

An exceptional success
*The case of an export-oriented,
locally-owned, small-scale
manufacturing firm in a small island country*

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Abstract

A useful approach for appraising the economic development potential of small, often island, territories is to look for those rare examples of elusive economic success. Once they have been identified, one attempts to extrapolate what is idiosyncratic about the case at hand to a set of generalisable options. These then can lend themselves to policy action and operationalisation. Economic success is here taken to imply local capital and local technological ownership, profitable small scale manufacturing and export orientation. This paper sets out to demonstrate the potential of this inductive approach with a case study of a micro-enterprise from Viti Levu, Republic of the Fiji Islands.

Over these last two decades, a considerable amount of literature examining the economic performance of small island states has been amassed.¹ The philosophical assumptions underpinning these reports have, however, fallen generally into two contradictory camps.

The first position considers smallness in a more critical, if not fatalistic, light. Smallness brings with it an inability to exploit domestic scale economies, a lack of commercial or diplomatic clout and, to the extent that small island nations are often distant from major commercial hubs, a burden

of added costs associated with insularity and remoteness. Small territories have high import sensitivities and relatively narrow export bases, which render them especially vulnerable to exogenous shocks, often transmitted through fluctuations in world commodity price levels, but also taking the guise of military interventions and environmental mishaps. They remain victims of a stubborn 'jaws effect', whereby gross national expenditure tends to outpace gross national product, obliging a search for 'rentier income'—such as bilateral or multilateral aid or personal remittances—to restore a semblance of sound macroeconomic health. Smallness is therefore synonymous with being powerless, vulnerable and non-viable (Bray 1987; Bray & Packer 1993: 20; Bune 1987; Commonwealth Consultative Group 1985; Diggins 1985; Harden 1985; Lyon 1985).

A second position, which has gained more popularity in academic circles of late, looks at smallness as an inherent advantage and as characteristically associated with above-average economic growth. Small nations are ideal subjects for careful macroeconomic (especially demand) management, in order to maintain the internal and external balances necessary to secure competitiveness. Microeconomic reforms are transmitted rapidly through the economy and a few sizeable investments can swiftly alter the shape of the economy and perceptions about viable strategies. Moreover, small states, by definition, are commercially non-threatening and with their relatively insignificant product volume and value, tend to achieve preferential market access and avoid discriminatory trade treatment more easily than other larger countries. Small is beautiful, also because it is adaptable, manageable and prone to attract sympathetic responses from would-be sponsors, clients or trading partners (Berreman 1978: 235; Chiew 1993; Harberger 1988; Kohr 1973; McRobie 1981; Max-Neef 1982; Schumacher 1973:ch. 5; Srinivasan 1986: 211; Trist 1980).

Intimations of economic hope and despair

Increasingly, it is becoming evident that both the optimistic and pessimistic positions represent stereotypically jaundiced views of the economic condition and prospects of small island nation states and territories. The debilitating effects of smallness, especially where coupled with lack of natural resources and remoteness, cannot be simply dismissed in a flourish of unsubstantiated enthusiasm. Market fragmentation, a limited labour supply and skill depository, and inadequate access to technology and investment

capital are widespread and real constraining effects. The result is often a rent-seeking economic structure, limited industrialisation, a relatively large bloated public sector and a very small private sector, which is also mainly engaged in commercial, import-oriented wholesale and retail trade. Export products have been largely restricted to primary cash crops—such as sugar, copra, cocoa, rubber or bananas—introduced in the early days of colonisation on a plantation basis. But these suffer deteriorating terms of trade beyond local control and their survival today may in part be conditional on state subsidies or preferential trade agreements. Some export-led industrialisation fuelled by foreign investment and technology has been set up, but its viability has required heavy subsidies, concessionary conditions and often depressed wages, all necessary to make up for the other uncompetitive transaction costs.

On the other hand, it would be equally sterile and naive to dismiss the inherent potential of small island territories to the extent that their survival depended totally and unconditionally on a steady and substantial level of transfers from outside. Aid donors have been quick to point out that overseas *development* assistance (ODA) is better referred to as overseas *dependency* assistance. Many small island beneficiaries have been more intent on assuring or even deepening their dependency than weaning themselves away from it and achieving a degree of respectable self-reliance. Such an attitude is tantamount to a guaranteed preservation of the small island's consumptive capacity, which is generally above average on a global scale. It is also a politically convenient stance because it can be used to justify protectionist and interventionist policies. Nevertheless, it fails to recognise that, in spite of all the real difficulties faced, there exist some successful local productive experiences in these small insular locations.

