INDIGENOUS ENTREPRENEURSHIP IN WESTERN SAMOA

by

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March 1986

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ACKNOWLEDGMENTS

The survey, analysis, and preparation for this report could not possibly have been done individually. Significant contributions were made both in Western Samoa and in Hawaii.

Special recognition must first be accorded to the officials and staff of the Development Bank of Western Samoa. Sam Leung Wai, general manager of the bank, rendered generous hospitality and support to the survey team during the five and one-half week period the survey was conducted in Western Samoa from late October through November 1984. Office space, Bank staff time, local transportation and various supplies were generously allocated.

Deserving of even greater recognition is the other survey team member, Laid Sio, senior loans officer, Development Bank of Western Samoa. Laid was instrumental not only in the day-to-day logistics of identifying entrepreneurs for interview, securing transportation, and conducting the interviews, but also in the organization, outline, analysis and actual preparation of this report. This work took place both during the survey in Western Samoa and while he was a research intern with Pacific Islands Development Program in Honolulu for six months. Laid was responsible for the analysis and preparation that were required for Appendices D and E.

The preparation, patience and professionalism required in the actual drafting of this report would not have been possible without the diligent assistance of Pacific Islands Development Program officials and staff. Te'o Fairbairn, director of the Indigenous Business Project, and the other research fellows and interns with the project were instrumental in providing guidance and feedback. Grateful acknowledgement for administrative and report preparation support is accorded to Jeanne Hamasaki, Lynette Tong, Jo Ann Yamane, Titilia Barbour, Jayme Barrile, Dorine McConnell, Kini Suschnigg, and Forrest Hooper.
FOREWORD

This report incorporates the results of a detailed field survey of indigenous entrepreneurs and institutional officials in Western Samoa. The report was prepared by C. Ross Croulet, research fellow, Pacific Islands Development Program, East-West Center. Considerable contributions were also made by Laid Sio, senior loans officer, Development Bank of Western Samoa.

Similar studies have been conducted by the Pacific Islands Development Program in six other Pacific island nations as part of a region-wide research project mandated by the Standing Committee of the Pacific Islands Conference at its inaugural meeting in Pago Pago in 1981. At that meeting, the Pacific Islands Development Program was directed to conduct a study of indigenous business development among island countries of the South Pacific and to identify those social and economic factors that promote or inhibit indigenous entrepreneurship. In proposing this study, the Standing Committee emphasized the significance of the increased participation of Pacific island people in the socioeconomic development process.

This report identifies many factors as well as many problems success that negatively and positively affect indigenous business development in Western Samoa. Significant factors of success include a relatively well-educated and highly motivated indigenous Samoan business cadre. Both skills and motivations toward success are based on tradition (i.e., the fa'asamoa") as well as on the modern cash economy. Significant problems, however, hinder indigenous business development in the opinion of the entrepreneurs surveyed primary problems are the present government attitudes and policies towards indigenous business as well as entrepreneur that the government is not interested in private sector development. These problems are closely followed by those of deficiencies in management skills, lack of capital, and poor technical skill levels among workers hired to work with technical equipment.

This report basically recommends that the government should consult more regularly with representatives of the indigenous business sector, adjust fiscal and monetary policies so that business can operate more profitably, render capital more accessible, and promote improvements in the education and training systems so that the understanding of and desire to pursue business entrepreneurship are encouraged among the general population.

This report should be regarded only as a starting point. The recommendations contained herein are necessarily general and brief. Further study of and plans for implementation will have to be made. However, the report should provide a viable basis by which Western Samoan government and private sector leaders can implement improved policies and programs to foster private sector, indigenous Samoan entrepreneurship.

Te'o I.J. Fairbairn
Director (Acting)
Pacific Islands Development Program
EXECUTIVE SUMMARY

This study of indigenous business development in Western Samoa, stems from a resolution made by the Pacific Islands Conference Standing Committee in 1981, which called on the Pacific Islands Development Program to undertake a study of indigenous business development in the Pacific islands. Similar reports are in preparation for six other Pacific island governments.

The specific aims of this study are:

1. To analyze the structure, performance, and problems of indigenous small-scale entrepreneurs and their businesses in Western Samoa.

2. To identify and define more precisely what indigenous Samoan entrepreneurship in Western Samoa is so that factors favoring success are enhanced and those causing problems are solved.

3. To recommend to the government general and specific policies and programs that are judged necessary and appropriate in further developing indigenous Samoan entrepreneurial capabilities and performance.

Strategy for the Survey Analysis and Report

The strategy for the preparation of the report was pursued on the basis of the generally endorsed view that one of the best means for any nation to achieve economic growth and diversity is through the development of a nation's indigenous entrepreneurs. Because of entrepreneur motivations such as profit, innovativeness, and the desire for independence, the collective efforts of highly motivated and skilled entrepreneurs is likely to bring economic benefits far in excess to what any government agency or enterprise can accomplish. Personal satisfaction—plus the real need to be as efficient as possible with the resources available—makes for successful entrepreneurship.

Consistent with this view, the survey of 70 indigenous Samoan entrepreneurs and 26 officials of institutions dealing with small businesses in Western Samoa was based on and (thus favored) the following factors:

1. **Size of business:** Firms with an annual turnover of no larger US$100,000 and/or no more than 20 employees were interviewed.

2. **Ethnicity of the entrepreneur:** As many "pure," indigenous Western Samoans as could be identified were interviewed.

3. **Manufacturing firms:** Due to high productivity levels, a significant number of Western Samoan manufacturers were interviewed.

4. **Rural location:** Because of the desire and need to develop rural areas, many rurally located entrepreneurs were interviewed.
The survey took place over a five and one-half week period during the latter part of 1984 by the survey team of C. Ross Croulet, research fellow, Pacific Islands Development Program, and Laki Sio, senior loans officer, Development Bank of Western Samoa. The survey team then analyzed the data and prepared the report utilizing the resources of the East-West Center and the University of Hawaii.

**Samoan Entrepreneurship**

Based on an analysis of the data, the report describes the extent to which customs and traditions (i.e., fa'asamoa) affect private entrepreneurship in Western Samoa. The data indicate that "successful" entrepreneurship of Western Samoans is largely a function of how well entrepreneurs are able to balance social and cultural obligations with the growth and maintenance needs of business firms.

**Problem Evaluation**

Appendices B and C chart in detail the analysis that the survey team performed relative to nine problems to which the 70 Samoan entrepreneurs responded. In the order of their severity as perceived by the entrepreneurs primarily and by the survey team secondarily, the nine problem areas include:

1. **Government**: Government was perceived as by far the most significant obstacle to Western Samoan private sector development. The areas identified by the entrepreneurs as significantly determining this as a problem include high taxes and duties charged to profits and imported raw materials, unavailability of capital, lack of support for programs that could assist small business development, the high cost of goods due to inflation and currency devaluations, competition from enterprises in which government had interests, bureaucratic red tape, price controls, and lack of interest in developing overseas markets.

2. **Management skills**: Next to government, the entrepreneurs surveyed felt that their own lack of managerial expertise was the most significant problem affecting business performance. This problem manifested itself not only in terms of an inability to plan, to perceive opportunities, and to keep proper business records, but also in terms of being unable to balance business with traditional needs.

3. **Capital access and availability**: The entrepreneurs surveyed felt that their limited access to capital hindered the effectiveness of their businesses. In a dynamic economy, business as well as national needs are enhanced by the degree and variety of capital available for small businesses.

4. **Technical skills**: Entrepreneurs in manufacturing and services especially felt that the technical skill levels of both their workers and themselves hindered business development.
5. Marketing: Limited and weak domestic markets and undeveloped overseas markets were blamed as adversely affecting business performance among the entrepreneurs surveyed.

6. Tradition and culture: Some entrepreneurs surveyed felt that fa'a Samoa traditional demands hindered business development while others felt it helped. Rural merchants were especially constrained by this aspect.

7. Competition: Many entrepreneurs surveyed, especially those who were merchants and transportation operators, felt that there was too much competition among themselves. Manufacturing and service firm entrepreneurs felt that excessive competition came from government-owned or controlled enterprises.

8. Supplies: Quality and timely and sufficient supplies of stocks and raw materials were regarded by the entrepreneurs surveyed, especially those in rural areas, as serious problems.

9. Transportation: The entrepreneurs perceived local transportation as the least significant of the nine problem areas evaluated. Transportation's low ranking indicates that Western Samoa has a well-developed road system and interisland shipping services.

Policy and Program Recommendations

These nine major problem areas were compared to 36 entrepreneurial characteristics of entrepreneurship in Western Samoa. The analyses of the comparisons, as is contained in Appendices B and C, provided the basis by which the following recommendations were made in the report:

1. Overseas experience: Training should include visits of entrepreneurs to overseas locations, and overseas trainers should be made available in Western Samoa.

2. Location: Infrastructure in rural areas should be improved, and incentives should be provided for entrepreneurs to locate in rural areas.

3. Level of education: Consideration should be given to a reorientation of school curriculum to increase emphasis on business studies.

4. Religion: The significant financial resources of churches in Western Samoa should be mobilized into private sector development.

5. Technical training: Technical training should be strengthened, and technical training workshops for entrepreneurs should be provided.

6. Length of time in business: New entrepreneurs, as well as entrepreneurs who have been in business for more than five years, need program assistance and training for management and marketing.
7. **Tradition and culture**: Samoan entrepreneurs should receive training on how to balance Samoan traditions with the need to develop the business. In addition, the question of land tenure for private enterprise needs to be revised.

8. **Ethnicity**: To narrow disparities between those who are pure Samoan and those who are partial Samoan, the local establishment of local consultancies and business associations is recommended.

9. **Work experience**: For those who have extensive work experience in areas that the country desires to see developed official incentives for them to go into business on their own are recommended.

10. **Initial amount invested**: Attempts are recommended to (1) diversify capital sources for small business, (2) streamline loan approval procedures at the Development Bank of Western Samoa, (3) adjust interest rates charged for loans, (4) facilitate equity financing, (5) encourage commercial banking, and (6) establish lending amount limits for any one client of a bank.
CHAPTER 1. INTRODUCTION

Goals and Objectives

This study is the outcome of cooperation between the Government of Western Samoa and the Pacific Islands Development Program (PIDP), East-West Center, and stems from a request by the Pacific Islands Conference Standing Committee. The Standing Committee, at its first meeting in 1981 in Pago Pago, formally resolved that the nurturing and successful development of indigenous entrepreneurship are important steps toward the realization of the political and economic self-sufficiency goals so highly desired by island leaders. This report is therefore based on the premise that private entrepreneurial initiative is an important, if not the most important, catalyst in the Pacific island nations' attempts to attain goals of economic self-sufficiency. Such a proclamation in favor of supporting entrepreneurial initiative is not a new or a fanciful notion. Rather, contemporary literature supports the development of entrepreneurial initiative relative to overall global economic development.

With the island leaders clearly recognizing the need to boost indigenous entrepreneurial activities in their respective countries, the Pacific Islands Development Program undertook studies in several Pacific island locations to accomplish the following goals:

- Analyze the structure, performance, and problems faced by indigenous small-scale entrepreneurs.
- Identify major characteristics of indigenous entrepreneurship and appropriate measures that can be taken to alleviate problems.
- Recommend to the respective governments macro- and microeconomic policies and programs necessary and appropriate for encouraging entrepreneurial development.

Definition: Indigenous

For the purposes of this study, the term "indigenous" refers to those entrepreneurs whose ethnicity is pure Samoan. This definition falls within the strict definition as provided by the dictionary, which defines indigenous as follows:

...not introduced directly or indirectly according to historical record or scientific analysis into a particular land or region or environment from outside. (Gove 1971: 1151)

From an initial observation, Western Samoa is not comparable to other countries and regions of the world in that its ethnic character is reasonably homogeneous. However, this study, and the objectives it seeks to achieve, will not be completely fulfilled if it excludes the part-Samoans (mainly descendants of mixed marriages between Samoans and Europeans and Chinese) represented in the survey. Western Samoa's homogeneous ethnic character contrasts with the sharper ethnic divisions that exist in Fiji and its ethnic Indian population and in some Southeast...
Asian countries, notably Indonesia and Malaysia and their ethnic Chinese populations. The ethnic minorities in these countries are more distinct. In Western Samoa, however, the degree of social and cultural integration of these part-Samoans—especially in the adoption of the traditional language, society, and culture that are distinctively Samoan—is considerable.

**Problem Statement**

The economic development potential to be derived from assisting and encouraging the indigenous entrepreneurs of island entities has only begun to be studied. Western Samoa entrepreneurship has not been given the attention and study it deserves due to several factors.

The first is historical: Western Samoa was left with a legacy of socialist-oriented economic policies from a metropolitan power whose own policies have been socialist in orientation. Due to a broad variety of factors, the policies of development, which can be characterized as benign neglect toward Western Samoa prior to independence from New Zealand, did not necessarily encourage private entrepreneurship and initiative. In fact, New Zealand transferred to the newly independent government public sector enterprises such as Western Samoa Trust Estates Corporation (WSTEC), which were themselves inherited from a German colonial administration organized to economically exploit Samoa during the 19th and the early 20th century. The development that did take place under New Zealand emphasized development of the social and physical infrastructure with little or no regard to developing activities with an orientation to encouraging private entrepreneurship (Davidson 1967: 244).

A second factor that adversely affects development is the relative isolation of the island nation. This isolation has historically inhibited the necessary flow of commerce, tourism, ideas, and capital essential for economic growth. Isolation and limited shipping services further inhibit entrepreneurial access to export markets and imports from material suppliers in areas other than Australia and New Zealand.

A third factor inhibiting more extensive private sector initiative is the dominance over trade and other service activities by a small number of large firms that are both governmentally and privately owned. Private enterprise is, for the most part, dominated by a relatively small number of individuals some of whom are nonindigenous. Such individuals are either the descendants of long-established trading families or a relatively new group of professional expatriate managers of multinational firms such as Western Samoa Breweries and Rothsman's Samoa owned jointly by the host government, local private investors, and overseas investors. Government attention has tended to focus on public sector enterprises, established trading firms, and larger-scale multinational enterprises. The necessary focus on small-scale entrepreneurs has been limited.

These three factors need to be overcome so that indigenous entrepreneurship can flourish as a basis for development. The comprehensive approach required to create a complete foundation for development through indigenous entrepreneurship is necessarily a long term one. Appropriate measures are called for to alleviate current indigenous entrepreneurial problems. This report attempts to outline some approaches
for strengthening entrepreneurial development. Given the premise that private indigenous entrepreneurship in Western Samoa is one of the most important means of accomplishing economic development, the project's survey, analysis, and report concerning 70 small enterprise firms and 26 institutions will help the government of Western Samoa undertake appropriate policy and program measures to assist entrepreneurship in developing its potential.

**Small Business Development: Compatibility with Overall Economic Development Goals**

Private entrepreneurial initiative can be a powerful means by which economic development and wealth creation are accomplished. The encouragement and assistance to indigenous Samoan entrepreneurs are therefore consistent and compatible with the generally accepted economic development goals of:

- Promoting exports by creating industries producing for export.
- Reducing the level of imports by supporting enterprises that generate products for the local market.
- Encouraging industries with high employment, thereby creating jobs and a better qualified work force.
- Increased processing of local raw materials.

Specifically, Western Samoa's Fifth Development Plan, 1985-87, reiterates and further emphasizes the following development goals:

- To contribute to a structural strengthening of the country's balance of payments through the diversification and expansion of export manufacturing and import substitution industries.
- To further increase the processing of the country's traditional agricultural products.
- To create paid employment opportunities and develop work skills by encouraging the development of industries with a high local value-added content.
- To encourage local entrepreneurship in the form of joint ventures with foreign partners and small-scale village industries (Government of Western Samoa, 1984b: 73).

Entrepreneurship is an important means and catalyst by which the above development goals will be accomplished. Thus while economic goals and objectives are accomplished to bring about improved living standards for Samoans, the reorganization is recommended of every aspect of public and private sector business life towards encouraging individual entrepreneurial initiative. This is especially true for agriculture: the social and economic life force of the country. The greater the extent to which agriculturally productive processes are reorganized to rely on individual entrepreneurial initiative, the more likely the goals of economic growth
will be achieved. Yet such a reorganization need not drastically upset Western Samoa's cohesive social structure.

Survey, Analysis, and Report Methodology

The survey was pursued on the premise that the study of indigenous entrepreneurship is an important means to facilitate economic growth and expand knowledge in the field. Yet this economic sector has often been overlooked even in the contemporary thought and literature of economic experts of the Western nations (Kilby 1971: 2). Entrepreneurship throughout most of this century was regarded as an insignificant factor in the operation of an economy. Entrepreneurship was typically contained in a catch-all residual factor termed "technical change" or "coefficient of ignorance" (Kilby 1971). This gap in the knowledge of entrepreneurship has persisted in both developing and developed Western nations although it has been narrowed significantly over the past 40 years. Indeed, as economic growth worldwide has slowed later in the postwar era, a renewed interest in entrepreneurship has been generated in the developed countries due primarily to high technology (Smilor and Kuhn 1984), economic stagnation, and unemployment. This interest is reflected in this study on indigenous business and its role in economic development.

With this in mind, a survey of 70 small business firms was conducted over a five-and-one-half-week period from 19 October to 29 November, 1984. With the cooperation of the Development Bank of Western Samoa (DBWS), the approach to and execution of the survey was based on the following four biases:

- The survey focused on businesses of a relatively "small" size. The survey team broadly defined a small business as one that annually grossed in revenues US$100,000 or less and that employed ten or fewer people. In fact, this definition was stretched, for the benefit of the survey and this report, to include three firms that had annual gross revenues in excess of US$100,000 and some firms that employed eight more individuals on both a full-time and part-time basis.

- The second bias was to survey mostly those businesses largely owned and operated by "full" ethnic Samoans. In fact, 61 percent of the firms surveyed were owned and operated by Samoans whose ethnic origins closely correlated to what could be generally regarded as pure ethnic Samoan. The original premise of this bias was the belief that in most developing countries, those entrepreneurs of indigenous ethnic origin usually fare the worst in terms of the opportunities to enter into and run a successful business and in terms of the number and the degree to which they experience problems.

- The third bias was to attempt to survey mostly manufacturing type businesses. The purpose of this bias was that for Western Samoa to become truly self-sufficient economically, development of manufacturing will be more productive in terms of contributions to the gross domestic product (GDP) and productivity per worker. In fact, despite the objective to have half of those firms surveyed in
manufacturing, only 20 firms (29 percent) out of the total sample surveyed could be termed as being from that sector. This was due to the limited development of the manufacturing sector. As late as 1960, the Western Samoan Chamber of Commerce gave no indication that any manufacturing of any significance was being undertaken at that time (W.S. Chamber of Commerce 1960). (Yet, as Table A-1 in Appendix A indicates, each worker in manufacturing currently contributes 2.7 times more to the gross domestic product of Western Samoa than the workers of the three other sectoral groups surveyed—agribusiness, services, and merchants.) The fact that the survey team could identify only a relatively few number of firms as being in the manufacturing sector, while also conforming to the team's broad criteria for small size in terms of gross annual revenues and number of employees, meant that more firms from the other three sectors had to be surveyed.

The last bias was to attempt to survey firms rurally located. This was due to the premise that if the distribution of wealth and economic development is to be broad based and evenly distributed in rural as well as urban areas of a developing country, policies that encourage and foster rural industry development should be pursued. In fact, because of the actual constraints of not being able to identify a sufficient variety of manufacturing and service firms in the rural areas, only 35 firms (50 percent) could be regarded as rurally located.

Selection of the firms to be surveyed initially involved a review of lists of loan clients with whom the DBWS had been dealing, as well as a review of the list of business firms which the Inland Revenue (the country's tax collector) had current during the time of the survey. The selection was primarily based on the above four biases as well as on seeking a broad variety of firms within each of the four commercial sectors. Once the list of firms was made, the team then sought to interview from three to five entrepreneurs each day with substitutions made for firms that were either defunct or whose owners could not be immediately located. Each entrepreneur was interviewed by the team, and translations were made into Samoan where an entrepreneur was not proficient in English. The fact that each entrepreneur was interviewed by both members at one time meant that one member could follow up with more detailed questioning of an entrepreneur if the other had not fully gained the information considered necessary to make the interview complete. Each interview usually lasted one hour.

Each interview comprised a standard questionnaire of six pages with an additional page included for interviewer analysis after an interview. The objectives of the questionnaire were consistent with the objectives of the survey namely, the identification of those factors either inhibiting or promoting the successful performance of indigenous entrepreneurs in Western Samoa.
The questionnaire sought information from entrepreneurs in the following six broad categories:

- **Background.** This category covered basic information relative to the business itself, including name, location, and type of business; form of organization, whether sole proprietorship, partnership, or limited corporation; nature of business or employment activities other than the business for which the survey was made; main market outlets; structure of the firm's ownership; how the business was established and for what period of time it had been in existence; nature, amount, and proportions of capital initially and subsequently invested in the business; and primary reasons or motivations for going into business. In terms of analysis, it is regarded important to look into the question of how and how much capital was acquired and invested to start and expand the business. Indeed, other surveys conducted of small businesses in the United States indicate a high degree of business failure due to undercapitalization at the time a business began operation (Smilor 1984,28).

- **Entrepreneurship.** This second set of questions was designed to identify those personal traits and characteristics of the entrepreneurial owner/managers of the firms surveyed and to compare these results with other indicators of performance, success, and problems. Indicators derived from this set of questions include personal items such as age, sex, marital status, race, size of family; traditional and religious status; occupation of the entrepreneur's spouse; the entrepreneur's level of education, training, and overseas experience; and information on the background of parents or other close relatives. Analysis by decisionmakers of the information derived from the responses to these questions should be helpful for government in creating an educational and social environment conducive to the encouragement and nurturing of indigenous entrepreneurship.

- **Business structure.** Questions asked of firms surveyed under this set of questions included the value of business assets on hand such as buildings, stocks, and equipment; value of funds in reserve; current levels of trade debts (accounts receivable) and trade credits (accounts payable); outstanding loans, primarily from banks; main suppliers of inventories or raw materials; sources of business advice; size and nature of the labor employed by the business. Information derived from the responses can assist in analyzing business performance and problems relative to the size of a business and the number of employees. The number of employees can also be compared to the total number of employees for each of the four commercial sectors in Western Samoa to see how representative the sample of firms surveyed is relative to Western Samoa business in general.

- **Business performance.** This set of questions primarily concerned the profitability of each firm surveyed relative to gross revenues and expenses; whether profits were reinvested; whether the entrepreneur was satisfied with his or her present situation; whether the
entrepreneur had plans to expand or start a new business. Any business, no matter what the motives were to start it or how it was financed, cannot survive in the long run if it is not making a profit. In addition, responses relative to whether an entrepreneur plans to start or expand a new business are indicative of whether businesses in Western Samoa in general are optimistic or pessimistic about the future political and economic climate in which economic growth and expansion are to occur.

The firms surveyed were asked to describe the major problems/constraints they faced relative to the degree of severity each problem posed. The team and the entrepreneur together rated, by assigning numbers, the degree of severity of each problem affecting a business's performance and ability to survive. Appendices A, B, and C analyze in numerical detail the degrees of severity that the problems had in comparison to characteristics of entrepreneurship. On the questionnaires, under this set of questions, each business person was also asked the extent to which the problems affected performance; the extent to which performance would be improved if the problems did not exist; the efforts the entrepreneur had made personally to solve the problems; and views on what government could or should do to solve the problems. The problems assessed included market factors, capital shortage, lack of business and management training, competition, transportation, government, social and cultural pressures, lack of a technically skilled work force, and insufficient quality and inadequate quantity of supplies available for the business.

Responses from this set of questions are important to compare especially to the perceptions of the 25 institutions surveyed for their reactions as to which factors contribute to Western Samoan business success. Factors for which responses from the entrepreneurs were requested included personal qualities of the entrepreneur, management qualities, market advantage, sufficiency of government support, and social and cultural factors.

Once the interview was completed, the appendix to each of the forms was completed by one of the two survey team members, with the interviewer's assessment of both the nature and significance of the problems, as well as the key reasons or factors contributing to the success of the business concerned.

Upon completion of the survey of the 70 small business firms, the team then surveyed 26 institutional officials. This survey was performed after that of the business firms primarily for the purposes of knowing the reactions of institutional officials to the problems as expressed by the small business firms. Analysis of the perception differences, particularly to problems and factors contributing to success, is important relative to bridging gaps of misunderstanding and miscommunication between, on the one hand, the institutional officials who design programs of economic development and, on the other, the entrepreneurs who practice and implement such programs.

Upon the team's return to Pacific Islands Development Program in
Honolulu, they began the tasks of quantifying and analyzing the data and pursuing background research relative to the data. Background resources came primarily from the Pacific Room of the University of Hawaii, the Resource Materials Collection of the East-West Center, and governmental and other institutional documents such as annual reports and studies from the institutions surveyed in Western Samoa. Appendices A, B, and C outline in detail the numerical manner in which data from the surveys were analyzed.

The outline, draft, and procedures by which this report was prepared were done in close consultation with Te'o Fairbairn, director of the Indigenous Business Development Project, Pacific Islands Development Program, and with other members of the project research team who were preparing reports on the other Pacific island nations.
CHAPTER 2. BACKGROUND

Land and the Sea

Western Samoa is a Polynesian island nation situated at 172°W 14°S, 1,900 miles north of New Zealand and just east of the International Date Line. The two main islands of the country, Upolu and Savai'i, are of fairly recent geologic origin with seismic activity still a periodic occurrence. Due to their recent volcanic origin, 70 percent of the 1,100 square miles of land area is judged to be of agricultural potential. Currently, two-fifths or a little over 300 square miles is under cultivation, primarily in copra, cocoa, taro, bananas, and passionfruit (Keith-Reid 1983: 26).

Climatically, temperatures range from 24°C to 30°C with a marked rainy season from November to April, and annual rainfall totals from 100 to 200 inches. As with other islands within the tropical latitudes, Western Samoa enjoys an almost continuous flow of the easterly trade winds, creating a cooling effect as well as an orthographic effect in rainfall on windward mountain slopes. This climate, in combination with sizable areas of fertile land suitable for crops of many varieties, creates an environment for the country's population to meet the basic needs of food, shelter, and water without strenuous effort.

Contemporary Historical Overview

Inherent in Western Samoa's relative geographic isolation in the mid-South Pacific is the fact that contact with outsiders, other than other Pacific islanders primarily from Tonga and Fiji, was only transient prior to the 1830s. The Samoan islands were first visited by the Dutch navigator Roggeveen in the 17th century and by the French in the 18th century, though they were not formally colonized until the late 19th century. Pago Pago was developed as a coaling station by the Americans in 1870, and the surrounding islands were annexed to the United States in 1900. The group of islands consisting of present-day Western Samoa were first visited by European missionaries in the 1830s. Settlement by German planters and traders in the 1850s led to German annexation in 1900. After the defeat of Germany in World War I, Western Samoa was administered by New Zealand under a League of Nations mandate. Western Samoa became the Trust Territory of Western Samoa in 1946 and won full independence in 1962. It has been independent longer than any other colonized Pacific island country.

The Samoan People

The people are relatively homogeneous ethnically, with 89 percent being pure Samoan and the rest a mixture of European, Chinese, and other Pacific islanders. Of the estimated 160 thousand people (1985 projected), 27 percent live on the largest island of Savai'i, while 22 percent live in the Apia urban area, and the remainder in other parts of Upolu. In common with other developing countries, 45 percent of the population is relatively young—14 years of age or younger. The natural rate of population growth is 2.9 percent per year, but a high rate of net emigration has reduced actual population growth to around
0.6 percent per year (Government of Western Samoa 1984d). New Zealand is the recipient of most of the outward bound Samoans and is still the country with which economic and cultural ties are very strong.

With the country's culture basically Polynesian and distinctively Samoan, religion and tradition are highly cherished. The matai system, pyramidal in nature and built around a group of title holders or chiefs, contains about 13 thousand men and women (end of 1983). At least one matai is the leader of an extended family, referred to as an aiga. Only the matai can vote in national elections for all but two members (subject to a free voters role in Apia). Any decision relative to ownership of three-fourths of the country's land area is legally vested in the matai. The matai direct the economic, social, and political affairs of the aiga.

There are 362 villages with an average population of 350 people. Each village has at least one church and a pastor, likely either to be of the Congregational Christian Church of Samoa (CCCS), established in the 19th century by the London Missionary Society, or the Catholic Church. Each village is governed by a council of matai otherwise referred to as a fono. Village rules, and their infractions, are dealt with by fine or other punishments by its fono. Each village also has women's committees that deal primarily with health matters, as well as engage in small-scale activities such as poultry farming and handicrafts. Women are regarded as the 'backbone of the rural public health system and a major force in the rural economy' (Schoeffel 8, 1979).

Western Samoa is viewed initially by the outside world as an agrarian, subsistence-based economy. (Indeed, two-thirds of the population is regarded as directly dependent on village agriculture.) The foundations for a Samoan society based on a cash economy, however, were laid during early European contact with the commencement of trade and the development of cash cropping and other activities. Although small scale and subsistence based, traditional Samoan society embraced (and to a great extent still does) the principles of sharing and reciprocity as opposed to Western economic individualism. People lived in small coastal villages made up of a number of extended families, and each village was divided into four groups, with membership determined by sex and status. Economically, the major divisions of each village were women (nu'u o tamai'itali) and men (nu'u o ali'i). The women and men each were further divided as to whether they held title or were married. A major skill practiced by Samoan women was the weaving of ceremonial mats or i'e toga. These fine mats were and still are an important medium of exchange especially during important ceremonial occasions. Insofar as wealth could be measured in Samoan families, it is still largely measured in the quantity and quality of the i'e toga a family can distribute. As with the Yapese and their money made of stone, Samoan society had the tradition of accumulating and storing a traditional medium of exchange that was and still is a form of capital formation. A high level of capital formation has been regarded by many development economists to be the most important dynamic to economic development in developing countries (Pitt 1970: 191).

Further indications of traditional Samoan society, having at its roots the foundations for a modern cash economy regarded as essential for development, are the fa'asamoa (traditional Samoan way of life) customs of
attaining status and prestige. So-called forward-thinking contemporary economists regard such societies as contrary to successful participation of competition in the wider cash economy (Pitt 1970: 2). Yet, despite such assertions, the attainment of titles and prestige appear to be positive inducements to entrepreneurship and ultimately to economic growth.

Religion

No reference can be made to the milieu of Western Samoa economics, society, culture, and politics without mention of the impact of religion. Relative to other Pacific islands contacted and populated by Christian missionaries of various sects since the 19th century, the effect and pervasiveness of religion in Western Samoa have been profound. Christian beliefs and traditional Samoan values blended well together, with both possessing values of hard work, communal responsibility, and reciprocity.

With almost half of the population belonging to one church, the Congregational Christian Church of Samoa (CCCS) and formerly known as the London Missionary Society (LMS), it is hard to quantify the effects all of the churches have had on the economy and entrepreneurship. The CCCS was able to establish and entrench itself almost completely within the traditional society and culture for several reasons. First, it was the first church to start in Western Samoa. By virtue of being first, the LMS missionaries were easily able to gain converts because no other outside religion had yet established itself. A second important reason is that the arrival of the first LMS people coincided with such significant traditional events as the division of the Samoan islands into districts. The initial appearance of the first missionaries was like an apparition to those Samoans who were attempting at that time to mystically justify their actions. A third reason the LMS was successful in gaining establishment was that many of the spiritual beliefs of life after death, heaven and hell, and so on, were similar to traditional Samoan beliefs. Given that the LMS people introduced these, and that it also appeared that their tall ships came from heaven (beyond the celestial horizon, to a Samoan, was Heaven), the introduced religion was felt to be superior. Powerful rulers and chiefs were able to use such beliefs to justify increased power and authority. The result today is that each village in Western Samoa has a CCCS church and pastor, and the pastor is able to command as much, if not more, authority over a village through spirituality than would a chief or matai.

The CCCS, unlike the Catholic church, which depends on a global body for financial assistance, relies almost entirely on contributions made by members within Western Samoa. The percentage of individual earnings going to CCCS churches versus other churches is probably significantly higher as a result of its isolation from global church bodies. With a considerable transfer of monetary and labor resources in terms of construction of village churches, maintenance of pastors, and the operation of several schools and three colleges, the CCCS has succeeded in creating a large pool of "social" capital for the country.
Samoan Economy

Since the 19th century Western Samoa's economy has been dominated by the government, public sector enterprises, and subsistence agriculture. Indeed, the basis of the village economy appears to have changed little from what it was in the 1880s when the reliance was on taro, breadfruit, bananas, coconut, yams, and fishing (Barker 1982: 33). The old German plantations were seized after World War I by New Zealand and since 1957 have been operated by the government-owned Western Samoa Trust Estates Corporation (WSTEC). Government is the biggest employer: import and export activities of the country's major commodities are dominated by government through firms such as WSTEC, produce boards, and old established trading firms mainly located on Beach Road in Apia. Manufacturing, which employs about 1.8 percent of the work force and contributes over 7 percent to the gross domestic product (GDP), is dominated by enterprises jointly owned by government and multinationals as well as foreign and domestic private investment interests. These include coconut oil and cream, cigarettes, beer, and fruit juice. Absent from the participation in most of these activities is the indigenous entrepreneur. The sector where private entrepreneurship is strong is that of cash cropping, primarily in copra and cocoa; however, these private entrepreneurs are largely of mixed foreign ancestry.

The contemporary economic policy of government today is that of improving agricultural productivity, reducing the trade deficit, and creating paid employment. The Prime Minister has further emphasized that it is government's intention to improve agriculture and small business activity to increase employment opportunities for Samoans (Afamasaga 1983: 15).

If the above policies are indeed what the government professes to be needed for economic development, then to answer the question of increasing indigenous entrepreneurial development one must look at the current structure and performance of the economy. Encouragement of indigenous entrepreneurship could not otherwise take place effectively. And reliance alone on primary exports such as coconut oil does not augur well in terms of achieving in self-reliance economic growth (Stewart 1983: 27-29).

Current Economic Performance

Western Samoa has been characterized as having a "limited growth" economy (Fairbairn 1984: 7). This is as opposed to, on the one hand, growth economies such as Papua New Guinea, Solomon Islands, Fiji, Vanuatu, and New Caledonia, and on the other, no growth or problem economies such as Kiribati, Tuvalu, Tokelau, Niue, and the Cook Islands (Fairbairn 1984: 3-9).

