) known as “it’s not what you know, it’s who you know” sums up the conventional wisdom regarding social capital. The conventional wisdom by Woolcock is an interesting aphorism in the Solomon Islands context which many individuals and social groups take advantage of for their personal gain. However, the analytical view of Woolcock’s conventional wisdom regarding the aphorism identified should work well in the Solomon Islands cultural context and practices but it must be guided by due proper process so that it is done in a transparent and accountable manner within its legal bound. Therefore the social relationship developing among any social groups should be influenced by their positive behaviour for a greater gain (Adler & Seok-Woo, 2002; Fuller & Tian, 2006).

In other Pacific Islands, including the Solomon Islands, Woolcock's conventional wisdom has been abused and highly breeds bad corrupt practices within the public and private sector. A good example that transpires to be a conduit to such practice is the '*wantok* system', in which officials are favouring people from their own ethnic groups in the Solomon Islands. According to Larmour (1997), the arguments reflected in the popular theory of *wantokism* in Melanesia is that people are hired or promoted based on kinship or friendship rather than qualification.

Building on from the previous work of (Moran & Ghoshal, 1996) about the formulation of value creation, Nahapiet and Ghoshal (1997) identified three different features or dimensions to social capital which arises from the combination and exchange of resources within the firms; structural, relational, and cognitive. A study of Nahapiet and Ghoshal (1998) on the dimension of social capital provides these three dimensions as it is relevant for describing the economic situation of small business enterprises and enables us to understand the influence that business owners encounter within their local context. These dimensions of social capital will enable this study to integrate the concept of social capital and approach it in a way that is applicable to the context and nature of small business development in the Solomon Islands context.

In presenting a theoretical model on how social capital can facilitate value creation by firms and businesses, Moran and Ghoshal (1996) stated that the formulation of value creation does evolve from the idea of the combination and exchanging of resources (as cited, by Tsai & Ghoshal, 1998) and the effectiveness of a firm's strategies provides the primary sources that can develop social capital into facilitating the creation of new values (Nahapiet & Ghoshal, 1997). Subsequently, when considering these different attributes of these three clusters of

dimensions, (structural, relations and cognitive) of social capital, there are some attributes that are emerged to be interrelated and facilitate various combinations and exchanges of resources. The essence of effective firm strategies, and the primary sources such as advantage over market institutions or any business organisations, provide social capital a useful way to interpret and facilitate networks and resources that are rooted in relationships, and also facilitate the creation of new values (Nahapiet & Ghoshal, 1997). This is an important aspect to consider while planning on venturing into new business activities because formulating strategies and developing network relationships and resources must be suitable to the context of the business location and its situation, under this study.

4.3 Dimensions of social capital

The three dimensions of social capital which (Nahapiet & Ghoshal, 1997) identified, and which were further examined in (Tsai & Ghoshal, 1998), clearly describe the usage of social capital and its effect on internal function and contribution on a firm's ability to create value and other sources of advantage to small business operations. This dimension of social capital will very much influence and provide shared resources that will be a useful theory to better understand the network relationship culminating in attributes like trust, capabilities, expectations within small-scale and family businesses and micro, small and medium enterprises for the purpose of this study. It is therefore worth expanding and elaborating on each of these dimensions of social capital by Nahapiet and Ghoshal.

4.3.1 Structural dimension

The structural dimension of social capital, according to Nahapiet and Ghoshal (1997, p. 35), is "the pattern of connections between actors and includes networks ties, network configuration describing the pattern of linkages in terms of such measures as density, connectivity and hierarchy, and appropriable organisation". For Tsai and Ghoshal (1998), on the other hand, structural dimensions are social interactions, where the location of the actor's

contact in the social structure of interactions can provide advantages for the actor. This creates a much effort-less for people to use their personal contacts to get jobs, get information, and/or get access to important resources that can be very beneficial to their business firms and/or organisations (Tsai & Ghoshal, 1998). This dimension of social capital is a common phenomenon widely used in different institutions in the Solomon Islands. Although the structural dimension is common and widely used by various institutions in the Solomon Islands, sometimes people take advantage of this situation, and abuse the process for their personal gain. Thus the implication of this dimension is important for this study, because it will enable us to map out the different institutional structures and create links, especially the process of establishing new business ventures and management of the on-going business operation.

4.3.2 Relational dimension

The relational dimension of social capital refers to assets that can be created as a leverage through the relationships that consist of attributes like trust, norms, and sanctions, obligations and expectations and identification (Nahapiet & Ghoshal, 1997, p. 35). While Tsai and Ghoshal (1998, p. 465) referred to the relational dimension of social capital as assets that are rooted in the relationships such as, trust and trustworthiness, whereas trust according to (Uzzi, 1996), acts as a governance mechanism for embedded relationships, on the other hand Barney and Hansen (1994) regard trustworthiness as an attribute of an individual actor who is involved in a relationship (as cited by, Tsai & Ghoshal, 1998). While trust acts as an antecedent of cooperation that enables two parties to share and exchange resources without worrying if any party is taking advantage of the situation. In relation to trustworthiness it can be arguably developed as a result of the on-going exchange and cooperation between the two parties or in other cases different departments within the same organisation for that matter (Tsai & Ghoshal, 1998). This dimension of relational social capital develops a core intuition

that guides (Adler & Seok-Woo, 2002) the relationship being established between different actors of resources both within or outside of a firm or organisation. This dimension will provide this study to develop and explore how business owners value their relationship with individuals and groups such as; (stakeholders, banks, fund organisations (NGOs), government, local community members (customers) and others, when they have a direct or indirect link with their business).

4.3.3 Cognitive dimension

The cognitive dimension of social capital encompasses features such as shared codes and languages that facilitate and interpret a common understanding of those resources that provide meaningful sources to various parties within a social system (structure) (Nahapiet & Ghoshal, 1997). As cited by, Tsai and Ghoshal (1998) it, highlights Coleman's view on social capital dimension that captures the very core of "public aspect of social capital". Tsai and Ghoshal continue to point out that within any larger and complex organisations, shared vision and values help to develop the dimension of social capital that provides a mechanism to facilitate both individual and group action that in return can benefit the entire organisation. As in the case of most local Solomon Islands rural small business owners, the level of business knowledge is quite problematic when it comes to business management or entrepreneurial skills. Therefore understanding of foreign models or knowledge of business imposed by government or other funding organisations can be unsuitable to their situation or context. Therefore this study will explore from the point of view of rural business owners about their view on operating a business within their context by considering local factors and how best it can work once it is integrated with an established model.

4.4 What is the wantok system?

Wantok is a common term that neighbouring Melanesian countries including Solomon Islands, Papua New Guinea and Vanuatu used to refer to as "one talk". Mary Macdonald

defines the *wantok* system as “the bond of people, speaking the same language, belonging to one tribe and sharing common values” (as cited in, Misha, 2008, p. 47). The *wantok* system has been an unique and exotic cultural practice in Melanesian society that has caused hindrance to social and economic development to most Melanesians countries including the Solomon Islands (Fukuyama, 2008).

The *wantok* system can be viewed as a networking (Woolcock & Narayan, 2000) system of social capital. The strength of the *wantok* system refers to how *wantoks* stick together sharing mutual respect, trust, and desires for meaningful relationships and a sense of belonging (Lea, 1993; Misha, 2008). Similarly, through the *wantok* system people do share commonalities of views, and resource sharing through social groups such as tribes and clans. Furthermore, the understanding through the dimension of cultural practices and relationships between *wantoks*, creates confidence (shared value) and makes people feel safe when sharing sensitive issues to each other’s (sense of belong), respect and trust in the cultural realm. Apparently, the *wantok* system is consistent with the core intuition of social capital which Adler and Seok-Woo (2002) refers to as “goodwill”, attesting to the notion of sympathy, trust, and forgiveness that is being offered to them by friends and acquaintances. Moreover, the core argument of social capital reflected in the key features of social life is what the literature refers to as the social ties of one kind (Adler & Seok-Woo, 2002).

The view of social life or social ties has a parallel reflection to the *wantok* system as a re-emphasis to the definition Mary MacDonald alluded to above. Meanwhile, the *wantok* system has two-sides to it. The negative perspective of the *wantok* system creates leverage for corruption and nepotism. Therefore, people usually took advantage of the *wantok* system to gain favour from their *wantok* and neglected the due process of his/her responsibilities

towards organisation, government, local firms, churches and the country as a whole (Misha, 2008). Thus, the notion of the *wantok* system (Misha, 2008) and/or social ties (Adler & Seok-Woo, 2002), has suffered a wide spread of corruption creating major problems in the Solomon Islands (Hameiri, 2007). From such perspectives, personally the observation of the *wantok* system has rooted and become embedded within the fabric of all sectors in the Solomon Islands, both public and private, and has been reflected in the social and economic outlook of the country.

4.5 Rationale for using social capital

The primary reason for using social capital theory is based on the prestige-seeking way of understanding social life within the Melanesian social and cultural practices. The Solomon Islands is a country which is made up of many different ethnic groups, cultural groups and customs that influence the distinct way of life that has been passed down from generation to generation. Therefore how things are being done among the small sets of social groups or communities differs from each other's way. Despite the different ethnic groups, cultures, customs, language and people's way of life, the Solomon Islands is bounded under the banner of its nation's motto "To Lead Is To Serve". The nation's motto is the central theme that brings this people from diverse ethnic and cultural groupings into a social relationship under the objective of "prestige and social recognition" (Crocombe, 2001). Through social capital it clearly indicates the potential links and assets of resources that enable social groups such as families, clans and tribes to gain the best possible returns from their resources (Portes, 1998). Furthermore, social capital provides an avenue that will help to put into perspectives people's desires, motives or an aspect that will drive them to engage in small business development.

The facet of the Solomon Islands since the traditional days, until today, postulated social relationships and social groupings as the main conduits inter-played within the public and

private domain. This is the perspective of the networking view (Astone, Nathanson, Schoen, & Kim, 1999). Despite these diverse-multicultural and geographical communities that differ in social structure that make up Solomon Islands, many social groups or communities possess similar social institutions (Rivers, 1968). The nature of the Melanesian system of relationships depends very much on the different forms of social structure, despite different cultures, customs, language or racial groups. Apparently, nowadays it is becoming a common practice in the Solomon Islands that social relations and cultures have interwoven within the social structure of the society. The notion of social structure contains certain elements that constitute the different varieties of entity that define the functions of social capital (Coleman, 1988).

The Melanesian society identified individual or social groups' (e.g. a family's) achievements. An individual or group is embedded within the different political realm, structure (cultural) and performance, which is a more personal contrast towards the kind of leadership (Sahlins, 1963). Sahlins (1963) termed this type of leader-figure as a "big-man". The patrilineal system in Melanesian society, leaders within a social group (e.g. tribe) can be chosen by appointment or be earned through hereditary. It is very rare in Melanesian society for a 'big-man' to burgeon from an unpopular or a weaker social group or community. On the other hand, leaders were chosen based on their personal achievements (Sahlins, 1963). The characterisation of their personality must be limited to the place and time it was observed (Belshaw, 1976). Furthermore, Belshaw also pointed out that the personal achievement in such a collective context considers the social effort that prepares the big-man for the leadership role. Take wealth for example as a criterion that qualifies someone to be given the big-man role. The notion of wealth in the Melanesian context is a "social concept" (Belshaw, 1976, p. 5).

In the Eastern Melanesian countries, including the Solomon Islands, one of their prides lies in their natural resources. These natural resources can be seen as their wealth once it becomes useful and scarce. Most of the natural resources in the Solomon Islands are owned by tribal groups which portray the communitarian view of social capital. Tribes in the Melanesian context are an ethnic-cultural entity which comprise of many different “autonomous kinship-residential groups” (Sahlins, 1963, p. 287). The tribes were made up of different clans and families and the chief is the head of the tribe who is normally being selected by appointment or through hereditary by blood depending on their customs and cultural practices. Meanwhile, the resources are rightly owned by the whole tribe as a social group and the chief being the ‘big-man’ usually represents the tribe in any related matters arising from their natural resources (e.g. land). Under the tribal structure in Melanesian society, the clan and family can be categorised as two dimensions of social structures. Therefore in gaining the authority as a big-man or chief within the society it results from the series of actions a person is tested upon which enables him to rise above others. This is a personal achievement that is normally attached to the big-man (Sahlins, 1963) or chief, but in reality it is a collective achievement that has put someone to become that somebody of authority.

4.6 Conceptualising the concept of social capital to this study

There are prevalent traditional practices such as the barter system (*kula ring*), *wantokism*, and big-man that have created reputation and prestige which can be used to interpret and maintain social capital in Melanesian society. The system of *bartering* is one the main traditional practice of exchange and has been around during the traditional days until the introduction of the cash economy. The change from the traditional to cash economy has caused a shift of status quo into the usage of cash as the main medium of exchange. Belshaw (1976) posited that the Melanesian way of incentives for the production and exchange system in the indigenous sector of activity are still very largely traditional. However such a practice caused

a significant influence that impact on the relationship between two exchanging parties. For example, in the Melanesian society, barter (exchange) systems are core strategies that allow participants to acquire prestige and cement their relationships with individuals in other social groups, cultures and ethnicities. The Melanesian traditional exchange system known as '*kula ring*' has influenced a number of anthropologists to characterise its usage within its local context. Harding (1970) stated that number of anthropologists (e.g. Evan-Pritchard, 1951; Firth, 1957) characterised *kula ring* as non-economical. Meanwhile, other early anthropologists also argued that the aspects of social, ritual and politics greatly impact on trading at the cost of economic and financial merits (Oru, 2011). Evan-Pritchard writes that one of the significant features of *kula ring* in Papua New Guinea creates the trade relationship amongst the big-man from the surrounding societies for political reasons and objectives (as cited in Oru, 2011). Similarly, this situation is currently evident and practised in the Solomon Islands today, especially within the political arena.

The issue of construction of autonomy to individual or social groups trans-acts the exchange and relation towards “prestige structure”, where autonomy is the consequence of structural conditions through achievements of exchange (Nihill, 1988). Social capital lies under the three conceptualising dimensions of social structure which are rooted in different types of relations (Adler & Seok-Woo, 2002). First, the market relation refers to goods and services being exchanged for money or bartered. Secondly, the hierarchical relation, refers to obedience to authority that is exchanged for material and spiritual security. Thirdly, but not the least, is the social relation of gift exchange. Therefore the social relation constituted the dimension of social structure that underpins the notion of social capital (Adler & Seok-Woo, 2002).