This paper therefore charts a new course between intimations of economic hope and despair. It focuses its sights on one particular successful enterprise operating from a small island territory: one that is locally owned and controlled, one that manufactures a product for export, one that is small in scale and at the same time a price setter on the world market. The objective is to describe and critically appraise the performance of this single, small enterprise with the intention firstly, of highlighting those elements from its practice that suggest themselves as explanations for its sustained success, and secondly, of distilling lessons and prescriptive outcomes from that explanation.

The methodology deliberately sets out to examine what may be special and possibly unique. The object of this critical gaze is a firm that is demonstrably exceptional by many standards. But this approach has hitherto been neglected in discussions concerning the economic development of small island territories. The perspective adopted and preferred all along has been macro-oriented, looking at economies as a whole and attempting to understand reasons for success, or its lack—which have in fact been fairly well documented. It is somewhat fresh and original to concentrate instead on the elusive agent of success and seek to extrapolate from that special case a number of common elements and features on the basis of comparative, if necessary cross-country, fieldwork using a similar fieldwork design.

This is an *inductive* approach to small island studies. It seeks pragmatically to investigate the extent of socioeconomic characteristics and to construct a theory out of this condition. This is in contrast to deductively biased and based research—a hallmark of the tradition of modernity—which departs from the comfortable homeground of tried and tested theories and seeks, impervious to specific contextuality, to force the observed reality into a given, theoretical strait-jacket. By now, it should be fairly clear that small island jurisdictions demand special theoretical considerations, which emerge from, and out of, their own specific terms of existence. Smallness is inherently neither boom nor bane: but it definitely fosters its own, peculiar ‘ecology’ (Commonwealth Secretariat 1986: 6).

Fiji: a micro-economy

The small island territory within which our case study is based, the Republic of the Fiji Islands, is a sub-tropical 300-island archipelago in the South Pacific, close to the international dateline. A British crown colony since 1874, Fiji obtained political independence in 1970 and could look forward to its economic future with ample confidence. With a total land area of 18,300 sq km and a resident population of some 760,000, Fiji has a fairly diversified economic base and one that is much larger and better naturally endowed than that of most other Pacific micro-territories:

Planted to sugarcane, about 70,000 hectares of the most fertile land have yielded rich returns. The sunny beaches of Viti Levu [the main island] have generated employment and attract a growing stream of tourists not only from Australia

and New Zealand but also the US and Europe. The dense forests covering two-thirds of the land area support a trade in logs and wood products while coconut groves, traditionally the props for the village economy, have continued to supply copra and coconut oil for the export market. Fiji's mineral wealth is limited, but income from gold mining . . . has provided a welcome supplement to other export earnings. These bases of economic strength should endure well into the future . . . (World Bank 1987:xi)

Sugar, tourism, timber and coconut products remain the island's major export commodities, these being supplemented over these last years by revenue from fishing operations in the nation's exclusive economic zone as well as by a spectacular increase in the export of garments. The commendable increases in both output and diversification must, however, be juxtaposed with three basic characteristic weaknesses of these export industries. The first is that export success may depend on state concessions and preferential trade deals. The whole existence of the sugar industry depends on preferential access to the European Union, institutionalised in the successive revisions by the EU of the Lomé Agreement with the African–Caribbean–Pacific nations. The garment industry success story, which has generated thousands of jobs, is also dependent on preferential agreements, in this case mainly SPARTECA (South Pacific Regional Trade and Economic Cooperation Agreement) and MFA (Multi-Fibre Agreements). These, under certain stringent 'rule of origin' conditions, have permitted preferential tariff levels for Fiji-made clothing entering the Australian, New Zealand and US markets. Such industries also benefit from generous 13-year tax holidays, a devalued local currency and 'sweat-shop' conditions of work that on the whole draw young, inexperienced female and non-organised labour (Elek, Hill & Tabor 1993).

