Exploring entrepreneurship in a Pacific Context: In the case of Vanuatu

Samoa Conference II 4th – 8th July 2011

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Acknowledgements

❖ The people of Vanuatu
❖ The Prime Minister of Vanuatu Hon. Minister Edward Natapei
❖ The Vanuatu Government and officials
❖ Vanuatu National Statistics Office staff
❖ Simil Johnson, Benuel Lenge
❖ Local enumerators
❖ Participants and families
❖ Assoc. Prof Robert Davis, Head of Department
❖ Andrina Lini-Thomas: GEM in-country co-ordinator
❖ Department of Management, Unitec New Zealand
❖ AusAid
❖ GEM Pacific research team
Background/History

- Dual government by Britain and France

- Self-governance and independence since July 30 1980

- Reasonably stable political environment

- Freedom of press, religion, academic

- Judiciary independent but undermined by lack of resources poor infrastructure

- Limited information on the informal economy
Geography and Demographics

- Archipelago of 83 islands
- Located ¾ way between Hawaii and Australia
- 2 largest islands Espiritu Santo and Malekula
- Climate in northern islands tropical; southern islands subtropical
- Most prone to hurricanes in the South Pacific

- Population 243,000
  - Male = 52%
  - Female = 49%
  - Approx 26% population live in urban areas
  - 74 % live in rural areas

- Commercial hubs Port Vila, Efate and Luganville, Espiritu Santo
- 108 local vernacular
- Bislama, English and French are official languages
Vanuatu and the World

Main exports to Australia, New Zealand and

Main export products are agriculturally based. Coconuts are the largest cash crop and largest export earner (including copra and coconut oil. Also cocoa becomes a major export.

Livestock increasingly growing in importance as well as fishing.

Imports mainly food products. Rice represents main food import product

Foreign investments declined marginally since 2008 but still attractive.
Vanuatu and the Region

According to Pacific Economic Survey, 2009

Vanuatu performing well (leading the way in key areas) compared to other Melanesian countries and its Polynesian counterparts. For example:

- “Only Vanuatu appears to have made progress I reducing poverty and is on track to reducing poverty by half by 2015”.

- “Control of corruption Vanuatu, Cook Island and Samoa performing very well”.

- “Government effectiveness Samoa, Vanuatu and Tonga perform relatively well.”

On target achieving Millenium Development Goals (MDGs)
Key focus: To explore entrepreneurship in Vanuatu to build on current knowledge in determining whether there is a Pacific model of entrepreneurship.

- Builds on traditional conceptualisations of the GEM model

- Propositions are developed from the key findings to help shape a Pacific model of entrepreneurship?

- Lack of literature on Pacific entrepreneurship (Cahn, 2008; Ayygari, Beck and Demirgue-Kunt, 2003)
  - Few studies (Cahn, 2008 and Yusuf, 1998)
  - Saffu (2003) supports proposition Pacific Island entrepreneurs are different
The Paper

❖ Research focus

❖ GEM conceptual model

❖ Approach to Theory

❖ Methodology

❖ Emergent themes

❖ Propositions

❖ Doing research in the Pacific
Grounded Theory (GT)

GT is used in tandem with GEM conceptual model

Why grounded theory?

• Lack of tested theory regarding entrepreneurship in the Pacific in particular, Vanuatu

• It fits into social anthropology approach to qualitative data analysis since emphasis on the genesis or refinement of theory and the **conceptual model should emerge from the field** in the course of the study (Miles and Huberman, 1994).