The different dimensions to social capital are the prevalent nature and practice of the *wantok* system in Melanesian societies which is strongly associated with social relations. This social aspect of the *wantok* system has been greatly influencing how people live and do their daily activities. Consequently, the ripple effect has greatly influenced the development of small businesses in the Solomon Islands.

4.7 Conclusion

In conclusion, the social capital theory and the specific dimensions provided a platform that can be used to explain, interpret and better understand the issues at contention under this study. The particular focus of social capital was built on the network ties and institutionalised relationships that are constituted amongst different ethnic and multi-cultural groups, members of families and individuals. The identification of the three dimensions of social capital- structural, relational and cognitive - helps to provide a useful way to interpret and facilitate networks and resources that are rooted in relationships, which are relevant under this study. Furthermore, it enables us to facilitate the business owners and entrepreneurs to create values while conducting their businesses. Likewise, the pretext of cultural influences towards the Solomon Islands context, the *wantok* system, was exemplified as a network with links and connections associated with social and cultural practices and a prestige-seeking way of social life within Melanesian countries. Finally, the notion of social capital and the prevalent nature and practice of the *wantok* system in Melanesian societies has a strong association with social relations that have provided a framework under this study to enable the researcher to interpret and explain the topic of the study at hand.

Chapter Five: Findings

5.1 Introduction

This chapter presents the findings from the semi-structured interviews carried out with 10 local participants. These participants have been involved in starting-up and operating their small to medium-scale informal business in the rural outback of the southern part of Choiseul Province. This study seeks to capture the personal experiences of local small business owners and entrepreneurs based on their stories, their lived experiences and realities in relation to the broad research question: *What influences the experiences of small business owners in Choiseul, Solomon Islands?* The quotes included in this chapter reflect their varying experiences, the challenges and frustrations, and the opportunities involved in business start-ups and managing small business operations in Choiseul, a rural community in the Solomon Islands.

Section A provides background information on the participants and the brief accounts of their experiences in starting and conducting businesses in their area of locality. For confidentiality reasons, pseudo names are being used for each participant, and this is to ensure that the confidentiality of participants is protected. Understanding some information about the profile of each participant provides some context and insight into their voices which are presented in Section B of the report.

Section B outlines the general themes that emerged from the data. These themes were identified through the use of thematic analysis of the qualitative data. In the findings, there were a wide range of broad themes that became evident across the data set which explored the wider influences on small businesses in the Choiseul context. The broad themes that came through the data were: social, economic, physical and political factors indicating the

key influences on the experiences of local small business owners and entrepreneurs in Choiseul. However for this study, sub-themes have been drawn from the broader themes above and predominantly the social and economic factors were the two key themes identified. According to the social factors, the first theme revolves around the social influence of family wellbeing and livelihood. Secondly, is the influence of schooling (or education) towards business formation. Thirdly, is the influence of community and cultural beliefs and practices. For the economic factors, the first theme revolves around the influence of accessing capital and financial support. Secondly, is the influence of a poor cash flow situation. Thirdly, is the influence of a lack of infrastructure on small business development. The final theme is the influence of a lack of entrepreneurial skill.

The interviews were conducted in the Solomon Islands Pidgin language, because all the participants were more comfortable to use this. Therefore, quotations from these participants (in Solomon Islands Pidgin) from the interviews are included in this chapter under the themes, together with the English version of the quotation. Quotations from the participants' discussions are also included under the themes and the quotations are already in the English version.

5.2 Section A: The participants' cases

Ten participants took part in this study. Eight participants established their business as family-owned, while the other two are community-based businesses. All the participants originated from Choiseul except for one who is originally from Simbo, Western Province. Six out of the 10 participants have been involved in managing and operating a business for more the 15 years while the other four have lesser experiences ranging from two-and-a-half to eight years. (For more information on the profile of participants see Table 3.1 in Chapter 3.)

Seven of the participants are involved in trading services businesses (such as trade store, petrol depot, timber and copra buyer), one in accommodation services and two in community-based business. The participants' ages ranged from mid-40s to late 60s. The data shows that 90% of the participants have no formal qualification or formal skills in operating a business. Few of the participants have been engaged in other work as part of their formal career prior to starting their business. One of the participants was an ex-government worker, one a boat engineer and another a current member of the Provincial Assembly. All of the participants reside in rural villages located throughout the Choiseul Province.

The study identified that attending school provides an urgency so parents are overwhelmingly persuasive that their children must attend schooling to gain a proper education. Consequently, in order for children to attend school parents have to pay for their school fees, but because many rural parents find it hard to access cash in rural areas it has caused a lot of inconvenience for them to respond to the needs of children to be educated.

5.2.1 Peter

Peter is now in his late 50s, and is a father of grown-up children who are now engaged in formal employment in a number of the country's main towns and urban areas. Peter had worked for 36 years as a boat engineer in one of the mission boats operated by a church organisation in the Solomon Islands. Upon retiring from his formal career in February 2011 after working for 36 years, he returned and settled back in his home village and initially started operating a small petrol depot business as a way of keeping himself occupied. However, he acknowledges that managing and operating a business is a foreign concept and a new experience for him because he has no prior experience and/or skills in conducting a business.

He started off his trading business by selling petrol in his home village. As time passed, he explored other business opportunities. Just over a year after venturing into his petrol business, he started a village trade store business with help from his children. He is also providing support to other local people in his village to engage in income-generating activities through a small-scale timber milling scheme. He has also sourced the market at the main capital – Honiara – where the local people sell the finished product from the timber operation. His business is still in an infant stage with only about two-and-a-half years of operation, but it is performing well and so far he was very impressed with the outcome of his business.

5.2.2 John

John is in his early 50s and lived most of his life in the rural village of Choiseul. He has a minimal level of education and no formal business skills. When asked about his business, he said that, *“Bisnis ya hem idea blo oketa white man ya”*. In the English version it means: “Business was a white man or Anglo-Saxon concept”. Apparently, as a father he felt an obligation to provide support for his family’s needs and their livelihood. His focus was on his children’s education and how he can earn cash in order to pay for their school tuition and also to provide other necessary support for his family. Compelled with the urgency to support his family financially, John had initially sought employment from a logging company which is operating close to his village.

John worked as a security officer for the nearby logging company, which provided him with regular monthly wages. Despite receiving a monthly wage, the amount was not enough to meet his family’s increasing demand for basic needs, including paying for his children’s school tuition. This generated the urgency for him to explore other alternative means for

earning cash income apart from working for the logging company. Consequently, together with his wife, they both agreed to start a small family trade store business which operates from their home. As a result, they started their business in early 2010 after getting help from the logging company's canteen which allowed John to borrow items valued up to \$350 Solomon dollars. As it is a very small trading set-up, they only operate it from their home.

One of the major challenges during the early stages of his business operation is the issue of poor cash circulation from village people around his area. This caused a slow turnover of cash for his small trading business. Therefore, he allowed his customers to bring dried coconuts as a form of medium of exchange that they used to exchange for items sold in his canteen. For example, 30 coconuts is equivalent to one kilogram of rice and flour. The coconuts are then used to produce copra which is sold and the cash generated flows back into the canteen business. He allowed this method of payments for almost a year, but he had decided to stop the exchange of coconut after his business operation has made good progress and cash circulation improved.

When data for this study was collected, the business had been operating for three-and-a-half years and it continues to experience positive growth, even opening up prospects for further expansion to cater for the projected growth. He has built a separate room underneath his house and shifted the stock into a more spacious location. Given the growth in demand, he has also increased the quantity and range of stock sold from his business. Overall John commented that since he started his business he is very impressed with the whole operation. As a result, in a span of three years he sees himself as successful as he has achieved the purpose of why he started his business back in 2010. However he also acknowledges some challenges which sometimes affect his business operation such as his idea of business being a

‘white man’s’ concept and also his limited skills in managing business. However, through hard work and perseverance he has so far managed to overcome and maintain his business operation to what it is today and John and his family are enjoying every success from it.

5.2.3 Nick

Nick has no formal qualification, in fact, his formal education was only up to grade six. As a result he lived most of his youth growing up in a rural village setting where he experienced very difficult situations that many other rural dwellers encounter on a daily basis. Despite his education background and limited business skills, he was a quick learner. While working with the village community store and looking after his in-law’s trade store he picked up some ideas of setting up and managing a business. The experience created leverage for him to enable him to develop some basic business skills and knowledge including the motivation and confidence to start his own business.

Nick has been engaging in his business for over 17 years now and has been involved in five different types of business activities within this time including home tailoring, petrol depot, transport services, trade store, and buyer of timber businesses. His first business activity started back in 1996, when both he and his wife started their home tailoring business, producing specifically pillowcases. After operating the tailoring business for about two-and-half-years, they experienced that the sales of the pillowcases was very slow hence there was a slow turnover of cash. Therefore, they decided to move on into starting a petrol depot business mid-way through 1998. Later on, the idea of starting the transport business came about after seeing the increase in demand for water transport into Gizo. Thus, for six years John continued to save enough cash from his petrol business until he purchased a 40 horse-power outboard motor in December 2006. For the next three years, he operated a transport service between Choiseul and Gizo. At this stage, Nick operated two business activities

simultaneously. However, in 2009 due to his health, he decided to let go of the transport business and concentrate on the trade store business in his village. From 2009 he operated the trade store, until the first quarter of 2013 when he diversified his business activities by buying timber from local milling producers. The timbers were then shipped to Honiara, which he sold to exporters and other local timber buyers.

5.2.4 Paul

Paul is not highly educated, but he acknowledged that he went to school but never learnt anything about business during his schooling days. He said that it was later he learnt when they (him and another local) decided to start a partnership business after attending a one-month business training short course being organised at Kukudu, Kolobangara Islands in the Western Province. The training was very practical in its approach, and Paul learnt some basic skills on how to start and manage a business. Participants learnt simple calculations on the expenses and profits of business. According to Paul, the training was very helpful because it provided him with a number of basic and insightful tips on how to operate and manage a business. From then on, he has been involved in managing a partnership business since 1973. Paul never owned his own business but he has been a major player in setting up of the partnership business owned by a group of 20 like-minded people in his community. In 1983, members of his community started a community-based business and Paul was influential in setting up this community business. Hence, because of his business experiences and key involvement in setting up the community business, he was chosen by his community to manage it. Simultaneously, Paul was managing two businesses at this time – the partnership and community business. However, in 1986 the partners decided to close their business and since then Paul has been able to concentrate on managing the community-based business.

Paul is disabled and he gets around using his wheelchair. Despite his disability, he is very effective with his work in managing the partnership business and also later the community-based business. As a result, he gained the trust from the members of his community and since 1983 he has been entrusted with the task of managing the community business until in 2013 when he decided to give up his involvement in business because of old age and health issues. Paul has always showed a lot passion about his work and he treated people in the community with understanding, openness and with fairness. Because of his commitment and performance, his community entrusted him with the duty of managing the community-based business.

Since the community-based business started in 1983, it concentrated on buying copra from members of the community and the nearby villages. The initial idea to set-up the community business was to provide local village people in the community with an income-generating service close to their village as most of local people find it to hard and costly to take their copra to other buying points or even to Honiara. In 1986, the community business further expanded its operation and started a consumer trade store. However, in 2000 when the civil unrest hit the country, the major copra market and buyers in Honiara stopped buying copra. This caused the community business to stop buying copra from locals until the time this data was collect (August 2013) when the purchase of copra recommenced.

5.2.5 Tom

Tom completed grade nine level of his education in 1956 and went on to get direct employment from the government working as a public servant for 25 years. He acknowledged that the 25 years of working for the government has expanded his knowledge where he gained a lot of experience and skills that have been useful in managing a business. On 18 January 1982, a group of people from his community established an association that

started the cooperative's business in which they asked Tom to be the managing director of the association. The aims of the Cooperative Society are for members to engage in cocoa and copra production, to provide an avenue for members, and for the association to utilise its resources for the benefits of all members and their families.

Tom explained that it was not an easy task to manage a cooperative business, as there were certain challenges that hindered business operations and growth. One example he gave was access to finances especially at the infant stage. Despite these the association executive focused on trying to keep the business afloat. Apparently, the financial members of the association sacrificed their time and effort working voluntarily for months without being paid. Their sole purpose was to protect the financial position of their cooperative business. Furthermore, Tom shared that in such a situation it can cause tensions between members of the association and executives due to different positions of the board on important decisions, which sometimes did not meet all members' expectations. Therefore, it often led to certain actions that were perceived not to be in the best interests of the cooperative society. These situations placed a lot of pressure on Tom and the executive and really tested his leadership. Many times he questioned himself whether he had made decisions that were best suited for the cooperative.

As the years passed, the cooperative business managed to gain progress and improved its financial situation. Therefore, the executive with the support of members decided to expand by starting a consumer trading store business. Nevertheless, the operation of the consumer trading store did not last long as it failed due to management issues. Finally, despite all the problems and troubles the cooperative business encountered over the years, Tom as the manager had done all he could to keep the business afloat for over 31 years of operation,

-serving its defining purpose for its members and non-members. To date, the co-operative society business is still in operation but only concentrates on producing and buying copra and cocoa from members of the association and also extending their services to non-members.

5.2.6 Matt

Matt is an elderly man who is in his late 60s and has spent most of his entire life in the rural village setting. He is married and has four grown-up children. He holds a chiefly role representing his clan and tribal group. He has a limited educational background with no formal qualification and no business skills whatsoever. However, it was in the early 90s that he decided to venture into starting a small village trade store business and he recalled that 2013 will mark the 20th year of his business operation.

He acknowledged that over the past years, while operating his village trade store he encountered a lot of challenging situations but through perseverance and hard work his business is still in operation today. Matt expressed that the scenario in the rural village context when he started his business in the early 90s was tough and challenging. However motivated by a desire to engage in any form of income-generating activity it led him to start his business operation despite the many difficult challenges and constraints that rural people experienced.

In rural villages and communities access to school is sometimes difficult due to unforeseen circumstances such as distance, bad weather and non-payment of school fees to name a few. Many rural parents faced the issue of ‘affordability’ in sending their children to get a good education. Obtaining the cash that will enable them to pay for their children’s tuition and other schooling-related costs was a real problem. Matt being a parent and father of four children also found himself in this difficult situation. Compelled with this scenario, it created

urgency for Matt to explore possible avenues that will enable him to earn cash in order to send and pay for his children tuition and other school-related costs. Therefore, Matt finally decided that by starting a small trade store business in his village it will enable him to earn the needed cash to send his children to school.