Secondly, the extent of foreign ownership of these major export earners is significant. The main profit spin-offs from tourism—air carriers, travel agents and hotel operators—are largely foreign owned. Australian and East Asian foreign capital, in particular, is heavily involved in many of the local extractive, trading and processing operations (e.g. Howard 1986).

Thirdly, the concentration of unprocessed primary natural resource products within Fiji's exports renders these vulnerable to external circumstances, such as foreign currency fluctuations and global supply and

demand market forces, as well as weather conditions and natural disasters. Revenue generated from sugar, gold, copra, coconut oil, wood, spices and canned fish must remain subject to the terms set unilaterally by significant agents or wholesale buyers abroad. Such and similar market vagaries tend towards a price deterioration in the long run.

One example of such a loss of potential revenue from the further processing of a primary crop concerns *kava*. This is a locally grown root crop used as a social drink in Fiji but also much sought after in the international pharmaceutical industry. (Because of its tranquillising properties, *kava* can find a place among the millions of prescriptions issued annually to relieve conditions of nervous anxiety and stress.) But the extraction process turning the dried *kava* root into the concentrate occurs overseas and the bulk of value added is reaped outside of the local economy. The Fijian farmers who grow the crop receive some US\$3–4 per kilo for their produce; while the processed concentrate sells at US\$200–250 per kilo in Australia (*Fiji Times* 21 June 1997:9).

The only way out of this trap, therefore, is to attempt more locally-based, rationalised processing (Navakamocea 1996). Here, the potential may appear truly enormous. International analysts like the World Bank have recommended that attention be given in this respect (apart from garments) to spirits, watches, light machinery and tropical fruit. According to their authoritative advice, Fiji appears set to emulate the four Asian tigers—South Korea, Taiwan, Hong Kong and Singapore—and emerge as the industrialising giant of the South Pacific.

It is often conveniently forgotten, however, that the East Asian exported success has been documented in the wake of a sustained period of protected and regulated import substitution and an extensive labour market flexibility that enabled the capture and growth of competitive export niches. Fiji may lack the basic conditions essential for such a deliberate, ‘tiger’ strategy. Elusive economies of scale, absence of technological know-how, higher freight costs and lack of marketing expertise render the penetration of Fijian manufactures onto the world market very difficult. Even in their domestic market, Fijian products are hard pressed to compete with better, possibly cheaper imports. In this sense, the battle may be lost before it is joined and the Fiji economy is already drawn into a larger economic system controlled largely by external and transnational interests and capital (Hau‘ofa 1987). Fiji is also saddled with relatively high labour costs (especially in

unionised firms) and many precious technical skills (and substantial savings) have been lost in the emigration of some 70,000 Indo-Fijians since the Army backed coups of 1987 (Treadgold 1992:19). Unit costs of production and transport from Fiji can thus seldom be competitive, even if the requisite standards of quality and technological acumen are sometimes secured. At the time of writing, it has been very difficult to locate any but a handful of locally-owned, small-scale, export-oriented manufacturing industries in Fiji whose existence is not dependent on state concessions or preferential trade agreements. Natural Soaps is one of these rare cases.²

Natural Soaps: a Fiji enterprise

Natural Soaps (NS), a Fiji-based, Fiji-owned and Fiji-controlled manufacturing operation with over 90 per cent of its value added being recorded at home, has reported profits annually since its establishment in 1982. Its turnover has increased steadily (and in spite of some mishaps along the way) from a low of some US\$60,000 in its first year of operations to some US\$480,000, projected for 1997. The operation has only four full-time employees on its books, uses low-level technology, occupies a very small production facility on the outskirts of Suva (Fiji's capital) and operates on a batch-oriented labour intensive production run. Not exactly a high tech operation. Nevertheless, it has an excellent product, which has won international recognition; a sophisticated and growing up-market clientele; and plans to set up its own overseas subsidiaries to tap the lucrative markets of Europe, South Africa and North America.

The explanation of NS's extraordinary and exceptional performance appears to rest on a series of distinct yet interrelated factors. In the paper, these are teased apart one by one for the sake of a more discriminating and insightful critique of the company's performance. No attempt is made to disguise the special and idiosyncratic elements of such features, where that is the case. Indeed, important and original lessons may be in store for small island developers and entrepreneurs generally from the scrutiny of the particular.