Stewart notes that Pacific island entities must diversify their economies away from primary agricultural produce toward industrialization in order to have any hope of achieving economic self-sufficiency.
Until recently, the overall economic climate of the country was not conducive to encouraging entrepreneurship and private initiative. Major difficulties include deteriorating terms of trade of exports relative to imports, high degrees of government and public sector debt, and consequent currency devaluations and foreign exchange rationing. The fifth Development Plan projects trade deficits ever increasing from WS$66 million in 1984 to $89.8 million in 1987 (Government of Western Samoa 1984b: 32). Debt by government and public enterprises accumulated in 1982 to levels of $23 million, or 28 percent of the gross domestic product for that year (Island Business 1983, 21). In general, public expectations for living standards beyond the means of the economy to support, plus investments of debt proceeds into enterprises lacking private entrepreneurial initiative and efficiency, resulted in an environment very inhospitable to a healthy business climate.

During 1983 and 1984 government has put the nation through an austerity program that has won Western Samoa praise from the World Bank as an example for other developing countries Island Business 1983. Foreign exchange debt has been reduced from $13.8 million to $5.3 million in 1984. (Pacific Islands Monthly 1984: 19). The Samoan tala exchange rate of the Western Samoan tala was significantly devalued in several stages. To restore economic growth and achieve external viability in the immediate term, the government embarked upon a stabilization program in 1983 supported by the International Monetary Fund (IMF). The measures were basically to improve foreign exchange reserves, to reduce foreign debt arrears, and to restore external balance. Specific measures included foreign exchange allocations to control imports; devaluation; export promotion through concessionary loans; interest rate increases; reduction of local overdrafts by the government; strict lending guidelines for lending to the private sector; and a closer watch over public enterprise activity. Excise taxes were introduced to increase government revenue while strict controls on overall expenditures were imposed.

Although these measures have been stringent, the business environment had been improving considerably at the time the survey was conducted. In mid-1984 the rationing of foreign exchange was terminated, thereby allowing flexibility in imports. In conjunction with government's austerity measures, rising commodity prices and foreign exchange revenues earned from the export of copra, cocoa, bananas, and taro have improved the overall financial situation. Government has relaxed levels of excise tax on beverages. Overall, in the short-term, a general improvement in the business climate has occurred, with the exception that inflation due to devaluation has permanently elevated prices of key imports.

The Economic Outlook

Given Western Samoa's high reliance upon primary agricultural production to provide it with the foreign exchange earnings needed for development and the rising expectations of the population, basic structural improvements to the nation's economic base must take place. The physical and manpower foundations upon which such improvements can be made include a good physical infrastructure and a highly literate population. Each of the country's two major islands is ringed by roads that are relatively well sealed and maintained. Where roads are not hard sealed, maintenance is
good and provides ready access to all major villages and plantations with routes to the capital. Plans and efforts are underway to expand tourism, which is counted upon to provide an increasing proportion of foreign exchange. To this end, the runway at the airport is being lengthened to accommodate larger aircraft. A new five-star hotel oriented to tourists will be constructed. Good port and ferry facilities provide adequate access for ocean-going cargo ships as well as interisland ships between Savai'i, Upolu, and American Samoa. A high rate of literacy among the population exists, with 90 percent literate in Samoan and 50 percent literate in English (USAID 1980). The entrance rate to high schools is high while a steady stream is embarking on university-level studies. Existing internal and international air service is regular. The nation is host to an extension campus of the University of the South Pacific at Alafua as well as a technical training institute. Two commercial banks, one government-owned development bank, and the National Provident Fund (NPF) operate to serve the commercial and development financial needs of the economy, with branches of all three banks located in regions of the country other than in Apia. The National Provident Fund (NPF) has made considerable investments in economic projects, with private sector investment during 1983 of nearly $8.2 million (WSNPF 1983: 4). Electrical distribution, with a large contribution from hydro-electric generation, is widespread. With all of these relative physical and social infrastructural advantages, plus a population having a strong sense of pride in a culture grounded in traditions of compassion and hard work, Western Samoa is poised for steady economic growth, assuming the government implements appropriate programs and policies.

The strategies and objectives of the government for development, as laid out in the Fifth Development Plan (GWS DP5 1984: 12-15), encompass both economic and social elements as guidelines for the country's long-term development. Such objectives include:

- To increase production, particularly in the case of village agriculture, by working through the existing leadership and social organization.
- To move toward true economic independence and self-reliance.
- To provide greater opportunities for Western Samoan citizens to participate more actively in the development process.
- To ensure a fair distribution of the fruits of economic development and the satisfaction of basic economic, social, and cultural needs.
- To protect and conserve the environment.

The bulk of this report analyzes and recommends policies and programs that will support and encourage indigenous entrepreneurs, thereby helping the country achieve the above goals.
Schumpeter, is an innovator who carries out new combinations including the introduction of new goods and new production, opening new markets, the conquests of new sources of materials, and carrying out the new organization of an industry (Nafriger 1978: 15).

Rostow, in defining the various stages of economic growth for a nation to achieve increasing wealth and prosperity, defines entrepreneurs and notes how they are needed to innovate for the sake of mobilizing the other three factors of production toward economic growth (Rostow 1971: 49). Rostow also notes that

one possible mechanism for inducing a high rate of plough-back (i.e., private profits reinvested into productive capital) is a rapid expansion in the effective demand for drastically manufactured consumers' goods, which would direct into the hands of vigorous entrepreneurs an increasing proportion of income flows under circumstances which would lead them to expand their own capacity and to increase their requirements for industrial raw materials.

Most recently, Peterson and Albaum defined an entrepreneur as one who "organizes, manages and assumes the risk of a business or enterprise." The practice of entrepreneurship is frequently considered synonymous with small business, either in newly formed ventures or existing companies that have been purchased and redirected (Smilor and Kuhn 1984: 23). In both the Schumpeter and Peterson and Albaum cases, there is typically something "new" involved—a new product, a new service, a new technology, a new idea, or a new structure. This idea fits nicely into the fact that all products and services experience and are subject to product market lifecycles where, in the long run, demand goes through the phases of increasing, leveling-off, and declining. The entrepreneur seizes the opportunity to maximize production and marketing while the product/market lifecycle is on the upswing but moves on to a new opportunity as the existing opportunity declines in profitability.

The definition of entrepreneur used in this study is that of a small business person who innovates, manages, and makes decisions. An entrepreneur is individualistic in the sense of standing acting as an individual and a leader out of the traditional mold of conformity and reciprocity to the society at large. Although entrepreneurs should, to an extent, participate as the labor factor of production because they must know all the facets of any given business, the survey revealed that Samoan entrepreneurs have to devote themselves to an even greater extent to the labor factor at the expense of managing, innovating and decisionmaking.

Environmental Characteristics Conducive to Entrepreneurship

Several positive environmental factors are needed to create an atmosphere conducive to the development of indigenous entrepreneurship. These environmental factors are generally agreed upon (Kilby 1971: 358-359) as essential for a continuous growth of business in any given economy.

- Good government. No economy can function effectively if the political/governmental environment is uncertain and unstable. In Argentina, for example, with a qualitative and quantitative human,
CHAPTER 3. ENTREPRENEURSHIP

This chapter focuses on entrepreneurship in the global context and relates it to the manner in which Samoans are able to operate and perform in business. The chapter begins by attempting to define entrepreneurship in terms of contemporary thought. The chapter then examines the kinds of environment necessary for entrepreneurship to flourish. The third section describes the individual characteristics that are generally required as being needed to make an entrepreneur successful. The chapter finally looks at Samoan entrepreneurship itself relative to its historical and contemporary background.

Definition

The concept of entrepreneurship is an illusive and ill-defined one. In the literature, an entrepreneur is conceptualized in at least three ways: (1) as the coordinator of resources of production, (2) as the innovator, and (3) as the decisionmaker (Nafziger 1978: 33). The entrepreneur is viewed as a catalyst by which land, labor, and capital are translated into economic growth and development and as the ultimate creation of wealth. According to Greenfield, entrepreneurs are the movers and shakers of society (Greenfield 1979: vii).

Such concepts of entrepreneurs are only recent, coming into prominence in the post-World War II period. Interdisciplinary interest in entrepreneurship and its associated behavior patterns is relatively recent. Since the end of the war, heightened concern with problems of economic development has contributed to a heightened concern and awareness of entrepreneurship (Greenfield 1979: 4). Up until this period, entrepreneurship and capitalism were largely indistinguishable. Classical economists, relying on the authority of Adam Smith's theories of economic growth in his 1776 writings relative to the wealth of nations (Nafziger 1978, 13), never alluded to entrepreneurs. Smith referred to three different sorts of people, "those who live by rent, those who live by wages and...those who live by profits" (Nafziger 1978).

More contemporary literature and thought, however, have given increasing attention to entrepreneurship and have come closer to a set of common definitions. Oliver Poponee, in his Ph.D. dissertation on Malay entrepreneurship, defines an entrepreneur as one who "performs the overall coordinating function in bringing together the factors of production to form a new economic enterprise or to significantly alter an existing one by innovation" (Poponee 1970: 20). Alfred Marshall recognized that there were business undertakers who brought together capital and labor, arranged the general plan, and superintended its minor details (Nafziger 1978: 14). Leon Walras designated the entrepreneur as the fourth factor of production who hires the others—land, labor, and capital (Nafziger 1978). Joseph A. Schumpeter, probably the major contributor to the literature on the conceptualization of the entrepreneur and the most emphatic about the crucial role played by the entrepreneur in economic development, linked innovation to the entrepreneur, maintained that the source of private profits is successful innovation, and contended that innovation is the essence of the development process. The entrepreneur, according to
physical resource, and climatic demography similar to that of the United States, the country has suffered stagnant growth and serious international debt due to a succession of capricious policies and administrative practices of several military dictators. Although the example of Argentina is extreme, the fact remains that a government needs to be seen by the business community as one that renders security for persons and property, fairness in law enforcement, and justice in the courts. The government should be perceived as providing a framework for stability and the human and material foundations upon which constructive entrepreneurs can invest in permanent industry. A growth environment is also fostered by consistency and rationality of laws, regulations, policies, and administrative procedures relative to taxation, licensing, patenting, and so on. Generally speaking, the less unfettered business is by bureaucracy and red tape, the more it will prosper and grow.

**Capital.** A sufficient pool of capital needs to be in place from which entrepreneurs can draw to develop their firms and to operate. High technology firms have grown and prospered due to access to venture capital primarily from private investors.

**Human resources.** Another foundation upon which small business and entrepreneurship rests is the population that supplies local people with expertise as managers, entrepreneurs, and technicians. This requires, on the part of the population a fair number who have have the level of energy, education, motivation, and skill required for contemporary economic achievement.

**Natural resource development.** A reasonable quantity of available natural resources, which render themselves to industrial use, are needed for manufacturing to grow. Resource surveys and developmental action help to create a favorable environment for industrial undertakings.

**Basic utilities and services.** A reasonable supply of communication media, transportation services, water and electrical supplies are considered essential for steady economic growth. Small as well as large firms need to find reasonably adequate services such as banking, wholesale trade, construction, repair and installation of equipment, and insurance.

**Characteristics of Successful Entrepreneurs**

As attested to by the dearth of literature, the theory and study of entrepreneurship have only recently been addressed and emphasized. Such is also the case with an authoritative and comprehensive profile and study of entrepreneurs themselves. Which characteristics, background, and motivations are unique to the entrepreneurs who "are the players on the field as opposed to the others watching the game from the sidelines"? For most, it may be a question of whether one has the drive, inclination, and ability to be an entrepreneur, or whether one is content to work for someone else at little or no risk to one's financial and occupational security. For the essence of entrepreneurship is the awareness and...
acceptance by the entrepreneur of the element of calculated risk.

A common thread through the theories and literature about entrepreneurs is the ability to bear risk, to innovate, or to otherwise take the initiative to venture into the unknown at the risk of losing it all—similar to explorers charting an unknown sea. As indicated in the previous section, uncertainty and risk can be reduced by government if it creates an environment conducive to entrepreneurship by facilitating good government, capital access and supply, human and natural resource development, and basic utilities and services.

One area of inquiry by Everett Hagan (1962) relevant to the background and characteristics of successful entrepreneurs directs attention to minority groups in producing disproportionately large numbers of entrepreneurs. Minorities often play a strategic role in the development process. Such groups as the Jews in Europe, the Chinese in Southeast Asia, the Filipinos in Micronesia, and the Protestants in France were found to have a sense of separateness from the rest of the society in which they lived, combined with a feeling of being discriminated against by members of the larger society. These minority groups found compensation for their sense of diminished status in entrepreneurial achievement (Greenfield 1979: 10).

From one entrepreneur to another, regardless of how positive and conducive the environment, the characteristics of success vary to a great extent. There must be a business concept that has a chance of winning in the marketplace. And there must be the entrepreneur who has the business concept in hand and who has access to the venture capital needed to start and support the business. Some person must bring together the many aspects of successful entrepreneurship. The initiating driver for entrepreneurship is the entrepreneur.

The following list, adapted from a survey of U.S. small businesses by A. Welsh (Snilor and Kuhn 1984: 53-62), contains eleven elements of an entrepreneur regarded as necessary for success. These characteristics are relevant to Western Samoa as well as to anywhere else in the world.

1. **Good Health.** To be a successful entrepreneur, one must necessarily be free of illness and physically resilient. An entrepreneur must usually work long hours. The entrepreneur must act as a leader and be present at all times, given that the depth of management ability on the part of anyone else in a small business is limited or nonexistent. Successful entrepreneurs are not found among those who traditionally use from three to five days per year of sick leave for a case of sniffles. One entrepreneur in Savai‘i, experiencing extremely poor health due to an infection in a limb, has closed his business indefinitely due to his physical incapacity. It was in the best interest not only of this entrepreneur but also of the country that he receive appropriate medical treatment to render him productive once again.

2. **Entrepreneurs generally do not function well within large, traditionally structured environments.** They do not want authority over them. In a large, structured organization, they can be
recognized by statements such as, "If the organization wanted to save money and see the job done quicker, they should have let me handle it alone." Indeed, the survey team contacted and interviewed several such entrepreneurs. These entrepreneurs, performing very well and providing quality products or services, indicated that they left jobs and started their own businesses because they could not conform to rigid one-dimensional organizations.

**Self-confidence.** When they are in control, entrepreneurs are strongly self-confident. Problems are tackled immediately and directly. Conversely, with the loss of control, their involvement and constructive participation diminish. Fatalism and pessimism set in and seriously reduce overall business productivity and profitability. An atmosphere conducive to entrepreneurial self-confidence should be provided as much as possible by government policies and programs that unfetter small business operations and allow greater access to continuously expanding and developing markets.

**A never-ending need to do something.** Entrepreneurs thrive on activity and achievement. Inactivity makes them impatient and uneasy. When in charge and in control, entrepreneurs are likely to be getting things done. They are in tireless pursuit of the goals they have set for themselves.

**Comprehensive awareness.** Entrepreneurs can see the forest for the trees and are not confused by seeing the forest. They have distant vision and a simultaneous awareness of important, specific details. Goals as far away as five years are kept in mind while the day-to-day attention to essential details is carefully attended to.

**Realistic.** Entrepreneurs accept things as they are and deal with them that way. They seek firsthand personal verification of data, whether good or bad. Entrepreneurs say what they mean and assume everyone else does the same. Entrepreneurs make and accept statements at face value. Honesty and integrity are highly prized by successful entrepreneurs.

**Superior intellectual capability.** Successful entrepreneurs possess a God-given intellect that quickly allows them to identify relationships among functions and things in the midst of complexity and confusion. Problems are quickly identified and dealt with immediately. Their intellectual capabilities allow them to clearly describe their immediate goals and how they will be achieved. No obstacle is too big to overcome.

**Low need for status.** Successful entrepreneurs like to let success speak for itself. They like what they have built to be praised but are embarrassed to have themselves praised. Achievement rather than fancy clothes, cars, or office decor is their reward. Those entrepreneurs with high status needs, however, will misuse the meager resources available to their small businesses despite the fact that rapidly expanding businesses consume resources faster than they can produce.

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Objectivity toward personal-interpersonal relationships. People's accomplishments rather than feelings govern how entrepreneurs set priorities for interpersonal relationships. Entrepreneurs do not hesitate to sever relationships to help them progress toward established goals. When resources are scarce, entrepreneurs devote little time or few resources to satisfying people's feelings beyond what is essential to achieving operational effectiveness. Experts rather than friends are chosen for business associates. However, the entrepreneur with better interpersonal skills will survive longer as the manager.

Emotional stability. Entrepreneurs are cool and effective in the face of stressful and anxiety-filled situations. They are challenged rather than discouraged by setbacks or failures. Action plans rather than feelings govern how problems are solved.

Attraction to challenges, not risks. In entrepreneurship all personal assets are at stake until the business becomes a substantial enterprise. Therefore, entrepreneurs take neither high nor low risks. Risks assumed are assessed and calculated for their probability of success or failure well in advance.

Not every successful entrepreneur needs to be strong in all of these eleven areas. Weaknesses in some can be compensated for by partners such as bankers, advisers, personal friends, and spouses.

In a society such as Western Samoa where the matai system pervades politics, culture, and economy, a twelfth characteristic should be noted: the entrepreneur's ability to accommodate, capitalize upon, and perhaps sacrifice some of the benefits of the traditional culture. To the extent an entrepreneur is personally affected by the responsibilities of communal reciprocity in the matai system, a Samoan entrepreneur may be subject to social ostracism in the interest of allowing the business to grow. The more an entrepreneur is ready to sacrifice prestige and status in the matai in the interest of the business, the more likely the business is to succeed. At the same time, an entrepreneur who is cognizant of those aspects of the system that are positive while accommodating and adjusting to those aspects that negatively inhibit entrepreneurship is all the more likely to succeed even further.

Samoan Entrepreneurship: the Background.

This section surveys the positive and negative features of the historical and anthropological environment in which Western Samoan entrepreneurs operate. The overview in this section relies to a great extent on readings of the various studies already written about Western Samoa's socioeconomic conditions (Masterman 1980, Runeborg 1980, Pitt 1970, Barker 1982, Shankman 1976, GWS DPS 1984).

In an attempt to explain why developing countries are as underdeveloped as they are, development economists are often disposed to first evaluate the cultural, social, and historical milieu to explain why economies "fail" in a Western context. Popeo, in his dissertation on
Malay entrepreneurship, characterized what he believed to be both the positive and negative social and cultural factors that either encourage or inhibit innovation, entrepreneurship, and ultimately economic development. The positive factors according to Popenoe included a nation's population having a business orientation, rationality, and a scientific attitude. The factors inhibiting economic development included a traditional outlook, a high religious orientation and inclination, and familyism (Popenoe 1970: 19). Sylvia Masterman, in her outline of Samoan history, compares the attitude of Samoans toward economic development versus the attitude of Europeans by stating, "The European thinks not only of growing food, but of producing as much as possible so as to get more money. The Samoan organizes his family to work on the land to grow only food. The wish to get money is not Samoan, although now as Samoans want schools, hospitals, education and training overseas, they are more money minded." (Masterman 1980: 57). Such characterizations, however, are Western stereotypes that are static in outlook and have little regard for the variations of one society relative to another. All of these factors can be attributed to traditional Samoan society, yet the degree to which each factor either negatively or positively influences economic and entrepreneurial development is, as the survey data and background documents indicate, more complex than Popenoe or Masterman may want one to believe.

As in the ideal Western capitalist free enterprise system, acquisitiveness, hard work, productive use of resources, and specialization are very important values in Samoan society. These positive factors contribute to Samoan entrepreneurship. Pitt (1970: 47) points out that hard work in traditional Samoan society is regarded as a virtue over that of laziness. A lazy man has no part in a living society. The hard worker is compared to the hero-chief Taeinu'u who worked hard in his gardens and achieved the highest titles in Samoa. Labor is thought to be well rewarded. Good work is a sign of good influences. Thus several positive traditional attributes uniquely define Samoan entrepreneurship.

The first traditional incentive for Samoans to adhere to such values lies in the Samoan's desire to achieve status and prestige within the hierarchical system. Attainment of status within this system, unlike the rigid caste systems found in India and Africa, does not wholly depend upon the status of the person to whom one is born or to location of birth. Factors contributing to upward hierarchical mobility in Western Samoa include age, talent, previous service, and the results of personal intrigue. Upward mobility in this hierarchy of status is also achieved through the degree to which material goods are acquired for primarily ceremonial and religious purposes. This, besides the need to provide for basic subsistence, is regarded as the major traditional incentive for productive work.

A second attribute of traditional Samoan culture, which correlates to what modern development theorists believe to be necessary for economic development, includes the manufacture, exchange, and storage of a medium of exchange known as fine mats. Fine mats, laboriously made primarily by village women out of local materials, constitute a medium from which can be derived a store of value and future purchasing power, primarily for ceremonial purposes. The significance of these mats, beyond their traditional ceremonial value, is the fact that they have provided an

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historical and cultural reference by which Samoans plan and save for the future. This characteristic, known in contemporary terms as capital formation, is regarded as an essential factor for steady economic growth (Pitt 1970: 191, Rostow 1971: 48-49). The extent to which this traditional capital formative process the use of fine mats, can be extended and adapted to developing modern capital formation will be one of the determinants by which the economy of Western Samoa will grow.

A third attribute of traditional Samoan society, which correlates to what Western economists believe to be necessary for sustained economic development, is that of specialization. David Pitt, in his analysis of surveys he undertook in Western Samoan villages, found a large number of specialists or tufuga. Those specialists would produce part of a good, usually an essential part, and would obtain their livelihoods by exchanging their specialized goods and services. People in one village recognized 36 kinds of specialist occupations, all of which carried a chief’s title. According to Pitt, the Samoans themselves explain the frequency of specialization as the best way of using the best man to do the job. These 36 different occupations include, canoe builders, barkcloth makers, priests, tattooers, barbers, messengers, and coconut oil makers (Pitt 1970: 231). This degree of occupational specialization indicates not only a positive factor from which contemporary specialization can be derive but also the high degree to which a tradition of manufacture had been established. Thirty of the 36 specializations Pitt listed involved value-adding manufacture (Pitt 1970).

A fourth attribute contributing to successful entrepreneurship is the traditional Samoan "belongingness" to the core family group or aiga. Although this factor is considered to have a negative impact on entrepreneurship, economic security is one of the major benefits of group membership. As long as individuals live up to their group commitments, the group provides basic necessities, group backing in new or expensive ventures, and an opportunity to be elected to the group’s matai title. With a powerful title, backed by an economically and politically strong group, an individual can gain great prestige, social status, and political power in the national arena. If an enterprise does fail, the entrepreneurs can fall back upon their traditional core group for at least a subsistence living.

In terms of specialization again, there are various traditional occupational specializations not only within a village but also within a core group such as an aiga. A distinction here is made between the generation of "slow" money, or money derived from plantation agriculture and the surplus from subsistence agriculture, and "fast" money derived from wage labor or non-agriculture private enterprise such as a trade store or a bus or taxi operation. Such activities are usually individualized within the core group so that continuous flow of incomes is derived from fast money for immediate short-term small needs such as food and cigarettes and from slow money for long-term, large needs such as transportation or distant travel. The benefits of such specialization among individuals within a village include being able to supply immediate income (fast money) and an incentive to use entrepreneurship as a means from which to derive such income. If one individual were to attempt to do activities both for slow money, such as working on a plantation, as well as for fast money,
such as in a full-time wage labor occupation, the aggregate productivity in both would be less than if the same person only did either the plantation or wage labor activity by itself. If some people are maintaining the group's plantation while others hold wage labor jobs, and still others work in nonagricultural enterprises, then it is unlikely that all these activities will fail at the same time. The matai in Barker's survey of Samoan fishermen indicated this to be a good economic strategy (Barker 1982: 50).

In summary the traditional factors that favor and provide a positive basis for entrepreneurship in Western Samoa include (1) the desire to improve or gain one's matai status by providing goods, services, and money to enhance individual and group prestige; (2) the precontact as well as present day traditional practice of producing fine mats that act as a medium and store of value for future exchange; and (3) village occupational specializations, many of which are in value-adding craft activities and provide a basis for modern manufacturing for the aiga that differentiates between slow money (cash crop agriculture) and fast money (wage labor or private enterprise). Although this concept was derived since contact with the Europeans, it is considered "traditional" in that fa'asamoana adapts long-held precontact traditions to introduced concepts and believes considered appropriate for Samoans.

With the above attributes that provide a positive basis for entrepreneurship, much has also been written about the negative social and cultural factors that are said to inhibit entrepreneurship and, ultimately, economic growth in developing countries such as Western Samoa. The degree to which Samoans and government will alter what would be regarded as negative social and cultural factors will greatly affect the speed at which economic growth and expansion occur.

First, the communal, group behavior of Samoan society based on the hierarchical matai and aiga system is characterized as stifling private initiative primarily because the aiga demands conformity to the ways of the group and contributions to the group from the fruits of individual effort. No sooner does one strike out on an independent line of industry than down come the core members of the group insisting on the division of labor. No one could then blame any individual for not putting forth an effort beyond what the group normally expects or requires.

Second, the lush and naturally productive nature of the physical environment provides a sufficient amount of the basic necessities of food, water, and shelter, with very little physical effort required for their procurement. Although regarded as a blessing to be envied by others, the incentive to produce one's needs is said to be diminished. Fish from the sea, taro from the ground, and coconuts, bananas, and breadfruit from the trees are enough to maintain a happy subsistence. What motivation is there then for Samoans to produce anymore than what they really need in life?

A third factor, which is regarded as inhibiting entrepreneurial incentive in a Samoan context, includes the inability of individuals to save and invest capital for productive purposes. Samoans can generate large amounts of capital but spend their money on church contributions, travel, and gifts rather than on direct economic productivity improvements.
Although the attainment of prestige and status is an incentive for individuals to achieve economically, the higher the status one aspires to requires proportionately greater shares of religious and ceremonial contributions.

A fourth, more debatable factor, which is a more contemporary phenomenon, is the effect of remittances from Samoans living and working overseas. Paul Shankman's (1976) case study on remittances and the effects on productive incentive in Western Samoa concluded that the remittances for any given country were a mixed blessing. On the one hand, his study found that in some Samoan villages remittances provided half of the villages' cash income. On the other hand, remittances are characterized as stifling enterprise by permitting the receiver in a developing country to forgo the need to work as hard on a plantation, as a wage laborer or in a business venture. Furthermore, the remittances that are received do not benefit the recipient country in terms of development because the funds are usually spent on ceremonial purposes or on imported goods. They also deny the country its indigenous human resource talents by having the remitters work overseas (Shankman 1976: 85-106).

The absence of a large group of skilled, professional indigenous peoples, as is the case in Western Samoa, requires developing countries to hire more expensive outside expatriates to fill in.

The positive and negative attributes discussed in this section combine to form the current environmental background in which Western Samoan entrepreneurship today functions and develops. The environment is one in which social and political characteristics are based on the traditional matai hierarchy. This hierarchy is paternalistic in nature and, when combined with other constraints, creates an atmosphere within which entrepreneurship cannot easily flourish.
CHAPTER 4. SUMMARY OF ENTREPRENEURIAL CHARACTERISTICS

The following analysis and description of entrepreneurship is derived primarily from the information gathered on the survey form used to interview 70 Western Samoan entrepreneurs (refer to the section on Survey, Analysis and Report Methodology in Chapter 1). During the course of this analysis, comparisons are made to the environmental and individual characteristics necessary for successful entrepreneurship to take place.

Age

Table A-2, Section 13 in Appendix A shows that 77 percent of the entrepreneurs surveyed were age 35 and over. No one was younger than 26 or over 70. The fact that over three-quarters of the entrepreneurs surveyed were over 36 indicates that for Samoans, youth does not necessarily correlate to whether one enters into business.

The fact that the survey shows that a great majority of the business owners are over 35 years of age correlates broadly with the fact that the matal system regards ages and seniority with greater respect. As with other traditional societies, the implication is that the older one is, the more one is likely to receive the social hierarchical status and respect necessary for a business to function in a Samoan context.

Another implication that can be derived from the facts concerning the age of owners surveyed is that owners feel that prior to starting a business, they must gain experience and achieve a degree of financial and social security as compensation for their lack of formal education and training.

Sex/Size of Family

Conforming to the generally assumed role of men and women in most societies, 81 percent of the firms surveyed were led by men. The average family size for each entrepreneur surveyed was 9.23. To the extent such figures are representative of Western Samoa businesses as a whole, the survey data indicate that private enterprise is male-dominated in contrast to the overall sex ratio of the general population that is evenly divided between males and females. The firms surveyed that were owned by women include a handicraft manufacturer, two hotels, a tailor, a restaurant, a baker, and several trade stores. This disproportionate representation of women as entrepreneurs, as indicated by the survey, occurs despite the fact that women during the pre-European contact period were not relegated to lower tiers of economic status. Women provided assets of lasting value such as the fine mats. More recently, women are important in serving on women's committees that are organized at the village level to perform small income-earning activities and community public health needs (Thomas and Noumea: 6).

The 9.23 average number of persons per head of household of the entrepreneurs surveyed correlates to the overall average for Western Samoa. Dependency ratios, although declining over the past 30 years, are still high relative to Western standards. According to the 1981 census, for
every 100 people in Western Samoa, 90 are dependent on the 100 to provide at least a subsistence means of living. For the government, this means that a relatively high proportion of national resources need to be invested in education and "other non-productive overheads" (Government of Western Samoa 1981: 26).

Race (Ethnicity)

Although the survey team's objective was to survey as many firms as possible that were owned by pure ethnic Samoans, only 61 percent of the firms surveyed were owned and operated by such individuals. This contrasts to the fact that 89 percent of the general population is pure ethnic Samoan.

There are several reasons why ethnic Samoans are underrepresented as private entrepreneurs. A significant reason is that of the traditional culture. Because of the traditional need to gain status within the chiefly matai system, resources and initiative that might otherwise be employed in private enterprise tend to be used for rites and ceremonies to gain status and prestige. Wage laborers and entrepreneurs, especially those removed from their aiga, have less chance of gaining titles and status than if they remained within the village economy. What incentive there may have been to be entrepreneurial, to innovate, and to gain profit tend to be offset by having to divide among one's aiga the fruits of success. Also conformity to the system assures social acceptance and relief to the individual when times may be bad. The price for this conformity to the ways of the aiga is that of not being able to individually and independently strike out on one's own in an innovative and entrepreneurial fashion. Those who have ancestral roots in ethnic groups other than Samoan are not as bound to the reciprocity and restrictions of the matai system.

A second reason why pure ethnic Samoans are underrepresented as entrepreneurs is the fact that up until independence in 1962, ethnic Samoans were largely denied access or resources to be educated in schools reserved for ethnic Europeans. For well over 49 years prior to independence, New Zealand determined primarily by default how social and economic development was to be pursued. Pitt characterized New Zealand's administration of Western Samoa as overly centralized and isolated from the Samoan culture. Little was done in the way of education, health, or training (Pitt 1970: 23-24). In the meantime, as other groups established themselves in the country, they were able to successfully fill the void of ethnic Samoans unskilled in the ways of management and entrepreneurship. As a result, ethnic Samoans today who want to innovate find it difficult to compete against entrenched large enterprises operated either by the government or a few individuals who are not of pure Samoan ethnic origin. Such large firms were established before independence when ethnic Samoans did not have equal social and economic development opportunities.

A third reason indicated by the survey shows that rates of economic return in operating one's own business are relatively small. The returns range from 14.3 percent for merchandising to 9.7 percent for services. Such returns may be less than if a pure ethnic Samoan were to work as an employee either for a public sector enterprise or for the government. Such poor returns at home in Western Samoa may also indicate that Samoans of
talent and experience are more likely to find greater economic returns for their skills overseas.

A fourth factor indicating the reason pure ethnic Samoans are underrepresented is that present educational opportunities and the general environment are not conducive to encouraging entrepreneurship. Where entrepreneurship is most common is in the long established activities of agriculture and merchandising. On the other hand, those Samoans who are of split ancestry are more likely to have experienced or to have been exposed through ethnic European or Chinese parents to a contemporary cash economy system. Furthermore, because such partial ethnic groups are perhaps more affluent or have relatives overseas, opportunities are greater for education and training overseas as well as for the acquisition of capital for their children. Consequently, upon returning to Western Samoa, members of such partial ethnic groups are able to establish enterprises operated according to Western productive and managerial standards and have capital sufficient to start and operate businesses.

Traditional Status

Of the entrepreneurs surveyed, 63 percent were matai while the remainder were untitled.

These figures contrast with the fact that only 8 percent of the general population has matai status (Government of Western Samoa 1984d. As a title, prestige, honor, and elevation in traditional status are accorded to those who are able to contribute higher proportions of resources for ceremonial activities, entrepreneurship is a means of obtaining resources for such purposes. It therefore must be true that with such a high proportion of the nation's traditional leaders involved in entrepreneurial pursuits, entrepreneurship for its own sake is a highly respected and honorable society.

Further analysis shows that those entrepreneurs who were matai had more difficulty operating their businesses than did the non-matai. As indicated earlier, one historical reason includes the fact that matai as group leaders, are responsible for seeing that the members of their groups can at least subsist. Other responsibilities and obligations include contributions to the church and for ceremonial rituals. In addition, time that might otherwise be devoted strictly to a business enterprise is allocated for village and national political affairs. A matai's prominence in these areas, representing a family group, increases the amount of time and resources one must contribute for traditional purposes.

Another possible reason why matai entrepreneurs have a more difficult time operating their businesses profitably is that of seeking higher status within the matai system. As in a military group, going from being a non-matai to a matai is similar to one going from being an enlisted person to an officer. Once reaching the officer ranks, one wants to move from being a lieutenant to the rank of general. Similarly, once a person reaches the level of matai, one may have ambitions of going into politics. Ascending the matai system requires that increasing proportions of one's time and income be devoted to sharing with increasing numbers of people so as to be elevated in the hierarchy. If a matai entrepreneur is ambitious...
to achieve higher rank within the matai hierarchy, less time and resources will tend to be available for that entrepreneur's business to effectively operate and grow.

Non-matai are required to allocate a portion of the fruits of their labors to their respective matais. Because of this, a non-matai entrepreneur, to the extent they want to achieve traditional rank, will have some incentive to see their business perform more profitably so as to be in a position to support a matai. As 94.8 percent of the population regards itself as being under the matai system, it is likely that most non-matai entrepreneurs surveyed were subject to such obligations of the traditional system.

