



Family business concerns in Fiji: an empirical investigation

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Family business entrepreneurs in Fiji were surveyed for their views on the impact of business and family factors on the viability of their firms in the past five years and for the next five years. The business factors examined for their impact on family businesses were adoption of technology, attracting strong non-family executives, access to qualified employees, customer pricing demands, employee education, government regulations and taxes, costs of labour and materials, access to capital, e-commerce and economic and political stability. The family factors examined were choosing and preparing successors, family employee compensation, family conflicts, financial expectations of non-active family members and consensus on family values and mission. There are statistically significant differences of opinion on the impact of business and family factors in the past five years and for the next five years that point to substantially increased concern about economic stability in Fiji. The findings of this research should help the Government of Fiji, commercial banks, business organisations, educational institutions and training/productivity organisations to have a better understanding of the problems that family businesses are encountering in Fiji.

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This research extends the study conducted by Crowe, Chizek and Company, a consulting and accounting firm in the United States whose results have been published in leading entrepreneurship texts (for example, Hoover and Hoover 1999; Kuratko and Hodgetts 2004). Using a survey questionnaire, this study examines family and

business concerns from the perspective of family entrepreneurs in a small Pacific island state.

Family businesses make up the largest percentage of businesses in Fiji, as there are only 16 companies listed on the South Pacific Stock Exchange in Fiji. Most of the manufacturing and exporting in Fiji is



carried out by family businesses. Since the majority of firms are family owned, their performance has a significant impact on the growth of the Fijian economy.

The Fijian government has deregulated parts of the economy, curtailed government expenditure and reformed the taxation system. These changes have had a considerable impact on small and medium enterprises. As with other Pacific island countries, however, in Fiji, deficiencies in the business environment hinder private sector development. Moreover, at the fortieth Pacific Islands Forum, recently held in Cairns, Australia, the forum leaders expressed profound concern for the people of Fiji in light of the country's deteriorating economy, 'as a consequence of the military regime's actions, including the undermining of the private sector and the negative effect on business confidence in the absence of the rule of the law' (Pacific Islands Forum Secretariat 2009:7).

There are various business and family factors that impinge on family businesses. Business factors of interest include keeping up with new technology, attracting strong non-family executives, hiring qualified employees, customer pricing demands, employee education, government regulations and taxes, increasing costs of labour and materials, access to capital, access to the Internet/e-commerce, foreign competition, the need to globalise and economic and political stability. There are also family related factors that are of concern to family businesses, such as choosing and preparing successors, family conflicts, financial expectations of non-active family members, lack of consensus on family values and the risk of becoming in-grown (Hoover and Hoover 1999).

The president of the Suva Retailers Association, most of whose members operate family businesses, stated at a recent annual general meeting that the interim gov-

ernment in Fiji had to take appropriate steps to assist small and medium enterprises, and brought to the forefront the problems of doing business and the factors responsible for the decline in sales of its members

[T]he cost of doing business in Fiji was already high. The current political and economic climate has already damaged the retail trade in Fiji. [The president] said members acknowledged that 2006 and 2007 were very depressing stages of retail sales and the difficulties were caused not only by the uncertain political climate but there were a lot of reasons leading to a huge drop in sales. Some of the glaring reasons have been increases in bank fees and interest charges, rising commercial rentals, increased competition from larger multi-nationals, decreased income of consumers, [the] rise in unemployment, lack of industrial development...and a lot of uncertainty with regards to future projects. (*Fiji Times*, 31 March 2008)

This study examines the concerns of family business entrepreneurs for the past five years and looks ahead to the next five years. The findings of this study should be of interest to the Government of Fiji in developing policies to promote family businesses. In addition, the findings provide improved understanding of family business concerns to prospective small and medium-sized entrepreneurs, commercial banks, business organisations, educational institutions and the training/productivity organisations in Fiji.

The next section of this article surveys the literature on small family businesses. This is followed by a section describing the survey undertaken. An analysis of the survey results is presented in sections four and five. Finally, policy implications and concluding remarks are presented.