This analysis was undertaken on the basis of fieldwork carried out in Fiji during my attachment in July and August 1997 to the Department of Sociology of the University of the South Pacific, Laucala Campus, as the beneficiary of an Academic Exchange Fellowship. The actual company was selected—mainly on the basis of elimination—after extensive discussions

with academic colleagues, friends, consultants and officials from the Fiji Employers Federation. Intensive interviews were held with the chairman and general manager of the company, the factory was visited three times and semi-structured interviews held with the full-time and casual workforce on site, seven in all.

The project also runs parallel to a multi-island study of successful small-scale manufacturing, forming part of the North Atlantic Islands Programme (NIAP) coordinated by the Institute of Island Studies at the University of Prince Edward Island, Canada, with which the author is also involved (Baldacchino & Milne 2000). The semi-structured questionnaire used to discuss issues with the workforce was an adaptation of a similar one used effectively in the case of fieldwork carried out in Malta and Barbados (Baldacchino 1997). Full confidentiality has been assured to all respondents and the company will also be afforded full anonymity in the event of any reports for public consumption.

Elements of success

Success, however measured, is the sum total of many inputs and processes, which invariably blend into and interact with each other in myriad and inextricable ways. Coupled with the stringent criteria for the measurement of success adopted in this case study, the result is very much a unique profile, which appears far from being a potential prototype or one from which useful prescriptive lessons can be gleaned. The learning and analytic potential of the evidently unique features of NS can be appreciated only if this is first broken down artificially into a set of constituent components, each of which can be reviewed in some detail in relative isolation. Thirteen such components present themselves from a reading of the interview scripts, the visits to the company and an understanding of its operation.

Coconut palm derivative. The firm's key raw material is coconut oil, a derivative of the fruit of the coconut palm tree synonymous with tropical island territories. The coconut tree is a powerful symbol of the Pacific Island identity and an important source of a wide variety of secondary products. Practically the whole tree—fruit, leaves, trunk and roots—can be processed (Stanley 1993:53). Coconut oil is a valuable by-product but tends to suffer from violent price fluctuations when sold in an unprocessed state on international markets. When used in the manufacture of soap, high grade coconut oil permits a resort to the 'cold process' of saponification, which

is a much more efficient and low cost operation (Mars 1978:5,10). Thus the most important input factor in the NS range of products is locally procured and its choice permits a more viable manufacturing process.

Packaging the paradise myth. The coconut is, however, more than simply a local source of raw material. It is a captivating expression of the South Sea myth of paradise, natural beauty and romance. These are all part of the tourist hype, which the Pacific Islands have constructed—or whose construction they have condoned—in the hope of securing and bolstering a tourist industry. A good quality coconut soap, particularly its unique smell and lather, may be one of the few tangible expressions of such paradisiacal imagery. Tourists are thus prone to be receptive to such a product, which promises to help them capture and physically experience the ‘magic’ of the tropical islands.

Tourism industry as export outlet. Tourism is an important economic activity for most small island territories and the fortunes of NS are directly correlated to the performance of this industry in Fiji. Agreements negotiated with hotel owners, mainly in Fiji, mean that the NS soap finds its way into the bathrooms of discerning tourists occupying quality hotel accommodation. The product is thus effectively exported but nevertheless sold at home. The tourist medium saves the company freight and transport costs since the tourists carry the product back to their country in their baggage or otherwise ‘consume’ it locally. The hotel operators thus replace the export agent or middleman and NS avoids the associated costs. Meanwhile, the satisfied tourist becomes a marketing agent for the product, also at no cost to the company.

Totally natural. One other attraction of the NS soap product range is that it is made exclusively from natural material and inputs. The wrapping and packaging of the soap—using coconut shell, screen-printed cotton or *tapa* cloth made from stripped and beaten mulberry bark (*masi* or *tapa* cloth)—reinforces the message. There is also no use of animal fat or tallow, nor is the product tested on animals—hence rendering it appealing to the growing numbers of vegetarians and animal lovers. Likewise does the resort to ‘hand-made’ operations appeal. Apart from the chemical saponification process, the whole operation is carried out by human hands, using the most rudimentary of tools and equipment: locally made wooden containers and metal slicers, a mechanical stamper and a screen-printing unit. The

operation in this way suffers from low turnover of production and from relatively higher unit costs, which render the product relatively expensive. But then the expense is indeed justified by its 'natural' manufacturing profile.