Explanations as to why non-matai perform better than matai are likely to include the fact that lack of traditional prominence requires a lesser proportion of one's time and resources to be devoted to traditional activities and hence allows more time for one's own business. In addition, some non-matai may not feel as obligated to the traditional system as the matai do. Non-matai who feel less obligated to the traditional system are able to be more independent and individualistic. Non-conformity allows those non-matai who are less obligated to the traditional system to devote greater energies, time, profit reinvestment, and product or service innovation to the business at hand (Smilor and Kuhn 1984).

Religion

Western Samoa is one of the most Christianized entities in the Pacific islands region. Because of this, popular adherence to church pronouncements, Christian teachings, and the sharing of resources with the churches is significant. To a greater extent than with other churches, this is true of the Congregational Christian Church of Samoa (CCCS). The influence of CCCS is great because of its independence and because almost half of the Western Samoan population belongs to the CCCS. The independence of the CCCS requires that it must rely for most of its contributions on a local and small membership base. The fact that entrepreneurs are obligated to contribute higher proportions of their profits means that less is available for possible business operations and expansion.

The distribution of entrepreneurs surveyed according to church membership roughly correlates to the population as a whole. The most significant variation is that 43 percent of the entrepreneurs surveyed belonged to the CCCS while the greater percentage, 47 percent, of the general population were CCCS members (Government of Western Samoa 1981).

In breaking down the 70 entrepreneurs surveyed into the four sectors of manufacturing, services, merchants, and agrobusiness, however, wider variations are apparent. Among merchants surveyed, 55 percent were CCCS members while the lowest representation of CCCS members was in the service sector at 38 percent (refer to Table A-3 in Appendix A).

Due to the influence of churches such as CCCS and the considerable amount of contributions they accrue from entrepreneurs and others, the
influence of the churches on the development of entrepreneurial capabilities is relevant.

**Education**

Generally speaking the better educated entrepreneurs are, the more likely their business ventures will succeed and endure. To the extent that the sample of 70 entrepreneurs surveyed is representative of the Western Samoan business community, entrepreneurs are likely to be much better educated than the population at large.

Of the entrepreneurs surveyed, at least 81 percent had some high school exposure, with over one-fifth of those surveyed having achieved high school graduation or beyond. And it was found that entrepreneurs who had better educations performed better and had fewer problems affecting their businesses (refer to Section 3, Table B-1 in Appendix B). A greater investment in the education of the population means that indigenous Samoan entrepreneurship is more likely to be successful.

**Training**

For purposes of analysis, the survey team defined training as to its relevancy to a surveyed entrepreneur's business, as well as the period of time over which training was received. Training was regarded as relevant if it lasted for at least one month and created or improved a technical skill that the entrepreneur could use directly in the business, such as mechanics or carpentry.

Of the entrepreneurs interviewed for this survey, 43 percent indicated they had received relevant technical training while 57 percent had not. Much of the training was received while the entrepreneurs were working overseas. Others had received their training from the Technical Training Institute. As to the degree business performance was affected by problems, the survey indicated that those entrepreneurs who had received relevant technical training were much more likely to succeed with their business ventures than those who had not.

**Previous Work Experience**

Entrepreneurs surveyed were asked about the kind and duration of the work experience they had received prior to commencing their businesses. The degree of prior work experience received by the entrepreneurs surveyed was rated according to the relevance of the experience to the skills needed for the business at hand. For example, if a baker had previously been working in a government office for five years at a desk job, only a portion of those five years (not all) was regarded by the survey team as prior work experience.

Using such criteria, Table A-2, section 17 in Appendix A portrays the percentage breakdown of the years of relevant work experience of the entrepreneurs interviewed for the survey. This data could not be correlated with any other data relative to the Western Samoan population as a whole.
Interestingly, of the entrepreneurs interviewed, almost half had less than one year of relevant experience while 23 percent had 10 or more years. The remaining 30 percent had from 2 to 9 years of previous experience. As the survey revealed, no direct correlation can be made relative to work experience and business performance as can be made with relevant training and education. The optimal period of time for work experience, as indicated in Table C-1, Section 9 of Appendix C, was that those entrepreneurs who had 2 to 3 years of prior work experience were most likely to succeed with their businesses. One possible explanation of this is that 2 to 3 years is long enough to gain relevant job experience before one becomes complacent and loses the attributes of being optimistic, energetic, and innovative in how one approaches business.

Overseas Experience

The overseas experience (i.e., work and/or travel experience received outside of Western Samoa) of entrepreneurs interviewed for the survey was evaluated against business problems and performance. Overseas experience was broken down between those entrepreneurs who had extensive work, training, and/or education; those who had only limited holiday-type overseas experience; and those who had no overseas exposure. Out of the 70 entrepreneurs interviewed, only 13 percent had never traveled overseas. Well over half (57 percent) had had extensive overseas experience.

Interestingly, the evaluation of business problems and performance in comparison to the amount of the entrepreneurs' overseas experience revealed that those with limited overseas exposure suffered more and performed worse than those with no overseas exposure (refer to Section 1, Table B-1 in Appendix B). Those with extensive overseas exposure performed much better than those with limited or no overseas exposure. Further analysis as to the purposes of the trips overseas for limited holiday occasions reveals that they were primarily for religious purposes. For entrepreneurs who only travel overseas primarily for religious purposes, such trips imply greater devotion to religion and a greater sense of obligation to contribute a higher proportion of business profits for religious purposes. This, therefore, limited business performance. Also in the short-term, even if such trips are only for family purposes, namely to New Zealand, costly travel rates would expand amounts otherwise available for reinvestment.

Family Background

As opposed to 75 percent of the overall population relying directly on agriculture for cash income or subsistence, 50 percent of the entrepreneurs came from families whose backgrounds were not primarily agricultural.

According to Nafziger, the evidence is strong that family background and influence bears considerably on whether one is likely to be innovative and entrepreneurial. The child who is encouraged to be creative and independent grows up to be entrepreneurial and innovative (Nafziger 1978: 53). A village-based subsistence agricultural background in Western Samoa would not appear to provide an environment conducive to entrepreneurship. Such an environment would demand conformity to the hierarchical pyramid of the matai and to the rules governing the rest of
the group. This conformity is required if one wants to remain a part of the group and keep the benefits of social and economic security. Group conformity opposes the desirable entrepreneurial quality of independence and would therefore not be conducive to raising children as Western Samoa's future entrepreneurs.

The evidence from the survey of Western Samoan entrepreneurs strongly indicates, though, that family background does not strongly correlate to whether one succeeds better or worse than others. Other factors, such as relevant training, overseas exposure, formal education, and amount of initial finance more directly relate to how well one will succeed with a business venture in Western Samoa. As indicated by the discussion in Chapter 3 (Samoan Entrepreneurship), there were and still are factors within the traditional culture, such as the exchange of fine mats and specialization, that encourage entrepreneurship. This means that one has almost as equal a chance to succeed as an entrepreneur if one's family did subsistence agriculture as does the entrepreneur whose family was in a nonagricultural business or activity.

Reasons for Going into Business

As Table A-2, Section 12 in Appendix A shows, the reasons the 70 entrepreneurs surveyed went into business are diverse. One-third responded that economic security (to earn a cash income) was the prime reason for going into business. This means that as the importance of the cash economy grows and as the means of earning cash are limited, a small enterprise is a last resort. Only 13 percent of the entrepreneurs surveyed began their businesses for reasons of independence and personal enjoyment.

For 27 percent of the entrepreneurs surveyed, the demand for a particular product or service they were good at producing was sufficient for them to go into business. Profit, as well as the ability to earn a living, is a necessary motive and a necessary end for a business to start and survive. The fact that over a quarter of those firms surveyed began their businesses for what they perceived as a high potential demand for a particular product or service indicates positive entrepreneurial initiative. This motivation to enter into a business, rather than just for economic survival, means that this group of entrepreneurs has a positive attitude, an innovative attitude, and flexibility to run their enterprises without being too concerned about whether they will earn a living. In being able to more quickly exploit perceived opportunities, it is more likely that overall growth and wealth creation will take place than if the attitude toward private enterprise is just one of subsistence.

How the Capital to Start the Business was Acquired

To the extent that self-reliance is a virtue and a positive indicator of whether an enterprise will succeed, 63 percent of the entrepreneurs surveyed will most likely see their ventures succeed. This group of surveyed entrepreneurs financed their businesses with either their own or mostly their own resources. Only 29 percent relied to a greater extent on outside financing, such as bank loans, to fund their businesses.
A closer analysis of other survey data, however, reveals that the reason 63 percent of the entrepreneurs surveyed supplied most of their own financing is the reality or perception that they were denied sufficient access to outside capital. As Chapter 3 (Environmental Characteristics) indicates, a sufficient and readily accessible pool of capital is essential for entrepreneurs for business start-up and expansion. According to the entrepreneurs surveyed for this study, the lack of capital, as well as their access to it, was the third (out of nine) most serious problem affecting their ability to operate their businesses successfully.

Nature of Other Business Activities

Of the 70 firms surveyed, 64 percent of the owners engaged in or had an interest in other business ventures (refer to Table 2, Section 24 in Appendix A), while 36 percent did not have any means of support other than their businesses. Of those who had alternative business activities, 34 percent had plantations, 23 percent had trade stores, and 23 percent were engaged in other activities such as being employed by the government or operating a taxi or bus. The percentages add up to more than 100 because some of the firms surveyed were engaged in two or more business ventures or activities.

The benefits of being engaged in a diverse number of activities include primarily those of "portfolio" effects. If one venture lags or fails, the individual or family can rely on an alternative venture that may be more successful. Two or more ventures can be mutually supportive in terms of finance acquisition and development as well as the sharing of large assets such as trucks and buildings.

On the other hand, too much diversity could adversely affect operations of the ventures as a whole, given the limits on abilities of any one entrepreneur to manage them all effectively. An entrepreneur's attention and efforts need to be fully concentrated on a limited number of activities in order for those activities to be successful. For those entrepreneurs surveyed who have alternative business ventures, other family members are usually involved in their operation.

Summary

The extent to which the above 13 characteristics are representative of Samoan entrepreneurship is debatable. The correlations, however, of the data and analysis of the survey to characteristics common to entrepreneurship, Samoan population characteristics, and Samoan traditions are close. The correlations, although not conclusive, indicate certain features worthy of consideration in terms of policies and programs the government might engage in to expand the role of private entrepreneurship in economic development.

In summary, the correlations include:

- **Age:** The age profile of advanced age of the entrepreneurs surveyed correlates with the fact that greater prestige and respect in traditional societies is accorded those who are older. The advanced age represented in the survey also correlates with the fact that
entrepreneurs compensate with years of work experience for the lack of formal education and appropriate technical training.

- Gender and family size: The large representation of males as entrepreneurs surveyed is indicative of the fact that, universally, commerce and politics are still largely male-dominated. The average family size of the entrepreneurs surveyed correlates to the average family size of Samoans in general.

- Ethnicity: The underrepresentation of ethnic Samoans as entrepreneurs in the survey correlates with other developing countries whose indigenous populations have only recently had access to political, economic, and social development opportunities since independence. Their underrepresentation as entrepreneurs also correlates with the fact that the hierarchical matai system to which most Samoans are bound may encourage group conformity and reciprocity at the expense of necessary entrepreneurial independence and resource reinvestment, thereby reducing the number of pure Samoans who may become entrepreneurs.

- Traditional status: Although matai make up approximately 8 percent of the Samoan population (GMSDP5 1984: vii), 63 percent of the entrepreneurs surveyed were matai. The dominance of matai in private enterprise as represented by the survey is consistent with the fact that matai are responsible for seeing to the success and prestige of their aiga. Prestige, title, and honor are accorded to those who are able to earn more resources and thereby to give higher amounts for ceremonial pursuits. Entrepreneurship is one of the likeliest means by which traditional status is achieved.

- Religion: Because the intense practice and pursuit of the Christian religion are pervasive in the society, analysis of its impact on entrepreneurship is appropriate. The representation of entrepreneurs surveyed according to the religious sects they belong to closely correlates to the general population. Business performance is affected according to which church one belongs to.

- Education: The better educated one is, the more likely one is to become an entrepreneur and succeed. The survey data, compared to the data on the general population, show that 81 percent of the entrepreneurs surveyed had attended at least secondary school as opposed to only 42 percent for the population at large.

- Training: Although statistics are not available for the extent of technical training that the population has received, 43 percent of the entrepreneurs surveyed had received some relevant technical training for the business activities they pursued. The fact that almost half of the entrepreneurs surveyed had received some technical training correlates to the fact that entrepreneurs in general must have technical skills in the businesses they pursue in order for those businesses to operate effectively.
Prior work experience: No direct correlation can be made according to the amount of work experience acquired by the entrepreneurs surveyed and the fact that entrepreneurship in general succeeds better if entrepreneurs had prior work experience. However, the fact that almost half of those surveyed had less than one year of prior work experience correlates with the fact that alternative income earning opportunities are limited in a developing country such as Western Samoa.

Overseas experience: The correlation between overseas training/experience and business success is high, especially when the exposure overseas has been for training, work experience, and education. These elements are essential for entrepreneurship to succeed.

Family background: Successful entrepreneurs are more likely to have had families who were entrepreneurial themselves and who encouraged innovative, independent thinking. This pattern is consistent with the entrepreneurs surveyed in that 50 percent came from families who do not primarily rely on agriculture as opposed to 75 percent of the population that does.

Reasons for going into business: Most entrepreneurs who are effective begin their business ventures because they want to be independent, enjoy what they are doing, and do not regard the earning of profit as the only motive for going into business. Only 3 percent of the entrepreneurs surveyed stated these as reasons for beginning their ventures, indicating lack of consistency with generally accepted trends. What is consistent is that over one-third of the entrepreneurs surveyed, indicating economics as the prime reason for going into business, had few other opportunities to earn a living.

How initial capital to start the business was obtained: Of the entrepreneurs surveyed, 71 percent obtained at least half of the initial capital to start their businesses from their own resources. Two-thirds of the firms surveyed began with $5,000 (W.S. tala) or less. The adequacy of the initial capital to start was questionable. As in other entrepreneur surveys in other developing countries (Nafziger 1978, 107), lack of access to financing from formalized institutions such as banks is cited as the prime reason for low initial investments and the majority of self-financed starts.

Nature of other business activities: A considerable majority of the firms surveyed had alternative business ventures or employment activities to augment their prime ventures. This aspect of diversification is consistent with Barker's survey of Western Samoan fishermen who did fishing for "fast" money while other activities such as farming provided "slow" money (Barker 1982, 54). Although diversification may be beneficial in terms of mutual assistance and sharing of large assets, entrepreneurs may have their own capacities stretched to be successful in all ventures.
CHAPTER 5. PROBLEM EVALUATION

Introduction

Appropriate policy and program solutions cannot be derived for indigenous Samoan entrepreneurs unless the problems affecting current performance and business survival are analyzed. Problems affecting the 70 Samoan entrepreneurs surveyed provide the focal points and primary basis on which business performance is evaluated and on which policy and program solutions are based.

A major assumption made by the survey team in its analysis of Samoan entrepreneurial activity is that the degree to which problems are perceived by those surveyed as affecting current and future business performance correlates directly to whether any given business will successfully perform and ultimately survive. This assumption is based on two factors.

The first factor is the fallacy of evaluating business activity purely on the basis of financial operating performance. The figures for revenues, expenses, profits losses, assets, liabilities, and net worth are, in the absence of proper accounting, broad estimates at best. Financial figures provided in the course of the survey, although useful for analytical and comparative purposes, do not provide by themselves a firm basis by which future business growth and survival are determined. A second factor justifying the assumption of problem evaluation as indicative of present and future business performance is the fact that entrepreneurs do not go into business just to make a profit. Although profit is vital for motivation toward and long-term survival of the business, other factors, including personal wants and needs for independence, creativity and imagination in doing jobs entrepreneurs think can best be done by themselves are just as important. The way entrepreneurs are motivated to pursue their business ventures, and how they feel about the future prospects for the venture ultimately predestine the success or failure of the business venture in the long-run. Therefore, the mutual analysis of entrepreneur responses and the survey team assessment of problems provide the basis on which the survey is evaluated and recommendations are made.

Appendices B and C outline and chart in detail the analysis that the survey team performed relative to nine problem areas responded to by the 70 entrepreneurs surveyed. For each firm surveyed, the degree to which each problem affected business performance was rated as follows: 2, if the problem posed a significant danger to the firm in terms of survival; 1, if the problem was moderate and threatened performance only in the short-run; and -1, if the problem was either of no significance or of no applicability to the business at hand. Then, using matrices as shown in Table B-1 in Appendix B, the numerical values for each problem were aggregated for all entrepreneurs multiplied by the percentage point totals of responses according to 36 entrepreneurial characteristics. The scores for each problem were then summed for each of the 36 characteristics so that the totals became index numbers by which comparisons and analyses can be made. The index numbers in themselves are only relevant when compared to one another. Negative scores (e.g., as in Table B-1, section 1 for "Overseas Exposure," three negative values of -28, -14, and -32 occur) meant that
more businesses felt that given problems were less applicable than other businesses that felt the same given problems were significant or moderately so according to the same characteristics. Cumulatively, then, the total scores for each of the 36 characteristics provide a more objective basis by which the survey is evaluated and policy and program recommendations are made.

The remainder of this chapter analyzes and describes the responses of the 70 Samoan entrepreneurs surveyed coupled with the evaluation of the survey team according to each of the nine problem areas in the order of severity. Reference to table B-1 in Appendix B is extensive.

Government

The 70 entrepreneurs interviewed for the survey characterized the Government of Western Samoa as the largest obstacle to successful performance and growth. The reasons entrepreneurs gave are several, with some indicating five or more areas where government has actively or passively worked against private sector entrepreneurship and initiative. It is easy to say that the entrepreneurs surveyed find government a convenient scapegoat upon which they can blame their own failings and inadequacies. Often, the survey team perceived such negative responses as excuses for the entrepreneurs' own lack of ability to successfully manage their own businesses. However, the fact that problems due to government ranked at least fourth, and in most instances first and second, out of nine problem areas evaluated against 36 entrepreneurial characteristics strongly indicates there is some substance to the entrepreneurs' perceptions that government is a prime problem. A more objective measure indicating that government policies and programs are hindering rather than helping private sector development is the fact that the 26 institutional officials interviewed for this survey also ranked government measures and inadequate government assistance second only to lack of business management skills as the most serious problems affecting Western Samoan business development.

The negative claims by both entrepreneurs and institutional officials are not without some historical precedent. J.W. Davidson, in his book written during the mid-1960s about the emergence of Western Samoa as an independent state, described government's approach to economic development as negative or unimaginative. The root cause lay in the staffing and functions of the treasury: "It regards the system of taxation wholly from a revenue-earning point of view... a knowledge of precedent was more important than an understanding of principle" (Davidson 1967: 242). Davidson preceded this statement by saying,

In a country such as Western Samoa, the role of government in relation to economic development is a particularly important one. Policies must be framed with a careful regard not only for the maximizing of incentives to development—as in any country—but also for the minimizing of the restraints upon it that derive from the rigidities of the traditional social system.

Davidson continues by saying, "The functions of government must also be wider than is necessary in a more developed country. Technical
Sylvia Masterman, in her description of Western Samoan history prior to independence, indicates the historical legacy upon which the patterns and behavior of current government policies and programs toward the private sector operate. She notes that New Zealand’s policy, under whose trusteeship Western Samoa existed from World War I to independence, was to reinvest profits (from plantation operations such as the German reparation states, now known as WSTEC) into infrastructural improvements and operational expenses of the Samoan Government. Projects funded only included those for hospitals, schools, roads, electric power and scholarships (Masterman 1980: 52). Because of the inappropriate nature of New Zealand’s fiscal and administrative policies toward Western Samoa, actual violence broke out during the 1920s, known as the Mau Movement.

If the government is committed and fully desires to bring about steady long-term economic growth, it is recommended that it examine closely the nature and source of its existing policies and programs towards the private sector. At a minimum, government should attempt to examine its actions relative to the private sector so as to at least bridge the gap of misunderstanding and mistrust that private entrepreneurs have of government as indicated by the survey.

Closer analyses of the nature of the complaints of entrepreneurs surveyed had as to why government was the most serious obstacle to better business performance include the following in descending order:

1. High tariffs on imported inputs such as stocks for trade stores, machines for manufacturers, and motors for fishermen.
2. Little or no capital assistance from the Development Bank of Western Samoa or the other two commercial banks in the country.
3. Lack of infrastructure or programs, such as business advisory assistance, or, in the case of transportation operators, poor roads.
4. Overall cost of goods, which, if the goods are imported, relates to the prime complaint above concerning high duties.
5. High taxes, especially income, excise, and export taxes.
6. Unfair competition from government-owned enterprises such as WSTEC.
7. Government “red tape;” cumbersome procedures in terms of loan applications and incentives.
8. Lack or nonenforcement of price controls on inputs.
10. Lack of overseas export market development by government.
Only 5 of the 70 entrepreneurs surveyed stated that government was not a problem. Only 1 was complimentary, noting the loan and advisory assistance received from the Development Bank. One factor that might have affected how businesses responded as to how government was a problem was that one of the two survey team members was a key staff member of the Development Bank. This fact may have lead some of the businesses surveyed to use the opportunity to be more critical than usual of the amount of loan assistance they received from the Development Bank.

First, in terms of tariffs, duties, and taxes, half of the entrepreneurs surveyed noted this as the prime problem of government inhibiting performance. Sectors most seriously affected in this regard were manufacturers and services. Manufacturers because they rely on imported, high-value machinery with which they can produce products, and services because imported spare parts are highly relied upon to maintain transportation and electronic equipment. When factored into both fixed and variable costs for the item or service being sold by a business, import duties either raise the price at which the item or service is to be sold or lower the amount of profit a business has to reinvest if the price is to remain fixed. The higher the price, the fewer units can be sold while at the same time the break-even point (the number or amount that a business must sell to have sales at least equal costs) is raised. Especially in instances where products or services are price sensitive, the combination of higher costs with fewer customers means that firms will curtail business, reduce employment, and eventually cease operation. The price to government in particular and to society in general is (1) the loss of tax revenue from both the business and the employees who might otherwise be earning taxable incomes, (2) the loss of needed goods and services, and (3) the loss of expenditure "multiplier" effects from businesses and employees not patronizing the Western Samoan economy as a result of sales proceeds. In the area of exports, stringent government fiscal measures such as high duties and taxes also inhibit development of export markets for processed goods. If costs of duties and taxes are fully factored into the prices at which export goods are offered for sale, such goods are made that much less competitive to similar goods exported from other Pacific island areas. Examples include processed drinks and handicrafts that are indigenous, produced, exported, and adversely affected by stringent government fiscal measures.

Duties and, where applicable, excise taxes are assessed on the higher landed C.I.F. (cost, insurance, and freight) cost as opposed to other countries imposing duties on the F.O.B. (free on board) cost. F.O.B cost basis is less because it excludes insurance and freight costs. Rates assessed on imported goods that are especially needed by private businesses for productive and operative purposes range from 20 to 110 percent of the C.I.F. cost. Together with the effects in recent years of currency devaluations, present and potential privately owned manufacturing firms that necessarily rely on imported machinery, tools, and raw materials are almost put out of business.

The second most frequently stated reason for fueling government was the primary problem was the lack of or inadequate provision for loan capital. Again, as alluded to earlier, a possible unnatural factor affecting the entrepreneurs' keen emphasis on this aspect as a major problem was the fact
that one of the survey team members was an employee of the Development Bank. The sectors most seriously affected by the lack of or inaccessibility to capital included the manufacturers and merchants. Relative to other sectors, manufacturers require high levels of capital inputs to finance capital-intensive purchases of productive machinery. Merchants are adversely affected due to the fact that they are denied, for a variety of reasons, working capital from the banks.

Looking at the provision-of-credit problem more objectively, one must consider the economic constraints that the country has had imposed due to over-borrowing by the government in recent years, as well as at the efforts and policies of the Development Bank and the two commercial banks to generate assistance to the private business sector. The four major financial institutions of the country (namely, the Development Bank of Western Samoa, Pacific Commercial Bank, Bank of Western Samoa, and the Western Samoa National Provident Fund) had invested extensively in the private economy by the end of 1983. Non-bank financial institutions have provided the private sector with WS$27.6 million (non-bank includes the Development Bank, Nation Provident Fund (NPF), and Western Samoa Life Assurance Corporation (WSLAC) (WSDP 1984: 91). In 1983 the two commercial banks provided WS$15.9 million. Together in 1983, a total of WS$43.5 million was provided the private sector, up from WS$27.9 million in 1980 (GWSDP5 1984).

The 1985 government budget projects that US$4 million will be available through the Development Bank to assist development activities in the private sector (GWS1985 Budget Statement 1984: 12). The fact that 42 percent of the Development Bank's total lending for 1984 was for industrial purposes as opposed to 75 percent of the GDP being derived from agriculture indicates an increasing commitment on the part of the government to support private enterprise, especially manufacturing. The entrepreneurs may be justified in their claims that they are not getting their proportionate share of funding for loans—considerable funds in the past were lent to the government, creating a present debt service requirement that still squeezes the supply of credit to commerce. Another consideration is that the figures do not fully indicate the amounts that are lent to public enterprise activities such as WSTEC and Western Samoan Breweries. According to the 1983 annual report for WSTEC, the firm is indebted for approximately WS$10 million tala (WSTEC 1984: 35). Disproportionate amounts of capital are still loaned for public purposes, such as to WSTEC. The 1985 government budget states that development expenditures requested for treasury are mainly on account of capital injections to public enterprises and the provision of funds for the Agricultural Store to subsidize agricultural inputs (GWS 1985 Budget Statement 1984: 12). The existing public-debt burdens further reduce available credit because of the principal and interest payments require.

The third most frequently stated reason as to why the entrepreneurs felt government was the primary problem was insufficient infrastructure and programs to assist their businesses through advice, training, and marketing support. All sectors, except for agrobusinesses, felt this problem to be significant. Manufacturers felt this way because of the lack of technical training and advice and the lack of effort to develop export markets. Services too complained because of the relative lack of transportation.
infrastructure and business advisory assistance. Merchants concerned with the others because of the inaccessibility of transportation and the lack of business advisory assistance. Transportation operators, for instance, who operate their trucks, buses, or taxis from Apia to remote areas complained about the road conditions. Fishermen complained about the lack of ship-to-shore telecommunications, if they have trouble at sea, they want to be able to radio for help. Merchants complained about the nonprovision of credit from the Development Bank because of its policy of not lending funds to merchants and about the need for management advice and training. Those firms surveyed, which either export now or plan to do so in the future, complained about the government not developing overseas markets for their products. Depending upon what their actual complaints were, the businesses surveyed had varying degrees of justification for making their remarks. Compared to other Pacific island entities, the government makes an effort to maintain the tar-surface and gravel-surface roads. Government, though, has to consider whether it is more socially and economically beneficial to further pave and improve the roads than to pursue other capital projects, such as the extension of the airport runway (WS$3.5 million budgeted for 1985) and the construction of a large hotel to support the tourist industry. The complaints of the fishermen and merchants are more justified. Lack of ship-to-shore communication prevents fishermen from ranging further out to sea to seek out deeper ocean fish thereby being more economically productive. Merchants complain that the Development Bank only lends for such purposes as freezers and generators, not for working capital. Although cursory advice is provided businesses at the Development Bank, the limitation of resources prevents it from offering more long-term, comprehensive advisory assistance to small businesses.

The fourth most frequently stated complaint against government is about the cost of goods. Of course, this problem affects all sectors fairly equally. Higher overall input prices raise the cost of goods, lower profits, reduce incentive, and make exports less competitive overseas. Because of delays and transportation difficulties, costs of goods are even higher in rural areas. Costs of machinery and tools for manufacturers, spare parts for transportation operators, and stocks for merchants, among other things, have increased considerably in price. Factors contributing to the large price increases are due to exchange rates, inflation, and government fiscal controls. In terms of exchange rates, since 1980, the Western Samoan tala's value fell 2.24 times relative to the U.S. dollar, 1.78 times relative to the IMF SDR (a monetary unit whose value is the average of a basket of internationally exchangeable major currencies such as francs, pounds, and dollars), and 1.16 times to the New Zealand dollar. Relative to the falling exchange rate, the consumer price index for all goods rose to 188 in July 1984, using 1980 as a base year of 100. As noted earlier, duties and excise taxes further increase the cost of inputs. Another factor that raised the cost of goods considerably was the foreign exchange rationing imposed by the government from early 1983 to mid-1984. The effect of such rationing on the cost of imported goods would be to raise the cost of goods, supplies of which are reduced because of the lack of funds to pay for them. As the government's stabilization program progresses, prices of imported goods will stabilize, providing a more predictable cost picture for businesses to plan by.
The fifth most frequently stated complaint by the entrepreneurs surveyed about government taxes. All sectors except the agrobusiness sector are drastically affected by high taxes. The main reason is that agrobusiness is not obligated to pay income taxes while the other three sectors are. Corporate tax rates go up to 42 percent, the highest compared to ten other Pacific island entities, such as Fiji, Papua New Guinea, Tonga, and Kiribati. The maximum individual rate is 50 percent for income above WS$10,000 tala. In comparison to entities such as Fiji, Kiribati and Tuvalu, the maximum individual rate is about average. Because most (83 percent) of the firms surveyed were not organized as limited corporations, they do not qualify for the lower maximum corporate rate and therefore have to pay the higher individual rate if their business net income is above WS$10,000 tala. The Enterprises Incentives Act of 1984 does provide for relief of excise duty and income tax to persons engaged in enterprises approved by the government. Such relief, however, is available only to those enterprises that will produce goods or services not currently produced in Western Samoa.

Nonagriculturally oriented entrepreneurs are further justified in regarding high taxes as a significant problem of government because farmers are exempt from being taxed on their income. This makes agriculture as a business lucrative not only because farmers are exempt from income tax but also because they are able to borrow funds from the Development Bank at interest rates from four to nine percentage points lower than for industrial and other loans. Agricultural inputs as implements and fertilizers are also subsidized by the government. These factors plus the overall high tax rates make a prospective entrepreneur think twice before entering into a nonagricultural business, while existing entrepreneurs complain about taxes being too high.

The sixth major area of complaint about government from the entrepreneurs surveyed concerned competition from some government agencies and enterprises. This was especially true for those entrepreneurs in the manufacturing and service sectors. For example, a soft drink manufacturer surveyed noted the intense competition from Western Samoan Breweries in the production and marketing of soft drinks. Like other government-owned enterprises in developing countries, Western Samoa Breweries enjoys the benefits of economies of scale notably ease of capital acquisition, access to technical and managerial expertise, and the ability to gain fiscal concessions from the government. Another example of a government-owned enterprise competing with private business is that of WSTEC. WSTEC directly competes with private Western Samoan entrepreneurs in retail butchery operations, general merchandise sales, and wood products. Entrepreneurs surveyed who produced similar goods and services felt that it would be more appropriate for a government-owned enterprise such as WSTEC to function in a wholesale capacity. A retail butcher, for example, expressed the need for a wholesale, centralized slaughter house to sell carcasses to retailers who would then sell directly to the public rather than WSTEC itself doing the retailing. Losses in a firm such as WSTEC are likely to be subsidized, thereby creating a disincentive for the managers of the government-owned firm to operate the business in a cost-effective manner. If a private business were to take similar losses, it would soon fail.
Related to the fact that some government-owned enterprises directly compete with private entrepreneurs, some of the entrepreneurs surveyed felt that government agencies and enterprises should do more business with them. Examples of entrepreneurs who felt this way included truck operators, mechanical fitters, and an electronics repair person. Instead of the government agencies or enterprises performing the services that these entrepreneurs can provide, the entrepreneurs surveyed felt that government agencies should allow private businesses to bid competitively to provide the government with the needed services. Government's large purchasing power, if applied to private business operations to a greater extent, could stimulate growth and market expansion of the private sector significantly.

The seventh major area of complaint about government from the entrepreneurs surveyed concerned the excessive difficulty of dealing with government agencies—"red tape." A building contractor surveyed on Savai'i noted his frustration with the tendering procedures for building contracts with the government. He felt the procedures and deadlines from Public Works were inconsistent and unrealistic. Another area of complaint concerned the application of the procedures for entrepreneurs to benefit from the provisions of the Enterprise Incentives Act of 1984. Some entrepreneurs noted that several months passed from the time application for tax exemptions was made, as provided under the Act, to the time rebates on taxes paid were received. Examination of the act itself reveals the lengthy steps required for an entrepreneur to receive approval for tax exemption. These steps include, first, submission of the application to the Director of Economic Development. Second, the director, after his review, submits the application to the Incentives Board, which consists of nine members. Third, the Board, if it approves, then has to submit the application for consideration and review by the Cabinet. If the Cabinet approves the application, the director then issues an approval order. If the Cabinet disapproves the application, the entrepreneur cannot resubmit and appeal the disapproval except by going through the Head of State. An interview with the chief development officer at the Department of Economic Development revealed that the average amount of time is six weeks. When time and capital are precious commodities for an entrepreneur, difficult approval procedures and lengthy waiting periods for benefits inhibit performance, productivity, and steady economic growth for all businesses.

An eighth area of concern by entrepreneurs surveyed about government, was that of price controls. Merchants felt especially affected by the narrow price control ranges allowed and by the nonenforcement against overcharging by wholesalers in monopolistic positions. Small trade store owners complained that the controls were not effectively applied to wholesalers from whom the trade store owners had to acquire their goods. Transportation operators considered the authorized fare levels to be insufficient to cover costs. At the same time, the authorized mark-up margins were considered insufficient to cover the other costs of doing business plus earning a profit. The range of goods covered are basically the imported necessities such as food staples, flashlight batteries, meats, cigarettes, and petroleum products. The authorized profit margin allowed for wholesalers is 10 percent of landed costs and for retailers, 10 to 16 percent of wholesale cost. Interviews by the survey team with the Price Control Board secretary revealed that the board had only five inspectors at the time to cover the whole country. Depending on the number of
complaints, which averaged 10 per month, plus spot checks, enforcement of the controls may not be adequate. Generally speaking, price controls are regarded by economists as inhibitors to economic growth. Although consumers may be happy that they are able to pay less for necessary items, businesses that provide price-controlled goods and services in the long run either go out of business or are discouraged from expanding and improving productivity. If it is assumed that an economy is dynamic, with many entrepreneurs able to enter and leave business flexibly, prices for goods and services tend to find levels that satisfy both the profit needs of businesses and the cost-conscious needs of consumers. The need for price controls then should be reduced as the economy becomes more dynamic.