Literature review

The small and medium-sized business sector in Fiji has been dominated by family businesses. Data for 1996 estimate that 57 per cent (170,000) of the formal Fijian labour force was involved in various forms of activity classified as small or micro-enterprises (National Centre for Small and Micro Enterprises Development, www.nvsmed.org.fj/ResearchDevelopment.aspx). In his study of small businesses in Fiji, Baldachinno (1999) notes that smallness results in incapacity to utilise economies of scale fully; and given that small island states are frequently far from key business centres, they incur the added costs connected with insularity and distance. According to the National Centre for Small and Micro Enterprises Development (www.nvsmed.org.fj/ResearchDevelopment.aspx), there are a number of challenges that these small and medium enterprises are facing in Fiji, such as

- inadequate finance/capital for starting a business
- inadequate business support services and infrastructure
- insufficient financial management knowledge and skills
- restrictive regulations of local councils
- dearth of knowledge about the existence of small and medium enterprise service providers
- inadequate information about the small and medium enterprise sector.

Family firms also confront economic issues identical to those of other businesses. These encompass 'market and technological changes, shifts in consumer tastes, even tougher competition and political instability' (Frederick, Kuratko and Hodgetts 2006:541). Nevertheless, there are a number of characteristics that are distinctive to family businesses, such as

- access to finance is far below that of bigger and more diversified firms
- there is usually less management know-how than large businesses for handling the various pressures they face
- intra-family emotional pressures can lead to conflicts (Frederick, Kuratko and Hodgetts 2006; Kuratko and Hodgetts 2004).

A common source of conflict within family businesses is the remuneration rate for family members. Families tend to reward members based on their relationship, rather than on the market value or the output of goods/services they deliver. It has been demonstrated, however, that family business members are more productive than their employees (Kirchhoff and Kirchhoff 1987; Sharma, Chrisman and Chua 1997; Wall 1998). Proprietors of family businesses can display an image of stability or dependability over a long period and offer continuity for customers and employees alike (Brokaw 1992). Researchers (for example, Davies 1983; Chua, Chrisman and Sharma 1999) submit three advantages of family businesses

- family firms can view the long-run horizon more comfortably than corporate managers, who are evaluated on year-to-year outcomes
- family firms have a tradition of providing quality and value to customers
- family firms can display greater levels of concern and care for employees than are present in a conventional corporation.

Psychologist Vries (1993) explored the advantages and disadvantages of family businesses. Important advantages of family businesses include early training for family members, continuity in leadership, self-employment opportunities for family members, less bureaucratic and impersonal business operations, prevalence of family



culture (which can be a source of pride), absence of pressure from stockmarkets, rapid decision-making, greater flexibility of action, financial benefits to family members, long-term orientation, greater sovereignty or self-direction, it is relatively easy for family members to plough profits back into the business, dynamic commitment and motivation, and stability in business operations.

On the other hand, the disadvantages of family businesses (Vries 1993; Frederick, Kuratko and Hodgetts 2006; Kuratko and Hodgetts 2004) include family disputes, family members exploiting the business for personal gain, nepotism, no transparent division of tasks, secrecy of operations by family members, resistance to change, prevalence of paternalism and autocratic rule, succession problems, growth inhibited by less recourse to capital markets, major obstacles in procuring professional management, inclination towards attracting dependent personalities, financial constraints encountered in running the business, prevalence of internecine conflict, mismatch between the contributions from family members and the compensation paid, and forbearance in having unsuitable members as managers.

Hailey (1986) submits that the potential of small indigenous Pacific businesses hinges on entrepreneurs resolving inbuilt contradictions between modern business practices and the communal commitments that are fundamental to Pacific cultures and the island way of life. Customs and traditional lifestyles have significant impacts on indigenous Fijian entrepreneurs. In a speech to the Fiji Indigenous Business Council in 2005, the former prime minister of Fiji Laisenia Qarase elucidated the concerns and challenges—particularly socio-economic issues—facing indigenous Fijians competing in the formal sector. As he said: ‘the fixed rules that business operates in is

according to certain principles. That means indigenous ways of thinking and reacting must be adjusted to meet the reality of commerce. Difficult choices must be made by Fijians who want to become successful business people. Those choices will often be in conflict with tradition and custom’ (Qarase 2005).

In the Pacific context, therefore, culture has a considerable impact on indigenous businesses, most of which are family businesses.

Methodology

Taking into account the literature reviewed above, a questionnaire was developed to canvass the opinions of family business entrepreneurs in Fiji. This questionnaire was a slight modification of the questionnaire used in the United States by Crowe, Chizek and Company, a professional consulting and accounting firm. The modifications to the questionnaire were mainly to reflect the Fijian context. The original questionnaire was relevant as the United States and Fiji have similar economic, political and legal systems. Also, the problems encountered by family business entrepreneurs in Fiji are quite similar to those encountered by entrepreneurs in the United States.