Price setting strategy. The relatively high unit cost of production is not a liability because it enables the product to find its specific and undisputed up-market niche. The targeted clientele are tourists who will appreciate the product's environmentally natural state on all counts: in its coconut provenance, in its other natural inputs, in its labour-based production, in its full biodegradability, in its dissociation from animal products or animal testing. The product's characteristics of sustainability explain and in turn justify the higher unit cost of NS Soap and therefore exempt it from mass market considerations. The up-marketing of the product also exempts it from any artificial sense of competitiveness resulting from preferential trade deals with export destinations.

Labour intensity. The labour intensity of the product lies not only in the specific factory operation but in the whole verticalisation of production. The extraction of food grade coconut oil is labour intensive, involving the farming, collection and decortication of coconuts. The packaging and stamping of the product is also physically laborious; so is the production of *tapa* cloth or screen-printed cotton. But the small volume of production does not warrant capitalisation. Indeed, the low capital requirements to start up the firm meant that only US\$7,000 were necessary to launch the company, without the need for bank loans or foreign venture capital partnership. This might have jeopardised the extent of local control over the venture. It would have obliged a resort to a more automated/continuous production process, which would consequently have meant a loss of the 'hand made' appeal.

Formal and informal employment. The multiplier effect of NS is huge. It generates work not only to its own employees but to many other workers and suppliers—craftspersons, plantation workers, packers—with whom the company deals on a contract basis. Only the core personnel are full-time waged employees. The others are essentially self-employed, working at their own initiative and being paid by results on terms negotiated with the company. The arrangement keeps labour costs down and guarantees payment by results, in terms of both productivity and quality. The company

thus avoids entering into the responsibility to provide a living wage to outworkers unless they maintain a certain level of quality output.

Just-in-time production. With such a flexible manpower base, NS can afford to produce in accordance to demand. In spite of fairly rudimentary technology and labour intensity, it operates on a ‘just-in-time’ production system that keeps stocks low and therefore avoids the unnecessary freezing of precious working capital. Even relatively large orders are broken down into smaller manageable portions and produced on a batch mode, assuring that the product preserves its critical freshness and fragrance. This strategy also means that minimal production and storage space is required, cutting down further on fixed costs.

By-product utilisation. The production of coconut soap brings about the accumulation of coconut flakes as waste products. NS has managed to identify markets for this waste soap, developing a whole range of soap derivatives—detergent, liquid powder, bleach, shampoo—catering for the local domestic market. All along the product process requires low technological inputs and the coconut soap is the main raw material.

Technological ownership. One critical component of such an operation concerns the esoteric chemical formula on which the quality and consistency of the product depends. This was initially a ‘secret’ formula brought in from French partners into the NS operations. Eventually, the local entrepreneur developed this skill and indeed perfected it to provide an even better product. This transfer of knowledge has effectively rendered dispensable the input of the foreign partner. This shift of power to the local Fijian investors was reflected in a revaluation of the company, which has seen the local share and control equity increase considerably in relative terms. In enabling this transfer, NS could also rely on past experience in soap manufacture by its chairman and some of its regular workers.

Financial prudence. One characteristic of NS is that it has since its inception been a relatively cheap operation, prudent in its tapping of external sources of funding. Its low fixed costs, use of rudimentary equipment and labour flexibility guarantee that precious liquidity is not lost. This reduces the extent of risk management to more manageable proportions, which is possibly providential, given the number of mishaps that befell the company, especially during its early years of operation. The ‘leanness’ of the set-up

has allowed it to weather hurricanes, flooding, a badly handled export exercise and a downturn associated with political events. Other than an overdraft facility with a private bank, NS has not sought venture capital, business loans or concessionary finance.

Communication supports. NS has its own Home Page on the World Wide Web. It provides information on its product and ordering details, strategically organised from agents in Australia, New Zealand, California (USA) and Hull (UK), apart from Fiji. The soaps are sold along with a mail order form with full details of cost, payment and delivery procedures. The use of such communication devices reduces the structural disadvantage of operating from a small island base far far away from its clientele.