5.2.7 Tony

Tony is a middle-aged man in his 40s who is currently operating a small village trading business in his home village. He acknowledges that he has no knowledge and business-related skills about how to operate a business. He attended school up until vocational school but never completed his training. He pointed out that while at school, he always dreamed of owning and operating his own business in the future. Hence, his dream became a reality when he started his own small trading business in 1984.

Since he started his business, he has experienced many challenges that have shaped him to become what he is today. His achievements started when his father offered him a gift on his return from a visit in Honiara. His father brought with him goods worth \$50, which he gave to his son (Tony) to start his business. One of the key challenges that he faced was cash which was quite difficult to access for locals, therefore family members and other members of the communities resorted to the *kaon* system. The use of this system focuses on building strong bonding relationships and is closely linked to local cultural practices. This may have had an impact on small business set-ups, especially if they are not managed properly. In such a situation, Tony said he has to strike a balance between how he can maintain the financial position of his business position while at the same time maintaining his cultural relationship with his clients and the community as culture does play a significant part towards the success of businesses operating in rural village settings. In Tony's 31 years of business operation, he has achieved despite a very humble beginning with a \$50 start-up capital. Although the

natural disaster (tsunami) badly affected his business in 2007, he managed to pull himself and his business out of the tragic situation without any help from outside sources.

Tony's business is located in one of the largest and most populated villages in Choiseul Province. Operating a business in a heavily populated community has been one of the major drivers of his business' success over the past 31 years. As a result, his work has expanded and today he owns and operates four different types of business including: a trade store business, petrol depot, agent for origin gas, and he also provides a printing and photocopying service business for the community.

5.2.8 Luke

Luke is an elderly man, a father and grandfather to his children and grandchildren. He has been involved in an accommodation business since 2005. His interest in the accommodation business started from the opportunity arising from an increasing demand from people wanting accommodation within his area. Therefore, he started to provide a paid accommodation service using his residence, but as demand increased over the years he slowly expanded his residence and built more rooms until recently he is operating a motel.

According to Luke, the accommodation business has its own challenges and depends very much on the nature or the type of business services provided. Unlike a trade store business, which does sell goods that people demand almost every day, for the accommodation business its income relies very much on guests coming around his area. This situation affects the flow of business income, which means when no there are no guests the business faces a lot of pressure to cover the ongoing costs. However, during busy times the business can earn more than what other types of businesses generate. Therefore, the choice of operating such a type

of business in rural areas is an important decision that has to be considered before starting a business.

The other challenge that affected his business operation is the influence of *wantokism*. Luke pointed out that the notion of *wantokism* has very much affected his business. Despite this, there are also positive aspects or influences of *wantokism* as it has the potential to build and sustain cultural relationships with clients, especially Solomon Islanders. Therefore, he has to find ways to draw a balance in order to protect his business and at the same time maintain his relationship amongst the family circle or kin as a social unit. Overall, he has to operate his business with careful thought about making correct decisions and ensuring that it will not take his business away from its main objective of running a viable operation and making a profit. At the same time, he also recognised that establishing and maintaining a good relationship with clients is an important part of his business success.

5.2.9 Jerry

Jerry is one of the well-respected men in his village and amongst other neighbouring villages and communities in his area because of his status: a tribal chief. He is now in his mid-60s but is still actively involved in running a trade store business while at the same dealing with the tribal issues that do arise amongst his tribal members and community from time-to-time. He comes across as an extraordinary man because of his physical condition due to his disability – being crippled – but despite his disability he has the mind of a normal person. He always wants to do something that is beyond his strength and capability. Therefore, he operates a small trade store business and also buys copra from local producers.

Jerry has been involved in business activities before by working with a community-based business and other business-related activities. However he stopped some years back, but in

2010 he decided to start his own small trading business in his village with capital which he received from his engagements with other tribal meetings where he was paid a sitting allowance. From 2010 until this study was done, Jerry indicated that he never made much progress to his business due his disability and also the tribal situation in his community.

He pointed out that there is lot of potential and opportunities in his village and other surrounding villages for operating successful businesses. However, there are issues like cash flow and lack of support from authorities and other stakeholders. Yet if given such support and proper training, he is confident that small trading businesses can match up and compete with other bigger trading small businesses operating in the area. Jerry also highlighted the influence of local culture, in particular the influence of *kaon* which he referred to as 'poison'. However, despite the potential harm that *kaon* may have on the business operation, it is embedded in the cultural practices and over time it has become a norm. Local entrepreneurs therefore need to take this into account when managing their business operations.

5.2.10 Ben

Ben is a local businessperson who operated a trade store and petrol depot business. He is also a community leader. He plays a leading role in organising, facilitating and representing his community at different levels in formal and informal gatherings or meetings organised by various organisation such as government, NGOs and churches. He is well-educated and his wider involvement with many organisations has gained him a lot of experience in leadership skills. He is also involved in religious activities and was recently appointed to represent his church organisation at the regional level as an executive member for a term. This wealth of experience has made him to be one of the respected leaders in his community. Currently he is the elected Member of the Provincial Assembly for his ward.

According to Ben's accounts he shared of his amazing experiences as a businessperson and community leader, and how business was perceived in the local context, he highlighted the complex challenges that locals are facing as business owners. He articulated that business was a foreign concept that was being adopted and integrated with the local traditional knowledge and the cultural ways of business transaction. Furthermore, he reveals how local people are doing things influenced by the cultural and environmental factors that have been developed into the idea of the embeddedness with the traditional and cultural way of life.

According to Ben it is important to engage locals to recognise ways that will enable them to become self-reliant rather than being dependent on others for their survival. In order to achieve this, it requires people to change how they do things. They must become active participants in programs and activities designed for them as in the long term it will benefit them. As social practices have grown into an embedded issue, people in the rural community become complacent with their daily way of life which does lead to some of these practices being rooted in rural ways of life. For example, people resorting to *kaon* but finding it hard to meet their obligation as is expected according to the notion of *kaon*. The indiscriminate use of such a practice (*kaon*) will present a significant challenge to businesses and hence compromise their operations, in particular their viability. Despite the practice being bad for the viability of businesses it cannot be stopped as it is a cultural practice. As a result, Ben highlighted that the issue is real, and it must be dealt with in order to change people's perception about business. At the same time, those operating businesses must do it in a way that works in tangent with the local traditions and culture.

In his capacity as a community leader and representative and also a successful businessman, Ben identified specific pressing issues affecting the community and he points out ways to

help address these. He has developed a short-term plan that will provide ways in which families, individuals and community members can have an equal opportunity to make use of their local resources in order to earn and to support their daily needs. While promoting small businesses he stated that education must never be overlooked, and local business people must be properly educated in basic knowledge and skills on how to manage successful business operations while cognisant of the social and cultural environment in which they exist.

5.3 Section B: Emerging themes

While Section A considered the background and unique profile of each participant and their experiences and context, the following section presents the participants' voices organised under two broad emergent themes. Under the broad themes, key sub-themes are identified (see Figure 11).

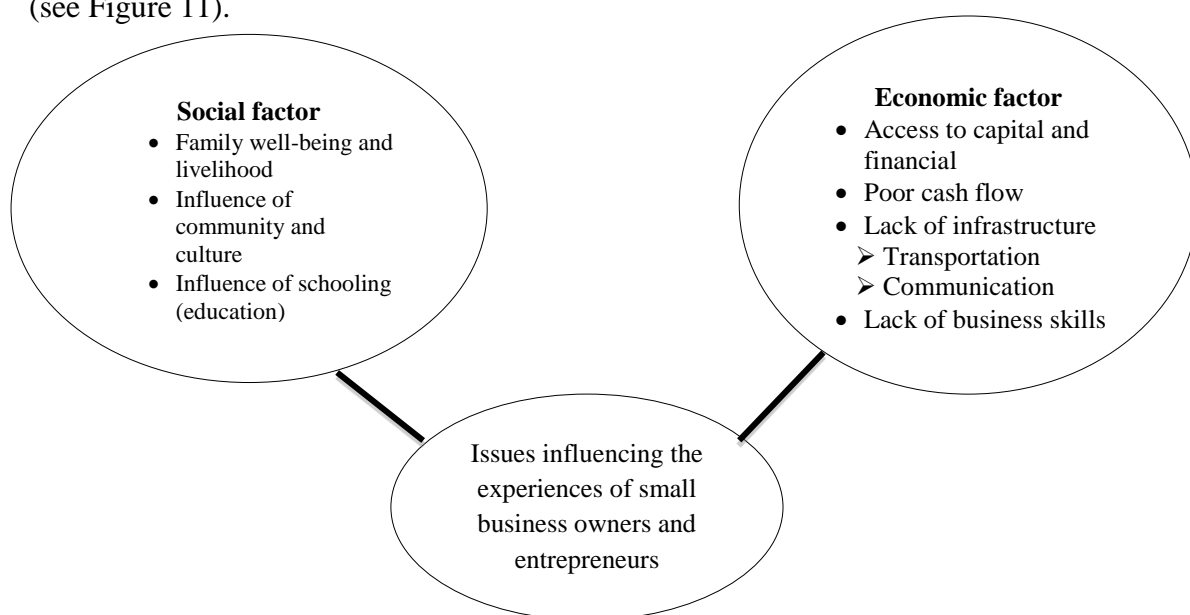


Figure 5.1 Two broad themes and the key sub-themes identified in the findings

5.3.1 Social factors

5.3.1.1 Family well-being and livelihood

The findings showed that most of the interviewees who participated in this study are operating a family-based business. Most participants stated that the main reason for them to

engage in starting and operating their business was driven by the need to generate income in order to support their family well-being and livelihood. The participants reasoned that family businesses are not so much focused on profit-making. However comparing the rural way of living and how people manage to support their family some 15-20 years ago and the condition of living today, so much has been changing in these years. One of the evident changes has been the influence of the cash economy and the continuous demand on cash which has hugely impacted on many rural families. Thus, it is one of the major drivers that motivated parents as business owners and managers into starting their business – not for profit-making but primarily for supporting their families' well-being and livelihood.

For many of the participants, they described conducting business to be a challenging exercise for them. However, despite these challenges through operating businesses, business owners are engaging themselves in earning cash to enhance support for their family. In the findings, John expressed the following:

But business ya somefala ba hem store, petrol osem ya somefala waka lo home but how for iumi mekem for family survive for osem na somefala something so ba iumi try for workim.

For some business to them is seen as operating a trade store, selling petrol like that, but others including me, it's a way to earn income in order to support my family's survival by trying to engage in business activities.

John described the notion of business, as a 'white man's idea' but in a simple way to understand business. He said that activities like trade store and selling petrol best explain business as an act that they can engage in to earn cash. Meanwhile, the bottom line that motivated him to engage in business is to earn cash so that it will enable him to support his family's well-being and livelihood. According to Tony:

Lo 1984 24 October daddy blo mi hem walkabout go lo Honiara hem se for go lukm ota niece blo hem, hem go hem karem about \$50 dollar nomoa n

makm lelbet copra ... time hem kam bak hem say son ba u trym for mekem this fala small something and u try for buildim up.

It was a trip my father took to Honiara to visit his niece that he took with him \$50 Solomon Islands dollars and produced a little copra which he then sold ... on his return he brought back basic stock items which he told me to try and do something about it.

Tony's experience reflects an act that his father had towards his son's personal well-being. After he left school, Tony lived with his parents in their village. However, his father saw that he was just staying in the village doing nothing. He was compelled with the thought that by doing something for his son to engage him in a worthy cause like small trading activities was vital. As a result, on his return from one of his trips to Honiara he provided goods for his son, which was an act that shows a father's concern for his son's well-being. Likewise in Jerry's case he shared the following account:

Olketa benefit wea small business blo me achievem yia hem lelebet help mi for meetim needs blo me and also me able for helpim oketa other needs family blo me osem.

Mostly the benefits earnt from my small business operation are mainly to support my personal well-being and also to help other members of my close family members with their needs.

During the interview, Jerry pointed out that the little benefits that he earns from his small village trade store and copra business enabled him to support him with his personal well-being. Most importantly he is able to support other members of his close family with their basic needs and livelihood.

In summary, for a majority of the participants in this study, family well-being and livelihood for many rural families is a major concern when deciding to engage in a business activity and not making a profit as is the case in the western society when running a business. In most instances, parents are being challenged on how and what they can do in order to help find alternative ways that can best help them to provide for their family's well-being and

livelihood. Furthermore, considering the family business from a social capital perspective, we can say that the structural and relational dimensions of social capital make up the connections and relationships amongst members of the family which enhances the family well-being and livelihood.

5.3.1.2 Schooling (education)

Other than the general well-being of their families, most of the individual and family-owned businesses who took part in this study expressed the need to support their children's education as a major driver in starting their business. This is reflected in the responses of the respondents when asked the question: *What drives them to initially start their business?* John mentions that:

Me garem pikinini wea hem go school ... and selen mi waka fo hem no fit fo paym school fees n for family suvive lo hem so hem na mi tufala wife decide for statim binis ya

As we have children who are now attending schools, therefore we need cash to pay for their tuition; however, with very little income I earn from my paid job it wasn't enough to pay for their tuition and our family needs. Therefore, together with my wife we decided to start a business as an alternative way to earn cash.

In the above scenario, John pointed out his initial idea for taking up the challenge in starting his business. His experience is typical of the difficulties that many other people living in rural communities encounter. Complicated with those difficulties, John engaged in income-generating activities purposely to earn cash for paying his children school tuition. Nick also commented that:

Struggle blo family so mi interest fo mas garem wanfala something for helpim baim skul fee blo oketa pikinini blo mi, hem nomoa that's why mi tufala startim na this fala programme wakem lelbet something for help ya.

Seeing the struggles my family experienced has made me think of doing something that I can earn money from to help pay for my children's school fees. Therefore, in 1996 together with my wife we engaged in our first business activity.

Nick also highlighted that like other local business owners starting his business it was also for the purpose of supporting his children in having access to proper or formal education. Matt's decision to engage in a business 20 years ago is also to support his children have a formal education. He mentions that:

... pepos blo mi for mekem this fala smol canteen blo me and oketa pikinini blo me yia becos mi no garem wea else for mi sa-ve takem selen for sapotim oketa and time oketa pikinini blo mi oketa go lo school.