The questionnaire used in the US study compared the opinions of family business entrepreneurs on business and family business factors during the past 10 years with those for the coming 10 years. In this study, we make a comparison of the perceptions of family and business factors in the past five years with those for the coming five years. This time restriction was seen as necessary, as considerable economic, political and social changes have taken place in Fiji since the military government assumed control in December 2006.



The questionnaires were distributed to family business operators in both of the main islands, Viti Levu and Vanua Levu. Nonetheless, the respondents were mostly from Viti Levu, as a majority of Fiji's population (more than 50 per cent) and the major commercial activities (for example, manufacturing, tourism) take place on this island. Additionally, it was easier to collect information from family business entrepreneurs in Viti Levu; and time and cost considerations were other factors that had to be taken into account.

Before the survey, the questionnaire was pre-tested, checked and modified. For this purpose, two sets of pilot studies were conducted. From the pilot studies, it was observed that mailing questionnaires to respondents with a prepaid envelope yielded a lower response rate than personally delivering and collecting the questionnaires from them. Hence, the latter procedure was followed. To obtain the maximum number of responses, the questionnaire was kept understandable, straightforward and congruent with the research aims. The opinions submitted were kept confidential. From the 420 questionnaires submitted, 322 questionnaires were completed fully and returned. This represents a good response rate of 76.6 per cent.

The family business entrepreneurs were requested to indicate their level of agreement with each question in the questionnaire. A Likert scale ranging from one (little concern) to five (great concern) was used for this purpose. The analysis of the surveys consisted of descriptive statistics and non-parametric statistical tests.

Oppenheim (1992) points out that to investigate response bias, one must know the return date of each questionnaire, as the views of the respondents who return their questionnaires late are more like those of non-respondents. Since the questionnaires were collected from the respondents imme-

diately on completion, no response bias test was carried out.

The demographic profile of the family business entrepreneurs is summarised (Table 1). For both the manufacturing and the services-oriented entrepreneurs, the majority of the entrepreneurs were male. For manufacturing businesses, 91.7 per cent were male; for services firms, 85.6 per cent were male. A majority of the businesses were operated by Indo-Fijian entrepreneurs. Entrepreneurs from the two ethnic groups had considerable working experience. For instance, a majority of the entrepreneurs had working experience of 11–15 years (44.2 per cent of manufacturing entrepreneurs and 36.6 per cent of services-oriented entrepreneurs). A majority of the entrepreneurs operated small businesses with one to 10 employees (64.2 per cent of manufacturing entrepreneurs; 61.4 per cent of services-oriented entrepreneurs). The majority of entrepreneurs were in the 31–40 years age group (manufacturing 44.2 per cent; services 40.8 per cent).

Survey results

The mean scores (\bar{x}) of opinions on business factors for the past five years (questions 1–14 of the survey) are arranged in descending order in Table 2. It can be seen that attracting and keeping strong non-family executives and the lack of qualified employees ($\bar{x} = 3.19$) had the lowest scores. The low score means that of all the business factors, these two concerned the entrepreneurs the least. Corporate taxes and customer pricing demands had the highest score ($\bar{x} = 3.36$). This outcome implies that for the past five years family business entrepreneurs were most concerned about these factors out of all the business factors.

Entrepreneurs have also been concerned with political stability in Fiji and the increas-

Table 1 **Demographic details of family business entrepreneurs**

Demographic characteristics		Manufacturing	Services
Gender	Male	110 (91.7)	173 (85.6)
	Female	10 (8.3)	29 (14.4)
Ethnicity	Indo-Fijian	99 (82.5)	162 (80.2)
	Fijian	9 (7.5)	22 (10.9)
Working experience	1–5 yrs	7 (5.8)	5 (2.5)
	6–10 yrs	29 (24.2)	52 (25.7)
	11–15 yrs	53 (44.2)	74 (36.6)
	More than 15 yrs	31 (25.8)	71 (35.1)
No. of employees	1–10	77 (64.2)	124 (61.4)
	11–20	29 (24.2)	56 (27.7)
	21–50	10 (8.3)	17 (8.4)
	51–100	3 (2.5)	4 (2.0)
	101–249	1 (0.8)	1 (0.5)
Age (years)	Under 30	22 (18.3)	30 (20.4)
	31–40	53 (44.2)	60 (40.8)
	41–50	38 (31.7)	43 (29.3)
	51 and over	7 (5.8)	12 (8.2)

Note: Figures in parentheses are percentages.