Other areas of concern with government as expressed by the entrepreneurs surveyed included lack of assistance in identifying and developing overseas export markets and lack of concern as to whether or not businesses succeeded. Note that only three firms surveyed indicated these as reasons that government was a problem. Several of the entrepreneurs, especially those who export or wish to export their products, felt that government agencies were not doing enough to promote Western Samoan products overseas. Markets that entrepreneurs felt government should develop included the U.S./Hawaiian market for processed foods and raw agricultural produce and export markets for finished wood products.

Finally, 10 entrepreneurs were complimentary or neutral in their reaction to government. One was particularly complimentary about the Development Bank for lending assistance, which helped her business substantially. Among the other compliments about government were ones for the Department of Economic Development. Compliments were for arrangements the department had made to sponsor trips overseas for one of the manufacturers and one of the hotel operators. Two entrepreneurs noted the management advisory assistance that they had received from Australia through the auspices of the Department of Economic Development.

Management Skills

After government, the 70 entrepreneurs surveyed perceived their own managerial skills as the most serious problem affecting business performance. Merchants especially were adversely affected in this regard because, of the merchants surveyed, most had low levels of formal education, had received almost no training, and were rural. These factors inhibit merchants from planning, budgeting, marketing, and performing other management functions necessary for successful business ventures. As to how severe the lack of management skills 47 percent of the entrepreneurs felt that the problem was significant, 37 percent felt the problem was moderate, and only 11 percent felt that their managerial skills were adequate to effectively operate their businesses (refer to Table A-2 in Appendix A). The critical self-assessment by the entrepreneurs of their own managerial capabilities strongly correlates with the fact that two-thirds of the 26 institutional officials interviewed termed lack of managerial skills the most significant problem affecting small businesses in Western Samoa (refer to Table D-1 in Appendix D).

The basic Western definition of management, primarily in the business sense, is that of planning, organizing, coordinating, directing,
controlling, and supervising with responsibility for results. This basic Western definition is expanded for the purposes of the Western Samoan survey. One additional important feature if a Western Samoan business person is to be managerially effective how entrepreneurs deal with the fa'asamoa customs. As indicated by the 1981 census, over 95 percent of the population considers itself subject to the matai system (GWS Census 1981: 252). For a businessman, especially an indigenous person this means that, the traditional matai system cannot be ignored, given its overall pervasiveness in the society and culture. Therefore, the extent to which Samoan entrepreneur are able to balance historical and cultural obligations with the traditional needs of the society while also using the positive attributes of that society to their businesses succeed will ultimately determine whether they can manage and make the enterprise successful. Success in this context, as already emphasized, means not only businesses are able to make steady growing profits; it also means the extent to which the businesses satisfy the entrepreneurs themselves, their aiga, and their villages' need to see them as a productive mature people and increase manumala (honor and prestige) for all concerned (Pitt 1970: 79). The ability that the entrepreneurs exhibit in satisfying and meeting their traditional needs while being "good" entrepreneurs in the Western sense, determines more than anything else the degree to which businesses will succeed or fail socially and economically.

Specific indicators of ineffective managerial included (1) an inability to accurately assess financial performance, (2) the inability to organize or associate with others to derive wholesale purchasing power and economies of scale, and (3) the inability to perceive more realistically opportunities for new products or services. Over two-thirds of those surveyed maintained only rudimentary financial records or none at all. The inability to assess financial performance on the part of many of the entrepreneurs surveyed meant they had a poor basis for planning future expenditures, borrowing, cash flows, and profits, accurate as well as for being assessed a fair tax. In terms of being able to associate with other business, the majority of entrepreneurs surveyed indicated they were distrustful of other businesses that pursued the same service or product lines. Such distrust meant that even informal peer or trade associations could not form to lobby for more favorable government policies, or, as with rural trade stores, pool resources to buy goods more economically in bulk. And, in terms of poor market assessment, some bus and truck operators surveyed wished to purchase more vehicles to expand their fleets in the face of markets already saturated with commercial vehicles.

Capital Access and Availability

If there is any stereotype about entrepreneurs, the one likely to be most popular is that of entrepreneurs complaining about the lack of business capital. Contrary to such a belief, however, is the fact that entrepreneurs interviewed for this survey blamed their own lack of management skills more than the lack of capital as a reason adversely affecting business performance and threatening their firms' existence. Of the 70 entrepreneurs surveyed, 14 percent believed that the supply and/or availability of capital was not a problem, while 43 percent felt that the problem of capital significantly or moderately affected business performance.
Together with an entrepreneurial spirit and sufficient management and technical skills, the provision of sufficient capital is essential for any enterprise to have a chance to succeed. As already indicated, this was a prime ingredient for the phenomenal success of high technology firms in California. Depending on the initial amounts invested, the nature of the markets, and the cost structures facing businesses, most business ventures require long periods (i.e., several years) before they can hope to make a profit. If it is assumed that a business venture has a likely chance of success in terms of its market and management, an adequate and a reliable flow of capital is essential for the business to cover all expenses and working capital needs.

As indicated in the section above concerning government, roughly 35 percent of the nation's GDP is available for commercial investment purposes. In the category of the small private sector business person, however, substantial amounts are unavailable. The survey shows that businesses are begun with very low initial investments. Over two-thirds of the firms surveyed began with less than US$2,500 while only 10 percent began with amounts of more than US$10,000. Such small amounts are insufficient for new ventures to fund equipment, buildings, payrolls, and taxes, as well as to cover losses that are likely to occur at the start of the business. For most new and growing ventures, it is usually only the Development Bank of Western Samoa that is available and agreeable to lending money. The lending criteria of the other three formal financial institutions are usually more stringent. This means that prospective or existing small-scale entrepreneurs either will be denied capital sufficient to start and support their ventures or will be discouraged from even approaching capital supply institutions other than the Development Bank. In a more dynamic commercial environment, the sources and quantities of capital are more numerous and flexible so that a business person is more likely to find adequate capital, and the risk of loss or failure is more evenly dispersed within the economy in the event a business fails.

Also in a dynamic economy, not only loan capital is available, but also equity capital. Large, more economically advanced developing countries have created institutions and even stock markets by which investors who are interested in having ownership participation in business ventures can do so. This diversifies sources as well as renders capital available that could not or would not otherwise be lent. Given a small country like Western Samoa, where equity capital is almost nonexistent, most equity funding there can only be derived either from the government or from foreign investors. Government's equity involvement in commercial activities is in the large-scale activities such as WSTEC, Samoan Forestry Products, and Western Samoan Breweries. One firm out of the 70 surveyed had foreign equity/investment participation in its firm, with the result that it performed at a high and steady profit level.

**Technical Skills**

After government, management skills, and capital, problems with the technical skill levels of the entrepreneurs affected business performance overall. These were manufacturers where technical skills were important in the operation of sophisticated plant and machinery. This problem is also true for services such as transportation, and tourist-oriented businesses
such as restaurants and hotels. Generally speaking, for any business, the higher the skill that goes into a product or service the higher the sales and profits, regardless of the sector within which the business is involved.

Of the 70 entrepreneurs surveyed, almost two-thirds regarded the level of available technical skills as either a significant or moderate problem. Specific entrepreneurs who made such complaints were the transportation operators (bus, taxi, and truck), hotel and restaurant operators, mechanics, furniture manufacturers, and electronic repairmen. These entrepreneurs complained about the fact that because their workers lacked the appropriate skills, they themselves had to be more involved in doing the actual work of the business rather than having the time to manage, market, and innovate for the business. Of course, poor technical skills practiced within any business lead to lower productivity, higher costs, and poorer quality provision of products or services. Transportation operators, for instance, noted the lack of mechanical skills on the part of their drivers. If a bus or truck breaks down in a remote rural area, and the driver does not have the skill to fix it, the operator or a mechanic has to be dispatched. This causes costly down-time plus the additional expense of paying professional fees to a mechanic. Hotel and restaurant operators noted the inability of waitresses and clerks to properly treat foreign tourists, who depend on fast, courteous service. This aspect of tourism is important in creating steady growth in the tourism sector. Insofar as the manufacturers were concerned and those who provided technical services, such as mechanics, their basic complaint was that they as owners and managers spent too much time doing what their subordinates should be qualified to do. Having to do everything on their own detracts from the entrepreneurs' ability to guide, direct, supervise, and perform the necessary liaison and contact with those outside of the business so that the business will grow.

The survey team interviewed officials of three different institutions in Western Samoa who are responsible for providing technical or vocational training. The principal of the Technical Training Institute (TTI) noted that vocational job training was its prime objective. He noted that enrollment for all programs in 1985, including those to develop trade and clerical skills, would be 230 full- and part-time students. The principal estimated, however, that the Western Samoan job market could only support 20 graduates each year. The principal said that the courses were conducted by New Zealand-certified instructors. The principal is making an attempt to upgrade courses, including 17 that are intended to produce graduates qualified as apprentices in technical trades, as well as possible courses in the hotel and catering services. The principal, who had recently taken the job, acknowledged some of the complaints TTI incurred from the entrepreneurs interviewed by the survey team. The primary complaints of the entrepreneurs concerned the low level of skills the graduates exhibited. The principal's plan to upgrade courses was meant specifically to address such complaints.

The second institution that provides technical training in Apia whose officials the survey team interviewed, was the YMCA. The YMCA (Young Men's Christian Association), as the name implies, is a nonprofit, mildly religious-type organization attempting to provide Samoans practical
training in various skill areas. Their site in Apia provides training in such areas as carpentry and motor mechanics. The YMCA also has a Rural Development Program. This program involves rural "clubs," of which there are 39, and trains in areas such as carpentry and mechanics. Because of its capacity to reach rural areas, the YMCA is worthy of consideration in terms of developing a training program in technical skills.

Markets

After technical skills, the net problem was marketing. According to section 11 of Table B-1 in Appendix B, the sector most seriously affected by marketing problems was merchants. The term "marketing" for this survey means the ability a business has to identify its customers to identify the most saleable product or service, to find the best means and channels for making sales, and to be on the lookout for new opportunities either domestically or overseas.

Of the 70 entrepreneurs surveyed, 72 percent felt that their ability to sell products or services was at least a moderate problem affecting performance. Most who responded attributed problems to the size and wealth of the local market. With a population of only 160 thousand and a GDP of almost WS$600 tala per capita, firms that compete with one another in the sale of similar products or services in the same geographical areas suffered poor sales performance. Such firms from the survey primarily included small trade stores and transportation operators. Trade stores suffered location problems in remote rural areas in terms of cost (too distant from suppliers), competition from other trade stores, unreliable and infrequent transportation, and a lack of purchasing power among the population. Transportation operators, especially those of trucks, suffered especially from overcompetition.

In comparison to the entrepreneurs surveyed, most of the 26 institutional officials interviewed felt one of the most important steps Samoan entrepreneurs to take advantage of domestic market opportunities was specialization. Specialization includes not only the provision of unique products or services; specialization also means improving the quality of the existing products and services, serving more customer needs, and seeking out alternative market outlets. One prime example of this was a trade store surveyed in Lufilufi village. Although the store owner was in competition with about four or five other trade stores within the town, this entrepreneur was able to capture over half of the market by providing such services as ice, cold drinks, a variety of cigarettes, and personalized service to customers through friendliness. Another example of specialization was an upholsterer interviewed for the survey. Because he was one of the few to actually provide such a service for the whole country, demand far exceeded his capability to satisfy the total market.

For Samoan entrepreneurs to expand the demand for their products, alternatives to the limited domestic markets must be explored for meaningful opportunities. Such opportunities include export and import substitution. Only two of the 70 entrepreneurs interviewed actually were involved in export activities. Their exports were in unprocessed agricultural commodities including taro and coconuts. William H. Stewart, in a February 1983 article in Pacific Magazine, noted that possible exports
that island entities such as Western Samoa might be able to produce commercially included coconut oil, copra cake, desiccated coconut, fish meal, mariculture (shrimp, sea turtle), activated charcoal, seaweed, handicrafts, cultured pearls, pet aquarium fish, and shark-fin products. For import substitution, Stewart noted that the manufacture of the following items have market feasibility: confections (candy), poultry, fruit and vegetable preserves, ceramics, clothing, windmills, boats, footwear, furniture, lumber, mosquito coils, soap, and construction materials (Stewart 1983: 29). Of the firms interviewed for the survey, at least 16 can be regarded as assisting the country's foreign exchange position by manufacturing or processing import substitutes such as furniture, soft drinks, cloth, snack foods, butchery, lumber processing, upholstering, axe handles, water tanks, and poultry and piggery production.

The feasibility of the manufacturing and marketing of the above items requires clearly thought out economic feasibility and assessment. Particular attention must be given to the feasibility of such operations by looking at the net present values, net foreign exchange earned, and employment generation potentials. For exporters, both existing and potential, such considerations as overseas market exploration development and access to overseas shipping are essential. Individual small entrepreneurs themselves do not have the capabilities to explore these areas alone. Either the government or the entrepreneurs together in association with one another need to develop the appropriate market channels for export, and to assess the economic feasibility to justify any business operation.

Traditions and Culture

Contrary to the long-held beliefs of Western economists and development experts, the entrepreneurs surveyed identified problems with the fa'asamoa traditions as ranking a weak sixth out of the nine problems assessed. Consistent with the responses of those interviewed both as entrepreneurs and as Samoan institutional officials and with the literature cited in this report about Western Samoan culture and traditions, the effect that fa'asamoa has on business performance is both positive and negative. As with marketing, the sector that was by far the most seriously affected by problems with tradition and culture was that of the merchants.

Of the 70 entrepreneurs interviewed for the survey, almost half felt that fa'asamoa traditions and culture either had no applicability to their businesses or did not affect performance. Of those entrepreneurs who felt the fa'asamoa traditions and culture were a problem and affected business performance either significantly or moderately, most operated small rural trade stores. Another reason some small trade stores perceived tradition and culture as a problem was the fact that these firms had the highest level of trade debts owed to them. Several trade stores, mostly in Savai'i, had trade debts in excess of 20 percent of total business assets. One extreme was a trade store with WS$10,000 tala in trade debts, or 60 percent of total business assets. The owners of these particular trade stores noted that family members and village citizens expect them to provide from their stores' inventories various goods for ceremonial and church donations. Although such entrepreneurs noted that they can retaliate for such arrears by "black
listing" delinquents from further service, the long-outstanding arrears cripple their ability to operate and reinvest. The reduced cash flow caused by such arrears increases costs and inhibits the firms' ability to purchase more profitable resale goods.

In contrast were businesses that felt much less affected (and in fact perceived fa'asamoa traditions and culture to be beneficial); these included entrepreneurs in the agrobusiness sector. One fisherman in particular, who held several ranking matai titles, felt that the fa'asamoa traditions affected his business performance positively. The fisherman, with three boats, was able to mobilize a large labor force of village men by virtue of his traditional authority and rank. The costs of exerting such authority and maintaining his three "orator matai" titles (primarily by money for family support and ceremonial contributions) were outweighed by his ability to command authority and respect in mobilizing cheap and obedient labor for a labor-intensive operation. Another agrobusiness entrepreneur noted that his ability to understand and empathize with rural villagers, from whom he purchased taro and coconuts, permitted him to establish reliable, quality supply sources. A hotel operator, by deferring to tradition and status when villages were visited by tourists, used traditional payments and obligations in his favor to have villagers please tourists with demonstrations of dances and social customs. For this hotel owner, deference to social customs created success through increased tourist visits.

**Competition**

Only 29 percent of the businesses surveyed felt that competition significantly affected business performance, while over half felt that performance was not affected at all. Competition was defined as other firms or agencies, whether domestic or foreign, that produce equivalent products or services for sale in close proximity with other entrepreneurs. Once again, the sector most seriously affected by competition was merchants. This is because most merchants are located in rural areas where more trade stores exist than are needed to supply rural market demands.

The degree to which a business suffered from excessive competition depended upon (1) the number of other firms involved in the same kind of business activity, (2) whether government or a public enterprise produced a similar good or service, and (3) whether similar goods were imported from overseas. Firms that suffered from competition included small rural trade stores and transportation operators such as bus, taxi, and truck drivers. Rural trade stores suffered because customers had relatively easy access to downtown Apia via plantation vehicles or buses where they could purchase needed goods from cheaper wholesalers. Transportation operators, like trade stores, suffered from too many others operating in the same geographic areas and on the same routes.

Firms that experienced competition from large government agencies and public enterprises such as Western Samoan Breweries and WSTEC included a soft drink manufacturer, a butcher, furniture makers, an electronics repairer, an electrician, auto mechanics, and transportation operators. Transportation operators, especially those operating taxis, felt they had competition from government policies that offered more generous lending and
fiscal benefits (no income tax for farmers) to farmers with plantation vehicles. The taxi operators claimed that although prohibited by law, farmers with plantation vehicles would transport people and goods on a commercial basis at reduced rates in direct competition with them. The soft drink manufacturer, disadvantaged by being small and having less bargaining ability to derive more favorable terms in acquiring capital, claimed unfair competition from Western Samoan Breweries. Western Samoan Breweries, partially owned by the government, is able to bargain more effectively for more favorable lending terms as well as for tax and duty free concessions. The butcher interviewed for the survey felt that the WSTEC meat operation was in direct competition with several privately owned butcheries, with advantages for WSTEC similar to those for Western Samoan Breweries. Furniture makers would like to see more orders for new and replacement government office furniture in place of the orders going to Public Works. The electronic repairman, as with the furniture makers, would like to receive more orders for repairs of government-owned electronic items such as telecommunications hardware. A certified and licensed electrician interviewed for the survey believed that his business suffered from unfair competition from Samoans who were neither licensed nor qualified to do quality electrical work. Auto mechanics felt that some of the work performed by Public Works and WSTEC on their own vehicles could be tendered for competitive bidding from the private sector. If government is truly interested in developing the private sector consideration of the complaints expressed by these entrepreneurs need to be studied.

Supplies

Although this question was not originally a formal one on the survey form, the problem of steadily supplied and competitively priced materials for production and retail sale was considered by some entrepreneurs as significant. The sector most seriously affected by problems with supplies was the agrobusiness sector because several of the agrobusiness entrepreneurs interviewed were fishermen who were particularly affected by a lack of spare parts for boat engines. The problem with supplies affected firms located in rural Upolu just as seriously as it did firms located on Savai'i.

For small rural trade stores, the problem of supply price and availability of wholesale goods for sale at retail prices. Popular items such as kerosene, beverages, cigarettes, and matches, which had the highest sales turnover, would often run short at small rural trade stores, due to either transportation difficulties or cost. When goods were unavailable or in short supply, small trade stores would have to buy needed goods from downtown wholesalers at retail price. Coupled with thin profit margin price controls, problems with the supply of resale goods becomes critical to small trade stores.

The group of entrepreneurs most critical of the supply network was the fishermen. They noted that materials and equipment such as nets, spare parts for engines, tackle, line, lures, and other items were consistently in short supply. Similar to the fishermen, the transportation operators noted the unavailability and high price of spare replacement parts for their vehicle engines.
As with other developing countries, the problem of basic spare parts, resale goods, and other raw materials necessary for businesses is endemic. The problem centers first on the fact that entrepreneurs are supplied by relatively few, large, monopolistic "downtown" traders who order only what has a high turnover and can generate a large profit. Second, geographic isolation—poor access to shipping lines and lanes—and a small, poor market inhibit the necessary stocking and resale of a large variety of items from several domestic and overseas sources. A transportation parts supplier, for example, having to finance and stock, over a long period of time, a variety of engine parts to suit different models of vehicles, would have difficulty operating at a profit. Considerable costs are incurred from the time of ordering to the time the goods are actually purchased by end users. The supplier necessarily has to pass on all of the ordering, financing, and storage costs to the buyer of parts ordered from distant overseas sources.

Transportation

Transportation was of least concern to the entrepreneurs surveyed. Among the 70 entrepreneurs interviewed, 44 percent felt transportation to be at least a moderate problem affecting business performance overall, while the majority of 56 percent felt transportation was not applicable. Problems with transportation were a function of the size of the business, the nature of the business, and the location of the business, especially a transportation business. The sector that was by far the most seriously affected by problems with transportation was merchants. Transportation problems were most serious for rural merchants with small trade stores that were distant from or infrequently served by road and sea transportation. Location was not an important factor. Savai'i, due to its more remote "outer island" location, experienced only slightly more transportation difficulties than did businesses located in the rural areas of the main island of Upolu.

Among the entrepreneurs interviewed in the four sectors, the small rurally located trade stores had the greatest problem with transportation. Their small size and remote locations inhibited them from purchasing for occasional use vehicles large and strong enough to serve rural supply needs on poor roads. Most of the trade stores noted that long delays would occur and time would be wasted by having to travel by bus or taxi to Apia to purchase needed goods and supplies. For transportation operators, the question of transportation as a problem was not applicable. Other businesses, such as tourist facilities and manufacturers, possessed their own vehicles with which they could meet their business transportation needs.

The fact that transportation problems were perceived overall by the entrepreneurs as affecting business performance the least indicates that Western Samoa already has a sizable logistical and infrastructural transportation framework (vehicles, roads, ferries, and close proximity to Apia) to serve most small business transportation needs. The fact that the operators suffer from competition among themselves further indicates that transportation is adequate. Problems occur, especially for small rural trade stores, where remoteness and cost inhibit the numerous operators from serving those parts of the country farthest from the hub of commercial
activity, Apia. Another indicator is the ease by which vehicles are financed. The fact that vehicles are more tangible and marketable generally predisposes lending institutions to lend funds more readily to businesses and entrepreneurs desiring to purchase vehicles. In the event of default, repossession and funding recovery are easier. On the other hand, lending institutions may be more reluctant to lend funds for, say, a specialized machine that may be useful to an entrepreneur in the manufacture of candles. Although the economic feasibility and benefits of such a procurement might outweigh those of purchasing a vehicle with the same funds, a bank might be prejudiced against lending money for the machine because repossession and funds recovery might be more difficult.

From a broader international perspective, however, the problem of overseas transportation of import and export goods inhibits commercial development. Direct and reliable ocean-going shipping and air cargo services with metropolitan entities such as Japan, New Zealand, Australia, and the United States are essential if the private sector is to procure needed goods and raw materials and to export a broad variety of Samoan produce to large overseas markets. The Fifth Development Plan, although emphasizing development of the interisland ferry terminals between Savai'i and Upolu, does not address the need for the government to explore expanding either the number of shipping lines or the frequency of service for international trade purposes (GWSDP5 1984: 123-125). Lack of direct shipping with the United States prevents export expansion to the large U.S. market. The picture with air cargo, however, may be brighter. The airport improvement project at the Faleolo International Airport in northwest Upolu will strengthen and lengthen the existing runway to 2,700 meters. Additional passenger and air cargo facilities, at a projected cost of WS$4 million tala, are to be constructed during 1986 and 1987. Such expansion will allow entrepreneurs quicker and more reliable access to high value and important import items such as specialized machines and spare parts and will allow export of high value perishables such as flowers or fresh fish.

Problems Affecting Rural Areas

Savai'i, which was regarded as all rural, given its geographic separation and distance from the only Western Samoan urban area, Apia, government, marketing, and management were considered to be, in that order, the most serious problems affecting business performance. For the total number of firms surveyed (manufacturing, service-oriented firms, agrobusinesses, and merchants), a fairly even distribution of entrepreneurs among the four sectors were interviewed in Savai'i. Despite the sector differences, an entrepreneur attempting to do business on Savai'i was likely to suffer the poorest business performance relative to entrepreneurs located on Upolu. Entrepreneurs on Savai'i felt that government was the biggest problem because of high costs for goods, high taxes, poor provision of infrastructure, lack of spare parts for transportation engines, lack of preference to Savai'i-located entrepreneurs for services that the government wants provided in Savai'i, poor training opportunities and the lack of business advisory and management development assistance. The most significant complaint against government was the cost of goods.

The next problem area that Savai'i entrepreneurs felt affected performance adversely was marketing. This problem is primarily a function
of the fact that Savai'i, rural, subsistence based, and reliant on agriculture for its source of income—has fewer cash-earning income opportunities. This restricts the ability of Savai'i entrepreneurs to do business. They need to deal on a cash basis to make loan repayments, pay for supplies, and cover the other costs that require cash.

The third most significant problem affecting business performance in Savai'i is management skills. However, the degree to which that level or lack of management skills adversely affected performance was relatively equal to entrepreneurs located on Upolu.

The fourth most severe problem was the effect of fa'asamoa tradition. Again, the fact that tradition and culture may or may not adversely affect the direct economic performance of a business is also related to the fact that those people located in rural areas are more likely to be subject to the requirements and responsibilities of that culture. Also related to this is the fact that because other members of the family may have less opportunity to earn cash incomes on Savai'i, an entrepreneur has to necessarily give more of the business's resources to family upkeep.

As might be expected on a more isolated rural island, transportation proves to be more difficult for entrepreneurs on Savai'i than on Upolu. Approximately 13 miles of ocean separate the two islands. Two ferries, each going to and from three times a day, provide the most regular means by which persons and vehicles can move between the two islands. Road conditions though are spotty; two-thirds of Savai'i's circumference is paved, hard surface road while the other third is an unmaintained dirt track. With these difficulties, it is easy to see why transportation for the sake of enterprise is more difficult.

One surprising aspect relating to performance is that problems of access to and supply of capital for businesses on Savai'i were less than for businesses located on Upolu, especially in Apia. A major reason for this is that 19 out of the 22 businesses surveyed in Savai'i had alternative business activities, most of were plantations of cocoa, taro, or coconut or trade stores (if the business itself was not a trade store). With regular marketable harvests of produce from the plantations, businesses in Savai'i could use one business to finance another in times when normal demand was depressed. Firms located in Apia, however, were owned primarily by entrepreneurs whose sole source of cash income was the business at hand. For the firms in Savai'i, capital was not only more available but also more economical for items such as buildings and vehicles, which could be jointly operated both for the plantation and the business.

As with the firms located in Savai'i, firms located in what were regarded as truly rural areas of the remoter parts of Upolu exhibited poorer performance than those firms located in the Apia urban area. It is significant that rurally located Upolu entrepreneurs suffered more from competition than the entrepreneurs in any of the other areas including Savai'i. This can be attributed to the fact that most of the entrepreneurs interviewed in rural Upolu were merchants. Even though their location is rural, the businesses interviewed felt that their biggest competitors were not other businesses in their immediate area but rather firms in Apia.
Since even remotely located people could have daily access to Apia for wage-earning employment, a favorite alternative private business activity is that of a trade store. Given that the opening of a trade store is relatively easy compared to other kinds of businesses, the trade store entrepreneurs noted that they were in direct competition with two or three other trade stores within a 5 to 10 mile radius. Given the low purchasing power of the market, an oversupply of trade stores was apparent.

**Problem Analysis Summary**

This chapter has attempted to explore and analyze the problem areas that the 70 entrepreneurs and the survey team felt inhibited their businesses. The straightforward analysis of business financial data alone was judged not sufficient for knowing how well Western Samoan entrepreneurs were able to perform in business primarily because the ability of Western Samoan entrepreneurs, as in other developing countries, to keep reasonably accurate financial records is limited. Data concerning financial performance alone can be only broadly interpreted. The analysis of the 70 entrepreneurs' responses to how the nine problem areas affected business performance was judged a more effective basis by which policy and program improvements can be made on behalf of Western Samoan indigenous entrepreneurship.

The analysis of each of the nine problem areas was discussed in the order of their degree of severity as perceived by the entrepreneurs interviewed and as assessed by the survey team. This analysis, as Appendices B and C detail, was also done in an objective numerical fashion so that the basis for the ranking of the nine problem areas was objectively established. In terms of the severity of problems overall by sector, merchants were by far the most seriously affected, except in the area of technical skills and training. In terms of location, the aggregate analysis of problems reveals that firms located in Savai'i suffer the most, although the degree is not much greater than it is for rurally located Upolu firms. Significantly, the critical problem area of capital affected Savai'i firms the least in that most of these firms' entrepreneurs have alternative plantation operations to fill long-term capital needs.

In the order of their perceived severity, the nine problem areas assessed in this chapter include:

1. **Government.** Although the blaming of government by the entrepreneurs surveyed could be regarded as using government as a scapegoat to cover for their own problems, the entrepreneurs and the survey team concluded that government policies and programs significantly inhibit the development of entrepreneurship and the ability of businesses to perform profitably. Specific areas cited include stringent application of import and export duties and taxes; insufficient capital, primarily from banks, available for operational and development purposes; poor provision of social and physical infrastructure and programs addressed specifically to the development of indigenous entrepreneurship (education in management, business advisory assistance); excessive competition from government-owned enterprises such as WSTEC and Western Samoan Breweries; day-to-day problems (i.e., red tape) in dealing with
various government agencies, staff, and officials; nonenforcement of price controls; discontinuation of subsidies; and lack of initiative to develop overseas export markets.

2. Management skills. Next to government, the 70 entrepreneurs interviewed felt that their own financial and administrative management skills were so deficient as to seriously affect business performance. One direct indicator derived from the survey is that over two-thirds of those surveyed kept either no or poor financial records. Besides the basic necessity in management of planning and directing, Samoan entrepreneurs also need to effectively balance their traditional obligations and responsibilities to the matai system with the needs of operating, improving, and expanding their businesses.

3. Capital access and availability. Surprisingly, complaints about inadequate capital ranked third on the list of how the 70 entrepreneurs perceived problems affecting their business performances. Over two-thirds of the firms surveyed started their businesses with US$2,500 or less. Several institutions for the provision of capital do exist, including two commercial banks, the Development Bank of Western Samoa, the National Provident Fund, and the Western Samoa Life Assurance Corporation. Funds from institutions, however, are available only for lending purposes; no formal and regular means of equity finance exist for small businesses.

4. Technical skills. The 70 entrepreneurs surveyed felt that their workers and their own technical skill levels adversely affected business performance. This problem ranked fourth in severity. Not surprisingly, firms in the manufacturing and service sectors suffered the most from the lack or low quality of technical skill levels. Formal means within Western Samoa for training individuals in the technical fields are limited and include the Technical Training Institute and the YMCA. The entrepreneurs whose firms were either manufacturing or service oriented acquired their technical skills from overseas.

5. Markets. The factor of marketing that most adversely affected the business entrepreneurs interviewed for the survey is that the "market" (i.e., the general population of Western Samoa) is small and limited in its purchasing power (160 thousand population with a per capita GDP of WS$600 tala). Such a size and level of wealth severely limit domestic opportunities for all but the most specialized businesses. Alternative market growth areas include exports and import substitutes.

6. Traditions and culture. Consistent with the responses of the entrepreneurs and institutional officials interviewed for the survey, and with a review of the relevant literature on the history, development, and traditions of Western Samoa, fa'asamoa tradition either positively or negatively affected business performance depending on how well entrepreneurs managed their businesses overall. As stated above under management skills,
Samoan entrepreneurs' ability to balance traditional obligations with the ways they use tradition will determine whether the firm is successful.

7. **Competition.** Only 29 percent of the 70 entrepreneurs interviewed for the survey felt that competition was a significant problem. It was found that the degree to which a business suffered from competition depended upon (1) the number of other firms involved in the same kind of business activity, (2) whether a government or public enterprise produced a similar good or service, and (3) whether similar goods were imported from overseas. Firms that suffered from competition from one another included trade stores and transportation operators; firms that suffered competition from government agencies or from government-owned enterprises were butchers, drink manufacturers, auto-mobile mechanics, electronics repairers, electricians, furniture makers, and transportation operators. None of the firms that could be described as producing goods and services that substitutes for imports felt that competition from foreign imports was a problem.

8. **Supplies.** Although this was not a formal question on the survey form, some entrepreneurs felt the problem of supplies was significant to rank it with the other eight formally designated problem areas. The frequency of supply, quantity, and variety of supplies, whether resale goods for a trade store, raw materials for a manufacturer, or spare parts for transportation operators, were the major concerns primarily of small, rural retail trade stores and transportation operators.

9. **Transportation.** Problems with transportation rank as the least serious for business performance according to the 70 entrepreneurs interviewed for the survey. Most of the firms surveyed either had their own vehicles for transportation, or were located close to public transportation. Firms with the greatest problems were isolated rural trade stores—they were too small to own their own vehicles and too far from regular bus routes. Fishermen without vehicles had problems getting their fresh fish to distribution points before spoilage. Rural routes were served irregularly by government-owned trucks for transport to either the Salelologa market on Savai'i or the Apia Fish Market.

10. **Problems affecting rural areas.** Because of its more remote location and all-rural orientation, problems were looked at especially the island of Savai'i. In the problem analysis contained in Table B-2 in Appendix B, Savai'i-located entrepreneurs suffered significantly from problems with government, marketing, and management: government because of perceived inattention to Savai'i's needs in infrastructure and program assistance; marketing because of the limited cash purchasing power of Savai'i citizens; management because entrepreneurs on Savai'i are generally less formally educated and have more limited access to people who might otherwise be of assistance in helping them overcome problems.
CHAPTER 6. SUCCESS FACTORS

The previous chapter analyzed problems in the order they were perceived and evaluated by entrepreneurs and the survey team as affecting small business performance in Western Samoa. This chapter analyzes and describes those factors that contribute to Western Samoan entrepreneurial success. The order in which success factors are described has no significance. The manner by which they are analyzed and described is according to the eleven broad entrepreneurial characteristics as presented in Table B-1 of Appendix B. The factors described and analyzed here as contributing to business success, as well as the points concerning problems raised in the previous chapter, are recommended a basis upon which government policies and programs designed to help Samoan entrepreneurship can be developed.

The indicators showing whether small businesses in Western Samoa will succeed, break-even, or fail depend upon the degree to which problems, as perceived by the entrepreneurs and as assessed by the survey team, affect business performance, given certain entrepreneurial characteristics. Within the 11 broad entrepreneurial characteristics, there are 34 subcategories (refer to Appendix B for the full list of 34 characteristics). The 11 broad areas are: the amount of overseas exposure of entrepreneurs, island location, level of formal education, religion, relevant technical training, length of time in business, Samoan traditional status, ethnicity, previous work experience, initial investment amounts, and type of business. From this basis, success factors can be indicated, as well as problem areas.

Overseas Exposure

Those entrepreneurs interviewed who had extensive overseas (outside Western Samoa) training and experience achieved greater success than those entrepreneurs who had little or no overseas exposure (refer to Section 1, Table B-1 in Appendix B). The nature of that exposure, for periods of one month or more, included high school, college, and apprenticeship training; factory, hotel, and kitchen work experience; and overseas agency and government-sponsored tours of business and factory facilities. Overseas venues included primarily New Zealand, Australia, and the United States. Only two entrepreneurs had experience in Europe. The usual length of time spent overseas was from one to three years. Some entrepreneurs interviewed had been away for over 20 years. Entrepreneurs who had extensive overseas experience (57 percent of the entrepreneurs interviewed) were affected for less by internal problems than were those who had limited or no overseas experience. The only two problem areas that affected entrepreneurs with extensive overseas experience were those of competition and technical skills. Competition were in manufacturing and services. They felt unfair competition from public enterprises and government agencies. Technical skills were a problem because such entrepreneurs required and expected higher levels of technical skills among their workers.