The main purpose that influenced me to start my small trade store business was because I did not have enough money to send my four children to school and to continue supporting them during their schooling.

Matt expressed that after watching his kids attend primary school, he was obligated to send them for further education and this was due to his sense of obligation as a father and the head of the family. Despite the cost always being an issue for him, starting a business was the best decision he took when he first started his 20 years ago. Jerry also mentions that:

Also me able for helpim oketa other needs blo family blo me lo side lo payim shol fees blo oketa pikinini osem.

Also at the time, I usually helped other members of my close families, especially paying for their children's school fees and other school-related costs.

Similarly, Jerry highlighted the benefits he gained from his business operation. He said, apart from helping himself with his basic needs he also provided financial support and help to other members of his family with their children's schooling costs. Other than supporting their own children's education, it was also evident that business owners were also supporting the education of their sibling's children, especially in the case where their businesses were doing well. Tony comments that:

Mi lukm osem business hem mature lelbet hem na mi start for paym skul fee blo oketa pikinini blo brother blo mi ya gogo kasem this time, sometimes oketa girls wea wea relate lo missus oketa kam mi helpim oketa wetem one fala gele blo mi tufala mi paym skul fee blo oketa.

When my business operation was getting better, I started to help pay for my brother's children's school fees and also help pay the school fees of girls who are related to my wife that came and stayed with us.

Tony expressed that upon experiencing a healthy cash flow for his business, he started to help other members of his family from both his relatives and his wife's side. Tony pointed out the influence that relatives do have towards his business. He also shared that through education many parents generate an ideology that once their children go to school and upon completing or graduating from college with certain qualifications, it should provide them with better chances for employment in the formal sector. Moreover, through this employment it would provide ways for them to earn cash in order to help and provide support to their family. Therefore, from this perspective supporting the education of their own children and their relatives was all about investing in the capacity of these children to provide for their families' well-being and also education in future. In addition, children who are able to complete their education and gain employment are able to support the family's business. This is evident as personal comments provided by Peter:

...me supportim tufala dota blo mi for tufala go lo school ... distime ya twofala doter blo me garem waka ... and towfala sapotim tumas wamen mi likem doim ... givim mi slen so me cam startim stoa ...

I have supported my two daughters by paying for their school tuition and making sure that they completed their studies. Now that they have completed their studies, they both are now employed in the formal sector and they have fully supported me in providing the needed cash funds to start our family trade store in the village.

Peter described this scenario as an important connection that he has developed with his two daughters who are now able to reciprocate their support through helping him with providing financial back-up for the family's business.

In summary from the findings, it has been identified that most of the family-operated businesses were influenced by a desire to support their family's well-being and livelihood and also ensure that their children including those of their close relatives have access to formal education. Many of these parents felt a sense of obligation or duty to support their children's education. In fact, for parents schooling was an important urgency they considered a priority for their children to attend at all costs. Despite the many challenges faced, the underlying motivation to see their children has helped them develop their resilience and tenacity to engage in income-generating activities or businesses as a way to earn cash income to pay for their children's schooling costs. Education for these families represents an investment in the sustainability of their businesses and better education opportunities for their families and their well-being.

5.3.1.3 Influence of community and culture

Over many decades the community and culture have built a strong social and cultural relationship that has become an embedded practice that connects people in rural communities in Choiseul. This connection has developed and reflected in the practices carried out by those in the community for many years now and has created both positive and negative impacts towards the way of life in Choiseul communities. Despite that, the impacts are also widely influenced by modernisation that has brought in many changes today – a direct effect of globalisation. Subsequently, when local people started to get involved in business activities, the influence of community and cultural values and beliefs are inevitable.

In the rural communities, where a lot of people are illiterate and have very limited knowledge and skills, the idea of starting and engaging in income-generating activities or business is seen as a foreign concept. One of the participants expressed that: *“Business is a western/foreign concept that has been adopted and practice into the local cultural setting.”*

Consequently, a lot of the local rural entrepreneurs and business owners are battling to harmonise business practices which is perceived as a foreign concept into their local setting where cultural values and norms play a central role in how people engage with each other.

To a certain extent, the influence of community and culture on the development of business activities is also evident. Thus, the findings in this study show that most of the small businesses operating in the rural areas of Choiseul are influenced by the community and culture in which they are located. Peter pointed out that:

Culture ia na bara spoilem mi na mi olsem sore bcos iu save nomoa melenisian ia blad moa, oketa anty n uncle oketa sorte na ia so me filim osem oh mi mas lelebet givim so letem go lo oketa nao bat at da sem taem oketa peim bat iu save if oketa continiu continiu bae mi olsem tu ia so hem na fiar blo mi ia, lo saed lo cultural ting blo iu mi ia hem na cosim fo iu mi kaun ia

Certain cultural practices have badly affected my business, however it's a Melanesian way that blood relatives is something one cannot ignore. There are some times when aunties or uncles need help from my business. I allowed them to borrow goods and later they will repay once they have cash, but if this practice continues it can have a negative influence on my business. However, it is something I cannot do much to avoid it, as culturally, it is a practice that holds families and communities together.

Peter identified that the culture has greatly influenced his business activities, especially the idea of credit (*kaon*). What Peter implied was the action commonly known as 'the Melanesian way' which signifies the notion that 'blood is thicker' has driven him to be more flexible in his decision-making pertaining to his business. This is to allow his close family members to get goods on *kaon*. Doing this helps to fulfil Peter's cultural duty or obligation to his family, this includes the wider extended family. He revealed that this practice is bad for his business but he cannot avoid it because it is associated with the cultural relationship, which is not easy to ignore. Consequently, he mentioned that the outcome of such a practice resulted in many rural people engaging in *kaoning* as a way to obtain goods or services that they cannot afford.

Apparently, the implication of Peter's experience enables us to appreciate the notion of social capital being applied within his local context. If we consider the action of Peter for allowing his aunties or uncles to *kaon* from his business from a social capital perspective, we might say that the relationship enables to bind Peter under the social structural set-up of the family. This set-up may include the extended members of the family and the wider community.

In addition, people do rely on members of their family and/or community who are engaged in business activities who they can easily get *kaon* from. Ben comments that:

Culture hem wanfala major constrain an obstacle an chalenges that culture was geared not becos that culture hem gud but bcos the culture lo befor fo iu depen lo others ya, hem no involvem money ia. Hem involvem olketa samtin transaction other bartering system. Helpem man power nomoa olsem, not becos as mi say money is meant to be exchange of goods and services ia an boils down with this concept of hem na ansa ... and money is not the only ansa ia in this issue so ...

Culture is one of the major constraints as well as an obstacle to business operations. Despite its challenges, culture should not be regarded to have a negative influence, as business exchange also depends on the local or traditional ways of exchange that exclude the use of modern money. For example, it involves the exchanging of goods or transactions as in the barter system. Therefore, it is not all about money that can be the focus that allows exchange to take place but its more to do with the influence of cultural relationships amongst families and communities.

Ben expressed that culture doe's impact on local business operations, but he also recognised that although culture does have some negative influence on business and the practice of traditional exchange it does have a greater influence on the profitability or sustainable operations of small businesses. He mentioned that money was not the only medium being allowed to enable exchange to take place, but the influence of cultural relationship amongst members' families and community also contributes positively towards influencing small businesses. This is evident according to an observation provided by Luke:

Oketa wantok kam ya osem iumi lo side lo bisnis ya, hem no garem wantok, brada or sista nomoa but because culture blo iumi moa hem spoilem, because sapos osem oketa sistas and bradas blo iumi say eh man ya selfishman or rubbish man or something osem so if umi like for protectim

culture blo umi then ba hem spoilem na reputation or damagim na u and bisnis man ba oketa say eh man ya mifala go lo haus blo hem bata hem no toktok gud lo mifala, hem no like feedim mifala, hem no like helpim mifala for payim school fee all these toktok ba kasem u ya hem osem... mi lukm mi try for mi balancim business wetem culture but me mak sua mi no loose tumas lo business blo mi osem.

A business must be treated as a separate entity from the owner, however the cultural influence of 'wantokism' on business can affect the business' operation. As much as I want to treat my business as a different person, it will in some ways conflict with my cultural relations with my family when they need my help. If I ignore them, they will see me as a selfish man or even think I am a bad person. Further, it can tarnish one's reputation or even paint a bad image to one's business. Therefore as much as possible I tried to weigh up and make a balanced decision between operating my business and maintaining the cultural relationship, which is always an important part of my business success.

Luke pointed out that the influence of developing good working relationships amongst members of the family and community has a positive outcome towards businesses. He further noted that by completely ignoring the cultural relationship with members of the communities it will create tension between him and close family members and the wider community. These can potentially have a disastrous impact on the performance of his business.

Like other participants, John also further noted that it is a divergence in business principles and local culture, which can affect the operations of small businesses. He explained that subsequently when close members of his family such as brothers or sisters or even very close relatives and members of the community ask to get goods and pay later (*kaon*), there is not much he can do about it. Sometimes people never get to re-pay their *kaon* and the business gets to be the loser in this scenario. However, John pointed out that he cannot ignore helping his close family members despite knowing the effect it may have on the business. If he fails to help family members, people will see him as a selfish person and that will affect his working relationship between his close family members and also people within his wider community which is not healthy for his business.

Similarly, according to Tom, the influence of community members and culture also affected his business operation. He pointed out that:

Members no realise na osem business hem different person ya. but wat members think and doim na osem oketa kind folom nmoa tingting osem go na tekem goods lo store on kaon nmoa gogo endim consumer store yia hem die nmoa na

While members are overlooking business as a separate entity and that it is part of the member of a business and owner, they think that they can just do whatever they like by getting goods without paying for them. However, in doing this, the business trading failed.

The practice highlighted by Tom is one of the main causes of business failure in Choiseul. For community established businesses, a similar experience was also evident where people or members of the community took advantage of the business as if it is their own. In fact it is very difficult to try to isolate the business from the cultural influence, especially *kaoning* that is widely practised in trading businesses. This is because of the embedded practice of culture within the community and it also shows that people are struggling with issues of affordability. A lack of income-generating opportunities in rural communities means that in many communities people do not have regular income to be able to afford to buy general consumer goods required for their daily living.

Nick mentions that there are certain influences of culture and how local people in the community related towards his business, especially the practice of *kaon* (credit purchases). He provided the following observation:

Osem mi tabu kam lo hea nomoa ya so osem mi open lo staka people so anything ota like ota ask nomoa ... small business blo mifala family this time now ya nomoa hem \$25,000 ... but hem must go up lo \$27,000 na ya becos people kam kaon and me garem 20 over buka lo there ya ota people come kaon ... mi sa-ave ba hem hard but osem mi tingim tu ota people ya becos ota need tu ya bata ba oketa changim na kaon but ba ota easy nomoa. but mi talem lo oketa nomata ufala kaon lo me but ba mi still life mi say lo oketa but side blo ufala now ba ufala stopem side blo ufala for kam kaon moa, becos ba mi lukm lo record ...

As someone from a different village, being married and having lived amongst my wife's people, I have built a good relationship with them. Therefore, when people do ask for *kaon* I help them with whatever they need. This has been a practice, which I keep record of and the amount owed stands at \$25,000 and going up to \$27,000. I know that it is bad practice but I cannot stop people because I usually feel sorry for them and I see their needs and struggle, which I like to help them with. I usually tell them to pay up their *kaons* but sometimes it is hard for them. However, I told them, "you can borrow from me but my business will still survive but you have to find a way to repay me and also try and stop asking to borrow or *kaon* from me".

Nick pointed out that the cultural influence towards his business can sometimes be challenging and it creates barriers when business owners remain strict by not allowing people to *kaon* from their businesses. However, he expressed that due to the issue of affordability, many local people are finding it hard to earn cash. As a result, they are not able to buy goods and services from small rural established businesses. Lack of income from the community means that the business experiences a decline in income and their financial position is further compelled when the families and the community resort to *kaoning*.

In the findings, it suggests that there are tensions being created between members of the community and the cultural influence affecting the business operations. Therefore, considering in terms of social capital perspectives, for example, the structural feature of the community enables to connect members of the community by producing and consuming social capital. In addition, the relational feature of those assets which created the leverage through the relationships enables them to maintain both community and cultural connections and beliefs. Furthermore, it enhances the positive operations of small businesses.

5.3.2 Economic factors

According to the findings, there are certain economics factor that have influenced the development of small businesses in the Choiseul Province, including access to capital and

financial support, lack of infrastructure, poor cash flow situation, and lack of business/entrepreneurial skills.

5.3.2.1 Access to capital and financial support

Findings from the study show that access to capital and financial support has greatly influenced the experiences of small businesses causing major setbacks to many rural small business operations, especially newly formed businesses in Choiseul. A participant expressed that: *“It was so difficult to find cash in the village level and that has also caused a major setback in accessing start-up capital for those wishing to start their business activities in a rural village setting.”* It was also raised that lack of capital finance created a major hindrance for newly-formed businesses. This was particularly the case during the first phase of their operation. They identified that having enough financial support is a crucial component during the early stages of their business initiatives, otherwise most businesses that failed in the early stages of the process were the ones that were faced with financial capital issues. Matt shared the following experience that he faced:

My main challenge na is that me no garem enough selen for build proper copra shed and also fo increase the amount of copra so me can increase cash for buyim copra lo hem ...

The major challenge I encountered in my business operation was not having enough cash to help me build a proper storage shed for my copra products and also to help me increase the amount of copra purchased.

The comments made by Matt show one of the common issues most small business owners are experiencing in Choiseul. Furthermore, participants expressed that in addition to the issue of lack of access to start-up financial capital and other funding support, businesses also experience difficulties in obtaining capital for the purpose of increasing or diversifying their operations. Another participant revealed that: *“Since they started their cooperative society business, they have been faced with financial difficulties for almost five years before members of the business association started to fully benefit from the business output.”* In this scenario,

the association management and members agreed that all financial members will work without receiving any payment until the financial status of the business is healthy. This reflects the struggles and financial hindrance that some businesses face in rural areas. Furthermore, the structural features that connect financial members and management of the association are producing and consuming social capital.

The finding reveals that lack of finances has posed great difficulties and has affected the initial development and sustainability of small business operations in Choiseul. An analysis of small businesses in the findings identified that lack of finance has caused stagnation in many business activities. As a result, some businesses have never experienced much change to their operations, although they have been engaged in business for couple of years. For example, one of the participants stated that due to a lack of financial resources that his business has experienced since he started his small trading activities some time in 2010, his business has never made any progress in terms of its performance over the four-year period. He further revealed that his business earnings for the past four years have remained the same with the same amount of capital he started with. Participants showed that part of the inability to raise capital was due to the difficulty in borrowing money from banks and other sources.