• It is valid empirically since the process of conceptual development I bound to evidence and “grounded in the reality of experience” (Gummeson, 1999; Eisenhardt1989:1991).
3 GEM objectives:

a. To **measure differences** in the level of entrepreneurial activity between countries.

b. To **uncover factors** determining levels of entrepreneurial activity.

c. To **identify policies** that may enhance level of entrepreneurial activity.
GEM Conceptual Model

Social, Cultural, Political Context
- Government Policies
- Cultural, Social Norms

Basic Requirements
- Institutions
- Infrastructure
- Macroeconomic Stability
- Health and Primary Education

Efficiency Enhancers
- Higher education and Training
- Goods Market Efficiency
- Labor Market Efficiency
- Financial Market Sophistication
- Technological Readiness
- Market Size

Innovation and Entrepreneurship
- Entrepreneurial Finance
- Government Entrepreneurship Programs
- Entrepreneurship Education
- R&D Transfer
- Commercial, Legal Infrastructure for Entrepreneurship
- Entry Regulation
- Physical infrastructure for Entrepreneurship
- Property Rights

Entrepreneurship
- Attitudes: Perceived Opportunities, Perceived Capacity
- Activity: Early-Stage Persistence, Exits
- Aspirations: Growth, Innovation, Social Value Creation

Established Firms (Primary Economy)

New Branches, Firm Growth

National Economic Growth (Jobs and Technical Innovation)

From GEM National Expert Surveys

From Other Available Sources

From GEM Adult Population Surveys (APS)
a. GEM links a country’s economic activity to the interplay between established and new firms.

b. It allows a clearer understanding of why entrepreneurship is vital to the whole economy.

c. GEM adopts the Porters typology of “factor-driven economies”, efficiency-driven economies” and innovation-driven economies” (Porter, Sachs, & McArthur, 2002)

d. Extractive meaning production mainly extracted primarily from natural resources such as mining, agricultural and fisheries vs manufacturing

e. Getting **basic requirements** right is the key to the generation of sustainable businesses
GEM defines entrepreneurship as any attempt at new business or social enterprise by an individual, teams of individuals, or established businesses or social enterprises.

Types of Entrepreneurs

- Nascent entrepreneur: Involved in setting up a business
- Early-stage owner/manager operating less than 3.5 years.
- Established business owner/manager: Operating longer than 3.5 years.
- Discontinued: does not imply failure
National Expert Survey (NES) component of GEM

- Qualitative

- 36 expert interviews

- Selected 4 experts from 9 categories

- At least 1 expert had to be an entrepreneur in each category

**Focus:** Constraints and fosters of entrepreneurship in Vanuatu. Knowledge, experiences and views on key issues such as culture, roles of government and women, expatriots and foreigners, .....
Understanding the complexities

- Archipelago of 83 islands; surveyed 30
- Remoteness
- Limited travel options and costly
- Transportation costs high
- Difficult to access; by boat, truck or on foot
- Physical infrastructure
- Language
- 30 plus dialects of Bislama (pigeon English)
- Robust Sample therefore need to include as many islands as possible
Experts sample of each nation, region or participating city in the GEM Project must be composed by a minimum of 36 persons distributed the following way, and with gender balanced (depending on the real women participation on different areas) as much as possible:

4 related or working on **financing** (at least 1 must be an entrepreneur)
4 related or working on **government policies** (at least 1 must be an entrepreneur)
4 related or working on **governmental programs** (at least 1 must be an entrepreneur)
4 related or working on **education** (at least 1 must be an entrepreneur)
4 related or working on **R&D transfer** (at least 1 must be an entrepreneur)
4 related or working on **commercial and business services** (at least 1 must be an entrepreneur)
4 related or working on **internal market openness** (at least 1 must be an entrepreneur)
4 related or working on **physical infrastructure** (at least 1 must be an entrepreneur)
4 related or working on **social and cultural norms** (at least 1 must be an entrepreneur)
They are 16 blocks of statements or “closed questions” in the questionnaire:

Block A = Finance
Block B = Government policies
Block C = Governmental programs
Block D = Education & Training
Block E = R & D transfer
Block F = Commercial and services infrastructure
Block G = Internal market openness
Block H = Access to physical infrastructure

Block I = Cultural and social norms
Block K = Opportunities to start up
Block L = Abilities, knowledge to start up
Block M = Entrepreneur’s social image
Block N = Intellectual property rights
Block P = Women’s support to start up
Block Q = Attention to high growth
Block R = Interest for innovation

Each block usually contains 4 to 8 statements
After the section I or “closed part”, there are 9 open ended questions. There is space in the questionnaire to write down responses.