Table 2 **Opinions on business factors for the past five years**

Business factors for the past five years	Mean score (\bar{X})
Customer pricing demands	3.36
Corporate taxes	3.36
Political stability of Fiji	3.33
Increasing costs of labour and materials	3.32
Employee education	3.30
Government regulations	3.30
Access to capital	3.30
Foreign competition	3.30
Need to globalise business	3.30
Access to e-commerce/Internet	3.29
Keeping up with technology	3.22
Lack of qualified employees	3.19
Attracting/keeping strong non-family executives	3.19



ing costs of labour and materials. Political instability has been a very important factor in Fiji, with many family entrepreneurs emigrating and quite reluctant to invest in local businesses, for which prospects are poor. The increasing cost of labour and materials, particularly in the garment industry, has compelled many entrepreneurs to relocate elsewhere or close down their businesses.

Regarding the mean responses for the past five years on family factors (questions 15–20 of the survey), it can be seen from Table

3 that choosing and preparing successors was the factor of most concern ($\bar{x} = 3.45$), while the financial expectations of non-active family members ($\bar{x} = 3.34$) was the factor of least concern.

The views of respondents about business factors for the upcoming five years are displayed in Table 4, where again the mean values are arranged in descending order.

From the mean responses on views about the importance of business factors for the next five years (questions 1–14), it

Table 3 Views about family factors for the past five years

Family factors (past five years)	Mean score (\bar{x})
Choosing and preparing successors	3.45
Becoming in-grown	3.40
Family conflict	3.38
Family employee compensation	3.37
Lack of consensus on family values and mission	3.35
Financial expectations of non-active family members	3.34

Table 4 Views about business factors for the next five years

Business factors (next five years)	Mean score (\bar{x})
Economic stability of Fiji	4.03
Customer pricing demands	4.02
Access to capital	4.02
Employee education	4.01
Increasing costs of labour and materials	4.00
Access to e-commerce/Internet	3.99
Foreign competition	3.99
Need to globalise business	3.99
Political stability of Fiji	3.97
Government regulations	3.96
Corporate taxes	3.96
Lack of qualified employees	3.87
Keeping up with technology	3.70
Attracting/keeping strong non-family executives	3.68



can be seen that the factor of most concern to family entrepreneurs is the economic stability of Fiji ($\bar{x} = 4.03$). This outcome is not surprising given recent developments in Fiji, although political stability does not rank as highly as this. Many family and non-family entrepreneurs are reluctant to invest, unless some form of economic stability is restored. Access to capital ($\bar{x} = 4.02$) was another business factor that was of high concern to family entrepreneurs. Interest rates also rank quite highly. In January 2009, the Reserve Bank of Fiji (RBF) reduced the lending rates to commercial banks to relieve tightness in liquidity. Furthermore, the new regulations proclaimed by the RBF in April 2009 included the extraordinary steps of fixing commercial bank lending rates and interest rate margins, thereby increasing deposit rates (ADB 2009). No doubt, these developments will provide some financial relief to family businesses. Attracting or keeping strong non-family executives was of least concern to family entrepreneurs ($\bar{x} = 3.68$). Keeping up with technology developments ($\bar{x} = 3.70$) also rated low.

We present the views on the importance of family factors for the next five years (questions 15–20 of the survey) in descending order (Table 5). Family entrepreneurs expressed least concern about family employee compensation. Intra-family conflict ($\bar{x} = 4.10$) was the factor of greatest concern for the coming five years.

A comparison of *ex-post* and *ex-ante* views of family and business factors

Are there differences in the views of family business entrepreneurs about the importance of family and business factors that have affected their businesses in the past five years compared with those they expect will affect their businesses in the next five years? In this section, we test for any such differences and attempt to provide reasons for them.

We summarise the results of the Wilcoxon signed rank test of differences in views of family business factors for the past five years and for the next five years (Table 6). Use of this test has been justified as follows: ‘when data are quantitative but the normality requirement is not satisfied, we use the Wilcoxon signed rank test for the matched pairs experiment instead of the sign test’ (Perera 1999:94). This is a non-parametric test and is equivalent to the independent groups *t-test* (Coakes, Steed and Dzidic 2006). Table 6 shows the results for the gap (b–a)—the disparity between opinions about factors important in the past five years and in the next five years for all family and business concerns (questions 1–20). The statistically significant differences (p-values) of opinions at the 1 per cent level of significance are shown in the last column (indicated by **).