Although financial institutions such as banks do provide loans for small business operations, it was revealed in the findings that banking services are beyond their reach. This is especially the case with applicants having to meet the bank's requirements so most small business owners are required to provide a guarantee in order to secure a loan. Therefore, most of the small business set-ups are locally financed, either receiving help from family members by putting resources together as a way to gain capital or through their own saving. It was also identified that few businesses managed to borrowed money from other external sources

outside of their family, either from government and other private businesses/companies or private individuals.

5.3.2.2 Poor cash flow situation

The issue of poor cash flow in rural communities and villages was also identified to have exerted a negative influence on the development and operation of small business activities in rural communities. In Choiseul people mainly depend on home production such as gardening (see Figure 4 in Chapter 3) and other types of production such as building canoes as sources of income and livelihood (see Figure 5 in Chapter 3). In the past years, rural people were involved in coconut and marine products as a source of cash income. However, with the influx of logging industries today, many people (landowners) have relied on royalty payments from logging companies, which was identified as a major factor that has caused people to depend on fast cash hand-outs rather than through hard work. In addition, most of the participants identified that due to the poor cash flow situation affecting a lot of the local rural people, many of them have resorted to other options such as *kaon* (borrowing) from existing small businesses to meet their family and community demands for goods and services. Commenting on the poor cash flow, one of the participants explained that: *“His initial challenge for starting his business was when he identified that cash flow in the village was no so good and that was a concern that he considered while making plans and progress in starting his business.”*

Because of the problems of poor cash flow within the rural communities, creating income-earning alternatives for people to utilise their natural resources to earn income is crucial. Therefore, to help this situation Peter shared his intentions for the community: *“He is setting up a scheme that will encourage people to earn cash. Therefore what I do is that I provide them with all necessary materials to start them off in cutting timber and later I deduct the*

amount owing to me once they bring their sawn timber and I give the rest of the money to them as part of the payments.” This initiative has created an opportunity for local rural people to earn an income and at the same time increase the amount of cash circulation being spent on local trading businesses in the rural villages. It was also noted that in the cases where business owners have engaged in such schemes, their businesses have significantly and positively benefited.

Some of the participants also expressed that during peak times prices for these commodities (copra or cocoa and the marine products) are high. In addition when the logging company makes royalty payments to landowners there is enough cash circulating in the community, contributing to an increase in the level of spending by local people, which has a positive impact on the operations of local businesses. However, there are uncertainties in relying on income generated from copra as the price is subject to a sudden reduction in the international market price, which can affect the cash flow in the rural villages and communities. The impacts are felt particularly by workers who are directly involved in these production activities, having a negative effect on their income and consequently on their families’ well-being and livelihoods. So while there may have been cash flow problems in the community, recently the development of economic activities such as logging and copra has stimulated economic activities in the rural communities producing wider benefits for those directly involved in these initiatives and most importantly positive flow-on impacts on small businesses through increased spending. What these projects clearly demonstrate is there is potential for sustainable economic activities in rural communities, whereby those with entrepreneurial skills and capital can facilitate the development of the region’s raw and natural resources for the community’s wider benefit.

5.3.2.3 Infrastructure

One of the main economic factors that have influenced the process of developing small businesses from start-up to operation is a lack of physical infrastructure such as transport, wharfs, communication and basic infrastructure required for the operation of small businesses. As participants highlighted, there is a lack of transportation that tends to cause delays to shipping traveling to Choiseul, usually affecting businesses, especially due to the delay of transportation of cargo from Honiara (suppliers) to small businesses in Choiseul Province. One of the participants, Peter, comments that:

Side lo tranpsot hem on calenge ya as siping hem folom saed lo schedol blo ship ia dilei blo ship hem cosim problem lo mifala tu ia, casflow hem finish ia wetim cargo no cam stoa hem emit nao ia ...

Availability of transport is a challenge as sometimes shipping schedules tend to be delayed and when it does it causes problems with my cash flow as goods from the shelves have run out.

Peter expressed that the unreliable and/or delay of transport, especially ships travelling to the province, does having an impact on his business particularly when the delays have been for more than a month. Such delays caused problems such as business cash flow to drop as most goods sold in the store run out of stock causing a slow turnover of cash. Tom also comments that:

Mifala facim and hem quite challenging na hem transportim copra yia, this time yia hem 8 months na but becos of transport problem mifala no sa-ve takm go lo Honiara for sellim and that to sometimes and sa-ve lead to mefala for spoilim copra which hem sa-ve rotten to ya and that mifala loss na lo buy copra nmoa without sellim go lo market osem.

Transportation has been an ongoing challenge for us, as we speak it's about eight months that our copra has been sitting in the shed due to no transport for us to ship it to Honiara so we can sell them. Sometimes the delay costs us, such as the copra can be spoiled or rot and that can create a loss for our business.

Tom pointed out that the delay caused by transport has greatly impacted on their copra sales, especially shipping the copra product to Honiara to be sold at the main market. Significant

delays in the ship can cause a total loss for businesses once dried copra deteriorates beyond an acceptable quality.

Poor communication was also identified to be a significant factor that influenced the development of small businesses in Choiseul Province. As highlighted by Peter that his business was very much depending on the two-way radio as a means to communicate and send their cargo orders to Honiara via their members of their family or friends. However, Peter further identified that there is a greater need to establish a proper communication system. A participant revealed that it is important for local landowners to allow their land to be used by a telecommunication company so that they can set-up their tower to provide communication access for proper mobile Telecom services to be established in rural areas of Choiseul. It was identified that once proper communication is established in this particular area of Choiseul that it will greatly have a positive influence towards many of the rural populace, including small businesses, in creating a much easier mode of communication and especially in making business contacts and ordering of their cargo to their suppliers in Honiara.

5.3.2.4 Lack of entrepreneurial skills

Most of the participants taking part in this study are currently operating their own business despite not having any formal education and/or qualification. In addition, most have very limited entrepreneurial skills or knowledge. Their skills in managing their business have therefore been picked up through trial and error while actually running their business. A number were also able to attend a business course, which is much needed information on business management. One of the participants shared that: *“Upon attending a one month business training course it has enabled him to develop a much clearer idea on how to operate and manage basic skills in business such as determining expenses and revenues and how to*

work out the profit.” According to Tom, he expressed that he got to develop his business skills through hands-on experiences while involved in working for the community village business. Through such experiences, it has enabled him to develop the necessary skills that have later helped him to operate his own business. He revealed that: *“The experience of working with the community store has given me the experience to develop my skills despite having very minimal education and no business skills.”* Another participant mentioned that: *“His 25 years of experience working for the government has provided him with the necessary skills and knowledge that were instrumental in the community’s decision to choose him to manage the co-operative society business.”* These two different accounts identified that some local business owners and entrepreneurs have been able to gain basic business skills, mainly through hands-on experiences developed from their past working experience with other businesses or from their previous career. Another participant who has been working for 34 years as a ship engineer also identified a similar finding. With his skills and passion of engaging in business upon his retirement it has motivated him to engage in a business activity and today, just in a span of two years, he now operates three different business activities.

Participants also identified that business concepts seem problematic as it was regarded as a foreign idea and with their limited educational background and understanding of doing business, it has created certain difficulties in their initial set-up stage of their businesses. This was especially during their engagement with external agents such as banks and other government departments. The findings also identified that most business owners started their business based on their motivation to earn income mainly to support their family’s well-being and livelihood, especially their children’s education. Although lack of knowledge and skills may have created barriers for local rural entrepreneurs and owners compelling some businesses to fail, most identified that through resilience and hard work most of them have

managed successful business operations. A number of participants have even experienced vast growth and expansion in their business over the years.

As mentioned earlier, the lack of business skills and knowledge experienced by local owners and entrepreneurs does have an influence on their abilities to utilise other business services such as banks and other agents like government and NGOs. As one participant noted, because of his lack of knowledge on how to secure funds, especially from the bank, it has affected his perception about these services. In addition, participants identified that due to a lack of educational background, most of them find it difficult to write convincing business proposals, especially when applying for funding support from outside sources such as the government. Because of this limitation, most business owners tend to rely only on using a verbal approach where they approach their Member of Parliament when they need to get assistance from them. Therefore some participants commented on the lack of entrepreneurial skills and knowledge maybe being the major cause of why they have been unsuccessful when applying for financial assistance for their businesses. Overall participants acknowledge the importance of having some basic entrepreneurial skills in support of the success of their business operations. A number of successful business owners have been able to apply their vast skills and knowledge accumulated in the course of their previous employment. While not having formal education and proper business training a number of participants have been able to access these in the course of running their businesses. There is overwhelming support from the participants of the need to have in place support for business owners through basic training. This will help develop their skills in business management but also their confidence when approaching support services for assistance.

5.4 Conclusion

In summary, the main objective of this chapter was to present the results of this study, which is to explore the influences of experiences of small business owners and entrepreneurs in Choiseul Province. A range of participants engaged in small business activities have been described in this chapter, providing some insight into their profile and the characteristics that inform their decisions to start a business and which has affected how they manage their business operations. The experiences of small business owners and entrepreneurs have emerged with four overarching themes: social and economic from the influence of family well-being and livelihood; influence of parents' perception on education for their children; influence of community and cultural practices; the economic impact that influences small business' developments. Furthermore, the findings also identified that family, community and cultural factors influencing businesses are the potential assets for business success. Albeit, there are difficulties encountered from the start-up to the actual process stages in small business development, but participants have also suggested possible ways for moving forward which can produce positive outcomes for the community and for business owners. On the other hand, the structural, relational and cognitive features developed between business owners and local people can enhance other business opportunities which are mutually beneficial for family, community and business owners through the production and consumption of social capital.

Chapter Six: Discussion

6.1 Introduction

This chapter presents a discussion of the key themes from the findings. The main focus is to address the key question of: *What influenced the experiences of small business owners and entrepreneurs in Choiseul?* Drawing from the different dimensions of the conceptual framework of social capital the discussion provides an in-depth understanding of the multiple and complex factors that shape the experiences of business owners. Concepts related and specific to social capital in the Solomon Islands such as *kula ring*, *wantokism* and *kaoning* are also included to contextualise the findings of this study. In chapter four, the social capital theory explored the three-dimensional aspects of social capital – structural, relational and cognitive. These help to explain, understand and interpret some of the key findings of this study.

The family-owned businesses are shaped by the structural, relational and cognitive dimensions of social capital. The same dimensions have strongly impacted on the functioning of businesses in Choiseul. The social dimensions enable the members of the family to have patterns of linkages and connections established between them. These linkages and connections are the assets, which are created through a network of relationships. Apparently, this enables members of families to share valuable resources and/or spotting opportunities for the expansion or creation of new business formations.

Accordingly, the three key themes which will be discussed in this chapter are as follows: family owned-businesses; community and culture; and influence of economic factors.

6.2 Family-owned businesses

The findings show that the majority of the businesses in the rural communities of Choiseul are family-owned operations and likewise in the Solomon Islands, and as a whole most of the small and medium enterprises (SMEs) are owned by families. The literature confirms that family businesses are becoming prevalent in many societies in the world today (Astrachan & Shanker, 2003; Daily & Dollinger, 1993; Habbershon & Pistrui, 2002; Olson et al., 2003; Steier, 2008). Considering family businesses from a social capital perspective, it can be stated that the relationships that initiate and sustain business set-ups have parents as owners and managers. Such relationships have structural, relational, and cognitive or symbolic features.

The structural set-up of the family involves both parents and the children, while the relational dimensions produce the relationships that influence the strong connection impacting on the development of small businesses. According to Nahapiet and Ghoshal (1998), the construction of social capital dimensions is produced from collaborative interactions between members of families from their network ties, connections and linkages that are being created and recreated through the leverage of relationships. Furthermore, the dimensions of social capital also provide families with valuable assets that build on the notion of relationships. These relationships eventually create the leverage for members of families to depend on each other, especially with regard to the sharing of resources that are important for business formation and ongoing viability.

Apparently, according to social capital theory the structural features of the family make it possible for the family as an institution to both produce and consume social capital (Shanker & Astrachan, 1996; Winter et al., 1998). For example, in this study the family structure helps produce social capital through organising and the direct provision of labour, providing business inputs such as capital, entrepreneurial knowledge and building goodwill with

families, with members of the community and with those outside of Choiseul. On the other hand, consumption of social capital takes place when members of the family or the community enjoy the benefits associated with the business venture such as children having access to education and clients enjoying goods through the use of *kaon* and *wantokism*.

6.2.1 Purpose of initiating and conducting family businesses

One of the significant reasons that most families deliberately started their business was to earn cash to meet the cost of schooling and educational needs of their children in addition to providing for their wellbeing and livelihood. Because of the limited opportunities available in the rural community, they view business as a means or mechanism for meeting the family's needs. As the literature reveals, the necessity of entrepreneurs to explore the opportunity was oriented by their purpose and motivation (Shields, 2005). Similar to what is found in the literature motives for venturing into business are categorised as one of: autonomy seekers; or family protectors; or profit seekers. In western societies, the primary motive according to research is to establish autonomy, seek independence or to make a profit (Habbershon & Pistrui, 2002; Jahanshahi et al., 2011; Kibassa, 2012; Storey, 1994). However, in community-oriented societies such as China the family is considered a primary motive. This is a similar situation in the case of business owners in Choiseul.

This study also shows that most families (parents) want their children to attend schools based on family demand or the desire to reproduce the aspects of social capital and strengthen it through structural, relational and ideological features. The implication of what they perceive is that once their children complete their education after graduating with a qualification, it will create possibilities for them to get a formal employment. Furthermore, the dimensions of social capital are reproduced. Once children complete their education and are being employed, their capacity to support their family and others in their social grouping increases,

hence social capital is further enhanced. For instance, one of the interviewees (Peter) mentioned his experience that he paid for his two daughters' school tuition and supported them all throughout their education until they graduated. After both of his children graduated from college, they were both employed in the formal sector in Honiara earning salaries, so they are currently providing financial and other needed assistance for conducting their family business.

The literature confirms that such participation between members of the family providing resources and investment is found to have a positive impact on business performance that can also enhance growth and expansion (Fahed-Sreih et al., 2009; Shanker & Astrachan, 1996).