The 43 percent of the entrepreneurs interviewed for this survey who had little or no overseas experience perceived all nine of the problem areas as more severely affecting performance than did those with extensive...
exposure overseas. Note that those with limited, holiday-type exposure overseas perceived problems as hindering performance more often than those entrepreneurs who had never been overseas. A closer analysis reveals that their limited overseas experiences were primarily religious and family purposes. Such trips mean significant money outlays without the benefit of gaining economically productive skills and experience that can be applied to productive enterprise. Greater expenditures are likely for noneconomically productive purposes on holiday-only overseas trips, with the result that funds for enterprises (and the alleviation of business problems) are not available. The survey shows that education, training, and work experience gained overseas encourages the prospects for private entrepreneurship and prosperous businesses. Government, through appropriate institutions, can encourage successful entrepreneurship through:

1. **Samoa entrepreneur visits overseas.** Two entrepreneurs interviewed benefited significantly from visits to factories similar to their own in Western Samoa. In one case, the visits led to the entrepreneur gaining the return three-week visit of a volunteer consultant from the Australia Executive Service Overseas to help reorganize her business. Such visits by entrepreneurs not only stimulate thinking toward that essential entrepreneurial quality, innovation, but also create opportunities for low- or no-cost expert consultant visits to Western Samoa and identification of foreign joint-venture partners.

2. **Training.** The successful entrepreneurs who had extensive overseas experience received training from technical colleges and institutes or from apprenticeship programs sponsored by their overseas employers. In lieu of the government sanctioning emigration or directly financing scholarships for training, improvements in the training capabilities of such institutions as the Technical Training Institute should be undertaken. Specifically, the improved provision of expert instructors, buildings, modern machinery, and tools should be provided so that the number of graduates is sufficient to supply the local Western Samoan economy. Volunteer organizations such as the YMCA and the Women's Advisory Council should be encouraged as well. Once training has been completed, further apprenticing or interning of students with either private firms or government agencies should be encouraged, as is already the trend in the Fifth Development Plan (GWSDP 5.1984: 103).

3. **Incentives.** Many of the successful entrepreneurs interviewed, who had extensive experience overseas, returned to Western Samoa primarily to start new businesses with the skills they had acquired overseas. For those areas of products or services that the government and others feel should be indigenously provided, incentives such as fiscal concessions, loan capital, subsidized

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1 Table 16.2 notes the increasing percentage of technical trainees in the private sector from 1977 to 1982 who are in the private sector as part of the government's four-year Apprenticeship Scheme.
housing, or other inducements are recommended to repatriate overseas Samoans who have the requisite skills. In return for the benefits and concessions that the government provides to a repatriated Samoan who establishes a business, assurances in writing may be obtained from the would-be entrepreneurs obligating them to train apprentices who have graduated from such local institutions such as the Technical Training Institute. Yet another incentive to entice skilled Samoans back from overseas would be to facilitate the securing of higher status in the matai system. To the extent that the government can implement policy through the traditional fa'asamoa system, the possibility of achieving matai or a higher rank within the matai coupled with appropriate fiscal incentives could further reinforce the tradition of hard work and enterprise to achieve status. In return for the achievement of such status, the government or the village could require that the returned entrepreneurs either establish their enterprises within their village (assuming favorable markets exist) or train (perhaps through apprenticeship) other young people in the village who are interested in the trades that the repatriated entrepreneurs practice.

Concurrent implementation by government of all three of these specific areas of improvement each in workable steps, would be desirable. For example, the trainees who may become the apprentices of the Samoan entrepreneurs returned from overseas would require advanced academic or technical training through an improved Technical Training Institute or YMCA.

Island Location

The assumption that small businesses located in the Apia urban area succeed the best is well proven by the results of the survey (refer to section 2, Table B-1 in Appendix B). The advantages for urban versus rural entrepreneurs are that urban entrepreneurs have easier access to markets, transportation, and supplies and are less influenced by the traditional cultural pressures of the fa'asamoa.

The survey of Samoan entrepreneurs attempted to identify an even distribution of entrepreneurs according to rural and urban locations, and according to the two major islands of Western Samoa, Upolu and Savai'i. Table A-2, section 3 lists the distribution between rural, peri-urban, and urban areas. Of the entrepreneurs surveyed 36 percent were on rural Savai'i and 64 percent on the primary island of Upolu. Within the limited parameters and representation of the 70 entrepreneurs interviewed, a fairly clear idea can still be formed of the differences and similarities in characteristics and problems of entrepreneurs located in all of the populated rural and urban areas that make up the land territory of Western Samoa.

From the survey, it was quite apparent that firms located in the rural areas, especially in Savai'i, suffered problems that more directly and adversely affected business performance than their Apia urban area counterparts. In a country such as Western Samoa, consideration has to be given to the fact that relative to other Pacific island countries, the
territory is relatively compact and the physical infrastructure for transportation is good. Therefore, disparities between rural and urban areas should not be as great in Western Samoa as they may be for entrepreneurs in such countries as the Marshall Islands, Kiribati, or Tonga. Factors that could contribute to rural entrepreneurs success include:

1. **Price Controls.** Discussions with various government officials, including the secretary for the Price Control Board, reveal that margins allowed for profit on goods are relatively narrow. The basis for control, on such items as basic food stuffs, only allows gross profit percentages on the landed costs of goods at the Apia wharf, with little recognition for internal transfer and transportation costs to rural areas. According to the Price Control Board, the maximum margins allowed for wholesalers on basic items is 12 percent of landed cost and for retailers 16 percent of wholesale cost (GWS1985 Budget 1984: 14). Within these narrow margins, basic overheads need to be covered with the result that little or no profit is left to provide incentive for entrepreneurs to enter or stay in business. Three zones have been established to compensate for the higher transportation costs of sending goods to such remote areas as Savai'i. Perhaps, though, the system of structuring, application, and enforcement of the controls is uneven. Small trade stores in Savai'i may see their profit margins squeezed because of the necessarily higher costs of moving goods from Apia by truck or bus and then ferry to Savai'i.

Two price control factors could help entrepreneurs achieve success. One is to establish two permanent price control inspectors on Savai'i to monitor compliance with existing price controls. The second is to re-examine and raise the existing price control margins with attention to overhead costs such as buildings, interest, wages.

2. **Differentiation of wholesale and retail.** Either because of a lack of understanding on the part of some of the entrepreneurs or because some wholesale goods are actually sold on a retail basis, rurally located entrepreneurs complained about high prices. In conjunction with the strengthening of the Price Control Board, stricter rules, regulations, and/or legislation could be devised so that wholesale and retail business activities are distinct and separate. This will help alleviate the concern of many of the entrepreneurs, especially the rural trade stores, that in many instances they must price higher retail prices for items that should have been sold at the lower wholesale cost. In a small country such as Western Samoa, it is easy for a few large concerns to behave as monopolies, creating artificial shortages of essential goods and causing small businesses and consumers to pay far higher prices. Another way of reducing the high input costs for rurally located indigenous Samoan entrepreneurs would be for small entrepreneurs themselves to organize wholesale outlets in certain rural areas. Such wholesale outlets could be organized either as cooperatives or as associations of firms doing business in similar products or services. An example would be setting up a
cooperative to provide spare parts for ruraly located transportation operators.

3. **Preference in government contracting.** The government is advised to consider establishing, if they do not already exist, formalized procedures that give preference to Savai'i-located entrepreneurs in those instances where government requires public-funded work in Savai'i. Margins of 10 to 15 percent of bids above Upolu-located firms could be allowed to compensate for the increased costs necessarily incurred by Savai'i entrepreneurs. Entrepreneurs interviewed in Savai'i with whom the government may be able to deal contractually include furniture makers, fitters, building contractors, and transportation operators.

4. **Incentives.** Consistent with government's goal of rural development, expressed publicly and in the Fifth Development Plan, the government is advised to consider granting additional incentives to new business operations in rural areas, especially Savai'i. Additional capital and infrastructural improvements tailored to the rural areas could entice entrepreneurs to establish businesses in areas other than the Apia urban area. Such incentives, of course, should be afforded only to those entrepreneurs who have the managerial and technical skills to provide goods or services that are really needed in the areas where their firms are to be located, or who provide goods and services that are either exportable or import-substituting in nature. Such changes in incentives could be incorporated as amendments into the existing Enterprise Incentives Act of 1984.

5. **Infrastructure.** Infrastructural improvements in themselves do not necessarily mean that income- and employment-generating economic and private sector growth will follow automatically. To the extent that the country's resources permit capital improvements, though, selective measures can be taken to further facilitate rural private sector development. In Savai'i and the remotest areas of Upolu, road and electrical improvements be priorities (ocean wave movement for electricity, for example, exists on Savai'i). Other improvements could include (1) making Asau in western Savai'i more accessible as an international port of entry; (2) improving the technical/vocational training abilities of the three existing high schools in Savai'i; (3) increasing the amount of public information over the air waves as to government contract tenders, government incentives, (4) giving more authority for government functions to qualified individuals in Savai'i so that entrepreneurs would have to travel less frequently to Apia to apply for incentives, and develop lending approval, immigration and customs matters, and so on. These three factors indicate areas of development that government could emphasize. The prime objective is to diversify the rural economic sector so that disparities of wealth and opportunity are narrowed between rural and urban areas, making it more attractive to stay in the rural areas rather than traveling and settling in Apia and straining resources there.
Level of Formal Education

The results of the analysis of problems that affect small business performance in Western Samoa are not surprising in terms of the educational level of the entrepreneurs. Generally speaking, the better educated Samoan entrepreneurs are, the more likely they will succeed or perform in business. Table B-1, section 3 in Appendix B clearly shows this to be true.

The level of education of the entrepreneurs interviewed is higher than that for the rest of the population. Whereas only 40 percent of the adult population in Western Samoa had at least some high school and only 2 percent had graduated to post-secondary status, the entrepreneurs interviewed attained similar education levels of 59 and 22 percent, respectively. These statistics make it apparent that high school achievement up to or beyond graduation is essential for economically successful entrepreneurship.

Over the past several years the government has made significant strides in improving the overall educational status of the Western Samoan population. Improvements have also been made in providing the kind of skills a diverse private entrepreneurial sector needs. The section concerning education in the Fifth Development Plan (1985 to 1987) notes that ratios relating numbers of junior and senior secondary students to numbers of primary school students have significantly improved (GWSDP5 1984: 101-102). The Fifth Development Plan further notes that an ongoing educational priority goal is, after curriculum development for all levels, the development of technical and vocational skills. The plan also notes the "urgent need to develop technical education to meet the demand for skilled workers" (GWSDP5 1984: 105).

Another encouraging trend in vocational and technical training is the fact that according to the Fifth Development Plan, the private sector is becoming increasingly involved in the government's Apprenticeship Scheme. According to the plan, the increase of participants in the private sector went from 1 percent in 1977 to 22 percent in 1982. The actual number of participants, however, has grown steadily with an increase of 10 to 85 from 1977 to 1982.

In a society, culture, and economy based on communalism, the system of education is a major point from which change will orient the general population toward successful private enterprise participation. The provision of quality education to the general population is a prerequisite to steady economic growth and development. Funds invested in the nation's system of education will reap significant positive returns. It is difficult to overinvest in a nation's educational system. Specific areas

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2 This part of the DP5 noted, for example, that the ratio of senior secondary students to primary students had improved from 1:55.9 in 1977 to 1:26.8 in 1982.
that the government must consider with respect to the educational system to enhance entrepreneurial success include:

1. **Primary/junior secondary level.** Because students who leave junior high school make up about 80 percent of all students who leave school, specific areas of curriculum change are recommended, especially for the primary and junior secondary levels. Curriculum changes should begin with children at an early age, and should demonstrate the rewards earned from running one's own business. In primary school, for example, if children are allowed to develop small cash crop gardens, selling what they produce and then keeping what they earn after deducting costs, they would gain initial incentive for entrepreneurship. Even though only a small percentage may actually become small business owners as adults, the idea of entrepreneurship has been inculcated at an early age and will mean that more favorable attitudes and support for private entrepreneurial initiative will exist among the general public.

2. **Senior/post-secondary level.** For the few who reach senior and post-secondary levels of education, more comprehensive courses in general business administration, bookkeeping, and basic economics are recommended if they are not already offered. To the extent that educational resources may permit, adult education classes in the same subject areas are recommended for those who are already operating their own businesses. Internships could also be offered for promising, interested students for them to see what it is like to run a business in Western Samoa.

Although these basic curriculum changes appear cursory and fundamental, they might cause children who may not know what they want to do after leaving school to develop into budding, ambitious entrepreneurs. It is often one positive, interested teacher that makes the difference in the interests that a child may follow into adult life. Even though such curriculum changes may inspire less than 1 percent of the students to become self-employed business operators, the background will help all students become either more intelligent business operators or better consumers. Politically, such curriculum changes will make the general public more aware and supportive of private sector development in the country.

**Religion**

The fourth characteristic that is related to successful Samoan entrepreneurship is religion. The fact that it is discussed and analyzed indicates the significance religion has in Samoan society, culture, politics, and economic development. As indicated in Chapter 2, contact with Westerners brought an almost total adaptation of Christianity into *fa'asamoa* traditions and culture.

The 70 entrepreneurs interviewed for the survey were divided according to religious affiliation. The distribution correlated closely to the division of religious affiliation among the general population (refer to
Table A-1, section 1 and Table A-2, section 23 in Appendix A). The greatest disparity in percentage between entrepreneurs and the general population occurred with those in the most predominant church in Western Samoa, the Congregational Christian Church of Samoa (CCCS). Whereas, according to the 1981 census, of 47 percent of the population affiliated with the CCCS, 43 percent of the entrepreneurs interviewed for the survey identified themselves either as members or as affiliates of the CCCS. The next largest religious representation in the survey was that of Catholics. Within one percentage point of the general population, 23 percent of the entrepreneurs interviewed for the survey identified themselves as Catholic. The remaining 34 percent of the entrepreneurs surveyed identified themselves with the Mormons, Seventh Day Adventists (SDA), or Methodists. If the religious affiliations of entrepreneurs are broken down by sectors (refer to Table A-3 in Appendix A), CCCS representation among manufacturers was 43 percent, services 38 percent, merchants 55 percent, and agrobusiness 33 percent.

Table B-1, section 4 in Appendix B outlines the numerical analysis by which problems affecting business performance were rated according to the entrepreneurs' respective religious affiliations. Entrepreneurs interviewed for the survey who were members or affiliates of the CCCS felt that problems most adversely affected business performance. The supply of and access to capital rated as the most serious problem for the entrepreneurs interviewed who were with the CCCS. As a previous section in this report on religion describes, members of the CCCS are obligated to make proportionately larger contributions of personal income because the CCCS is indigenous and does not have a worldwide international body to alternative support. The CCCS is so highly integrated into the society that tenets and practices are practically indistinguishable from traditional social and cultural beliefs within the fa'asamoa system. Because of its entrenchment in the society and its almost total reliance for financial support from within Western Samoa, entrepreneurs who are members of the CCCS are more likely to experience financial difficulties with their businesses because of the large contributions they must make to the pastors and churches of the CCCS.

The other entrepreneurs interviewed who were members or affiliated with the Catholic, Mormon, Methodist, and SDA churches indicated that the effect problems had on business performance was far less than that of the CCCS entrepreneurs. Without having had the opportunity to evaluate the degree of training they have had through their churches or church-sponsored schools, it still can be said that entrepreneurs in the non-CCCS groups seemed generally better educated. They had more opportunities to go overseas. These entrepreneurs were more urban than rural oriented. Of major significance is the fact that they did not contribute as high a proportion of their incomes to their churches as did those of the CCCS faith.

It is a delicate matter delving into the affairs of people's faith and the degree to which government influences or interferes with religious affairs. Based on the background research, interviews with colleagues from Western Samoa, and the basic data from the survey itself, it is apparent that the CCCS exercises considerable influence and control over social, cultural, and commercial activity, especially the extent to which capital
is retained either by itself or by individuals. An informal, casual observation indicates that much of what the CCCS collects in the form of donations from the general population is not used for direct income-generating purposes. Rather, it is utilized to maintain pastors in that are affluent by Samoan standards, as well as buildings, such as large churches and office blocks, which do not necessarily produce taxable income and jobs. To the extent that church and government leaders, especially those with the CCCS, can work together, the following suggestions should serve to strengthen successful entrepreneurship:

1. Provision of capital to small business. Part of the funds that the various churches in Samoa receive could be put to productive use if channeled through institutions such as the Development Bank. Without the religious organizations having to deal directly with those who in their debt, the funds could be lent to small business entrepreneurs, who may not otherwise have access to capital due to its scarce supply.

2. Program/educational support. Like the YMCA, the churches could fund community development projects in rural areas such as appropriate technical training. Such programs can include vocational training, agricultural extension work, and management advisory programs.

Technical Training

Table B-1, section 5 in Appendix B shows the extent to which relevant technical training affected business performance for the entrepreneurs interviewed for this survey. On the average, those entrepreneurs who did not have at least one month of training in their respective fields of expertise stood a 67 percent greater chance of either failing or experiencing poor business performance. Of the 70 entrepreneurs interviewed for this survey, 57 percent responded as having no relevant technical training for the business they were in, while 43 percent said they had had technical training. Although the analysis was not sector-specific, relevant technical training for existing and potential Samoan entrepreneurs is just as essential for a manufacturer using sophisticated equipment as it is for a rural shopkeeper who needs to efficiently stock, rotate, and evaluate goods for sale.

As has been discussed, technical training opportunities available from within Western Samoa are limited. The major technical trainer, the Western Samoan Technical Training Institute, can train only up to 230 full and part-time students. Other programs of technical training, such as through the YMCA and Women's Advisory Council have been helpful in reaching those who are not formally educated.

As clearly indicated from the survey, relevant technical training of at least one month's duration greatly improves the prospects of succeeding in business. In addition to what has already been said about improving
existing technical training institutions, the following recommendations are cited as that will enhance entrepreneurial success:

1. **Provision of expert consultants from overseas.** The metropolitan countries around the Pacific have programs to provide volunteers who have sophisticated technical expertise in almost any of the fields in which Western Samoa wishes to have people trained. The relative cost for their provision by the host government is minimal because more entrepreneurs and their workers are able to be served by having the expert work in-country. Appropriate experts can reorganize training workshops for entrepreneurs in such areas as carpentry, masonry, electronics, electricity, motor mechanics, baking, food processing, lumbering, cash farming, and business management. Such experts have been provided in the past through the auspices of several government agencies such as the Development Bank.

2. **Monitoring those who seek to get into business.** Although conflicts of interest and restraints of trade can be created, the government can be more active in assuring that those who enter business on their own have certain minimum technical qualifications. If a person, for instance, desires to be a commercial transportation operator, verifications should be made to the effect that such a person has minimum competency in motor mechanics. Such competency not only will assure that operators will be able to increase efficiency by experiencing less downtime on their trucks, buses, or taxis, but also will serve as a means to monitor the number of transport vehicles operating in any one area. The Western Samoan Department of Transportation already provides this service but could do more to verify skills. Those wishing to become shopkeepers could be required to pass appropriate tests of literacy so that when they enter into business, records and stocktaking can be done in writing. Skilled tradesmen, or those who advertise themselves as such, should be carefully licensed so as to verify minimum levels of training and apprenticeship. Such licensing arrangements will assure, for entrepreneurs engaged in technical trades that those unqualified and unlicensed are not able to compromise standards of quality and service.

3. **Incentives.** As the government offers fiscal and other incentives for people to enter into certain businesses, so government could amend the Enterprise Incentives Act of 1984 to provide for additional fiscal incentives in the event that existing entrepreneurs entering into different lines of business do train themselves to meet minimum qualifications. If an entrepreneur who already runs a trade store, for example, wishes to establish a business that will promote the export of processed fruit juice, then additional incentives of duty-free status will be granted if the entrepreneur can verify a minimum technical knowledge in fruit juice processing.

At the same time that either incentives or minimum training requirements are implemented, they should be done so in conjunction with

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the creation of additional training opportunities through existing institutions and expert visits.

Length of Time in Business

Table B-1, section 6 of Appendix B analyzes the degree to which business performance is affected by the duration of the business according to the survey of entrepreneurs. The analysis has significance and implications for programs and policies oriented toward getting more people into entrepreneurship. It is also necessary that assistance to new entrepreneurs be balanced with more attention to entrepreneurs who have already been in business for several years.

Among the 70 Samoan entrepreneurs interviewed for the survey, the distribution according to years in business was as follows: 0 to 2 years, 24 percent; 3 to 4 years, 22 percent; 5 to 10 years, 26 percent; 10 to 20 years, 24 percent; and 20 years plus, 4 percent. According to the analysis in Table B-1, section 6 in Appendix B, there is not a direct and proportional relationship between how long one has been in business and how well one's business performs. In reference to the same table, although disparities are relatively narrow, those entrepreneurs interviewed who had been in business from 3 to 4 years succeeded the most (508), while those who had been in business for 11 or more years suffered the most (691). One possible reason for this seeming contradiction is that those who have more recently begun their business activities are better educated by virtue of an improving educational system. Another is that, as product lifecycles go where there is a rise and then a decline in popularity and marketability in a certain product, those entrepreneurs who have been in business over 5 years may be on the downward slope of their respective product or service lifecycle curves. Complacency over having been in business for a relatively long period of time may cause entrepreneurs in the latter group to lose one of the most essential ingredients of successful entrepreneurship: innovation.

Priority for and provision of policy and program assistance to only prospective and newly established entrepreneurs will not be sufficient to establish successful entrepreneurship. Specific factors that could assist successful entrepreneurship include:

1. Continuing education and training. Education and training programs in management and technical areas are highly recommended for entrepreneurs who have had their businesses established over relatively long periods of time. Such programs could be in the form of seminars and workshops coordinated through the National University, University of the South Pacific—Alafua Campus, the Development Bank, and the Technical Training Institute. Special emphasis should be given to training entrepreneurs how to explore and develop alternative marketing strategies with new and innovative products or services, presenting the business in a new way, or tapping into new, unexploited domestic and export markets. For example, rural shopkeepers can be advised and encouraged either to change and improve the quality of the product line they offer for sale, advertise, change location, make physical improvements, get into a whole new line of business, or to make
other changes to get shopkeepers, who may have been in business for over 5 years, out of the rut of "sameness."

2. **Visits.** If and when the opportunities arise for visits overseas, favorable consideration should be given to entrepreneurs who have been in business for five years. For entrepreneurs who become too established, unimaginative, and complacent, such visits help them gain new perspectives on how to manage their businesses, make contacts with potential trade or investment partners, and obtain new ideas for new products or services. On the other hand, as previously recommended, entrepreneurs who are visited by and deal with outside consultants, especially management ones, are likely to perform better.

3. **Capital.** Coupled with the need to innovate, there is also the need to provide adequate capital with which to fund the new innovations (i.e., "venture" capital). This would be in the form of not only loan capital but also equity capital. Equity capital could be provided by reorganizing some of the predominant number of sole proprietorships into limited corporations.

**Samoan Traditional Status**

Table B-1, section 7 in Appendix B outlines the numerical analysis by which the entrepreneurial characteristic of Samoan traditional status was analyzed. The distribution of the 70 interviewed for the survey shows that 63 percent claimed to be *matai* and 37 percent claimed not to be *matai*. According to the numerical analysis in Table B-1, section 7, *matai* had a 34 percent greater chance of being hurt by problems affecting business performance than did entrepreneurs who were not *matai*.

The disparity between those entrepreneurs who were *matai* and those who were not was not great in terms of how problems affected business performance for each. One might have expected that, for example, *matai*, with responsibilities and authority over extended families, would have experienced more difficulties with capital than non-*matai*. The disparity is small, however, between the two entrepreneurial groups in terms of their experience with problems with capital. With well over 90 percent of the entire population claiming itself subject to the rule and authority of the traditionally strong *matai* system, economic and financial obligations and contributions between the two groups appear reciprocal. One of the greatest disparities in any one of the nine problem areas between the two traditional groups was that of tradition and culture. The *matai* much more so than the non-*matai* among the entrepreneurs interviewed, felt, by a considerable degree, that *fa'asamoa* customs were a problem that adversely affected business performance. Without capital being significantly different between the two groups of entrepreneurs, a possible explanation is that having once achieved the status of *matai*, an entrepreneur may feel anxious to maintain the power, authority, prestige, and possibility of elevation within the status. Business performance is likely to be sacrificed as a result.

As with religion, the issue of rendering recommendations to alter the traditional *matai* system must be handled with all due delicacy and
diplomacy by all parties concerned. Any change, be it by government or by individual, could be fraught with emotion. A basic question then is not so much whether the system could be changed. A more feasible question in terms of indigenous private sector development in Western Samoa is, How can potential and existing entrepreneurs adapt and accommodate to fa'asamoa customs? Government policies and programs that could help entrepreneurs more successfully deal with the system without changing the system itself include:

1. **Training and incentives.** Courses conducted in Western Samoa in the field of business administration should stress how potential and existing entrepreneurs can manage their firms within the matai system and fa'asamoa culture and traditions. For example, training could stress how entrepreneurs can use the system to their own advantage without disrupting or upsetting it. One feature of this training could include having entrepreneurs offer workers, in return for better performance, the prospect of assisting them to achieve status and rank within the matai system. The extent to which workers adhere to or believe in the traditional system will determine how much of an incentive increased status and prestige in return for good work will be. Non-matai entrepreneurs, who may wish to either obtain status or accommodate their business operations to the matai system, could be taught through appropriate management training to balance management and capital needs of the business and work to achieve traditional status. For those non-matai who wish to achieve status and rank, management training will help in budgeting and planning for the attainment of such status as a business and personal goal to be reached by a certain time. With the contributions for ceremony and the attainment of status written out as part of the overall business plan, business performance is less likely to suffer as a result.

2. **Land tenure.** The question of land tenure is just as important to the traditional Samoan culture as it is to a business trying to obtain a loan. According to the Fifth Development Plan, land tenure in Western Samoa is as follows: 80 percent is customary land; 4 percent is private freehold land; 5 percent belongs to the public enterprise of WSTEC; and the remaining 11 percent is public or government land (GWSDP5 1984: 16). For private business, the question of using land as collateral for loan purposes is crucial. Without having to change the above distribution of land ownership, it is recommended that fully enforceable lease agreements be legalized by the government. Small businesses having little or no alternative collateral have to use land as a means of obtaining loans. Since the amount of freehold land is only 4 percent, most entrepreneurs will have to rely on long term customary land-use lease agreements, enforceable legally, as loan collateral. The advantages of this arrangement are that legal traditional title will still remain with whoever the customary owners, while a marketable land-use agreement can be used as collateral by small businesses that could not otherwise borrow.
Ethnicity

In many developing countries of the world, ethnic minorities succeed in private enterprise much more so than the indigenous majority. Among other reasons for this is, the denial of political power to ethnic minorities by indigenous majorities plus ostracism and stigmatism from the society at large that cause minorities to compensate by succeeding as entrepreneurs. Minorities, like other normal human beings, have the need to succeed and accomplish. They will do so through the more unregulated sector of private enterprise. Examples of nations and their respective minorities, which experience discrimination but are able to succeed in private enterprise, are the Lebanese of West Africa, the Indians/Pakistanis of East Africa, and the Chinese of Southeast Asia. When the physical trappings of success become too difficult to hide and economic levels of living standards widen between the poorer indigenous majorities and richer ethnic minorities, jealousy and resentment can build to the point of violence and expulsion as has happened in Indonesia and Uganda.

Western Samoa cannot be directly compared to the much larger areas and nations referred to above. The indigenous society in Western Samoa has been tolerant and accepting of the influx of ethnic minorities. The proportion of minorities is small, with most being of mixed Samoan ancestry. Today, 89 percent of the total population is regarded as pure ethnic Polynesian/Samoan. Indications of the tolerance and acceptance (operating in the society include) the overwhelming acceptance and integration of Christianity, a high degree of intermarriage among ethnic groups, the allowance of ethnic minorities into high official government positions, and the attainment by ethnic minorities of traditional matai status. As the survey of small business activity in Western Samoa indicated, however, disparities in terms of performance and problems do exist between those who are pure Samoan and those who are either part-Samoan/Chinese or part-Samoan/European.

The number of firms, as to entrepreneur ethnicity, was fairly evenly distributed in the survey. The distribution also correlated to the proportions within the general population (refer to Table A-1, section 2, and Table A-2, section 4 in Appendix A).

In terms of problem analysis, Table B-1, section 8 outlines the degree to which problems affected business performance in relation to entrepreneur ethnicity. Out of the 36 individual entrepreneurial characteristics compared, the characteristic of being part-Samoan/European scored the least (339) in the degree to which problems affected overall business performance. Interestingly, entrepreneurs interviewed who were ethnic Samoan and those who were part-Samoan/Chinese felt almost equally that relative to the part-Samoan/Europeans, business performance suffered a great deal in relation to the main problem areas evaluated.

Areas where the part-Samoan/European entrepreneurs differed most from the full Samoan and part-Samoan/Chinese entrepreneurs (and consequently were felt to be less significant problem areas) were in government, capital, and tradition. There were several possible explanations beginning with the fact that the educational background of the part-Samoan/European entrepreneurs was better. They were more likely to have been educated, to
have worked and been trained overseas because of having relatives in ethnic European countries as New Zealand and Australia. They were more likely to have come from families who had owned and operated successful enterprises or who had higher level government jobs. Historically, during the days of the trusteeship under New Zealand, ethnic Samoans were denied access to the schools attended by Caucasian children; these schools were likely to have better faculties and facilities than other schools. Because of better education and more overseas exposure, part-Samoan/Europeans had greater ability to understand and work with contemporary government bureaucracies, had the know-how and means to procure financing, did not feel as obligated to the traditional matai system, and have the overall means to manage businesses in such a way that they were economically more successful.

The only problem areas where part-Samoan/European entrepreneurs felt performance was more adversely affected than did the other two ethnic groups interviewed for the survey included technical skills, competition, and supplies. The reason the part-Samoan/Europeans were more likely to have difficulties with technical skills was because their expectations of skill levels from their workers were higher. Also a higher proportion of entrepreneurs from this group operated businesses that required higher degrees of technical skill, such as manufacturing and service firms.

Note that in comparison to the other two ethnic groups, the part-Samoan/Chinese entrepreneurs interviewed felt that their firms' performances suffered the most as a result of problems. This group of entrepreneurs especially experienced problems with government and with the procurement of capital. The fact that the part-Samoan/Chinese entrepreneur suffered the most is likely to be a function of historical legacy and present day realities. The Chinese originally came to Samoa as indentured laborers to work in the then newly developed copra, taro and banana plantations. The Europeans, on the other hand, arrived with the benefits of both money and Christianity. The perception of lower status by those of mixed Chinese ancestry from an ancestral indentured status possibly carries over into the present society as perceptions that those with Chinese ancestry are inferior.

Although the pure Samoan entrepreneurs interviewed for this survey suffered poorer performance due to problems than did the part-Samoan/Europeans, it should not be interpreted as a need for intensive "affirmative action"-type treatment to enhance their business success. In diversity is inherent strength; linkages and communications between the two groups will render all business activity in Western Samoa more successful. Specific means that the government might consider to enhance entrepreneurial success include:

1. **Local consultancies.** It is apparent that individual entrepreneurs from all ethnic groups succeed very well in managing their businesses. Primarily through the Development Bank, such entrepreneurs can be contacted, contracted, and organized to provide small business management seminars, workshops, and technical training to aspiring entrepreneurs. Groups targeted for extra attention could include those types of entrepreneurs who have the most problems (e.g., limited overseas exposure and low level of education) as analyzed according to the eleven
characteristics listed in Table C-1 in Appendix C.

2. Associations/cooperatives. With strengthened, ongoing small business management advice, Samoan entrepreneurs can be encouraged to form associations or cooperatives that are run by entrepreneurs who are regarded as "successful." These people will cut across ethnic lines. Joint discussions, workshops, seminars, and the bulk buying of raw materials can take place within these more formal groups of peers. Associations and cooperatives are also a more economical means of "getting out the message" concerning ways that Samoan entrepreneurs can improve administrative and financial management techniques. Leaders or direct liaisons from the organizations can deal directly with the Development Bank or other advisory and financial institutions, with the liaisons then making contact with individual association and cooperative members. In terms of ethnicity, these formalized groups are likely to be a well-integrated group of entrepreneurs who are able to share successful ideas and help other entrepreneur groups succeed, otherwise perform poorly on their own.

Years of Work Experience Before Business Commenced

One might assume that the longer an entrepreneur had prior work experience before starting a business, the more likely the business would succeed. Table B-1 in Appendix B, however, illustrates that this assumption is not necessarily true. As expected, those who had the least amount of prior work experience scored highest in terms of how much problems affected business performance. Afterward, however, those firms whose entrepreneurs had 4 to 10 years and 11 or more years of prior work experience felt their business performance was more adversely affected than the lowest scoring group, which had from 2 to 3 years of prior work experience. Prior work experience was defined for the purposes of the survey as experience similar to the work in which the entrepreneurs were directly engaged at the time of the interview. If entrepreneurs had work experience in an occupation using skills other than those necessary for the work required in their businesses, only a portion of the time previously worked was counted toward the total number of years worked. For example, if a furniture manufacturer had five years of previous work experience as a shopkeeper, half of those years (two and one-half) were counted toward previous work experience for analytical purposes.

Almost half the entrepreneurs interviewed for the survey had previous relevant work experience of up to one year; 14 percent had 2 to 3 years; 16 percent had 4 to 10; and 23 percent had 10 or more years. This indicates that many Samoan entrepreneurs begin their businesses with little previous work experience that would prepare them to technically and managerially operate their businesses effectively.