Naturalised entrepreneurship. NS is the brainchild of an Australian-born man who became a naturalised Fiji citizen in 1983. In this, NS compares well with the various other business initiatives taken by current or former expatriates in Fiji and other small island territories. It seems unlikely that the sustained success of NS, or even the very existence of the firm, would have come about were it not that the company chairman is an expatriate by birth, who has privileged access to many years of experience in management and administration of various business ventures in Australia and the United Kingdom, apart from the many years of the same in Fiji. This experience enabled the development of shrewd business acumen, solid contacts with employers and other businesspersons, who eventually were roped in as agents and outlets for NS products. His progressive integration into the Fiji community, apart from business expediency, led him to decide to switch citizenship, something he could do very easily given his long period of residence in Fiji and by virtue of his being already a Commonwealth citizen.

Discussion

The previous section has presented descriptions of aspects of NS's performance and product that somehow contribute synergetically to its profitability and export achievement. This section analyses these features critically in the light of the existing literature, identifying key aspects of the unique case on the crucial parameters. These beckon further study in the hope that they can be considered as potentially repeatable in similar small firms in small island locations.

Strength of the natural economy. NS confirms that the local processing of primary resource based industries, for both its main and ancillary products, contributes to high value added and strengthens backward linkages to the economy. This results in more direct and indirect jobs for the provision of more goods and services. For a small, open agrarian economy such as Fiji's, where agriculture is still the backbone, the development of agro-processing industries is vital to propel that component of manufacturing industry likely to provide the highest multiplier effects through its backward and forward linkages. Additionally, given the labour intensive nature of the primary sector and its ultimate relationship with the sprawling subsistence economy, the subsequent encouragement of agro-based processing will contribute to the induction of employment and income generation effects. In this strategy, Fiji and other Pacific economies would also be following the almost standard advice for small-scale industrialisation submitted by foreign development consultants (e.g. Ivory 1977:21; Jain 1969:28–9; Paliwal 1972:183; Tekinamiku 1982). NS intensifies its links with the local, natural economy to include its packaging material, fragrances and its hand-made manufacturing processes.

Up-market niching. The almost total association with the natural is used as a key marketing wedge by NS to tap (in this case, via tourism) a very particular clientele.³ We are referring not to just any coconut soap, but to a particular natural soap, from a particular exotic location, with a unique range of tropical fragrances. In this, NS succeeds in proving the validity of what has been termed 'the marketing of identity' (Fairbairn 1988b:75)—a strong, purposeful association of the product with its natural input endowment in the context of the 'Fijian Island dream' theme. This permits the product to claim a value higher than any one that may be determined by an anonymous and impersonal market. In much the same way, local 'genuine' handicrafts, sea shells or postage stamps are being used as foreign exchange earners—often through tourism—by Fiji and other small island territories. The challenge is how to build such a privileged identity and assure its careful preservation via, say, a determined attempt at maintaining good quality and marketing the product only in selected choice locations and in limited quantities.

The unitary work environment. One important characteristic of the NS firm is that its workforce can be said to operate as a kind of family network. Of course, this is easily declared—especially by top officials—and ‘happy family’ images may be simply superficial constructions hiding less harmonious employment relations (Rainnie 1985). The current high unemployment in Fiji and the strong sense of disapproval of trade union organisation within the private sector act to dampen both overt and covert expressions of worker resistance to managerial authority. Similarly, unskilled employees working on a piece-rate basis command no leverage on their conditions of work. Nevertheless, NS presents a core workforce with a proven personal loyalty and dedication to the company chairman, generated in an association going back many years and (in certain instances) even across generations. The two senior employees were ex-colleagues of the company chairman in previous employment and they were invited personally to join him in NS, to which they agreed. Meanwhile, of the two other employees on indefinite contract, one is the son of a deceased workmate of the chairman and the second is none other than the chairman’s wife. Recruitment and selection of such core staff is a judicious and critical process, with due consideration given to both technical and occupational competences as well as loyalty and commitment to the boss and the capacity to work as part of a team (Goffee & Scase 1995:11). There therefore seems to be no question of contested dedication and the dominant management style is open and benign. The flexibility demanded from a batch-based, non-automated work environment also means that the tempo of work is more relaxed and there are enough different tasks to permit diversity and job enlargement.⁴