6.2.2 Family resources and opportunity

Social capital can also be used to explain how family resources and opportunities influence the experiences of small business owners and entrepreneurs in Choiseul. This study reveals that most family businesses in Choiseul are relying predominantly on members of their family to provide the necessary resources in the process of business formation and its operations. From the structural, relational and cognitive features, the findings in this study show that businesses in Choiseul relied very much on both the nuclear and extended members of the family to produce and consume social capital. By recognising the important roles and contributions that members of the family provide as 'seed capital' (Fahed-Sreih et al., 2009), families rely on actions of social relationships to start their business. This is evident in the case of Tony, who started his business using the seed capital provided by his father. This exemplified the structural dimension of social capital that Nahapiet and Ghoshal (1998) and later the work of Fuller and Tian (2006) emphasised when describing the connection between various members of the family.

The dimensions of social capital also provide the basis for businesses to explore other business opportunities into expanding their existing businesses or even encouraging the new formation of businesses. Consequently, such actions do influence the experiences of small businesses when they explore available opportunities through the consumption of social capital. From a social capital perspective, family businesses are utilising the structural features to consume the existing network connections between members of families, including their extended family connections, to identify other possible business opportunities. For instance, some successful businesses in this study have revealed that the collaborative support of the structural nature of their family has generated a leverage by which they can continue to establish other types of business on top of their existing business.

6.3 Community and culture

This section elaborates on the influence of community and culture on the experiences of small business owners in Choiseul. The findings show that the strong cultural links and connections between members of the community have enabled them to collectively contribute and share resources for the purpose of benefiting the wider community. As we can recall from the findings, Paul mentioned that the main reason why his community initially engaged in setting up their community business was to provide a collective opportunity for local people in his community to earn cash. Further the community business encourages local people to utilise their resources into the production of copra which they sell to the community business, which the community business then sells it to Honiara. The literature also confirms that the community business as civil society is a wider movement that is concerned with trading for a social purpose (Tracey et al., 2005).

Considering the structural, relational and cognitive features many small businesses including community-based business continue to produce and consume social capital constituted from

community and cultural relationships. For instance, the structural feature makes the connection between the community leaders, chiefs, religious leaders and the rest of the community members. Meanwhile through these network connections, the assets of relational features are created through the leverage of relationships. Thus, the ideological feature draws on the collective perspective which resulted from the community and cultural participations that enhance the wider community, achieving its collective objectives. According to Bourdieu (1986), the notion of community and culture in terms of social capital linking together the network relation is institutionalised through relationships. This argument is also consistent with one of the propositions of Nahapiet and Ghoshal (1998), which identified social capital as a sufficient concept to explain the experiences of small businesses within their locality. One of the main practices being strongly identified in the initial study which influences the experiences of small businesses is *kaon*. *Kaon* is a culturally embedded practice or act that can be described as an institutionalised relationship being rooted as a cultural prestige and it is closely associated to what Bourdieu (1986) identifies as a notion of community and cultural forms of social capital.

6.3.1 Influence of *kaon* system

In light of the structural dimensions of social capital, *kaon* is an action that is embedded as a cultural practice that is closely linked with the notion of the *wantok* system. The *wantok* system refers to the sharing of mutual duty and the responsibility of helping other *wantoks* (Lea, 1993). The structural dimension also helps to explain how people measure their connection based on their cultural prestige and interaction (Crocombe, 2001). These eventually create a network of relationships in which the *wantok* system becomes the norm in terms of social structure practices in Choiseul Province.

Thus, the dimensions of social capital enable us to create an understanding and interpretation of the *wantok* system as a structural feature that makes up the patterns of cultural network connections through which people are related through their tribe's clans and families as an institution. The cultural features of the *wantok* system is consistent with the argument put forward by Adler and Seok-Woo (2002) who referred to it as "goodwill", attesting to the notion of sympathy, trust and forgiveness that is being offered to them by friends and acquaintances. In the Choiseul context, the pretext of providing help to others by allowing *kaon* is difficult to avoid because of its embedded nature in the Solomon Islands social structure which is also linked with cultural prestige. While the *wantok* system may be a valuable asset that enhances *kaon*, it comes at a cost that is mostly absorbed by businesses. For example, Ben expressed that culture can be a constraint that can cost businesses, but the dependency created through cultural relationships such as bartering (exchange) is a valuable asset rural people depend on to obtain goods and services.

Further the aspects of social capital which enable them to create links and connections between various institutions – tribes, clans and families – are referred to as social assets. Through the structural and relational features those assets are created through leverage on how local people in the communities develop relationships through attributes attesting to their cultural identity (Misha, 2008). Consequently, through these dimensions of social capital the consumption of network relationships is being rooted into different aspects and attributes of the *wantok* system.

In the context of social capital terms, *kaoning* also develops the cultural favour of reciprocating an act. For example in Mr Nick's case, as he was married and lived in his wife's village, and whenever the people of the village asked for *kaon* or any help, he felt

obligated to provide it to them due to his connections which he established with them through his marriage. This consumes the structural and relational dimensions that establish from the network of relationships, constituting the valuable resources that enable him to work together with his wife's community. From the social capital perspective, the business owners allowed *kaoning* because of the structural features linking the cultural network and connection, which were basically based on verbal agreements. Ben holds that one can repay at later time once cash becomes available. This is a clear indication of cultural relationships created from connections that attest to attributes of trust, obligations and expectations (Nahapiet & Ghoshal, 1998).

Through social capital, the demand for rural people to be involved in *kaoning* is due to the difficulty of earning cash in the various areas of their locality. As a result, people resort to *kaon* as a means of obtaining goods and accessing paid services. These social arrangements have benefited many local people immensely, but as for the businesses it represents a cost to them. This argument is consistent with the work of Lea (1993), which highlighted and stressed that action through social relationships do have social repercussion once members dishonoured their end of the social contract. This has the potential to at times to create anger and division between those in the community and, for business owners, disrespect towards one's standing in the society or community.

6.4 Influence of economic factors

This section discusses the key economic factors identified in chapter 5, which have influenced the experiences of small business owner in the Choiseul Province. These include access to financial support, poor cash flow situation, lack of rural infrastructure, , and lack of entrepreneurial and business management knowledge and skills. Social capital perspectives highlight the valuable resources and potential that is embedded within the social structures of

the Choiseul Province, and the extent and degree to which economic factors hinder entrepreneurship formation and development were likely to nullify the impacts of social capital.

6.4.1 Access to capital and financial support

Lack of access to start-up capital and financial support was constituted as one of the major set-backs to small business operations, especially new start-up businesses in Choiseul Province. In the findings, we can recall from Jerry's experience that the issue of access to capital and lack of financial support has affected his business in not making much progress over the last four years since he started his business in 2010. This problem is also consistent with what is found in the literature, that access to financial resources is a significant aspect for small businesses and having financial capital resources generically can easily be converted to other types of resources demanded by small businesses (Wiklund & Shepherd, 2005). Meanwhile the literature confirms that the development of viable and efficient small businesses are hampered by a lack of capital (Tambunan, 2011). According to Levy (1993), many small businesses in developing countries are facing difficulty in accessing finances and is a major constraint affecting business expansion and is emerging to be the leading constraint to SMEs in obtaining start-up capital. Likewise the findings of Venkateswarlu and Ravindra (2012) confirm that SMEs do encounter heavy start-up costs, which also influences their daily business operations. They also revealed that small businesses, mostly the new start-up businesses with relatively limited financial resources, also find it difficult to sustain their operations.

Furthermore, this aspect of social capital is a valuable resource that can enhance businesses to gain financial support. Thus through structural features we can identify connections and links that businesses are creating with members of the family, community leaders, government,

Members of Parliament or other funding organisations. Hence, through aspects of relational features the connections and networking refers to assets that businesses are creating and leverage them through relationships with established collaboration and interaction. However through social capital it provides valuable assets that small businesses can rely on, especially network relationships that can enhance their business formations and operations.

Therefore the aspect of social capital dimensions provides small businesses with the leverage through structural and relational features in which members of their family or community find it easier to source financial support instead of relying on other external sources. This is consistent with what some analysts stated, that social capital does provide the rate of return to investments through patterns of relationships and exchange with members of family and friends (Nahapiet & Ghoshal, 1997). Likewise, social capital creates valuable networks, relationships and connections between members of family and friends consequently making it possible to share resources. The findings in this study therefore suggest that social network relationships were indeed an invaluable source where members of the family not only contribute financial resources, but also render support through their time and collective efforts towards the business operations.

6.4.2 Poor cash flow situation

Other than the challenge in accessing start-up capital, the participants also revealed that many rural people in Choiseul are finding it difficult to earn cash on an ongoing basis and this consequently has a negative effect on the poor cash flow situation in the province. In Choiseul, most of the people are depending on production of primary products such as cocoa, copra, marine products and local garden products that they sell either locally or to the capital city, Honiara, to earn cash. When encountered with this problem, families of business owners and those in the community tend to resort to the use of *kaon* or take advantage of the notion

of *wantokism* in order to sustain their families, which places an enormous strain on the financial viability of business operations. This is a possible challenge of globalisation which has affected rural communities. This is consistent with the literature of Phillips and Pittman (2009) that warns that rural communities cannot afford to ignore globalisation when planning for their future regardless of their location.

In terms of the structural features of social capital, there are potential economic activities and opportunities in Choiseul Province that can generate cash in a sustainable manner to support the livelihood and well-being of its population and also to ensure a healthy cash flow for the viable operations of businesses. For example, one of the business owners (Peter) identified the issues of poor cash flow in his village and this prompted him to develop a scheme to help in mitigating the situation at hand. Peter encouraged local people in his village to explore the opportunity from the logging scheme in order to earn cash to meet their basic needs. The scheme also creates the relational feature that transforms this network connection into relationships that enhance the ability of those in the community to engage in some meaningful economic activity and to earn cash. Income earned from logging represents an injection of new capital into the rural Choiseul community, hence increasing the circulation of cash in the local economy which consequently increases demand and spending of local village people on trading businesses. Hence, in this case the poor cash flow situation was mitigated using the social capital available within the community. On the whole, in the end the cumulative build-up of social capital through the cultural notion of *kaon* and *wantokism* developed within people in the community a strong sense of motivation to reciprocate by their willingness to explore income-earning opportunities. The effects will greatly impact on business outcomes because of the increased spending by local villagers.

6.4.3 Lack of rural infrastructure

Choiseul Province is located in a rural setting distant from the Solomon Island's capital, which has good access to basic amenities and the infrastructure necessary for the smooth conduct of business operations. Therefore, participants identified that lack of infrastructure and acted as one of the major impediments to their operations. For example, Tom revealed that delays in transportation for months had severely affected his business. Furthermore, poor communication was also identified in the findings as one of the factors that hindered the development of small businesses in Choiseul. Recalling from Peter's experience, he stated that relying on a two-way radio was the only means that provided the opportunity for him to communicate with his supplier and this indicates the importance of communication. Therefore in the absence of the two-way radio, he stated that it will severely affect his business.

The dimensions of social capital help us to determine how infrastructure can be addressed and transform those possible opportunities of existing human and capital resources into improving important services such as transportation through patterns of relationships (Nahapiet & Ghoshal, 1997, 1998). In the existing case, social capital assisted in the provision of invaluable resources to address the issues concerning lack of infrastructure by constructing and consuming the dimensions of social capital. This observation is in line with the literature by Okpara (2011), which identified the lack of infrastructure as a hindrance to the development and growth of SMEs in many developing countries.

Meanwhile the structural features of the network of institutions such as shipping companies, suppliers and producers, responsible authorities and local business owners through ongoing dialogue could lead to the future developments in infrastructure necessary for the development to take place, thus creating a more enabling environment for businesses. Despite

the challenge of limited infrastructure, social capital has the potential to provide leverage to create a more enabling environment in which small businesses can operate and achieve positive outcomes. Therefore, in terms of structural and relational features the networks of relationships (both horizontal and vertical) can enhance infrastructure such as the provision of more reliable transport and communication services. By lobbying as a group, or with other local businesses in other provinces, they could present a stronger case to local and national government for supporting rural development.

This is consistent with the findings of a study by Erselcan, Kutlar, Erdemz, and Doganoglu (2009) on the economic effects of social capital. They stated that social capital can be achieved through trusting others and the associations of the collective actions and ‘network efficiency’ through which the reduction of other relevant costs may lead to improvement in the performance of business. Similar to the experiences of small business owners elsewhere, especially in rural communities, having proper infrastructure is absolutely necessary as it creates the leverage through which the needs of small businesses can be addressed and in particular it enhances the formation and operation of the business.

6.4.4 Lack of entrepreneurial skills

The lack of entrepreneur/management skills and experiences was also highlighted by participants as having an influence and negative impact on the development of their small businesses and even the potential to cause business failures. The majority of the entrepreneurs had a very low level of education and no training in business skills, which to an extent impacted negatively on the business decision-making. Participants shared their frustrations in not knowing how to complete application forms when it comes to applying for funding from the government agents and other sources such as banks and private sector or NGOs.

The literature on SMEs, such as the work of Tushabomwe-Kazooba (2006), stated that a lack of management training and experiences has a negative influence and can lead to businesses collapsing. Likewise small business owners also faced problems in making quality business decisions due to not having any formal business training (Boyles, 2012; Fairbairn, 2006; Okpara, 2011; Okpara & Kabongo, 2009).

Despite the above, a number of business owners were able to access training courses while running their businesses. Others were fortunate to have previously worked in the public service. For example in Tom's case, he revealed that he developed his management skills by working with the government for 25 years. As a result, people in his community saw in him the qualities and capabilities to manage their co-operative society business. In fact, Tom shared that the structural and relational features of community, family, and strong cultural relationships and connections had demanded or made him feel obligated to leave his job with the government and return back to manage his community's co-operative business. In John's case, although he stated that business is a foreign concept (terming it as "idea blo oekat white man") he was still committed to pursuing his business interests motivated by necessity – a desire to provide for his family's livelihood. Moreover, with no business knowledge and skills, starting a business was difficult for him but his family and others in the community provided support thus enabling him to become successful. So despite the challenges categorised as social and economic which are discussed previously, and their impact on business start-up and development, participants were able to draw on the social capital – the hidden resource – thus enabling them against all odds to overcome these challenges presented by these social and economic factors.