Because the amount of previous work experience does not necessarily relate to whether a business will be successful, the implications are not as significant as they are for such characteristics as ethnicity, traditional status, and relevant technical experience. One factor reducing relevancy is that the survey was not able to judge the quality and relevancy of the work experience of the entrepreneurs.
The scores indicate only one trend worthy of notes for the purpose of identifying factors of success: The more years of work experience there are prior to opening a business, the less management skill levels will be a problem (refer to section 9 of Table B-1 of Appendix B). This indicates that relevant prior work experience should be considered when the credit worthiness and capability of an entrepreneur is evaluated to receive a loan. Another factor relating to previous work experience is that of relevancy. The survey identified more successful entrepreneurs whose previous work experience included not only directly related technical work (e.g., a furniture-making businessman was previously a carpenter and furniture maker with the Public Works department), but also it included administrative and financial management experience. The experience in administration and finance proved especially helpful in keeping financial records, in knowing how and when to use expert advice, and, if previously with government, in knowing the right procedures to work with government officials and agencies. Specifically, government policies and programs that should enhance entrepreneurial success relative to prior work experience include:

1. **Incentives.** When government and the economic development plans it makes call for certain areas of development focus (e.g., soap making, food processing, etc.), appropriate incentives should be granted to those entrepreneurs with work experience in the areas government wants to see developed. Agencies such as the Development Bank and the National Provident Fund, which are major conduits of capital to the commercial sector, could advertise the easier, quicker availability of capital to those individuals (preferably full ethnic Samoans) who have proven records in fields for which products or services are needed. Special consideration could be given to entrepreneurs whose work experience was financially and administratively oriented.

2. **Human resources.** Those who have had long and extensive work experience in government, private businesses, and in public sector enterprises, whether or not they become entrepreneurs, should form integral human resources component in the advisory and training programs that government should establish on behalf of indigenous business development. As with retired executive programs in metropolitan countries such as the United States and Australia, a core of Samoans who have had extensive administrative, financial, and technical experience in the various sectors should be utilized as trainers or consultants to small businesses.

**Initial Investment in Business**

One of the most crucial indicators of whether a new business will succeed or fail is the amount of capital with which it began on its first day of operation. Most new businesses should expect losses for the first several months after commencing operation and should be properly capitalized. Businesses often fail when entrepreneurs and those who provide the entrepreneur funds fail to budget for and provide sufficient capital. In the United States, the adequate provision of capital to new businesses was credited as being a major factor in the success of
businesses; conversely, insufficient capital is seen as a major factor contributing to business failure.

As with the analysis of previous work experience, no proportional trend was derived from the analysis of how initial capital compared to problems and performance (refer to section 10 of Table B-1 in Appendix B). A seemingly obvious and logical explanation for this is that different businesses have different capital requirements. Whereas a manufacturer or service-oriented firm may need more capital to invest into such fixed assets as equipment and buildings, a merchant or agrobusiness firm may need more operational capital with which to buy inventories of goods or supplies of seeds and fertilizers. The only consistent and predictable trend was that of the problem of capital access and availability: the more money invested initially, the less capital access and availability which was a factor affecting business performance. Another conclusion that can also be made is that to start any business, the barest minimum amount needed is WS$1,000 tala. No entrepreneur, even the cash crop farmer with no-cost customary land, should think of trying to start a business with anything less than WS$1,000 tala. As indicated in this report, several formalized institutions exist within Western Samoa from which capital can be drawn by the private enterprise sector. Although there are a number of formalized outlets, the fact that the access to and supply of capital was one of the most significant affecting business performance in Western Samoa indicates that either problems entrepreneurs do not know how to obtain capital or the institutions themselves unduly restrict access to capital. In terms of supply of capital, if it is assumed that approximately three thousand small business firms exist in Western Samoa and that their average annual capital requirement is WS$5,000 tala, or WS$15 million in total, this amount is only one third of what was provided to the private sector in 1983 (GMSDP5 1984: 91). In support of small private enterprise, and consistent with the principle that the adequate provision of capital is one of the most essential components for business success, a goal of increasing the overall proportion of capital available to small businesses as they begin is desirable. Of course, adequate capital should be provided only to those entrepreneurs who exhibit character, technical and managerial abilities, and marketable products or services. Specifically, programs and policies designed for small indigenous Samoan businesses to enhance entrepreneurial success include:

1. Loan capital source diversification. Loan source diversification will enhance success for small businesses. Many of the small business entrepreneurs interviewed for this survey indicated that the Development Bank of Western Samoa was their only source of capital other than capital from their own resources. The Development Bank serves more than one fourth of the nation's enterprise credit needs in all sectors. Yet, one aspect of a dynamic growing economy is that entrepreneurs have a variety of sources from which to choose to provide the loan capital necessary to operate and develop. Western Samoa already has four institutions that provide capital to the commercial sector. In such a small country of only 160 thousand people, four different institutions available to provide lending assistance is a considerable number. It therefore behooves government, entrepreneurs in the commercial sector, and the lending
institutions themselves to become more involved in providing small business capital needs. Over-reliance on the Development Bank for loans is undesirable because a growing dynamic economy needs the active participation of all its financial institutions. A major means of providing incentive to the other institutions to participate would be through guarantees provided and funded by either government or multilateral agencies, such as the United Nations Capital Development Fund (UNCDF). Another means would be for the Development Bank to certify that any business, which applies to it for a loan, has exhausted good-faith, bona-fide efforts to secure loan financing from the two commercial banks and the National Provident Fund (NPF). A third alternative would be for advisory or extension service agents, who work with small businesses as clients, to assist entrepreneurs in preparing and negotiating loan proposals from any of the four finance institutions. A fourth alternative would include stipulating, in the government charters authorizing commercial banks to do business, terms that would obligate the commercial banks to have a certain percentage of their loan portfolio invested in small business loans.

2. Process for approving loans. The Development Bank of Western Samoa often takes at least six weeks to disburse a loan if it is in excess of WS$10,000 tala. Even for a business that plans in advance, six weeks can mean the difference between a business being able to start and succeed and a business that may not get off the ground at all. Contributing to the long lead time is the fact that the number and skill levels of the loans staff at the Development Bank are not adequate to handle the client case load, as well as the fact that the general manager can approve in his own authority loans only up to WS$10,000 tala. With vehicles and certain pieces of equipment costing far more than WS$10,000 tala, many loan applications must await the full review of the board of directors, which meets only once a month. Given that loans of up to WS$30,000 and WS$40,000 tala can be fully collateralized and that the Development Bank is to be relied upon as the major provider of loan capital to the private enterprise sector, this study recommends that consideration be given to raising the ceiling of sole discretion for the general manager. Similarly, loan approval ceilings should be raised for subordinate staff members in proportion to their levels of authority.

The general manager conceded that staff numbers and skill levels are a critical area. It is no good approving more loans if they are not properly applied for, disbursed, and monitored. It was noted that at least 50 percent of all outstanding amounts are in arrears, indicating a burdensome workload. It is therefore strongly recommended that staff be hired and trained to a level such that each Development Bank loan client can reliably expect a visit from a Development Bank staff person at least once a month or once every six weeks. Overall, there are only 32 loans officers to handle eight thousand loan cases at any one time. This works out to an average of 267 clients per officer—too many for any one individual to handle in an effective fashion. There
is little time for making crucial feasibility studies or monitoring progress. With the current work load, it takes up to nine months before a client, whether operating normally or in arrears, can be visited by a Development Bank staff person.

Very small loans to assist very small businesses, may not justify their cost to the Development Bank. Although such loans are small, they serve an important purpose that of training clients in the use of credit as well as being used as a capital means to procure something needed for the business. Funds for such loans should be disbursed to agencies such as rural cooperatives, business associations, and credit unions which deal on a small scale. These institutions would then on-lend to businesses. For the Development Bank, this would mean that bank officials have only to monitor these organizations as to repayments and adherence to policies. It also would mean that more cost effective disbursements are made by the Development Bank while, at the same time, rural grass-roots needs are further met through appropriate grass-roots organizations.

3. Interest rates. Adjustments in rates charged by the Development Bank and others both to reduce disparities in the rates of interest charged for agricultural and nonagricultural loans and to provide incentive rates charged for projects, which are designed to achieve goals of economic development, will enhance business success. According to the 1985 government budget statement, the disparity in interest rates between Development Bank clients who are agricultural and those who operate nonagriculturally is between 4 and 9 percent (GWS 1985 Budget Statement 1984: 18). This disparity is further exacerbated by the fact that businesses in the agricultural sector pay no income tax, have had more subsidized inputs in the past, and have also been granted full credit on such items as plantation vehicles. Ignoring the fiscal disparities, this report recommends government's consideration of narrowing the gap in interest rates between the two major commercial sectors. Agriculture, like trading, manufacturing, or providing a service, is a profit-making entrepreneurial venture. Profit is derived from the effort entrepreneurs/farmers put into their farms and from the difference between what entrepreneurs are able to sell the farm produce for and what it costs to produce. This situation is no different from that of a manufacturer who tries to produce and sell an item at profit. With the knowledge that a farm is just like any other business, government is justified in narrowing the difference in interest rates charged to agricultural and nonagricultural ventures.

The level of rates themselves should be adjusted (if necessary) according to whether a loan is for a development or operational purpose. If the loan is for an operational purpose, rates should be competitive with the two other commercial banks. Concessions may be considered depending on whether a client is new and struggling and has a small business. If the loan is for legally long-term development purposes, with a payback period of from three to five years or longer, rates and grace periods should be
set according to when the particular ventures are predicted to make a profit. Further rate differentiation should be considered according to the sector in which a nonagricultural enterprise is involved and the extent to which the enterprise satisfies goals of import substitution, export, and employment generation. Trade stores, for example, could be worthy of consideration for loans if analysis can show the extent to which the store facilitates efficient market distribution to certain areas of products that substitute for imports.

4. Equity. The provision of equity financing for private Western Samoan entrepreneurs will enhance entrepreneurial success. A major factor identifying a dynamic growth economy is that not only a number of institutions serve most financial needs of the business community, but also the nature of that capital has variety. For a business, over-reliance on loan capital results in a more risky financial situation in the event of default. A highly leveraged firm, where a firm or individual uses a high proportion of loans and other liabilities as capital, is perceived as a more risky investment in terms of its chances for failure. Equity, on the other hand, as a source of capital, diversifies risk and allows entrepreneurs to become established without having to worry about meeting principal and interest payments. The equity investment applied to the business is set for an indefinite period without having to be paid back, and dividends, unlike interest payments, can more easily be deferred without jeopardizing the firm's existence. It is therefore recommended that means of equity financing for business concerns be established or strengthened. Although not practical for the smallest of firms, firms that are larger can take advantage of equity financing. Implementation of the already-passed legislation for the Investment Finance Corporation would be an appropriate first step. Another method would be to assist entrepreneurs, who are sole proprietors, to organize as limited corporations and to issue shares themselves. One entrepreneur interviewed for the survey indicated he did this more as a means of marketing his products than as a source of capital.

5. Expansion of the Development Bank into commercial banking activities/closer relations with the commercial banks. Consistent with the concept of credit source diversification, a desirable variation of this would be either for the Development Bank of Western Samoa to diversify into commercial banking operations or for it to link with either the Bank of Western Samoa and/or the Pacific Commercial Bank so that commercial banking activities, could be enhanced for business development purposes. If the Development Bank were to expand into commercial operations, several purposes could be served. First, businesses that come to the Development Bank which would not normally have regular current accounts, would open such accounts because of the convenience of being able to deposit loan proceeds into a current account. Second, the Development Bank could earn more revenue with which to support the operating expenditures of the bank itself. Loans for overdraft purposes would yield a much higher revenue turnover.
Third, loan officers in the development section, when wanting to evaluate a client's credit worthiness and ability to handle credit, would have a ready source of information relative to cash flow, revenues, and expenditures of the client's business by looking at the client's current account. Although informal businesses would not flow all of their funds through a current account, clients could be advised to do so, with the incentive that their loans could be processed and approved more quickly. Yet a fourth purpose would be that the other two commercial banks, because of the increased competition from the Development Bank would be more amenable to serving small business loan needs than they are now.

If the suggestion for the commercialization of the Development Bank is not feasible, a second alternative would be a more formal link between the two commercial banks and the Development Bank. Specifically, this would include (1) a provision for trading account information among the three banks for lending purposes to small businesses, (2) a requirement that clients of the Development Bank also open current accounts at either of the commercial banks, and (3) a requirement that the commercial banks relax stringent lending standards for businesses that are in good standing with the Development Bank. As in the previous recommendation, the advantages of this would be the ability of the Development Bank to judge more objectively the performance of prospective loan clients, and it would be another means of involving the indigenous private business sector in contemporary business practices associated with modern management techniques. On the other hand, as this is only an alternative, disadvantages include (1) the logistics of day-to-day transactions of data between the banks would cause delays; (2) the commercial banks, although accepting the concept in principal, may hesitate in practice; (3) the Development Bank would lose a source of income by not being able to lend for overdraft purposes and by excluding clients who are merchants; and (4) accusations and the actual practice of monopolistic behavior on the part of the banks toward clients may result.

6. Lending ceiling. The Development Bank lends to small as well as large businesses. Single loans of upward to WS$400,000 have been disbursed to such large entities as Samoan Forestry Products and Western Samoa Breweries. Apart from whether these firms should be allowed to receive credit at all from the Development Bank, such large loans tend to make loan funds less available to smaller clients with smaller needs. It is therefore recommended that:

a) No single loan from the Development Bank to any one firm or individual should be any more than a single digit percentage (such as 5 percent) of the total funds available for lending to the commercial sector in any one year. No more than two such loans in any one year can be disbursed such that, say, 10 percent is the maximum that can be invested into two large loans.
b) For large loans (which, for example, exceed WS$50,000) to be considered by the Development Bank a certain percentage of loan syndication with other lending institutions should be required. For example, if a WS$200,000 loan is being reviewed by the Development Bank for use in the development of a food processing plant, one criterion would require that the prospective firm make its best efforts in securing a percentage of the funding requirement from another bank. This spreads risk for the Development Bank as well as leaves more funds available for other qualified businesses.

All of the six success factors contained in this section concerning capital are simply for the purpose of assuring that any viable new or ongoing indigenous business venture is assured of fair and equal access to the funding available for private sector investment. It is universally accepted, as well as strongly indicated in this survey of Western Samoan entrepreneurship, that the availability of and access to capital is one of the most crucial factors in whether a business will succeed or fail.

**Type of Business**

The survey of indigenous Western Samoan businesses focused on four different sectors of private business activity: manufacturing, defined as any business that produces and sells products by materially adding value; services, which do not produce products but rely primarily upon the skills of the entrepreneur to provide needed services to the community; merchants, defined as those firms that buy and sell goods without materially adding any value; and agribusinesses, which include such agricultural operations as farms, livestock operations (poultry, cattle, pigs, etc.), and fisheries. Initially, the survey team ignored the agribusiness sector until it was concluded that activity was formal enough to be on a scale with the other three business sectors.

Differences between the sectors were intensely analyzed for this report. Analysis covered not only the analysis of problems (refer to Table B-1, section 11 in Appendix B) but also the differences in characteristics (refer to Table A-3 in Appendix A), productivity per worker by sector (refer to Table A-1, section 6 in Appendix A), and survey statistics (refer to Table A-2, section 2 in Appendix A). In terms of the distribution among the four sectors of the 70 entrepreneurs interviewed, 29 percent were manufacturers, 43 percent were service-oriented firms, 17 percent were merchants, and 11 percent were agribusiness.

Support by government of the agribusiness sector in Western Samoa is greater than for any of the other three sectors. This support includes preferential policy treatment in government fiscal policies and in the lending policies of the Development Bank. The justification for this overwhelming support for agribusiness is that primary agricultural produce traditionally has provided Western Samoa with the major means of earning foreign exchange; it employs the most people; it uses the relatively fertile and abundant land; and historically and traditionally has been the political, social, and economic backbone of Western Samoan civilization even before European contact.
Such overwhelming support, however, tends to ignore other sectors of the economy the development of which would greatly enhance the diversity and performance of the entire country. Government is therefore advised to render a more equal balance of administrative, fiscal, and program assistance to all sectors so as to create greater productivity among all sectors. More equal development emphasis will help achieve the broad development goals of import substitution and export generation.

One measure that demonstrates the development potential is portrayed in section 6, Table A-1 in Appendix A. Although not indicative of how much investment is required to create these jobs, the highest rate of productivity per worker was in the manufacturing sector. According to the Fifth Development Plan, each worker in manufacturing contributes 2.72 times more to the gross domestic product (GDP) of the nation than the next highest sector, services. In terms of investment, this favorably compares to the fact that the average amount invested per manufacturing firm interviewed for this survey was WS$32,300 tala, whereas for services the investment was 1.5 times as much at WS$50,500 tala (refer to Table E-4 in Appendix E). Therefore, relative to the amount of investment, manufacturing has the highest, most investment efficient yield of GDP productivity of any of the other three sectors, services, merchants, and agrobusinesses. For workers, such productivity also translates into the potential for higher wages and higher living standards.

The analysis of problems relative to entrepreneurial characteristics, as shown in section 11, Table B-1 of Appendix B, further correlates favorably with the manufacturing sector’s high rate of productivity and investment efficiency by having the lowest score. As shown in Table C-2 in Appendix C, each of the 4 characteristics ranked in the order of their severity compared to the other 34 characteristics of entrepreneurship was as follows: merchants ranked first (i.e., out of any of the 36 characteristics analyzed for performance, the characteristic of being a merchant ranked the most likely to suffer poor performance); agrobusinesses ranked a distant second at 19th; services ranked 20th; and manufacturers ranked 34th out of 36.

According to the nine problems areas against which the four sectors were evaluated, the only problem areas where manufacturers were more adversely affected than any of the other three sectors was in capital access and availability, technical skill levels of the workers, the traditional culture, and transportation. One likely explanation of why manufacturers rated capital a greater problem is because the required level of investment is higher for manufacturing. The higher the requirement, the more likely capital access/acquisition is to be a problem. This problem naturally ranks higher for manufacturers than for services because many of the service firms interviewed were transportation operators. The earlier question of collateral is likely to be a key factor here in that transportation equipment is more marketable and more likely to be favored as collateral for a loan than would a manufacturer’s drilling press, or a baker’s oven. Therefore, manufacturers have a more difficult time acquiring capital.

Manufacturers felt that the technical skill levels of themselves and their workers were more of a problem to them than did the merchants and...
agribusinesses. This is understandable, given the technical training deficiencies already indicated in this report, plus the fact that the high technology manufacturers require workers who are more highly skilled than village shopkeepers and farmers.

The Samoan traditional culture ranked higher as a problem for manufacturers than it did for agribusiness because manufacturing is relatively new to Western Samoa and its capital requirements high; thus the understanding and cooperation that manufacturers require from government and society may not be enough to provide the political support necessary to make capital more accessible to manufacturers. The traditional fa'asamoa demands for ceremonial and prestige contributions directly conflict with the manufacturer's need for more capital.

Finally, that transportation scored higher as a problem for manufacturers than it did for service firms is skewed by the fact that well over half of the service firms were transportation-related. If more service firms interviewed had not been in transportation services, transportation as a problem to service firms might have been as great as if not greater than that for manufacturers.

Factors that will enhance the success of small businesses include:

1. **Merchants.** The magnitude to which problems affected the merchant sector, which includes for the most part rural trade stores, is the greatest compared to the other sectors. The most significant problem for the merchants was that of management skills. Given their predominantly rural location, plus the fact that not much skill is required to open a trade store, the overall background of the rural entrepreneur as a merchant is likely to be deficient in the areas of education and training. The essential skills are lacking to dynamically run the trade store and make it competitive with the many others in existence. Therefore, it is recommended that rural trade store owners and workers be targeted for special training and assistance in the improvement of their management skills. Specifically, this training would include accounting/bookkeeping (see Appendix F for a proper and simple bookkeeping format that most shopkeepers can follow), salesmanship, marketing, ordering and stocking inventory, advertising, and quality control.

The second most significant problem for merchants, according to survey results, was tradition and culture. The survey and background research have shown that entrepreneurship and running one's own business was and still is a great source of prestige for the entrepreneur manamalu (Pitt 1970, Davidson 1967, Lockwood 1971, and Barker 1982). With people in the rural areas who open a trade store, operating a business does not necessarily mean that one wants to earn money from it alone. The business is used to provide ceremonial and support the aiga, which then brings for a matai greater power, status, and prestige. The survey revealed high levels of trade debts owed to the small trade stores. Given that society and culture are slow to change, it is difficult to recommend improvements for a small trade store owner who is faced
with both traditional and business responsibilities. One way to alleviate the problem, though not completely, would be by making the stores limited corporations. In making the stores limited corporations, with shares of stock available for others outside of the aiga to buy, the entrepreneur will be able to resist villagers raiding his inventory by saying he would have to consult first with the other shareholders. This relieves somewhat the burden and responsibility of the individual small trade store entrepreneur from having to say no to credit requests from customers. The fact that a limited number of shares are sold, without the entrepreneur losing control of the firm, means that equity capital is provided as well as an incentive for others to see that the trade store succeeds.

The next most significant problem for the merchants was that of marketing. This is influenced by the fact that the locations of the merchants interviewed for this survey were rural. As rural areas usually have less cash-making opportunities than urban areas do, just a few trade stores directly competing against one another quickly saturate the market. One way to discourage too many trade stores from opening up in one area is to license them. A second way to regulate the number of trade stores in any one area is through the denial of loan capital. The Development Bank already does this by not lending to trade stores for operational purposes. The extent to which capital denial from the banks would reduce the number of trade stores is a function of how the trade store could acquire financing from either plantation operations and/or remittances from overseas. The extent though, to which, the banks either lend or do not lend to trade stores should be predicated on whether a trade store is serving the needs of economic development through the distribution of locally made import-substitute goods.

More than any of the other three sectors, transportation posed a large problem with merchants interviewed for the survey. Largely because of their rural location, such entrepreneurs must put up with infrequent and unreliable transportation service. It is therefore recommended that, as transportation operators are licensed, incentives such as higher fares or restrictions (e.g., only operating on rural routes) be mandated to encourage more frequent rural service.

A final note concerning merchants, especially rural oriented ones, is that they perform a vital service for the economic life of the country. Merchants will play an even greater role as new locally produced goods are available for distribution. They are also important in providing consumer goods to people in the rural areas who otherwise would have another incentive to relocate to the city because of a lack of goods in the rural areas. The trade store business, as indicated in the survey, is the enter and the most likely to fail. Yet, due to its important role, government is strongly urged to give equal policy, program, and capital support to trade stores (especially ones that market a high percentage of import substitutes) equal to that it would provide to any of the other three sectors.
2. **Agro-business.** The access to and availability of capital to agrobusiness entrepreneur interviewed for this survey was the greatest problem affecting agrobusiness performance. The fact that capital access and availability is a great problem for the agrobusiness entrepreneurs contradicts the more favorable lending treatment these firms receive from the Development Bank in concessions on interest rates and percentage of equity contributions. Even though the problem of tradition and culture was not significant, the fact that capital is the greatest problem for agrobusiness performance is likely to be a function of the agrobusiness entrepreneur not being able to retain enough earnings for operations and reinvestment while having to fund ceremonial and prestige activities. Most proceeds were used primarily for family upkeep and ceremonial purposes while only 18 percent was used for reinvestment. On the other hand, especially with fishermen, the need for capital is great. It is needed especially for the repair and replacement of boat engines and fishing gear as well as for the payment of labor. This report therefore recommends that management and advisory training and service be provided to agrobusiness entrepreneurs such that they are better able to budget, plan, and save for reinvestment the funds generated by their firms.

With respect to agrobusiness, such individuals, firms, and/or villages that operate within the agricultural sector should be regarded and treated as if farms, piggeries, poultry operations or fishery ventures were business ventures the same as small manufacturers, bus operators, and trade stores. The primary advantage of doing this will be to equalize the present seeming disparities of government policy and program treatment toward the other sectors in such areas as interest rates, subsidies, and taxation. Another advantage in organizing and identifying agricultural operations more as profit-making ventures in the same sense as businesses in the other sectors is that of monitoring and record keeping. Yet a third advantage will be the overall influence and effect on the population, especially the rural population, thinking of and being oriented toward entrepreneurship and modern commercial activity. If agrobusiness entrepreneurs think of their agricultural operations as profit-making business ventures, they are more likely to acquire the knowledge and know the importance of modern business management practices such as accounting, management, quality control, and marketing. The means of implementing such a recommendation include capital incentives through the financial lending institutions, with such incentives including more favorable lending consideration if an agricultural venture organizes into a corporation, cooperative, or association. Coupled with such incentives would be the acquisition and training of agricultural extension agents who could also work with agrobusiness entrepreneurs on how to more formally organize their agricultural operations into business entities. It is highly recommended that any extension or advisory service have government's political and resource commitment for it to be a quality, long-term service.
This recommendation fully recognizes the important role of programs that improve the yields of such basic crops as taro, coconuts, cocoa, bananas, and passion fruit. Such technical assistance provided to agriculture would be concurrent with agribusinesses' treatment by government as any other business in the other three sectors. This means that the three other sectors would be taxed and assessed interest rates and duties equally with organized farming, fishing, or livestock ventures. All sectors, in the eyes of government, the agencies that are to assist the sectors, and society, are each to be treated and provided for equally in accordance with the important economic development role of all four sectors.

3. Services. The main characteristics common among the various service entrepreneurs interviewed for the survey were that they required high degrees of technical skills, had significant problems with the government in the areas of regulations and program support, and deficiencies in management skills. Other than the measures already recommended in this report to improve the productivity of small businesses in Western Samoa in general, specific measures that government is advised to implement on behalf of the service industry include:

a) Regulatory enforcement. Transportation operators and building and electrical contractors noted the need for the government to enforce fines and other punitive measures against those individuals and firms that operate similar businesses in unlicensed capacities. Those who are unlicensed are able to get around the costly obligations and responsibilities of testing, higher tax payments, and conforming to Development Bank lending policies. Such unlicensed firms or individuals, as was claimed by those interviewed for the survey, are thus able to compete unfairly against those firms and individuals who are licensed.

b) Training. Almost all of the businesses in this sector, whose work and skills are of a highly technical nature, require personnel who are well trained in such skills as mechanics, panel beating, electronics, printing, serving in restaurants or hotels, and teaching typing skills. It is recommended that government, as already stated, improve Western Samoa's capability in the area of technical training within the country.

4. Manufacturing. As already indicated from the analysis of survey results, manufacturing firms have the greatest potential to improve productivity and to yield greater returns as a result of increased investment and relaxed government fiscal measures. Given this sector's sensitivity to taxes and tariffs, a careful and thorough analysis needs to be undertaken relative to the increased productivity and income tax receipt yields that would be
generated by a relaxation of fiscal measures. The recommended measures specifically include:

a) **Enterprise Incentives Act of 1984.** This act, having been amended several times, remains from the viewpoint of many of the business people interviewed for the survey problematical. The approval process is unwieldy and, once approved, still requires that a business pay taxes first and receive rebates later. In addition, no provision is made for the exclusion of duties. Specifically, it is recommended that government strengthen this act by eliminating cabinet level reviews of all business applications.

Approval ceilings should be established for both director and incentives board. Reasonable ceilings might include approval at the director's level of tax exclusions or rebates that are projected not to exceed WS$50,000 per annum. If projected to exceed WS$50,000 but no more than WS$100,000, board approval would then be required. Any projected exclusion exceeding WS$100,000 per annum would then have to be reviewed by the cabinet which would greatly reduce the time period that entrepreneurs would have to wait for approval.

It is recommended that businesses approved under the act be excluded from having to pay any of the taxes or duties altogether and from waiting for a rebate. Authorized documentation representing an approved exclusion period and features should be all that is needed to show to customs officials and others so as not to have to pay. Approved businesses thus would have more capital available for investment.

Provision is also recommended to exclude certain manufacturing enterprises from having to pay import duties. With the benefit of being excluded from paying duties on certain raw materials, provisions could be made whereby a manufacturer must prove that raw materials imported and excluded from duty are used only to produce normal business products and that more than 50 percent is value added to the imported materials.

In essence, this report recommends a basic rewriting and strengthening of the Enterprise Incentives Act of 1984 (as amended). By giving more approval authority to the director and the board, by granting exclusions rather than rebates, and by excluding certain businesses from having to pay full import duties, business activity, especially manufacturing, is likely to increase. With an increase in business activity, the government will gain more revenue.

b) **Technical training.** As a sector like services, manufacturers require individuals with skills that are of a highly technical nature. It is therefore not surprising that manufacturers perceived technical skill levels among their workers as almost as serious a problem as seen among service industry people.
Specific areas where training is needed and recommended as the survey indicated, include carpentry, baking, heavy equipment handling and maintenance, welding, butchering, food processing (chips, juices), tailoring, and beverage making. The Technical Training Institute can provide most courses in the areas of carpentry and mechanical work; however, this needs to be combined with apprenticing in established public and private firms.

c) Advisory/extension service. An indication of the lack of management sophistication of the manufacturers interviewed for this survey is contained in section I.d., Table A-3 in Appendix A. To the extent that an entrepreneur's ability to maintain financial records for the firm indicates managerial skill levels, 62 percent of the manufacturers interviewed kept either poor or no financial records. To the extent this is a direct indicator of managerial ability, over half of the manufacturers interviewed for the survey require extensive managerial assistance. In addition to the recommended formal management training courses, workshops, and seminars, business advising/consulting is critically needed. Specific areas where advisory assistance would be beneficial are in accounting, preparing loan proposals for presentation to the appropriate financial institutions, production methods, marketing, advertising, and advocacy in dealing with government agencies. A key role for advisory service would be to encourage entrepreneurs in all of the sectors to formally associate. By formally associating with one another, economies of scale can be derived through bulk purchasing, identifying overseas export markets, or jointly using centralized market facilities while individual firms maintain their independence and confidentiality.

A second service that an extension/advisory agency could provide is that of assisting entrepreneurs (manufacturers especially) to apply for development lending assistance. Such applications would be in the form of proposals to the various financial institutions in Western Samoa. These proposals would contain valuable and decisive information such as market potential, net present value/internal rates of return, management potential of the entrepreneurs concerned, projected cash inflows and outflows, and the projection of other financial statements that will give the lending institutions a clearer perspective as to whether or not they will fund a given project.

A third service that an extension/advisory agency could provide is advocacy to government and other agencies on behalf of small businesses. Entrepreneurs, especially those who are tradition oriented and less well educated do not know how to approach appropriate Western Samoan institutions with respect to their businesses' various official needs. An example would be application to government for incentives under the Enterprise Incentives Act.
It is recommended that such an extension/advisory agency for small business not be attached closely to any institution. Autonomy, especially from government, is needed so that entrepreneurs will have confidence that their concerns are being fully addressed without prejudice and that the staff of the agency, who deal directly with the small business entrepreneurs, are objective in evaluations for loans and advocacy for assistance.
CHAPTER 7. RECOMMENDATIONS AND CONCLUSION

The survey of 70 Samoan small business entrepreneurs, 26 institutional officials, and the analysis and research of the resulting data indicate many problems as well as many opportunities for indigenous Samoan entrepreneurship. Traditional and contemporary Western economic theorists generally conclude that a society and government such as Western Samoa's is not predisposed nor has the potential to create private enterprise participation within the indigenous population. This report concludes, however, that indigenous Samoan entrepreneurship is alive and well and that it needs direct, positive encouragement and assistance to reach its potential.

If indigenous entrepreneurship is to be encouraged and assisted in Western Samoa, however, problems must be dealt with and new policies and programs must be implemented to capitalize upon the many factors of success identified in the previous chapters. This endeavor will have to be accomplished in a spirit of team work and cooperation between the government and the private sector. In the order of their severity, problems categorized as seriously impeding indigenous business development in Western Samoa include government fiscal and monetary problems, poor managerial skill levels among the indigenous Samoan entrepreneurs, lack of access to capital (both loan and equity), poor technical skills among entrepreneurs and workers in manufacturing and technical services, inadequate means to market products and services, tradition and culture, competition (foreign and domestic), supplies of spare parts and raw materials, and local transportation. This problem evaluation was done very objectively according to the numerical analysis employed in Appendices B and C.

The intent and means to solve the problems and make indigenous Samoan businesses more productive were termed, in the previous chapter, factors that contribute to entrepreneurial success. As recommendations to government to guide it in formulating policies and programs, they were derived by numerically analyzing problems against 36 entrepreneurial characteristics identified as significantly affecting Samoan entrepreneurship. These recommendations include:

1. **Overseas experience/exposure**: Results of the survey strongly indicated that those entrepreneurs who had received training and work experience overseas over long periods of time were considerably more successful than those entrepreneurs with either limited or no overseas exposure. Specific recommendations for government to capitalize on those factors that enhance entrepreneurial success through overseas experience include:

   a) Visits by Samoan entrepreneurs to select overseas business locations.

   b) Selective sponsorship of Samoan entrepreneurs to receive managerial and technical training overseas.
c) Fiscal incentives to lure overseas Samoans back to Western Samoa.

2. Island location: Although Western Samoa, compared to other Pacific island entities, is geographically compact, significant disparities exist among entrepreneurs operating their businesses in rural areas and those in the urban areas. The survey strongly indicated that entrepreneurs located in the main Apia urban area are the most likely to succeed with business ventures. Specific measures that government can implement to encourage more equal business development both in rural and urban areas include:

a) Revision and enforcement of government-imposed price controls. Revisions would include allowing wider margins for profit to compensate entrepreneurs for increased transportation and ordering costs. In terms of enforcement, entrepreneurs need assurances that they are not being charged prices in excess of those legally mandated.

b) Clearer demarkation between wholesale and retail. Retailers, during times of both natural and artificial shortages, need assurances that they will not be charged retail prices for wholesale goods.

c) Government, having significant purchasing power, should do more procurement and contracting through indigenous Samoan entrepreneurs. For rurally located projects or purchases, preference for Samoan entrepreneurs so located is recommended.

d) Incentives: General and specific infrastructural, fiscal, and programmatic incentives are recommended for appropriately skilled Samoan entrepreneurs to locate their businesses in rural areas. Infrastructural improvements could include improved roads and electric service. Fiscal and monetary incentives could include tax concessions/holidays and reduced interest rates for selected entrepreneurs to locate in strategic rural areas. Programmatic incentives include the strengthening of professional financial service and management advisory capabilities in the rural areas.

3. Level of formal education: A not too surprising conclusion from the survey was that the higher the formal educational status of entrepreneurs, the more likely they are to succeed in business in Western Samoa. Improvements to education are investments with very positive social and economic dividends. A specific recommendation for government to follow with respect to education and entrepreneurship is:

a) Curricula changes at all formal levels of education offered in Western Samoa are encouraged with an increased orientation toward private entrepreneurship. School children can practice actually running their own money-making businesses while students at the higher levels should be offered specific courses in general business, bookkeeping, and economics.
4. **Religion**: The effect religion has on Samoan entrepreneurship is pervasive. Entrepreneurs, according to the survey, who are members of one church appear to be more successful than entrepreneurs who are members of other churches. Government, to the extent that it is willing, could encourage the churches to:

   a) Promote indigenous business development by flowing church capital through such institutions as the Development Bank; funds will then be on-lent to small businesses.

   b) Fund technical training programs in skills needed most by Samoan businesses.