There are statistically significant differences between entrepreneurs’ opinions

Table 5 Opinions on the importance of family factors for the next five years

Family factors (next five years)	Mean score (\bar{x})
Family conflicts	4.10
Becoming in-grown	4.04
Lack of consensus on family values and mission	3.97
Financial expectations of non-active family members	3.96
Choosing and preparing successors	3.96
Family employee compensation	3.90



about the *ex-post* and *ex-ante* impact of all business factors (questions 1–14) and all family factors (questions 15–20) on the performance of their firms. Their differences in views are reflected in the size of the ‘gap’ (b–a). The gaps range from 0.48 (keeping up with technology) to 0.75 (economic stability of Fiji). Importantly, the gap is positive for all factors, which indicates a greater level of concern about the impact of all factors on the viability of businesses.

The greater level of concern about the adverse impact of all factors could be related to the uncertainty associated with the economic instability in Fiji, as this business factor has the largest gap. Concern about

family conflict in the future recorded the highest mean value (4.10) and the second largest gap (0.72). Family conflict is endemic in small businesses. It could be exacerbated, however, in times of great uncertainty, such as in Fiji at present, where there is considerable pressure for emigration, especially among Indo-Fijians. Access to capital also has a large gap (0.72), which again is not surprising in a climate of great uncertainty during which commercial banks will build higher levels of risk aversion into their lending policies.

Table 6 A comparison of opinions about factors important in the past five years with opinions about the important factors for the next five years

Factors	[a] Past 5 yrs mean (\bar{X})	[b] Next 5 yrs mean (\bar{X})	Gap (differences) [b–a]	Significance [p-values]
1. Becoming in-grown	3.40	4.04	0.64	**
2. Lack of consensus on family values and mission	3.35	3.97	0.62	**
3. Financial expectations of non-active family members	3.34	3.96	0.62	**
4. Family conflict	3.38	4.10	0.72	**
5. Family employee compensation	3.37	3.90	0.53	**
6. Choosing and preparing successors	3.45	3.96	0.51	**
7. Political stability of Fiji	3.33	3.97	0.64	**
8. Economic stability of Fiji	3.28	4.03	0.75	**
9. Need to globalise business	3.30	3.99	0.69	**
10. Foreign competition	3.30	3.99	0.69	**
11. Access to e-commerce/Internet	3.29	3.99	0.70	**
12. Access to capital	3.30	4.02	0.72	**
13. Corporate taxes	3.36	3.96	0.60	**
14. Increasing costs of labour and materials	3.32	4.00	0.68	**
15. Government regulations	3.30	3.96	0.66	**
16. Employee education	3.30	4.01	0.71	**
17. Customer pricing demands	3.36	4.02	0.66	**
18. Lack of qualified employees	3.19	3.87	0.68	**
19. Attracting/keeping strong non-family executives	3.19	3.68	0.49	**
20. Keeping up with technology	3.22	3.70	0.48	**

** significant at the 1 per cent level



Conclusion

This study elicited opinions from family business entrepreneurs in Fiji in regard to their concerns about family and business factors that impact on their businesses. The survey sought their views about the impact of these factors in the past five years and for the upcoming five years. Business factors of most concern in the past five years were corporate taxes and customer pricing demands, followed by political stability in Fiji and the increasing costs of labour and materials. The family factors of most concern for the past five years were choosing and preparing successors for the family business and the risk of the firm becoming in-grown. For the next five years, the business factors of most concern are the economic stability of Fiji, customer pricing demands and access to capital. Family related factors of most concern are intra-family conflicts and the risk of becoming in-grown.

When opinions about business and family factors affecting the firm in the past five years and for the next five years are compared, the level of concern about the future was found to be significantly higher in all cases. This could be a result of the fact that the past is known while the future is uncertain. Not surprisingly, however, the factor of most concern for the future is economic stability in Fiji; and this factor also has the largest gap between the level of concern about the past five years and the level of concern for the next five years. Such concern is obviously having an inhibiting effect on the level of investment of family businesses in Fiji. The factor with the next largest gap is intra-family conflict. It could be that intra-family conflict is affected by the economic and political instability, as the present environment would be placing severe stress on families, particularly Indo-Fijian families, given the pressure to emigrate.

It is envisaged that this research will give governments, policy analysts and bankers a better understanding of the concerns that family business entrepreneurs have been experiencing. It should also assist educational institutions in the development of training programs that could address some of these concerns.

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