6.5 Conclusion

The aim of this study is to explore what influences the experiences of small business owners in Choiseul Province, Solomon Islands. Hence, this chapter has provided a discussion of the key themes from the findings – social and economic – and these are presented using the conceptual framework and dimensions of social capital including reference to the wider literature on the development of SMEs. The dimensions of social capital enable this study to frame its findings and hence explain, understand and interpret the main themes. First, the chapter commenced with the discussion on the influence of family-owned business and proceeds to examine the underlying motivations as to why families in rural communities venture into starting a business. The aspect of access to family resources and opportunities associated with the enterprise are covered. Secondly, the discussion centred on the influence of community and cultural relationships, mainly the social aspect of the *wantok* system and the embedded cultural practice of *kaoning* and its wider implications, both negative and positive, on business operations. Thirdly, the final section of this chapter discusses the influence of the economic factors on the development of small businesses in the rural areas in Choiseul. These economic factors focus on access to start-up capital and financial support, infrastructure, poor cash flow, and lack of management/entrepreneurial skills as key constraints and challenges faced by most local businesses in Choiseul in establishing and operating their businesses successfully. While these are considered as impediments, support for the development of these can have a reverse impact on the establishment and successful operation of small businesses in Choiseul. On the whole, while the above present constraints for small business operators in Choiseul, the three dimensions of social capital constituted from the enduring network of relationships formed through close family ties, and the embedded cultural notions of *wantokism* and *kaoning*, have to a large extent enabled these constraints to be mitigated or neutralised. Thus, this study strongly argues for a new appreciation to be given to the potential of social capital which is manifested through cultural

beliefs and practices and the complex web of social relations that makes up the character and way of life of rural communities. These have contributed to the formation of enduring relationships, a strong sense of reciprocity, invaluable assets and a valuable resource, which has provided a platform from which an enterprise can co-exist in tandem with culture. Overall, contrary to the misconceived beliefs that rural communities due to their inherent development barriers present significant problems for policy-makers, this study sheds a new light on the potential of social capital. It is seen as a catalyst for unleashing the potential of rural communities, not only to increasingly be involved in wealth creation, but it also enables people to control their own development agenda and the pace at which development takes.

Chapter Seven: Conclusions and Recommendations

7.1 Introduction

This chapter provides the limitations of the study, followed by the conclusions which are based on the significant findings of the study. Recommendations will then be made in relation to the local small business owners and operators, responsible government ministries and provincial governments on ways they can work together to improve on building the existing practices and development of small business structures in rural areas in Choiseul and further to create an environment that locals can operate small businesses in successfully. The implications of the research will also be discussed, followed by my concluding remarks on the study.

7.2 Conclusion of the key findings

The research sought to capture the *“influences of the experiences of small business owners in one of the island provinces in Solomon Islands”*. The local context of the business owners being interviewed and their critical experiences have been opened for consideration and reflection. Most of the participants in this study were rural-based business owners and entrepreneurs in Choiseul, located in their home villages and communities that are located far from the country’s urban centres, towns and essential services. The isolation was further compelled by other factors discussed in this research that contributed immensely to the challenging situation that local business owners encountered, thus limiting and impeding the successful development of their small businesses. Indeed, some of the small businesses that were not able to stand negative impacts and the vulnerable business environment in Choiseul failed not long after they were established. Furthermore, the influence of capitalism has shifted and affected how local Choiseulese have approached the exchange of goods and

services. Apparently, the influence of the cash economy over the years had changed people's traditional perspectives of trading, including how they organise their lives in rural communities. Furthermore, the demand for cash has significantly influenced people's way of life, giving rise to the emergence of small businesses, which play a crucial role not only as a source of revenue for local entrepreneurs, but also an economic driver and key service provider for many rural people in Choiseul.

The findings of this study indicate that small businesses play a significant role in rural communities in Choiseul. In addition, small businesses not only benefit the well-being and livelihood of the family, but go on to benefit the wider community. Meanwhile, the findings shows that many of the small businesses are struggling to sustain their business operation due to increasing demands of family reliance towards their well-being and livelihood. Moreover, many of the family and community-owned businesses are operating on limited resources, which has created a lot of pressure on how they can source other needed resources to keep their businesses afloat. Therefore, the heavy reliance of family and community towards the small businesses has created challenging situations and negative impacts on the viability of small business operations in Choiseul. Besides members of the family, there are pressures coming from the community, churches, schools and other local institutions which has also generated increasing demands for the local village people to earn cash in order to fulfil their collective obligations.

The study also found that certain economic factors have influenced the experiences of small businesses in Choiseul Province. As mentioned earlier, lack of access to capital and financial support has been a common constraint to many small businesses in Choiseul. It was identified that although there are certain provisions available to local business owners to apply and

source funds from banks and government funding, the requirements to access these funds has been a major set-back for many of the local business owners. One major reason was due to the limited educational background, knowledge and business skills of small business owners and entrepreneurs. The lack of infrastructure including transport and communication has been one of the major hindrances to business development in Choiseul Province. Furthermore, the poor cash flow situation and lack of business skills also creates a hindrance to the development of small businesses in Choiseul.

7.2.1 Lack of access to capital and financial support

The business owners pointed out that lack of financial resources has created a major set-back to their business operation. On the other hand, most of the business owners echoed that once finance is easy to access most of the small businesses operated in rural villages could be improved. Meanwhile, with lack of finance and access to capital many of the businesses are depending on members of family for support. Furthermore, when members of the family cannot afford to provide the needed financial resources they usually seek outside assistance such as from the local Member of Parliament (MP) and Member of the Provincial Assembly (MPA) for financial or other business support.

The current study found that although there is a lack of financial support, the network support of family and community members through features of social capital has positively influenced individual and community operated businesses to maintain their operation in such a volatile business environment. The Choiseul Island is one the provinces that is heavily experiencing logging activities. Therefore the major economic activities and local economy of Choiseul is characterised and driven by logging operations. The logging companies also provided short-term employment of unskilled jobs to locals. Similarly, logging operations also provide market opportunities to local women for selling their garden produce and

creating other opportunities for local people to earn cash. Also, it enables villagers to earn cash and creates the leverage to enhance local people to demand goods and services provided by local trading businesses such as trade stores and small petrol depots in the village.

7.2.2 Poor cash flow situation

The study found that low cash flow in rural areas has been affecting the trading businesses, especially with their sales output. Therefore the influence of the low cash flow in the rural areas has created an opportunity for some local business owners to explore other business opportunities. Although challenging, with much hard work and collaboration with local village people the establishment of certain economic activities or schemes such as small timber millings have been found to be successful. These schemes have created ways for local village people to earn cash in order to support their families' well-being and livelihood. In return the small trading businesses also benefited from such arrangements through increased spending by local village people being involved in the schemes.

7.2.3 Infrastructure

The study found that the lack of infrastructure such as unreliability of transport has greatly affected the movement of goods (cargo) between the main suppliers in urban centres, mainly from Honiara and the local buyers (local trading businesses). As a result, its outcome has influenced the sales and cash turnover for local small businesses in Choiseul. Furthermore, the unreliability of transport has also affected local buyers of primary products such as copra, cocoa and other marine products to transport their product to the main markets in Honiara.

Lack of communication is also another infrastructure that has hindered the development of business in Choiseul. Therefore, due to a lack of communication in the villages and communities, business owners are having difficulty in communicating with others including

their suppliers, shipping agents, government officers, and other stakeholders directly or indirectly related to their business.

In the findings, it was also stated that the lack of having a proper building infrastructure has affected the business outcome. For example, in the case of Mr Jerry he highlighted that due to not having a proper shed for storing his copra product it has caused him to limit the amount of copra he has bought from producers. Furthermore, during rainy weather his copra products usually get wet because of the poor condition and leakage of the building being used for the storage.

7.2.4 Technical support/entrepreneurial skills

The small business owners in Choiseul also faced a lot of challenges due to the island's isolation, lack of capacity to manage technical aspects of their business operations, and no access to professional skilled personal. Meanwhile, the existing structure of the business can be encouraged and improved upon addressing the high priorities of constraints that influence the development of both family and community businesses in Choiseul. Undoubtedly, I strongly believe in encouraging and providing the needed support to local businesses in Choiseul and assisting them to utilise the existing potential and the capability to develop local business skills to the existing practice and structure which will impact positively on their business outcomes.

The lack of technical support is also compelled by the fact that most of the business owners have very little or no formal training in business management. Apparently, the business owners highlighted the weaknesses and/or gaps between the responsible authorities concerning the provision of business technical support and assistance. Although there are policies designed to promote local businesses little has been done to provide support and

assistance to small business operations in Choiseul Province. Furthermore, promoting local people in the rural villages to engage in small business activities is vital and will contribute in boosting the local rural economy. Consequently, by encouraging local people to engage in small business activities it requires a collaborative partnership between all stakeholders including the national government representative, provincial divisions, local business operators and members of the community to collectively support each other for the benefit of everybody.

7.2.5 Family-owned business

The key findings identified that family-owned businesses in Choiseul are motivated with the purpose to earn cash in order to provide the support for family well-being, livelihood and the educational needs of their children. Therefore, motives of profit-making are not much of their focus. Meanwhile, while considering family-owned businesses from a social capital perspective we can say that the structural and relational features constituted the family to produce and consume social capital that enables them to enhance support for their family.

7.2.6 Community and culture

The influence of community and culture has built a strong social and cultural relationship that has become an embedded practice within the rural communities' context in Choiseul. In terms of a social capital perspective, both community and cultural institutions have produced and consumed social capital. Thus, the key findings identified are that through the notion of community and culture it creates the leverage through which network connections and assets of relationships are developed. Furthermore, it produces the ideological perceptions of how people's views on community and cultural participations exist, which can lead to contribute to and enhance their collective objectives.

7.2.7 Social capital

The dimension of social capital was drawn in this study to help explain, understand and interpret the relationships existing amongst members of the family, community, business owners, government and other related stakeholders. The structural feature to social capital has provided a pattern of link that is created through network connections and ties. Moreover, these links and connections are significant assets which create the leverage through the relationships and include attributes that attest to trusting, norms, sanction, obligation and expectation (Nahapiet & Ghoshal, 1997). Also, social capital helps the family and community to understand various qualities they developed between them through the network of relationships that have the structural, relational and cognitive features. Furthermore, the ongoing or accumulated network of connections created between family and community have potentially contributed to the resilience and success of the businesses as identified in some of the businesses in this study.

7.3 Recommendations

Based on my study, I offer the following recommendations.

7.3.1 Social factors

7.3.1.1 Family-owned businesses

There must be strong support accorded to family established businesses, as it is becoming evident that most small businesses established are family owned. Responsible authorities and other private sectors and non-government organisations need to prioritise the support to help family businesses achieve their objectives.

7.3.1.2 Community and culture

Community based-businesses must be strongly supported through government initiatives and programs because most members of the community are relying on such collective support. As members of the communities are producing and consuming social capital, the need for collective

support is required from all stakeholders including government, private sector, schools, churches, community leaders and members of the communities.

7.3.1.3 Curriculum

It is important that curriculum developers in both primary and secondary education integrate business skills into their curriculum syllabus.

7.3.2 Economic factors

7.3.2.1 Access to capital

Creating easy access of capital for small business owners would encourage them to have a strong financial back-up and capacity to enable business owners to successfully set-up and operate their business. Therefore, the national government and the provincial authorities need to provide avenues for addressing the issues of financial support so rural people who engage in small business initiatives can access capital and support that will create the zeal to properly co-ordinate and promote small business development in the province. Furthermore, the provincial government or representative MP for each constituency, which government funds are usually being channelled through, must create a level playing field so that local business people have an equal opportunity to apply for funding and other resources in their custody.

7.3.2.2 Poor cash flow situation

The national government, provincial governments and the private sector need to collaboratively working together in order to create opportunities to enhance boosting local economic activities to rural levels. Furthermore, a stronger participation between members of the communities and the external agents such as government and private sector need to be established and strengthened so that certain viable economic activities can provide a positive outcome that will contribute towards the local rural economy.

7.3.2.3 Development of infrastructure

Transport infrastructure is very important because it provides the main link between Choiseul and the main urban centres, especially Honiara (the main capital). Responsible authorities

must prioritise the improvement of transport services to Choiseul Province, to mitigate this issue because of its isolation geographically and its location outside of the main economic shipping routes.

To mitigate and encourage building of a communication infrastructure, it requires the landowners to allow their land so that any of the telecommunication companies operating in the country can build mobile towers. It was expressed that building of this communication infrastructure is vital for business to communicate with their suppliers. Thus, government and local landowners must work together to connect the islands of Choiseul via a mobile communication network.

7.3.2.4 Business support

Need to establish a platform so that small businesses can access appropriate business support that will stimulate and enhance their business outcomes. This can be achieved through developing an effective strategy, such as local business association, that will include all small business owners and entrepreneurs as direct members to the association.

Responsible authorities need to encourage the development of small business initiatives because it is vital in stimulating economic activities in the rural areas, creation of employment and raising the level of income needed to support local businesses, families and the wider community.

7.4 Limitation of the study

The following are the limitations of the study:

1. The study was limited to the geographical location of Choiseul and the location of each of the villages being identified for data collection. It appears that due to the geographical location of Choiseul being isolated (see map of Solomon Islands in

Figure 2) and the scatteredness of the selected villages, it made traveling difficult. To travel to these villages, we relied very much on sea transport and the condition of the weather. However the unreliability of transport has affected the timing to travel to each of these villages.

2. The study seeks to represent the participants fairly and capture the experiences of small business owners and entrepreneurs in Choiseul. However, the sample does not fairly represent in terms of gender, considering that all 10 participants are male.
3. The timing of the study was also limited due to the religious program being coincided in the same week being planned for data collection. As a result, I had to delay one more week before starting the data collection.
4. The scope and extent of the study was limited. The sample size of 10 participants used in this study is small considering that there are 591 small business enterprises operating in Choiseul in 2007 (Choiseul Province, 2007). Meanwhile, to date it is six years since that data was established, therefore the estimated number of small business enterprises might have increased. Further the sample was taken from eight villages in the southern region of Choiseul Province. Therefore, the result of such a small-scale study will be helpful in contributing to a broader understanding at a rural level, but not to extrapolate to the national level.
5. Due to location and time constraints given for the data collection it also affected my sample size for which I relied very much on purposive and snowballing sampling strategies, with not much consideration about what types of businesses being engaged in the interview process.
6. The methodology of this study was limited. The study method used is a case study and the data is derived from interviews of a small number of business owners.

Therefore the findings cannot be generalised for other rural communities in the Solomon Islands.