5. **Technical training**: The survey indicated that a direct correlation exists between the level of technical training entrepreneurs have received and how well their businesses succeed. It is recommended that government, with respect to technical training:

   a) Provide regular technical expert visits from overseas. Such technical experts, experienced in fields where productivity is critical, can conduct short-term workshops with selected groups of indigenous Samoan entrepreneurs and their workers.

   b) Strengthen licensing procedures so that only technically qualified Samoan entrepreneurs are able to practice and do business with the skills they are trained in.

   c) Provide incentives such as fiscal and monetary, to encourage Samoans who might have skills and are otherwise unemployed or working in the public sector to start their own businesses.

6. **Length of time in business**: According to the survey, those entrepreneurs who had been in business from three to four years were the most likely to succeed in business. This means that both entrepreneurs who had been in business both for shorter and longer periods suffered poorer business performance. Specific measures government can to take to improve the performance levels of all entrepreneurs include:

   a) Provide continuing education and training in management and technical skills to entrepreneurs regardless of how many years they have been in business.

   b) Provide for visits overseas by Samoan entrepreneurs who have been in business five years or more.

   c) Increase the amounts of capital to be invested into new products or service lines offered by entrepreneurs whose businesses have been in existence for relatively long periods of time.
7. **Samoan traditional status:** According to the survey, entrepreneurs who were not of matai traditional status performed better than those who were matai. Regardless of traditional status, those entrepreneurs who felt that culture and tradition were not problems were able to successfully use their businesses' advantage aspects of the traditional system to improve performance. Therefore, it is recommended that government specifically:

a) Provide management training opportunities for Samoan entrepreneurs so that entrepreneurs are able to utilize those aspects of the traditional matai system to their businesses' advantage.

b) Strengthen provisions in the law that render lease agreements more secure so that entrepreneurs can use the lease agreements as loan collateral.

8. **Ethnicity:** Sharp differences in business performance were revealed in the survey according to whether entrepreneurs were pure Samoan, part-Chinese/Samoan, or part-European/Samoan. To narrow the differences in performance levels of entrepreneurs regardless of ethnicity, it is recommended that government:

a) Develop and sanction local consultancies of Western Samoan entrepreneurs who are retired or are otherwise idle. Entrepreneurs who have had years of experience could provide workshops or ongoing individual consultations with potential or newly established entrepreneurs who are struggling to succeed.

b) Form peer associations or cooperatives where entrepreneurs regularly meet and mix despite ethnic differences. These association could include fishermen, plumbers, or carpenters.

9. **Years of work experience before business commenced:** No direct correlation from the survey could be derived between the amount of previous work experience an entrepreneur had and the success of the business. Much depends on the relevancy of that work experience to the business at hand. One clear trend was that the more work experience a person had prior to starting a business, the more managerially adept that person was. Specific areas of recommendation that the government may consider include:

a) Encouraging (e.g. through fiscal and monetary incentives) those who have years of work experience with large private or public sector agencies to go into business for themselves. As indicated from the survey, it is likely that those with more than eight years of prior work experience will be very adept at managing the business at hand.

b) Encouraging those with many years of previous work experience, who do not wish to start their own business, to join government-sponsored small business consultancy/management...
advisory programs. Their years of experience will assist new and struggling entrepreneurs to succeed.

10. **Initial investment in business**: The adequate provision of both working and development capital is one of the most crucial factors in whether a business is to survive or fail. The world's most innovative and successful entrepreneur cannot operate without capital. According to the survey, the question of capital was regarded by the entrepreneurs surveyed as the third most serious problem affecting their businesses. According to government development plans and budget documents, the pool of capital is sufficient to meet the average business needs. It is recommended that government, especially:

a) Encourage and facilitate the diversification of sources for business loans, including syndicated loans. The majority of businesses presently go to the Development Bank despite the fact that two commercial banks are operating in the country.

b) Streamline the procedures and approval process at the Development Bank for loans.

c) Reduce the interest rates charged to industrial loan clients of the Development Bank.

d) Facilitate the provision and investment of equity as well as loan capital.

e) Allow the Development Bank to go into commercial bank operations.

f) Only loan small percentages of the Development Bank's capital to any one loan client.

11. **Type of business**: In terms of the objective problem analysis contained in Appendices B and C, broad disparities exist among the four sectors of services, manufacturers, agribusinesses, and merchants. Specific recommendations for each sector that government can consider include:

a) Merchants are especially deficient in overall managerial abilities. Intensive training in such fields as inventory and financial management are essential for merchants to operate more effectively.

b) Because they are more tradition oriented, agribusiness entrepreneurs especially require intensive training in financial management. For fiscal and monetary purposes, agribusinesses need to be regarded by the government as just any other business activity; the unfair favoritism in income tax and interest rate differentials needs to be eliminated.

c) Service firm entrepreneurs, who for the most part have high technical skills, require government to diligently and
carefully screen others who may advertise bogus professional credentials.

d) Fiscal and monetary incentives are critical for the most productive sector, manufacturing. Government should sacrifice short-term revenue gain by charging manufacturers full tax and interest rates for long-term gains derived from granting manufacturers short-term concessions. It is highly recommended that the Enterprise Incentives Act of 1984 be rewritten with new language to grant more generous, long-term interest rate and tax incentives to export-generating, import-substituting manufacturers.
APPENDIX A
DIMENSIONS OF THE SURVEY

The following three tables, A-1, A-2, and A-3, outline in numerical fashion the various features and characteristics of the 70 business firms surveyed and the general statistics acquired from the Western Samoa Department of Statistics. The department's information is, to a great extent, based upon data gathered from the last census done in the country in 1981.

Table A-1 features general statistical information on characteristics of the country as a whole. Information that could be readily acquired and was relevant for comparative purposes to the data from the survey are tabulated.

Table A-2 is a list of 24 of those characteristics responded to by the firms surveyed. These are considered by the survey team as most relevant in terms of characterizing and profiling the 70 firms which were surveyed. This information is useful for careful readers and analysts in determining the degree to which the survey is representative of all Western Samoan commercial and business activity. The data from Table A-1 should be compared, especially regionally and ethnically, to the comparable items in Table A-2.

Table A-3, which is an extension of Table A-2, summarizes in greater detail responses which compare the four business sectors surveyed (manufacturing, services, merchant, and agrobusiness). Comparisons are made relative to the entrepreneurs' religion, ethnicity, alternate business activities, whether they keep financial records, average number of employees per firm surveyed, and the percentage of the total number of employees for each of the four sectors surveyed relative to the totals for each in the country.
TABLE A-1

GENERAL STATISTICS OF WESTERN SAMOA RELEVANT TO THE SURVEY
FOR COMPARATIVE PURPOSES

1. Religion
   a. Congregational Christian Church of Samoa (CCCS) 47%
   b. Catholic 22%
   c. Latter Day Saints (Mormons) 9%
   d. Methodists and others 22%

Source: Government of Western Samoa, 1981 Census.

2. Ethnicity
   a. Full Samoan 89%
   b. Samoan/Chinese 1%
   c. Samoan/European 10%


3. Literacy
   a. Samoan 90%
   b. English 50%


4. Population
   a. Total (1985, projected) 159,488
   b. Vitals (1976)
      i. Births per 1,000 37
      ii. Deaths per 1,000 7
      iii. Infant deaths per 1,000 40
      iv. Life expectancy 61 years
      v. Physicians per 10,000 3.5
      vi. Dependency ratio (ages under 15 and over 60 to persons between 15 to 60) 1.12

Source: Department of Statistics, Government of Western Samoa.

c. Distribution
   i. Rural villages (numbering 300) 67%
   ii. Apia township 33%


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Table A-1 (contd.)

5. **Key economic indicators** (in WS tala; 1 tala = US$0.50)
   b. GDP per capita (1983) $590
   c. Distribution of GDP by sector (1983)
      i. Agrobusiness (inclusive of agriculture, fishery and forestry) $13,313 mil (15.6%)
      ii. Manufacturing $6,373 mil (7.4%)
      iii. Services (inclusive of electricity, construction, hotels, transport, finance, insurance and real estate) $15,400 mil (18%)
      iv. Merchandising $3,640 mil (4.3%)
      v. Others (primarily including subsistence agriculture, public administration, community services and international organizations) $46,679 mil (54.7%)
   d. Inflation rate (1983) 20%
   e. Balance of payments (1983)
      i. Trade balance -$52,900 mil
      ii. Current balance -$22,000 mil
   f. Private transfers (i.e., foreign remittances) $31,500 mil

**Source:** Ibid.

6. **Productivity per worker by sector** (GDP by sector divided by the number of workers in each sector)
   a. Agrobusiness (inclusive of subsistence sector, agriculture, fishery and forestry) $1,642/worker
   b. Manufacturing $8,418/worker
   c. Services (as defined in 5.c.iii. above) $3,092/worker
   d. Merchandising $2,574/worker

**Source:** Ibid.

Table A-1 (contd.)
7. **Percentage distribution of population under matai and not under matai**
   
   a. Under matai 148,154 (94.8%)
   b. Not under matai 6,877 (5.2%)
   
   **Source**: Department of Statistics, Government of Western Samoa

8. **Level of educational achievement**
   
   a. Achieved upper secondary 40%
   b. Achieved post secondary 2%
   

9. **Percentage distribution of economically active population 10 and over**

<table>
<thead>
<tr>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Agriculture, forestry, and industry 68 16</td>
<td></td>
</tr>
<tr>
<td>b. Manufacturing and construction 8 6</td>
<td></td>
</tr>
<tr>
<td>c. Electric, gas, and water 1 1</td>
<td></td>
</tr>
<tr>
<td>d. Commerce (wholesale and retail) 3 14</td>
<td></td>
</tr>
<tr>
<td>e. Transport and communication 3 2</td>
<td></td>
</tr>
<tr>
<td>f. Finance, insurance, real estate, and business services 3 7</td>
<td></td>
</tr>
<tr>
<td>g. Social and personal services 14 54</td>
<td></td>
</tr>
</tbody>
</table>

   **Source**: Department of Statistics, Government of Western Samoa

10. **Dependency ratio: persons below age 15 and 65 and over to those aged 15 to 64**

    |------|------|------|
    | 1.13 | 1.05 | 0.90 |

   **Source**: Department of Statistics, Government of Western Samoa.
### TABLE A-2

**SURVEY STATISTICS**

1. **Total number of business firms surveyed:** 70

2. **Types of businesses surveyed:**

   **i. Manufacturers:**
   - a. Furniture makers: 5
   - b. Bakeries: 3
   - c. Copra driers: 3
   - d. Soft drink makers: 1
   - e. Tailors/seamstresses: 1
   - f. Artisans/handicrafters: 1
   - g. Banana/taro/breadfruit chip maker: 1
   - h. Butchery: 1
   - i. Timber processing: 1
   - j. Upholsterer/foam mattress maker: 1
   - k. Axe handle maker: 1
   - l. Water tank maker: 1

   **ii. Services**
   - a. Bus owners/operators: 7
   - b. Trucking services: 4
   - c. Mechanical workshops: 4
   - d. Hotel/tourist accommodations: 4
   - e. Restaurants/foodstalls: 3
   - f. Typing school: 1
   - g. Newspaper: 1
   - h. Electronics repair: 1
   - i. Real estate broker: 1
   - j. Ferry service interisland: 1
   - k. Building contractor: 1
   - l. Electrician: 1
   - m. Taxi operator: 1

   **iii. Merchants**
   - a. Small trade stores: 11
   - b. Import/export wholesaler: 1

   **iv. Agrobusiness/fisheries**
   - a. Fishermen: 5
   - b. Farmer/taro exporter: 1
   - c. Poultry/piggery: 2
Table A-2 (contd.)

3. **Business locations**
   i. Urban (Apia) 24 (34%)
   ii. Peri-urban 11 (16%)
   iii. Rural 35 (50%)

4. **Ethnicity**
   i. "Full" Samoan 43 (61%)
   ii. Part Samoan/part European 19 (27%)
   iii. Part Samoan/part Chinese 7 (10%)
   iv. Full European 1 (27%)

5. **Size of the firm in terms of**
   i. Employment
      a. Employing from 1 to 3 29 (41%)
      b. Employing from 4 to 7 20 (29%)
      c. Employing from 8 and over 21 (30%)
   ii. Annual turnover (in WS tala; WS $2.00 = US $1.00)
      a. From zero to $5,000 8 (11%)
      b. $5,001 to $25,000 24 (34%)
      c. $25,001 to $50,000 18 (26%)
      d. $50,001 to $100,000 5 (7%)
      e. $100,001 and over 15

   **Note:** Three (3) firms surveyed had annual turnovers in excess of WS $200,000.

6. **Problems as perceived by those interviewed**
   i. Capital adequacy and access
      a. Significant 30 (43%)
      b. Moderate 30 (43%)
      c. Not a problem/not applicable 10 (14%)
   ii. Lack of business management training and skills
      a. Significant 33 (47%)
      b. Moderate 26 (37%)
      c. Not a problem/not applicable 11 (16%)

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East-West Center
### Table A-2 (contd.)

#### iii. Competition
- **a. Significant** 20 (29%)
- **b. Moderate** 17 (24%)
- **c. Not a problem/not applicable** 33 (47%)

#### iv. Transportation
- **a. Significant** 19 (27%)
- **b. Moderate** 12 (17%)
- **c. Not a problem/not applicable** 39 (56%)

#### v. Government help, or lack thereof
- **a. Significant** 35 (50%)
- **b. Moderate** 25 (36%)
- **c. Not a problem/not applicable** 10 (14%)

#### vi. Social customs, traditions and pressures
- **a. Significant** 26 (37%)
- **b. Moderate** 11 (16%)
- **c. Not a problem/not applicable** 33 (47%)

#### vii. Skill levels of the owner/workers
- **a. Significant** 30 (43%)
- **b. Moderate** 15 (21%)
- **c. Not a problem/not applicable** 25 (36%)

#### viii. Market factors
- **a. Significant** 25 (36%)
- **b. Moderate** 25 (36%)
- **c. Not a problem/not applicable** 20 (28%)

#### ix. Other problems perceived by those interviewed, listed in the order of their frequency of occurrence:
- **a. Inability to obtain the right number and/or quality of supplies** 9
- **b. Excess receivables/nonpayment for goods sold or services rendered** 8
- **c. Theft and other security problems** 4
- **d. Personal problems (divorce, death, illness)** 4
Table A-2 (contd.)

| e. Inability to own land or secure a lease to land due to traditional land-holding customs | 3 |
| f. Owner overburdened with business or personal debt | 3 |
| g. Fines; hassles with the police | 2 |
| h. Business too close to home | 1 |
| i. Special problems: the grounding of South Pacific Islands Airways (SPIA) | 1 |

7. **Form of organization**
   - i. Sole proprietorships | 79% |
   - ii. Limited, registered corporations | 17% |
   - iii. Partnerships | 4% |

8. **Length of ownership**
   - i. 0-2 years | 24% |
   - ii. 3-4 years | 22% |
   - iii. 5-10 years | 26% |
   - iv. 10-20 years | 24% |
   - v. 20+ years | 4% |

9. **How the capital to start the business was acquired**
   - i. 100% self-financing | 56% |
   - ii. 100% bank financing | 9% |
   - iii. Combination: majority self-financed | 7% |
   - iv. Combination: majority outside finance | 20% |
   - v. 50/50 | 8% |

10. **Original investment values** (W$ tala $2 = US$1)
    - i. $0 to $1,000 | 36% |
    - ii. $1,001 to $5,000 | 30% |
    - iii. $5,001 to $10,000 | 10% |
    - iv. $10,001 to $20,000 | 14% |
    - v. $20,001 to $50,000 | 7% |
    - vi. $50,001 and up | 3% |
Table A-2 (contd.)

11. **Amounts spent cumulatively on subsequent expansions**  
   (WS tala $2 = US$1.00)
   
   i. $0 to $1,000 23%
   ii. $1,000 to $5,000 20%
   iii. $5,001 to $10,000 14%
   iv. $10,001 to $20,000 11%
   v. $20,001 to $50,000 20%
   vi. $50,001 and up 12%

12. **Primary reasons for going into business**
   
   i. Economic security 33%
   ii. Demand for product or service 27%
   iii. Family tradition/past experience 17%
   iv. Support of another venture/diversify 10%
   v. Independence 10%
   vi. Personal enjoyment and pleasure 3%

13. **Age of owners** (youngest is 26 and the oldest is 70)
   
   i. 26 to 35 years of age 23%
   ii. 36 to 50 49%
   iii. 51 to 65 24%
   iv. 66+ 4%

14. **Marital status**
   
   i. Married 89%
   ii. Single 4%
   iii. Widowed/divorced 7%

15. **Traditional status**
   
   i. Matai 63%
   ii. No title 37%

16. **Level of formal education**
   
   i. Grammar school only 19%
   ii. Some high school 59%
   iii. High school graduation and up 22%
<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>17. Years of work experience relevant to business</td>
<td></td>
</tr>
<tr>
<td>i. 0 to 1 year</td>
<td>47%</td>
</tr>
<tr>
<td>ii. 2 to 3 years</td>
<td>14%</td>
</tr>
<tr>
<td>iii. 4 to 5 years</td>
<td>9%</td>
</tr>
<tr>
<td>iv. 6 to 10 years</td>
<td>7%</td>
</tr>
<tr>
<td>v. 11 years-plus</td>
<td>23%</td>
</tr>
<tr>
<td>18. Relevant technical training</td>
<td></td>
</tr>
<tr>
<td>i. Yes</td>
<td>43%</td>
</tr>
<tr>
<td>ii. No</td>
<td>57%</td>
</tr>
<tr>
<td>19. Overseas exposure</td>
<td></td>
</tr>
<tr>
<td>i. None</td>
<td>13%</td>
</tr>
<tr>
<td>ii. Limited; holidays</td>
<td>30%</td>
</tr>
<tr>
<td>iii. Extensive; work, training or education</td>
<td>57%</td>
</tr>
<tr>
<td>20. Family backgrounds</td>
<td></td>
</tr>
<tr>
<td>i. Parents or other close relatives were in the same kind of business</td>
<td>24%</td>
</tr>
<tr>
<td>ii. Parents were farmers</td>
<td>50%</td>
</tr>
<tr>
<td>iii. Parents had another kind of business</td>
<td>19%</td>
</tr>
<tr>
<td>iv. Parents worked for government or church</td>
<td>7%</td>
</tr>
<tr>
<td>21. Sex of prime owner</td>
<td></td>
</tr>
<tr>
<td>i. Male</td>
<td>81%</td>
</tr>
<tr>
<td>ii. Female</td>
<td>19%</td>
</tr>
<tr>
<td>22. Family size, average</td>
<td>9.23</td>
</tr>
<tr>
<td>23. Religion</td>
<td></td>
</tr>
<tr>
<td>i. Congregational Christian Church of Samoa</td>
<td>43%</td>
</tr>
<tr>
<td>ii. Catholic</td>
<td>23%</td>
</tr>
<tr>
<td>iii. Latter-day Saints (Mormons)</td>
<td>10%</td>
</tr>
<tr>
<td>iv. Other</td>
<td>24%</td>
</tr>
</tbody>
</table>
Table A-2 (contd.)

24. **Alternate business activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Plantations</td>
<td>24</td>
<td>(24%)</td>
</tr>
<tr>
<td>ii. Trade stores</td>
<td>16</td>
<td>(23%)</td>
</tr>
<tr>
<td>iii. Other</td>
<td>16</td>
<td>(23%)</td>
</tr>
<tr>
<td>iv. No other activity</td>
<td>25</td>
<td>(36%)</td>
</tr>
</tbody>
</table>

*Some firms had more than one alternate business; therefore, total percentage is more than 100% and the total number of firms is greater than the 70 surveyed.*
TABLE A-3
STATISTICS OF THE SURVEY BY SECTOR

1. Manufacturing
   a. Religious affiliation
      1. Congregational Christian Church of Samoa (CCS)  9 (43%)
      2. Catholic 6 (29%)
      3. LDS (Mormons) 3 (14%)
      4. Others (SDA, Methodist) 3 (14%)
   b. Ethnicity of owners
      1. Full Samoan 9 (43%)
      2. Samoan/Chinese 4 (19%)
      3. Samoan/European 8 (38%)
   c. Alternate business activities
      1. Plantations 7 (33%)
      2. Trade store 5 (24%)
      3. Other 4 (19%)
      4. No other business activity 8 (38%)
   d. Financial records
      1. Good (double entry accountant assistance, ledgers) 8 (38%)
      2. Rudimentary 7 (33%)
      3. None 6 (29%)

Average number of employees: 9.5/firm

Out of 757 persons listed by the Western Samoa Department of Statistics as employed in manufacturing, 197, or 26 percent, are employed by the 21 manufacturing firms surveyed.

2. Services
   a. Religious affiliation
      1. Congregational Christian Church of Samoa 12 (38%)
      2. Catholic 7 (25%)
      3. LDS (Mormons) 3 (9%)
Table A-3 (contd.)

b. Ethnicity of owners

1. Full Samoan 23 (56%)
2. Samoan/Chinese 4 (13%)
3. Samoan/European 10 (31%)

c. Alternate business activity*

1. Plantations 8 (25%)
2. Trade store 10 (31%)
3. Transport 4 (13%)
4. Employed by government 2 (6%)
5. No other activity 13 (41%)

d. Financial records

1. Good (double-entry, accountant-assisted) 12 (38%)
2. Rudimentary 15 (47%)
3. None 5 (15%)

Average number of employees: 5.7

*Some firms had more than one alternate business; therefore, total percentage is more than 100 percent.

Out of the 4,980 persons listed by the Western Samoa Department of Statistics as employed in services, 185, or 3.7 percent, are employed by the 31 service firms surveyed.

3. Merchants and Agrobusinesses

a. Religious affiliation

<table>
<thead>
<tr>
<th></th>
<th>Merch.</th>
<th>Agro.</th>
</tr>
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<tbody>
<tr>
<td>1. Christian Congregation Church of Samoa (CCCS)</td>
<td>6 (55%)</td>
<td>3 (33%)</td>
</tr>
<tr>
<td>2. Catholic</td>
<td>2 (18%)</td>
<td>1 (11%)</td>
</tr>
<tr>
<td>3. LDS (Mormons)</td>
<td>1 (9%)</td>
<td>0</td>
</tr>
<tr>
<td>4. Other (including Methodists)</td>
<td>2 (18%)</td>
<td>5 (56%)</td>
</tr>
</tbody>
</table>

b. Ethnicity of owners

<table>
<thead>
<tr>
<th></th>
<th>Merch.</th>
<th>Agro.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Full Samoan</td>
<td>10 (9%)</td>
<td>8 (89%)</td>
</tr>
<tr>
<td>2. Samoan/Chinese</td>
<td>0</td>
<td>1 (11%)</td>
</tr>
<tr>
<td>3. Samoan/European</td>
<td>1 (9%)</td>
<td>0</td>
</tr>
</tbody>
</table>
Table A-3 (contd.)

c. **Alternate business activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Plantation (other than fishing or poultry for agrobusinesses)</td>
<td>6</td>
<td>5%</td>
</tr>
<tr>
<td>2. Trade store</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>3. Transport</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>4. Employed government or business</td>
<td>2</td>
<td>18%</td>
</tr>
<tr>
<td>5. Other</td>
<td>3</td>
<td>27%</td>
</tr>
<tr>
<td>6. No other business activities</td>
<td>3</td>
<td>33%</td>
</tr>
</tbody>
</table>

*Some firms had more than one alternate business; therefore, total percentage is more than 100 percent.

d. **Financial records**

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Good (double-entry, or accountant-assisted)</td>
<td>2</td>
<td>20%</td>
</tr>
<tr>
<td>2. Rudimentary (single-entry)</td>
<td>1</td>
<td>9%</td>
</tr>
<tr>
<td>3. None</td>
<td>7</td>
<td>64%</td>
</tr>
</tbody>
</table>

**Average number of employees:**

- Merchandising 2.4/firm
- Agrobusiness 8.3/firm

Out of 1,414 persons listed by the Western Samoa Department of Statistics as employed in merchandising and 25,050 listed as employed in agrobusiness, 29, or 2 percent, are employed by the 11 merchandising firms surveyed, and 75, or 36 percent, are employed by the nine agrobusiness firms surveyed.
APPENDIX B
PROBLEM EVALUATION

Table B-1 lists in numerical form a partial evaluation of the survey results. The table relates how problems either affect, are affected by, or relate to various features and characteristics of entrepreneurship, and ultimately to business performance. The purpose of the evaluation, which is elaborated in greater detail in the body of this report, is to determine the factors which are most likely to affect the degree to which firms are faced with problems and have their performance affected. It is cautioned here that the limited sample size of 70 firms is too small to be definitive especially when it is divided into various categories. The survey cannot be termed as statistically representative of all Western Samoan commercial activity. Findings and trends identified are only conclusive in terms of the firms surveyed alone, and not of the Western Samoan business community in general.

The evaluation of problems was done in a numerical fashion so as to indicate the relative influence problems had in relation to features of Western Samoa entrepreneurship. Nine of what were determined to be the most significant problems affecting business effectiveness include:

a) **Government**: To what degree does government's concern, or lack thereof, for business development affect indigenous business performance and development? This includes fiscal measures, programs, policies, regulations, procedures and laws.

b) **Capital**: To what extent is capital availability and access affected or is determined by various entrepreneurial characteristics?

c) **Management skills**: To what extent does the insufficiency of managerial skills on the part of the entrepreneur relate to performance and characteristics?

d) **Marketing**: How do the problems of market size, access, share and competition relate to entrepreneurial characteristics and business performance?

e) **Technical skills**: How does the level of technical skills both on the part of both the entrepreneur and workers relate to the degree problems affect businesses?

f) **Traditions**: How do traditional status and customary obligations affect or how are they affected by business characteristics and performance?

g) **Competition**: Which features of Samoan entrepreneurship are affected, to a greater or lesser degree, by competition, both domestic and foreign?
h) **Transportation:** How does transportation, or the lack of it, affect business performance?

i) **Supply:** Has the lack of spare parts, goods, materials, and so on affected business performance?

Although not comprehensive, the foregoing indicates which characteristics of entrepreneurship, and of the entrepreneurs themselves, are affected by or affect the degree to which problems are perceived as affecting business performance overall.

The numerical values were applied in terms of weighing factors applied according to the relative severity of a problem. Weighing factors were applied as follows:

- **Severe/Significant:** If for any given business a problem is regarded as threatening the very existence of the business itself a weighing factor of 2 is applied.

- **Moderate:** If for any given business a problem is serious enough to affect performance but is not threatening to a business's existence in the long run, a weighing factor of 1 is applied.

- **Not a problem/not applicable:** If a problem area is either of no consequence or is not applicable to any given business surveyed, a -1 factor is applied.

Responses from the survey for each feature of entrepreneurship were tabulated according to whether each problem was regarded either as significant, moderate, or not applicable. The percentage of responses according to each of the three degrees of problem severity multiplied by each weighing factor, then added, gave a numerical score which could be evaluated against other numerical values so as to determine the degree to which each problem area affected, or was affected by, all entrepreneurial characteristics evaluated. There is no significance in negative scores; the only significance is their absolute difference in comparison with both positive and negative values. An example of how the calculations were made is described below.

**Comparison of entrepreneurs having no overseas exposure relative to each of the nine problem areas:** Out of the 70 entrepreneurs surveyed, 7 indicated they had never been outside of Western Samoa. Of that 7, when asked whether management skill levels, or the lack thereof, were a significant, moderate, or no problem, 4 responded that the lack of management skills was a significant problem, 2 responded that the problem affected performance moderately, while only 1 felt that his level of management skill was not a problem affecting business performance. The numerical score was then determined as follows:

**Significant problem:**

\[ 4 - 7 = 57\%;\ 57 \times 2 \text{ (factor for a significant problem} = 114) \]
Moderate:

\[2 - 7 = 29\%; \quad 29 \times 1 \text{ (factor for a moderate problem = 29)}\]

Not a problem:

\[1 - 7 = 14\%; \quad 14 \times -1 \text{ (factor for a problem either not applicable or not a problem) = 14}\]

\[
\begin{array}{c}
29 \\
-14 \\
114
\end{array}
\]

\[\text{TOTAL: 129}\]

The number 129 is not meaningful or significant in itself; however, when compared to the scores similarly tabulated for the other eight problem areas, comparisons can be made as to which of the nine problem areas affected business performance most, according to the seven entrepreneurs surveyed who had no overseas experience or exposure.

The score of 129* for entrepreneurs with no overseas exposure according to the degree management skill problems affected them is then listed with the scores for the other eight problem areas evaluated. Accordingly, the scores are ranked in the order they related to the seven entrepreneurs surveyed who had no overseas experience.

<table>
<thead>
<tr>
<th>PROBLEMS</th>
<th>SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>158</td>
</tr>
<tr>
<td>Capital availability or access</td>
<td>157</td>
</tr>
<tr>
<td>Management skills</td>
<td>129*</td>
</tr>
<tr>
<td>Transportation</td>
<td>128</td>
</tr>
<tr>
<td>Market share, access etc.</td>
<td>115</td>
</tr>
<tr>
<td>Traditions, cultural obligations</td>
<td>99</td>
</tr>
<tr>
<td>Supply</td>
<td>72</td>
</tr>
<tr>
<td>Competition</td>
<td>-14</td>
</tr>
<tr>
<td>Technical Skills</td>
<td>-28</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>816</strong></td>
</tr>
</tbody>
</table>

The total of 816 is then an index number which provides a basis of comparison to other indices similarly tabulated for the other 35 entrepreneurial characteristics. Again, as each individual score is not significant in itself, the same applies to the total number of 816. Only when 816 is compared to the total scores of the other two features compared under the question "How does an entrepreneur's overseas experience or exposure relate to or affect business performance?" can any initial objective interpretations or conclusions from the survey be made as to how overseas exposure or experience affects Western Samoan business performance.
Once each of the totals for each of the characteristics identified under the question above relative to overseas experience is tabulated, as in Table B-1, the next step is to compare the total of 816** with the two other dimensions of overseas exposure; namely, whether an entrepreneur had limited holiday exposure overseas, or extensive training and work experience overseas (overseas was defined as any place outside of Western Samoa). The following ranks each of the three tabulations.

1. Limited, holiday-type overseas exposure 874
2. No overseas exposure 816**
3. Extensive overseas training and experience 482

The above tabulation now provides a means by which the factor of overseas exposure, relative to the degree entrepreneurs experience problems, and ultimately how business performance is affected, can be evaluated and discussed. Table C-2 in Appendix C presents the scores in the form of an index for all eleven of the entrepreneurial characteristics analyzed against the nine problem areas.

From this tabulation, for example, contrary to what one might expect, the survey reveals a very interesting feature concerning the degree to which overseas experience affects business performance. Conventional thinking would assume that the more overseas exposure one had, assuming that any such exposure broadens one's outlook and education, the better one would be able to handle a business problem and exact greater performance from it, and to deal with problems as they came along. In fact, the evaluation of the survey shows the group of entrepreneurs whose business performance suffered the greatest were those who had limited overseas exposure (874) as compared to the group with no overseas exposure (816), and the group which had extensive overseas exposure (482).

The relatively low score for the groups of entrepreneurs surveyed who had extensive training and work experience overseas clearly indicates that such exposure helps entrepreneurs gain the essential technical and managerial skills needed to operate a business in a successful fashion.

Table B-1, which follows, scores how the nine major problem areas identified affect business performance relative to 11 different entrepreneurial characteristics. The eleven broad characteristics evaluated inclusive of 36 subfactors include:

1. **Overseas exposure**
   a. No overseas exposure
   b. Limited overseas holiday like exposure
   c. Extensive overseas exposure, several weeks up to several years of training and work experience.
2. **Island location**
   a. Upolu
      i. Apia
      ii. Outside Apia
      iii. Whole Island
   b. Savai'i

3. **Level of formal education**
   a. Grammar only or none
   b. Some high school
   c. High school graduation and above

4. **Religion**
   a. Congregational Christian Church of Samoa (CCCS)
   b. Catholic
   c. Other, Latter-Day Saints (Mormon), Methodist, Seventh Day Adventist, atheist, etc.