Experts must briefly cite:

3 supports to entrepreneurship
3 constraints to entrepreneurship
3 recommendations to push entrepreneurship

All of them referred to their nation (region or city depending on each case)
Analysis

• 36 interview transcripts prepared verbatim
• Analysis employed techniques advocated by Miles and Huberman (1994).

• A coding scheme was developed and emblematic vignettes were then associated with the emerging codes.

• Process repeated until point of saturation was reached and key themes evident.

• Both researchers reviewed the process and conclusions to ensure their validity and interim report also reviewed by AusAid
Key themes

Business definition in Vanuatu
• Income generating activities; for the purposes of the family and self

Motivations for being entrepreneurial?
• Out of necessity for the masses

The role of the Government in entrepreneurship
• Better governance; less corruption
• Improved policies for private and informal sector
• Promote optimism and progress
• Acknowledgement of infancy in self-governance
Asian entrepreneurship

• Chinese business model is successful and very hard to compete with
• Growing tension amongst locals and Chinese business owners
• Local entrepreneurs have no desire to learn this model
• Chinese as employers? Feelings of exploitation exist.
• Variability in attitudes towards work ethics

What is the impact of culture?

• Culture and business conflict only when business does not incorporate ‘kastom’ ways
• Culture informs the masses and many traditional practices govern the way entrepreneurs and their families do business
• Culture is a big factor in the decision making process
• Education and lack of contextualisation is a major issue
Role of women in entrepreneurship

- Women encouraged in managerial and leadership roles
- Women key drivers in running the home, family, church and community activities; now also family business
- Micro entrepreneurs well supported by VANWODs
- Gender inequality still a big issue

What is the comparative behaviour of expats vs Ni-Vans vs Naturalised Ni-Vans?

- All have a desire for Vanuatu to succeed
- Nationalism is strong
- Some tension exist between locals, new expats and new immigrants
- Similar attitudes towards Government
Emergent propositions

Proposition 1:
Entrepreneurial activity in the Pacific evolves through necessity and is sustained through collective and community.

Proposition 2:
Entrepreneurial activity in the Pacific is defined as income generating activities from which flow for the purposes of collective and community and self.

Proposition 3:
Entrepreneurial activity in the Pacific links collective and community to indigenous factors.
Proposition 4:
Entrepreneurial activity in the Pacific co-exists with Western and Eastern business models, which generates a blended approach.

Proposition 5:
Entrepreneurial activity in the Pacific is supported by processes that are collective and community-based, with further support from Government and private organisation processes.

Proposition 6:
Entrepreneurial activity in the Pacific is a fundamental exchange for acquiring the benefits of specialised competencies (knowledge and skills) or services to create and maintain a service mindset and the collective’s co-creation of value.
Proposition 7: Entrepreneurial activity links to the *diversity of the collective and the community*, which is the fundamental exchange hub from acquiring the benefits of specialised competencies.

Proposition 8:

Entrepreneurial activity in the Pacific is shaped by *local values, custom and norms*, coupled with a philosophy of *long-term sustainability* for future generations.
Implications for conducting Pacific Research

**Insight:** Establishing and maintaining the relationship with the people is key and always with humility, respect and sincerity.

- Appoint an In-country co-ordinator
- Visit relevant Government officials and or offices
- Understand the local culture, customs and practices
- Use local knowledge and expertise / capability – Statistics departments and Trade and Commerce
- Cost implications
- Understanding the logistics
- Respect local labour standards and pay rates
- Avoid political standoffs by local staff and government departments
- Factor in a contingency
- Have a publicity strategy
- Project management skills: planning, scheduling and controlling