7.5 Further research

This research, which explored the experiences of small business owners and entrepreneurs in eight villages in the southern region of Choiseul, could provide the basis for understanding the conditions of small business developments in this province. This study has also supported some of the findings of international research on small businesses and SMEs on the factors influencing the experiences of small business owners and entrepreneurs. In addition, this study has supported the benefits and challenges that small businesses and SMEs encounter in the process of starting up and during the operation of the business. Furthermore, this study has identified and addressed gaps in the literature on the development of small businesses in rural areas within the Solomon Islands, since no research has been done in this particular area of study. Therefore, it would be useful to undertake further action research in this area and to validate that this study can be generalised to other areas or communities in the Solomon Islands and the Pacific region. Apparently, the findings of this study can be used as the basis for doing further research in this area of study. The results of the suggested action research would provide data on how to better understand the situational context and how well to establish and sustain small business operations within the context of Choiseul in the Solomon Islands.

7.6 Concluding comments

Having been engaged in developing the business studies curriculum for the secondary schools in the Solomon Islands, and spending many times during my school vacations in my rural village in Choiseul Province, I have personally seen the value that small businesses provide for rural communities and also the mounting pressures that local business owners are

experiencing and encountering in managing and sustaining their operations. I have also seen that earning cash in rural areas in Choiseul seems problematic and those who have ventured into small business activities are being driven with a sense of purpose and motivation. Therefore this study addresses the question of: *“what influence the experiences of small business owners in Choiseul”*? Undoubtedly, many of the experiences faced by local entrepreneurs in Choiseul are similar to other local business owners and entrepreneurs in other rural communities in the Solomon Islands.

This study explored the different factors that have influenced the experiences of local businesses and offered ways to understand and address the needs of local businesses using the different dimensions of social capital. The central proposition of social capital helps to explain that, despite the complex challenges attributed as economic and political influences, the multiple networks of relationships constitute a valuable resource for conducting small businesses and mediating the social affairs of those in the community. This thesis takes a step forward in documenting existing practices and structures of small business activities in Choiseul, which could provide the basis for improving the current situation facing small business owners in Choiseul and potentially in other rural communities in the Solomon Islands. The implementation of the recommendation will not be that easy taking into consideration the geographical location of isolation, the lack of basic infrastructure, and the physical and socio-economic factors of Choiseul Province. However my ultimate goal is to create a pathway towards supporting local business owners and entrepreneurs to participate fully in their business operation in order to provide the needed services that the local community envisages to personally achieve their underlying purpose of establishing their business initiatives.

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APPENDICES

Appendix 1: Letter to Ministry of Education and Human Resources Development (MEHRD)

12 Cleland Street,

Palmerstone North, 4410

New Zealand

25 July, 2013

Mr. Timothy Ngele

Undersecretary (Administration)

MEHRD

Dear Sir,

RE: PERMISSION TO CONDUCT RESEARCH STUDY

I wish to seek your permission to conduct research study in Solomon Islands. And I prefer to do this study in selected communities in Choiseul province. I am currently doing my postgraduate studies and as a requirement towards my Masters' thesis, I am required to complete a research project. Please find attached for the completed Solomon Islands' Research Application Form including the relevant attachments.

My research focus is on organisation of rural small and medium business enterprises, practices and perceptions and the issues of constraints that rural business owners (both former and current) encounter while organising their day to day operation. My intention is to explore the understanding of what it is like to be a rural business owner and what are the potential constraints and the current trends and challenges they encounter and also the enablers or opportunities available within their rural context in Solomon Islands, in this case Choiseul Province. This study also coincides with the recent development of the new micro, small and medium enterprise (SMEs) policy and strategy of the current government framework under

the Ministry of Commerce, Industries, Labour and Immigration. The outcome of this study will be invaluable information towards future efforts to utilise and enhance organisation of rural business activities within the private sectors.

I will ensure that necessary ethical considerations are observed throughout the study as stipulated in the Solomon Islands Research Act (1984). Further the research will have ethical approval from the Massey University. The study will ensure that no harm to participants, disadvantage rural businesses, nor discredit Choiseul Province and the Solomon Islands.

If you have further inquiries regarding the nature of this research project, please do not hesitate to contact me through the above address or email: tleo75@gmail.com or T.Leokana@massey.ac.nz. Further question about this project can be obtained from my supervisors; Joanne Bensemenn and Craig Prichard on the following email addresses respectively:

Joanne Bensemenn – J.M.Bensemenn@massey.ac.nz

Graig Prichard – C. Prichard@massey.ac.nz

Thank you in advance for your consideration.

Yours faithful

Tozen Leokana
Masters Student
School of Management
College of Business
Massey University
Private Bag 11222
PALMERSTON NORTH 4442
T: **(06) 3569099 ext. 85835**

Appendix 2: A Letter to the provincial Education Authority

12 Cleland Street,
Palmerstone North, 4410
New Zealand
11 July, 2013

Provincial Secretary
Choiseul Province
Taro Post Office
Choiseul Province
Solomon Islands

Dear Sir

Re: Permission to conduct research study

I seek your permission to involve selected communities in Choiseul Province in a research study that is a requirement for my Masters' thesis.

My research topic is on the issues encounters by business owners that influence the organisation of small and medium business enterprise in rural communities in Choiseul Province, Solomon Islands. The study will involve selected local business owners (both current and former) and appropriate provincial authorities. The study will focus on their lives experiences and stories as business owners, and their journey, in particular how they organise and run their business. The focus is to try and understand the issues they encounter while organising and operating their business especially in rural setting or context. This information should bring some light and understand what it is like to organised and own a business in a rural context in this particular area of study.

I will ensure that important ethical considerations will be observed throughout the study. Necessary measure will be taken to ensure that anonymity of participants and information gathered will be protected at all times. And it is understood that the study will not harm the participants, or disadvantage the business owners in any way.

Please refer to the research information sheet enclosed for more details about the research itself.

If you have further inquiries regarding the nature of this research project, please do not hesitate to contact me through the above address or email: tleo75@gmail.com or T.Leokana@massey.ac.nz. Further question about this project can be obtained from my supervisors; Joanne Bensemann and Craig Prichard on the following email addresses respectively:

Joanne Bensemann – J.M.Bensemann@massey.ac.nz

Graig Prichard – C. Prichard@massey.ac.nz

I am looking forward for your shift response on this application.

Thank you in advance for your consideration.

Yours faithful

Tozen Leokana
Masters Student
School of Management
College of Business
Massey University
Private Bag 11222
PALMERSTON NORTH 4442
T: **(06) 3569099 ext. 85835**

Appendix 3: Letter of Approval from Ministry of Education and Human Resources Development

FORM-R.B

THE RESEARCH ACT 1982 (No. 9 of 1982)

RESEARCH PERMIT

Permission is hereby given to:

1. Name: Tozen Leokana
2. Country: Solomon Islands
3. To undertake research in (subjects): The Organisation of small and medium business enterprise in rural communities in Choisuel Province, Solomon Islands.
4. Ward(s):
5. Province(s): Choisuel
6. Conditions:
 - a. To undertake research only in the subject areas specified in 3 above.
 - b. To undertake research only in the ward(s) and Province(s) specified in 4 and 5 above.
 - c. To observe with respect at all times local customs and the way of life of people in the area in which the research work is carried out.
 - d. You must not, at any time, take part in any political or missionary activities or local disputes.
 - e. You must leave 4 copies of your final research report in English with the Solomon Islands Government Ministry responsible for research at your own expense.
 - f. A research fee of *SBD300.00* and deposit sum of *SBD200.00* must be paid in full or the Research Permit will be cancelled. (See sec. 3 Subject. 7 of the Research Act).
 - g. This permit is valid until 30/9/13 provided all conditions are adhered to.
 - h. No live species of plants and animals may be taken out of the country without approval from relevant authorities.
 - i. A failure to observe the above conditions will result in automatic cancellation of this permit and the forfeit of your deposit.

Signed:

Maamor
Minister for Education and Human Resources Development



Date: 9/8/13

Appendix 4: Participants Consent Form

Participant Consent Form

Research Project: The purpose of this research is to better understanding the possible issues encounter by rural business owners which becomes are constraints or challenges and/or the enablers (opportunity) which influence the organisation of small and medium business enterprises in rural communities in Choiseul Province in the Solomon Islands.

Researcher: Tozen Leokana

Participant's name:

- I have read the information sheet. I have been given an explanation of this research project and have understood the explanation.
- I have an opportunity to ask questions and have had them answered to my satisfaction.
- I agree to the interview and the tape. However, I understand that I am free to stop the interview and the tape at any time, to decide not to answer any question, and to withdraw from the interview at any time.
- I will be given an opportunity to review the copy of the transcript for confirmation of what I have said in the interview.
- I have the right to make changes on the transcript within the time frame if it is necessary.
- I agree that the researcher may record insights from these and other conversations in his field note observation, but I understand that I may also ask for a particular dialogue not to be recorded.
- I agree to participate in the study as stipulate under the conditions in the information sheet.

Signed:

Date:

Full Name-Printed:

Appendix 5: Information Sheet

INFORMATION SHEET FOR RESEARCH PARTICIPANTS

Research Project: The purpose of this research is to better understand the possible issues encountered by rural business owners which become constraints or challenges and the enablers to organise and operate businesses in rural communities in Choiseul Province in the Solomon Islands.

Researcher: Tozen Leokana, Masters of business studies in Management, Massey University Palmerstone North, New Zealand

I am a Masters' student in the Graduate School of Business Management at Massey University. As part of this degree, I am undertaking a research project leading to a thesis. This research will investigate the views and perception of rural operated business owners in order to understand their experiences about doing business in Choiseul Province. A particular interest will be focus on the business owners' perception as to what they see as their constraints and enablers within their local context. It is hope that the outcome of this study will lead to better understanding of the situation encountered by the rural business owners. This will lead to the establishment of appropriate policies and business models that geared towards improving the way business is organised and practice in rural settings in Solomon Islands rural communities.

I am seeking a sizable number of individual both current and former rural business owners within your community to interview and get some of them to share their story about their experiences. The story telling is design to get them (participants) to tell their experiences about the different stages they gone through into doing and organising business in their area or community. Also you will be invited to participate in a face-to-face semi-structured interview to allow you chance to add your view as to the issues of challenge that you encountered while doing business in the rural context in your community.

The time duration for both the semi-structured interviews and storytelling will be approximately one hour over a period of two-three weeks at times however will be flexible in order to fit in the participates availability and to allow for other unforeseen factors that might arise as unplanned.

The University requires that ethical standards that protect participants be maintained. Therefore all participation is voluntary and you are free to decline to take part at any point in the process, to withdraw from the research at any time and to ask questions about the research at any time. If you give your consent, the interview will be recorded and transcribed and written up in such a way that participants will not be identified. The transcript will be made available to you for approval. Once all the interviews are completed, the materials collected will be used to write up a thesis to be submitted for examination and deposited in the University Library. Material may also be used in articles submitted for publication in academic or professional journals and for conference presentations.

If you have any queries regarding the nature of this research project, please do not hesitate to contact me through email: tleo75@gmail.com or T.Leokana@massey.ac.nz. Further questions about this project can be obtained from my supervisors, Dr. Joanne Bensemman and A/Pro Craig Prichard on the following email address:

Joanne Bensemman – J.M.Bensemman@massey.ac.nz

Graig Prichard – C. Prichard@massey.ac.nz

Appendix 6: Low Risk Notification Approval Letter



MASSEY UNIVERSITY
TE KUNENGA KI PŪREHUROA

16 August 2013

Tozen Leokana
12 Cleland Street
PALMERSTON NORTH 4410

Dear Tozen

Re: Organisation of Small Scale Business Enterprises in Rural Communities in the Solomon Islands

Thank you for your Low Risk Notification which was received on 18 July 2013.

Your project has been recorded on the Low Risk Database which is reported in the Annual Report of the Massey University Human Ethics Committees.

The low risk notification for this project is valid for a maximum of three years.

Please notify me if situations subsequently occur which cause you to reconsider your initial ethical analysis that it is safe to proceed without approval by one of the University's Human Ethics Committees.

Please note that travel undertaken by students must be approved by the supervisor and the relevant Pro Vice-Chancellor and be in accordance with the Policy and Procedures for Course-Related Student Travel Overseas. In addition, the supervisor must advise the University's Insurance Officer.

A reminder to include the following statement on all public documents:

"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research."

If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor John O'Neill, Director (Research Ethics), telephone 06 350 5249, e-mail humanethics@massey.ac.nz."

Please note that if a sponsoring organisation, funding authority or a journal in which you wish to publish requires evidence of committee approval (with an approval number), you will have to provide a full application to one of the University's Human Ethics Committees. You should also note that such an approval can only be provided prior to the commencement of the research.

Yours sincerely

John G O'Neill (Professor)
**Chair, Human Ethics Chairs' Committee and
Director (Research Ethics)**

cc Dr Joanne Bensemann
School of Management
PN214

Assoc Prof Craig Prichard
School of Management
PN214

Prof Sarah Leberman, HoS
School of Management
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Massey University Human Ethics Committee
Accredited by the Health Research Council

Research Ethics Office

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E humanethics@massey.ac.nz animaethics@massey.ac.nz gtc@massey.ac.nz www.massey.ac.nz

Appendix 7: Interview Guide

Exploring what influences the experiences of small business owners in Choiseul Province, Solomon Islands

Interview Guide

Preliminaries

Explain details and purpose of the research project using the **Respondent's Information Sheet**

Ask for **Consent Form** to be signed

1. Tell me what your business does?
2. What has motivated you for setting up your business?
3. How long have you been operating your business for?
4. Tell me your understanding about the current situation within your locality context how business are organised and operated?

Probe for how embedded in cultural context influence the organisation of businesses.

5. Tell me your experience in terms of collaborative and working together with others (e.g. family members, communities, business partners, government, NGOs etc.) help you personally in organising your business within your local context?

Probe for information on access to any forms of support from the government/aid donors/or other funding sources etc.

How does accessing such funds help you? (If any)

What are the main constraints in accessing those funding's? (If any)

6. In your view, tell me how government, non-government organisation (NGO) and other private funding sectors can help promote and support rural business owners to better organise and operate businesses in rural communities.
7. In your own experience as a business owner, tell me what are the challenges you face in organising your business from inception till this present day?
 - How do you address the challenges?
 - Who help you (if any) to address these challenges?
 - How do you manage those challenges?