5. **Relevant technical training**
   a. Some (at least one month)
   b. None

6. **Length of time in business**
   a. 0 to 2 years
   b. 3 to 4 years
   c. 5 to 10 years
   d. 11 years - plus

7. **Samoan traditional status**
   a. Matai (chief)
   b. No traditional status

8. **Ethnicity**
   a. Full Samoan
   b. Part Samoan/European
   c. Part Samoan/Chinese

9. **Years of relevant work experience before business commenced**
   a. 0 to 1 year
   b. 2 to 3 years
   c. 4 to 10 years
   d. 11 plus years
10. Initial amount invested to begin business (WS$ = US$.50)
   a. 0-$1,000
   b. $1,000-$5,000
   c. $5,000-$20,000
   d. $20,000 or more

11. Type of business
   a. Manufacturing
   b. Service
   c. Merchant
   d. Agrobusiness
Table B-1. Small Business Survey Results of Problems as They Affect Business Performance by Entrepreneurial Characteristic

1. Overseas Exposure

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<thead>
<tr>
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<tbody>
<tr>
<td>exposure RANK</td>
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<td>2</td>
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<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
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<tr>
<td>Ltd. overseas SCORE</td>
<td>158</td>
<td>157</td>
<td>129</td>
<td>115</td>
<td>-28</td>
<td>99</td>
<td>-14</td>
<td>128</td>
<td>72</td>
<td>816</td>
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<tr>
<td>Exposure RANK</td>
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<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Ext. overseas SCORE</td>
<td>126</td>
<td>166</td>
<td>94</td>
<td>68</td>
<td>127</td>
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<td>67</td>
<td>60</td>
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<td>9</td>
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<tr>
<td>Erasure</td>
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<td>90</td>
<td>62</td>
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<td>1</td>
<td>-32</td>
<td>1</td>
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<td>6</td>
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<td>8</td>
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2. Island Location

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</tr>
</thead>
<tbody>
<tr>
<td>Aisle Score</td>
<td>122</td>
<td>132</td>
<td>103</td>
<td>36</td>
<td>93</td>
<td>26</td>
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<td>-26</td>
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<tr>
<td>Other Score</td>
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<td>88</td>
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<td>635</td>
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<tr>
<td>Savai'i Score</td>
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<td>86</td>
<td>105</td>
<td>106</td>
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3. Level of Formal Education

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<td>Score RANK</td>
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<td>5</td>
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<td>Some H.S. Score</td>
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<td>106</td>
<td>154</td>
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<td>88</td>
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<td>H.S. Grad+ Score</td>
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<td>40</td>
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</table>

4. Religion

<table>
<thead>
<tr>
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<td>Catholic Score</td>
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<td>Others Score (1/4 Mean)</td>
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<td>97</td>
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### TABLE B-1 (Continued)

#### 5. RELEVANT TECHNICAL TRAINING

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#### 6. LENGTH OF TIME IN BUSINESS

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<tbody>
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<td>30</td>
<td>12</td>
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<td>9</td>
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<tr>
<td>2-4 years</td>
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<td>117</td>
<td>76</td>
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<td>5-10 years</td>
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<td>112</td>
<td>105</td>
<td>126</td>
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<td>100</td>
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<td>11+ years</td>
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#### 7. SAMOAN TRADITIONAL STATUS

<table>
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#### 8. ETHNICITY

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<td>113</td>
<td>133</td>
<td>87</td>
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<td>5</td>
<td>5</td>
<td>7</td>
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<td>Part Samoan/ European</td>
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<td>78</td>
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<td>6</td>
<td>9</td>
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<td>Part Samoan/ Chinese</td>
<td>Score</td>
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<td>150</td>
<td>50</td>
<td>62</td>
<td>100</td>
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<td>4</td>
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### Table 9-1 (Continued)

#### 9. Years of Relevant Work Experience Before Business Commenced

<table>
<thead>
<tr>
<th>Score</th>
<th>GOVT.</th>
<th>CPDL.</th>
<th>MGMT.</th>
<th>TECH.</th>
<th>TRAD.</th>
<th>COMP.</th>
<th>TRANS.</th>
<th>SUPPLY</th>
<th>TOTAL</th>
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<tr>
<td>0-1 year</td>
<td>2</td>
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<tr>
<td>2-3 years</td>
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<td>1</td>
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<td>1</td>
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<tr>
<td>3-10 years</td>
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<td>1</td>
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<td>1</td>
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<td>10+ years</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>48</td>
</tr>
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</table>

#### 10. Initial Amount Invested to Begin Business (USD + USD 50)

<table>
<thead>
<tr>
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<th>GOVT.</th>
<th>CPDL.</th>
<th>MGMT.</th>
<th>TECH.</th>
<th>TRAD.</th>
<th>COMP.</th>
<th>TRANS.</th>
<th>SUPPLY</th>
<th>TOTAL</th>
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<td>1000-5000</td>
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<td>43</td>
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<tr>
<td>5000-20000</td>
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<td>1</td>
<td>1</td>
<td>56</td>
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<tr>
<td>20000+:</td>
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<td>1</td>
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<td>1</td>
<td>48</td>
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</table>

#### 11. Type of Business

<table>
<thead>
<tr>
<th>Score</th>
<th>GOVT.</th>
<th>CPDL.</th>
<th>MGMT.</th>
<th>TECH.</th>
<th>TRAD.</th>
<th>COMP.</th>
<th>TRANS.</th>
<th>SUPPLY</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>68</td>
</tr>
<tr>
<td>Service</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<td>1</td>
<td>1</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>48</td>
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</tbody>
</table>

**Key:**
- GOVT. = Government
- CPDL. = Capital
- MGMT. = Management Skills
- TECH. = Technical Skills
<table>
<thead>
<tr>
<th>Problem Area</th>
<th>Score</th>
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<tbody>
<tr>
<td>Government</td>
<td>125</td>
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<tr>
<td>Management skills</td>
<td>110</td>
</tr>
<tr>
<td>Capital access and availability</td>
<td>109</td>
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<tr>
<td>Technical skills</td>
<td>76</td>
</tr>
<tr>
<td>Marketing problems</td>
<td>75</td>
</tr>
<tr>
<td>Traditions</td>
<td>49</td>
</tr>
<tr>
<td>Competition</td>
<td>30</td>
</tr>
<tr>
<td>Suppliers</td>
<td>22</td>
</tr>
<tr>
<td>Transportation</td>
<td>15</td>
</tr>
</tbody>
</table>

Variance from highest to lowest scores 8.33 times.

Average: 68
APPENDIX C

PROBLEM INDICES

The following two tables, Table C-1 and C-2, rank the tabulated scores of the numerical indices in the previous appendix concerning problem evaluation. The first table orders within each of the 11 broad entrepreneurial characteristic categories those subfactors most likely to affect business performance. The subfactors are presented in the order of their effect on business performance according to each of the 11 broad characteristics. For example, under the characteristic of island location, the scores are ranked by the degree to which island location affects or correlates with business performance. Of the four island areas compared, firms located on more distant Savai'i are the most likely to have business performance affected.

The second table ranks, in the order of their severity, the degree to which the 36 subfactors, in aggregate within the 11 broad entrepreneurial characteristics analyzed in the previous appendix, affect business performance according to the nine major problems. The second table gives an overall picture as to which of the various subfactors are more likely than others, regardless of category, to affect business performance. Based on the data gathered from the 70 firms surveyed, the ranking of the 36 characteristics is another indication of those features of Western Samoan entrepreneurship that are more likely than others to affect any given business firm's ability to profitably perform and survive.

As the data from the tabulation in Table C-2 indicates, merchants (trade stores), regardless of all other characteristics, are the Samoan entrepreneur group most likely to suffer from problems and therefore perform the worst. A number of factors support this indication from the data, including:

1. A trade store business, which most of the merchants surveyed operated, is one of the easiest to enter into. The qualifications and relatively low amount of capital needed to start a trade store make it one of the easiest ventures to begin. This ease of entry, though, is a major factor in its greater likelihood to fail as:

   a) The ease of entry makes it easy for competitors to establish themselves, thereby reducing the demand any one store may require to profitably operate.

   b) The low initial capital investment in starting a trade store means that entrepreneurs have fewer reserves with which to operate and live on during periods of lean business activity.

2. As such firms are mostly in rural locations, they are more subject to traditional pressures such as obligations to extend credit to provision such traditional Samoan events as weddings and funerals.
3. "Sophistication" in the Western sense is less with this group than with the entrepreneurs involved in the sectors of manufacturing and services. This is due to lower levels of formal education; less exposure to overseas opportunities; less technical and management training; fewer years of work experience prior to entering the business; and rural locations where poor product availability due to distance and higher transportation costs reduce profitability.

4. Institutional barriers are greater for such firms as prices are subject to government tariffs and price controls, and access to capital from the banks is more restricted than for other kinds of businesses.
### TABLE C-1

**PROBLEM INDICES ACCORDING TO EACH ENTREPRENEURIAL CHARACTERISTIC**

1. **Overseas exposure**
   - a) Limited overseas exposure 874
   - b) No overseas exposure 816
   - c) Extensive overseas exposure 482

   Variance from lowest to highest score: **1.8 times**

2. **Island location**
   - a. Savai'i 740
   - b. Upolu
     - i. Outside Apia (peri-urban) 635
     - ii. Whole island 542
     - iii. Apia only 499

   Variance from lowest to highest score: **1.48 times**

3. **Level of formal education**
   - a. Grammar school or none 711
   - b. Some high school 673
   - c. High school graduation-plus 460

   Variance from lowest to highest score: **1.54 times**

4. **Religion**
   - a. Congregational Christian Church of Samoa 785
   - b. Other (Mormon, Methodist, Seventh Day Adventist, atheist, etc.) 537
   - c. Catholic 505

   Variance from highest to lowest score: **1.55 times**

Table C-1 (Cont'd.)

5. **Relevant technical training**
   - a. No relevant training 757
   - b. Some (at least one month) 452

   Variance from highest to lowest score: **1.67 times**
6. **Length of time in business**
   a. 11-plus years 691
   b. 5-10 years 641
   c. 0-2 years 566
   d. 3-4 years 507

   Variance from highest to lowest score: **1.36 times**

7. **Samoa traditional status**
   a. Matai 680
   b. Non-matai 507

   Variance from highest to lowest score: **1.34 times**

8. **Ethnicity**
   a. Part Samoan/Chinese 714
   b. Full Samoan 696
   c. Part Samoan/European 339

   Variance from highest to lowest score: **2.11 times**

9. **Years of relevant work experience before business commenced**
   a. 0-1 year 668
   b. 10 plus years 615
   c. 4-10 years 566
   d. 2-3 years 463

   Variance from highest to lowest score: **1.44 times**

10. **Initial amount invested to begin business (WSS = US$ .50)**
    a. $0 - 1,000 690
    b. $5,000 - 20,000 661
    c. $1,000 - 5,000 486
    d. $20,000 - plus 434

    Variance from highest to lowest score: **1.59 times**

11. **Type of business**
    a. Merchant 937
    b. Agrobusiness 590
    c. Services 568
    d. Manufacturing 445

    Variance from highest to lowest score: **2.10 times**
<table>
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<tr>
<th>Problem Index</th>
<th>Code</th>
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</thead>
<tbody>
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<td>Merchants</td>
<td>937</td>
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<tr>
<td>Limited overseas exposure</td>
<td>874</td>
</tr>
<tr>
<td>No overseas exposure</td>
<td>816</td>
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<tr>
<td>Congregational Christian Church of Samoa members</td>
<td>785</td>
</tr>
<tr>
<td>No technical training</td>
<td>757</td>
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<tr>
<td>Savai'i-located firms</td>
<td>740</td>
</tr>
<tr>
<td>Part Samoan/Chinese</td>
<td>714</td>
</tr>
<tr>
<td>Grammar school or less</td>
<td>711</td>
</tr>
<tr>
<td>Full Samoan</td>
<td>696</td>
</tr>
<tr>
<td>11+ years in business</td>
<td>691</td>
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<tr>
<td>WS$0 - 1,000 initial investment</td>
<td>690</td>
</tr>
<tr>
<td>Matai status</td>
<td>680</td>
</tr>
<tr>
<td>Some high school</td>
<td>673</td>
</tr>
<tr>
<td>0 - 1 year of relevant work experience prior to commencement of business</td>
<td>668</td>
</tr>
<tr>
<td>$5,000 - 20,000 initial investment</td>
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<tr>
<td>5 to 10 years in business</td>
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<tr>
<td>Upolu located firms outside of Apia</td>
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<tr>
<td>11+ years of relevant work experience prior to commencement of business</td>
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<tr>
<td>Agrobusinesses</td>
<td>590</td>
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<td>Service Firms</td>
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<td>4-10 years of relevant work experience prior to commencement of business</td>
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</table>
Table C-2 (contd.)

22. 0 - 2 years in business 565
23. Upolu located (all areas) 542
24. Church membership in other sects (Mormon, Methodist, Atheist) 537
25. 3 - 4 years in business 508
26. No traditional status 507
27. Catholics 505
28. Upolu located; Apia only 499
29. WS$1,000 - 5,000 initial investment 486
30. Extensive overseas exposure 482
31. 2 - 3 years of relevant work experience prior to commencement of business 463
32. High school graduation plus 460
33. Some technical training 452
34. Manufacturing firms 445
35. WS$20,000 or more initial investment 434
36. Part Samoan/European 339

Variance from highest score to lowest: 2.76 times
Average: 609
APPENDIX D

A BRIEF ANALYSIS OF THE PROBLEMS OF INDIGENOUS BUSINESS
AS VIEWED BY VARIOUS INSTITUTIONS
IN WESTERN SAMOA

Twenty-six officials from institutions in Western Samoa were interviewed for this phase of the survey. The institutions included banks, accounting firms, educators, government officials, agency officials, and officials with multilateral agencies such as the United Nations.

All eight problem areas that were indicated in the questionnaire were classified by the respondents as significant, although the extent of the seriousness varied. As tabulated in Table D-1, management skills, government measures, and inadequate government assistance were shown to be the three most significant problems, with lack of management skills the most serious, followed by government measures and inadequate government assistance.

The respondents indicated that the failure of most businesses can be attributed to the lack of management/business skills. Within this context is the failure of many small businesses to keep proper financial records, thus having no real knowledge of how the business is performing with regards to profitability. Furthermore, the indication that this is the most serious problem shows that few or no training opportunities are available in the country for such purposes; the small entrepreneur would rely entirely on advice from business friends, relatives, or even instincts to run the business.

The seriousness placed on government measures is reflected in the recent imposition of the excise tax over all imported goods as well as the imposition of levies on major exports. A significant number of respondents refer to the inadequacy of government help as attributable mainly to the lack of communication between government and the business community and to the usual government red tape, which slows down the so-called "commercial wheel of progress."

While there was enough evidence from respondents to indicate the significance of the lack of or shortage of capital available for lending to small businesses, some noted that many businesses, when initially established, are undercapitalized. As the business progresses, there arises the need for more capital especially for working capital purposes, which financial institutions are hesitant to give due to such constraints as lack of security and absence of financial records or overall credibility. As a result, the business is faced with a liquidity problem and, in some cases, an early close-down.

Since the establishment of the Central Bank, it has more or less given directions to restrict lending for economic reasons, as generally known. This is one side the indigenous entrepreneur is not aware of and as usual puts the blame on the banks. The Development Bank, on the other hand, continues to be the major source of finance for fixed assets for businesses, which it is able to assist under its current lending policies.
Some respondents contend that DBWS should relax its policy to include financing working capital and areas not included under its policy such as wholesaling/retailing.

The lack of technical skills was also shown to be a serious problem. This again is attributed to the limited opportunities available to improve them. Government has been aware of this need, and moves are now under way to upgrade the Technical Trades Institute (TTI) through improved facilities and training of instructors. Courses have been expanded to cover electronics, refrigeration, and the secretarial fields to accommodate the increased need in these areas. In addition, it is expected that student acceptances will be chosen from the Sixth Form rather than the Fifth Form so that students will have sound and adequate background knowledge, especially in science subjects so that they are in familiar surroundings when starting the course.

Respondents indicated that culture and tradition are problems in varying degrees depending on the nature and size of the business and, to a greater extent, on the entrepreneur. This, as indicated by Table D-2, is why those who expressed "mixed views" (37.5 percent) were directed mainly on the social and cultural problem. Some respondents remarked that the culture works both ways, and this is quite true especially in the tourist industry. On the other hand, the respondents, most of whom are not involved in the culture directly, appear to see this problem not through experience but through observation, and their overall view could be contradictory to the indigenous entrepreneur in the rural area where the usual Samoan faalavelave is almost a daily occasion, and would therefore regard this problem more seriously.

Only 10 percent of the respondents regarded weak marketing conditions as a significant problem. Generally, the respondents believe that the success or failure of this aspect lies mainly on the individual. They believe that if a village retail store is closed down, it is not because of weak marketing conditions. Most view the market from the point of view of potential prospects. There again, the management problem arises with respect to learning the necessary skill in order to employ various avenues available to handle the marketing aspects.

The least significant of all the problems was seen as competition. Just over 50 percent believe that this is basically a moderate problem while 25 percent view this as no problem at all. Similar to marketing conditions, this problem is seen as an offshoot of the lack of management skill. On the other hand, the biggest competition of the small indigenous business is, of course, the large firms and, to a certain extent, government. A significant number of respondents would like to see government hand over all commercial activities to the private sector for various reasons. These range from "sustaining continuous losses" to "eliminating government interference." They refer mainly to WSTEC as a prime example of government interference in the commercial sector and as one example of a government run commercial venture regularly recording trading losses.
TABLE D-1

RESULTS OF THE ANALYSIS OF PROBLEMS AFFECTING SMALL BUSINESS ACCORDING TO INSTITUTIONS IN WESTERN SAMOA (PERCENTAGE)

<table>
<thead>
<tr>
<th>Problems</th>
<th>Serious</th>
<th>Significant Problem</th>
<th>Moderate Problem</th>
<th>No Problem</th>
<th>Mixed Views</th>
<th>No Views</th>
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</thead>
<tbody>
<tr>
<td>Capital Shortage</td>
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<td>37.5</td>
<td>45.8</td>
<td>8.3</td>
<td>4.2</td>
<td>4.2</td>
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<td>Competition</td>
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<td>8.3</td>
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<td>37.5</td>
<td>50.0</td>
<td>8.3</td>
<td></td>
<td>4.2</td>
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<td>Social/Cultural Factors</td>
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<td>12.5</td>
<td>8.3</td>
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<td>Management Skills</td>
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<td>16.7</td>
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<td>Inadequate Govt. Help</td>
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<td>33.3</td>
<td>12.5</td>
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<td>16.7</td>
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<td>41.7</td>
<td>4.2</td>
<td>4.2</td>
<td>20.7</td>
</tr>
</tbody>
</table>

This table illustrates the seriousness of each problem. For example, capital shortage is viewed mainly as a moderate problem (45.8%), while government measures is viewed mainly as a significant problem (45.8%).
TABLE D-2

RESULTS OF THE ANALYSIS OF THE DEGREE TO WHICH PROBLEMS SERIOUSLY OR OTHERWISE AFFECT PERFORMANCE OF SMALL BUSINESSES AS PERCEIVED BY INSTITUTIONS IN WESTERN SAMOA (PERCENTAGE)

<table>
<thead>
<tr>
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<th></th>
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<th></th>
<th></th>
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<tbody>
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<td>15.5</td>
<td>12.7</td>
<td>9.9</td>
<td>22.5</td>
<td>12.7</td>
<td>9.8</td>
</tr>
<tr>
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<td>15.1</td>
<td>17.8</td>
<td>6.9</td>
<td>16.5</td>
<td>13.7</td>
<td>5.4</td>
<td>10.9</td>
<td>11.7</td>
</tr>
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<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
<td>10.0</td>
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<td>Mixed Views</td>
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<td>37.5</td>
<td>-</td>
<td>37.5</td>
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<td>10.0</td>
<td>20.0</td>
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</tbody>
</table>

The above table indicates the percentage spread of responses with respect to the problems as faced by the small businesses and how serious the problem is. For example, the most significant problem was lack of management training (22.5%) and the least significant was Competition (4.2%).
APPENDIX E

NOTES ON THE ESTIMATED FINANCIAL STATEMENT

1. Manufacturing

MT: Represents those in furniture making and handicrafts.

MF: Represents those in food processing such as butchery, bakery, chips, soft drinks.

MD: Represents all other types such as shoe making, sewing, upholstery.

2. Services

ST: Represents those in the transport industry such as buses, taxis, and trucks.

SF: Represents those involved in restaurants, guest houses, and hotels.

SO: All other types of services.

3. Merchandising

Represents the sector dealing in wholesale/retail trade.

4. Agrobusiness

Represents those in fishing, poultry, piggery, and commercial fishing.

5. Depreciation

Provision for depreciation is based on the estimated value of the fixed assets. The rate are as follows:

i) Buildings at 2-1/2% diminishing values basis.

ii) Plant and machinery 20% diminishing value basis.

6. Interest Rates

Estimated on the outstanding balance of loans as of 31 October 1984. The rates are as follows:

i) 20 percent p.a. on short or long-term loans by Trading Bank.

ii) 14 percent on term loans by DBWS.
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<thead>
<tr>
<th>WESTERN SAMOA</th>
<th>MANUFACTURING</th>
<th>SERVICES</th>
<th>MERCHANDISING</th>
<th>AGRICULTURE AND FISHERIES</th>
<th>TOTAL SMALL BUSINESS</th>
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<td>501.2</td>
<td>207.9</td>
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<td>30.6</td>
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<td>11.0</td>
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TABLE E-2
CONSOLIDATED PROFIT/LOSS RESULTS
ACCORDING TO ENTREPRENEURS SURVEYED ON UPOLU

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<th>MANUFACTURING</th>
<th>SERVICES</th>
<th>BUSINESS</th>
<th>TOTAL</th>
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<td>67.0</td>
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<tr>
<td>Interest</td>
<td>16.1</td>
<td>17.0</td>
<td>1.5</td>
<td>34.6</td>
</tr>
<tr>
<td>Net Profit (Loss)</td>
<td>77.4</td>
<td>57.8</td>
<td>23.2</td>
<td>158.4</td>
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<tr>
<td>O/Profit:Sales(%)</td>
<td>26.8</td>
<td>13.6</td>
<td>28.3</td>
<td>20.0</td>
</tr>
<tr>
<td>N/Profit:Sales(%)</td>
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<td>8.1</td>
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TABLE E-3
CONSOLIDATED PROFIT/LOSS RESULTS ACCORDING TO ENTREPRENEURS SURVEYED ON SAVALI

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<th>SAVAI I</th>
<th>MANUFACTURING</th>
<th>SERVICES</th>
<th>MERCHANDISING</th>
<th>AGRO-BUSINESS AND FISHERIES</th>
<th>TOTAL SAVALI BUSINESS</th>
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<td>M2</td>
<td>M3</td>
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<td>S1</td>
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<td>16.1</td>
<td>96.1</td>
<td>35.4</td>
<td>17.6</td>
</tr>
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<td>(9.1)</td>
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<td>3.1</td>
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<td>25.7</td>
<td>27.7</td>
<td>23.3</td>
<td>17.0</td>
<td>20.8</td>
</tr>
<tr>
<td>N/Profit:Sales(%)</td>
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<td>22.2</td>
<td>0.3</td>
<td>4.5</td>
<td>0.6</td>
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TABLE E-4

ESTIMATED FINANCIAL POSITION OF SMALL BUSINESSES IN WESTERN SAMOA BY SECTOR

<table>
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<tr>
<th>$(000.0)</th>
<th>Manufacturing</th>
<th>Services</th>
<th>Merchants</th>
<th>Agro-</th>
<th>Total</th>
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<td><strong>Equity</strong></td>
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<tr>
<td>Capital Contribution</td>
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<td>35.3</td>
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<td>209.5</td>
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<td>168.0</td>
<td>107.1</td>
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<td>278.7</td>
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<td>132.7</td>
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<td>33.4</td>
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<td>236.1</td>
<td>208.4</td>
<td>23.0</td>
<td>20.9</td>
<td>488.4</td>
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<td>Represented by</td>
<td>647.5</td>
<td>1515.1</td>
<td>261.6</td>
<td>171.5</td>
<td>2595.7</td>
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<td>Cash</td>
<td>10.9</td>
<td>15.0</td>
<td>4.2</td>
<td>5.3</td>
<td>35.4</td>
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<td>16.1</td>
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<td>114.6</td>
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<td>84.3</td>
<td>17.0</td>
<td>238.0</td>
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<td>181.2</td>
<td>203.1</td>
<td>22.8</td>
<td>501.6</td>
</tr>
<tr>
<td>Bank Overdraft</td>
<td>20.0</td>
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<td>44.0</td>
<td>-</td>
<td>77.4</td>
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<td>Trade Creditors</td>
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<td>51.3</td>
<td>-</td>
<td>69.9</td>
</tr>
<tr>
<td>Changes in Working Capital</td>
<td>72.3</td>
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<td>148.7</td>
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<td>22.0</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Changes in Working Capital</td>
<td>647.5</td>
<td>1515.1</td>
<td>261.6</td>
<td>171.5</td>
<td>2595.7</td>
</tr>
<tr>
<td><strong>Ratios</strong></td>
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</tr>
<tr>
<td>Debt/Equity (%)</td>
<td>39/51</td>
<td>15/85</td>
<td>33/67</td>
<td>12/88</td>
<td>23/77</td>
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<td>6.1</td>
<td>2.1</td>
<td>-</td>
<td>3.4</td>
</tr>
<tr>
<td>Quick Asset (times)</td>
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<td>3.8</td>
<td>1.2</td>
<td>-</td>
<td>1.8</td>
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### TABLE E-5

**ESTIMATED FINANCIAL POSITION OF SMALL BUSINESSES ON UPOLU BY SECTOR**

<table>
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<th></th>
<th>Manufacturing</th>
<th>Services</th>
<th>Merchants</th>
<th>Agro-Business</th>
<th>Total</th>
</tr>
</thead>
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<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Contribution</td>
<td>65.7</td>
<td>145.8</td>
<td>21.3</td>
<td>6.0</td>
<td>238.8</td>
</tr>
<tr>
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<td>216.5</td>
<td>483.1</td>
<td>125.0</td>
<td>104.1</td>
<td>928.7</td>
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<td>273.3</td>
<td>29.6</td>
<td>31.8</td>
<td>461.2</td>
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<td>181.0</td>
<td>199.5</td>
<td>10.0</td>
<td>16.0</td>
<td>406.5</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>3.0</td>
<td>19.0</td>
<td>2.8</td>
<td>4.6</td>
<td>29.4</td>
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<td>0.5</td>
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<td>10.0</td>
<td>-</td>
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<td>Trade Creditors</td>
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<td>16.4</td>
<td>-</td>
<td>-</td>
<td>18.6</td>
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<td>27.8</td>
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<td>546.5</td>
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<td>1766.2</td>
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<td>-</td>
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<td>157.9</td>
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<td>18/82</td>
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<td>10/90</td>
<td>35/65</td>
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<td>6.8</td>
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<td>5.2</td>
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<td>0.5</td>
<td>na</td>
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<td>Merchants</td>
<td>Agro-Business</td>
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<td><strong>Equity</strong></td>
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<td></td>
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<tr>
<td>Capital Contribution</td>
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<td>30.6</td>
<td>14.0</td>
<td>3.3</td>
<td>51.4</td>
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<td>3.0</td>
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<td>53.4</td>
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<td>324.1</td>
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<td>6.0</td>
<td>2.9</td>
<td>125.3</td>
</tr>
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<td>63.6</td>
<td>5.3</td>
<td>4.9</td>
<td>96.1</td>
</tr>
<tr>
<td></td>
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<td>0.7</td>
<td>25.2</td>
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<td>Trade Creditors</td>
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<td>2.0</td>
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<td>39.1</td>
<td>38.5</td>
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<td>28.8</td>
<td>383.4</td>
<td>26.2</td>
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<td>451.3</td>
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<td><strong>Investments</strong></td>
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<td>-</td>
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<td>14.1</td>
<td>545.5</td>
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<td><strong>Ratios</strong></td>
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</tr>
<tr>
<td>Debt/Equity (%)</td>
<td>69/31</td>
<td>15/85</td>
<td>10/90</td>
<td>35/65</td>
<td>20/80</td>
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<tr>
<td>Current (times)</td>
<td>18.0</td>
<td>20.6</td>
<td>30.6</td>
<td>na</td>
<td>24.5</td>
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<tr>
<td>Quick Asset (times)</td>
<td>3.0</td>
<td>12.5</td>
<td>14.2</td>
<td>na</td>
<td>12.9</td>
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Pacific Islands Development Program
East-West Center
<table>
<thead>
<tr>
<th>Sector</th>
<th>Profit</th>
<th>Reinvest-</th>
<th>Loan</th>
<th>Family</th>
<th>Social/</th>
<th>Other</th>
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<tbody>
<tr>
<td>Manufacturing</td>
<td>100</td>
<td>29</td>
<td>17</td>
<td>28</td>
<td>7</td>
<td>19</td>
</tr>
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<td>MT</td>
<td>100</td>
<td>38</td>
<td>16</td>
<td>26</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>MF</td>
<td>100</td>
<td>20</td>
<td>17</td>
<td>33</td>
<td>8</td>
<td>22</td>
</tr>
<tr>
<td>MO</td>
<td>100</td>
<td>32</td>
<td>17</td>
<td>17</td>
<td>2</td>
<td>32</td>
</tr>
<tr>
<td>Services</td>
<td>100</td>
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<td>25</td>
<td>30</td>
<td>11</td>
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<td>100</td>
<td>9</td>
<td>31</td>
<td>34</td>
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<td>13</td>
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<td>28</td>
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<td>18</td>
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<tr>
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<td>34</td>
<td>16</td>
<td>33</td>
<td>8</td>
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<td>Merchandising</td>
<td>100</td>
<td>32</td>
<td>21</td>
<td>28</td>
<td>15</td>
<td>4</td>
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<tr>
<td>Agro-Business</td>
<td>100</td>
<td>13</td>
<td>18</td>
<td>32</td>
<td>17</td>
<td>20</td>
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### Appendix F

**Simplified Bookkeeping Form for Merchants**

#### Receipts

<table>
<thead>
<tr>
<th>Day</th>
<th>Gross Daily Takings (Cash)</th>
<th>Gross Daily Takings (Cheque)</th>
<th>Other Records</th>
<th>Particular</th>
<th>Cash</th>
<th>Cheque</th>
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<tbody>
<tr>
<td>Sunday</td>
<td></td>
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<td></td>
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<td>Monday</td>
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</tr>
<tr>
<td>Tuesday</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Wednesday</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Thursday</td>
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</tr>
<tr>
<td>Friday</td>
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</tr>
<tr>
<td>Saturday</td>
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<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

#### Payments for Business Stock

<table>
<thead>
<tr>
<th>Date Chq No</th>
<th>To Whom Paid</th>
<th>Amount Paid</th>
<th>By Cash</th>
<th>By Cheque</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Payments Other Than for Stock

<table>
<thead>
<tr>
<th>Nature of Payment</th>
<th>Amount Paid</th>
<th>By Cash</th>
<th>By Cheque</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Light and Heat</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carriage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Paper</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Traveling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing &amp; Stationary</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repairs &amp; Renewals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance (Business)</td>
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<td>Wages (Annual)</td>
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<tr>
<td>Wages (Employee)</td>
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<td>Supplies</td>
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<td>Totals</td>
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#### Weekly Bank Report

<table>
<thead>
<tr>
<th>Opening Balance</th>
<th>brought forward</th>
<th>Cash in hand</th>
<th>brought forward</th>
<th>Add</th>
<th>Total Wages Takings</th>
<th>Other Receivables</th>
<th>Cash Drawn from Bank</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td>Total</td>
<td></td>
<td>Add</td>
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#### Weekly Cash Report

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<th>Opening Balance</th>
<th>carried forward</th>
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<th>carried forward</th>
<th>Cash in Hand (last column is weekend)</th>
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<td></td>
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Pacific Islands Development Program
East-West Center
### Payments for Business Stock

<table>
<thead>
<tr>
<th>Date or</th>
<th>No.</th>
<th>To Whom Paid</th>
<th>Amount Paid</th>
<th>Nature of Payment</th>
<th>By Cash</th>
<th>By Cheque</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

### Payments Other Than for Stock

<table>
<thead>
<tr>
<th>Nature of Payment</th>
<th>Amount Paid</th>
<th>By Cash</th>
<th>By Cheque</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rates</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Light and Heat</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carriage</td>
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<td>Postage</td>
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<td></td>
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<td>Paper</td>
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</tr>
<tr>
<td>Motor Expenses</td>
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<tr>
<td>Printing &amp; Stationery</td>
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<tr>
<td>Repairs &amp; Renovations</td>
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<td></td>
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<tr>
<td>Insurance (Business)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Advertising</td>
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<td></td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
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<tr>
<td>Wages (Wife)</td>
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<td></td>
<td></td>
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<tr>
<td>Wages (Employees)</td>
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<td>Subsistence</td>
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### Weekly Bank Report

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<td>Total Paid to Bank during week</td>
<td>Total</td>
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<table>
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<th>Total</th>
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<tbody>
<tr>
<td>Cash drawn from bank</td>
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<tr>
<td>Stock Payments</td>
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<tr>
<td>Other Payments</td>
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<td>Bank Interest Charges</td>
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### Weekly Cash Report

<table>
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<th>Cash in Hand</th>
<th>brought forward</th>
<th>( \text{Total Weekly Totals} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add</td>
<td>Other Receipts</td>
<td>Cash Drawn from Bank</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Deduct</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Stock Payments</td>
<td></td>
</tr>
<tr>
<td>Other Payments</td>
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</tr>
<tr>
<td>Amount paid to Bank</td>
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</tr>
<tr>
<td>Total</td>
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Pacific Islands Development Program  
East-West Center
NOTES ON ESTIMATING FINANCIAL POSITION OF SMALL BUSINESSES IN WESTERN SAMOA BY SECTOR AS OF 31 OCTOBER 1984

1. **Capital Contribution** was estimated from the value of original investment and how this was funded.

2. **Fixed Assets** - Fixed Assets were valued at current market values.

3. **Asset Revaluation Reserve** - It was assumed that the Fixed Assets above were revalued by approximately 30 percent, the average increase in prices of CapitalGoods in Western Samoa over the past three years. Fixed Assets were therefore deflated by this amount to arrive at their estimated book values at the time of the survey. The difference between the market values and book values were then taken as Asset Revaluation Reserve. The Services was the only sector deflated by 40 percent due to a more rapid increase in imported vehicle prices. For example, in June 1982 a bus chassis cost about WS$18,000 and in June 1984 it was about WS$26,000.


5. **Cash** - From funds in reserve on current account.

6. **Investments** - From funds in reserve on term deposit.
REFERENCES

I. Books, Papers and Reports


South Pacific Bureau for Economic Cooperation, and Asia Pacific Research Unit Ltd. *SPEC Trade and Investment Guide to Western Samoa.* Suva and Wellington, 1982.


II. Magazines and Other Periodicals


Tiffany, Sharonill. "Entrepreneurship and Political Participation in Western Samoa: A Case Study." Oceania 46 December 1975; 85-106


"We’re Turning the Corner in Western Samoa — Says Eti." Pacific Islands Monthly. May 1984; 19-22.
PACIFIC ISLANDS DEVELOPMENT PROGRAM

The Pacific Islands Development Program (PIDP) at the East-West Center helps meet the special development needs of the Pacific islands through cooperative research, education, and training. Its quality in-depth research provides island leaders with information on alternative strategies to reach development goals and meet the needs of the island peoples.

PIDP serves as the secretariat for the Pacific Islands Conference, a heads of government organization, and for the Standing Committee, composed of island leaders. PIDP's projects—requested and reviewed by the Standing Committee—respond to the development themes discussed at the First (1980) and Second (1985) Pacific Islands Conference. This process is unique within the East-West Center and in other research and educational organizations serving the Pacific.

EAST-WEST CENTER

The East-West Center is a public, nonprofit educational institution established in Hawaii in 1960 by the United States Congress. The Center's mandate is “to promote better relations and understanding among the nations of Asia, the Pacific, and the United States through cooperative study, training, and research.”

Some 2,000 research fellows, graduate students, and professionals in business and government each year work with the Center's international staff on major Asia-Pacific issues relating to population, resources and development, the environment, culture, and communication. Since 1960, more than 25,000 men and women from the region have participated in the Center's cooperative programs.

Principal funding for the Center comes from the U.S. Congress. Support also comes from more than 20 Asian and Pacific governments, as well as private agencies and corporations. The Center has an international board of governors. President Victor Hao Li came to the Center in 1981 after serving as Shelton Professor of International Legal Studies at Stanford University.