Incremental entrepreneurship. The most enduring image of the entrepreneur is that of a risk-bearer, an exceptional almost heroic figure who has a rare and prized combination of resources, skills and an ingenuity that he (yes, usually it’s a male) develops in a thirst for adventure and profit. This view goes back at least to Knight (1921) and has been romanticised by Schumpeter (1934). Even recent commentators such as DeBono (1990) and Handy (1985:47) have lauded the allegedly exceptional characteristics of entrepreneurs and continue to construct them as a rare breed. This view appears to remain undisputed in the broad South Pacific context, given the claimed paucity of indigenous enterprise, which is all the more stark in the realm of exportation (Belshaw 1964; Briscoe, Nair & Sibbald 1990; Fairbairn 1988a; Watters 1969).

Such characteristics are, however, ill defined and insufficiently supported by scientific evidence. There are different types of entrepreneurs and of entrepreneurship, including certain aspects of not so rare waged and salaried employment, such as autonomous craftspersons or new professional employees such as accountants or academics. The larger-than-life hero image may only act to glorify and dramatise the entrepreneurial function unduly, rendering it in the process more elusive than it may actually be in practice. Such an attitude would also define away the task of cultivating or expanding entrepreneurship as a well-nigh hopeless and futile exercise.

In sharp contrast, the NS case is one that suggests a more evolutionary and incrementalist route for successful enterprise. The company ideator and chairman spent many years occupying a variety of senior managerial and administrative posts as an employee. By virtue of these, he developed a range of first hand experiences, established business contacts and learnt the intricacies of manufacturing (including those of soap), as well as those associated with exporting and people management. His experience corresponds to the results of a UK survey in which the reported main motive for starting an own business was to make fuller use of the management and work based skills acquired in corporate employment (Scase & Goffee 1987; Goffee & Scase 1995:23). Waged or salaried employment can be a useful nursery for budding entrepreneurs: it can provide the work environment where they can effectively practise and rehearse enterprise with that much less risk and stronger support services. In a similar manner, producing for a local domestic market can be the training and testing ground for an eventual infiltration into the export realm, when and where an interesting opportunity presents itself. Even in the long years of leading his own company, the chairman has continued to strengthen local process control and the verticalisation of coconut soap production.

A similar incrementalism can be attributed to the financial side of the operation. The firm is run in such a way that the only liquidity required is that to guarantee the wages of three full-time employees—and even this may be temporarily forgone in emergencies. Even the cost of printing is borne mainly by client hotels. The capitalisation of the firm has proceeded slowly, always without compromising its dependence on labour intensity and the cold saponification process. The emphasis is on quality to justify a high price: quality inputs, quality throughputs (essentially labour) and quality

packaging. This case study thus diminishes the credibility of the assertion that the lack of substantial start-up capital as a key obstacle to starting an own business.

The expatriate factor. It has been forcefully argued that small island economies cannot be simply looked upon as bounded entities expected to attempt and succeed in developing a productive capacity from inherent resources. This is a nationalist fallacy that fails to appreciate that small islands are organic parts of a wider economic system from which, on balance, they derive substantial benefits (Kakazu 1988:15). Although NS is a manufacturing effort, its business has depended largely on a symbiotic relationship with the tourism industry. Indeed, it may appear more useful to look at efficient manufacturing in small islands as a spin-off from the services sector. Such a transition would be the exact opposite of what has occurred in the case of larger, industrialised economies (Baldacchino 1998).

Part of this 'rent-seeking' approach includes the attraction and exploitation of expatriate entrepreneurs. Foreigners with experience in the industrialised world can be utilised in good stead by island economies, especially were these expatriates convinced to become naturalised in these small jurisdictions. It may be very difficult for indigenous people to muster the skills, but especially the networks and contacts, necessary for the control of an up-market, export-oriented manufacturing facility. But, to compensate for this deficiency, small island economies have a disproportionate number of resident expatriates involved in business operations.⁵ The successful grounding and domestication of such human resources and intellectual capital within the local business activity constitutes an important economic victory for the insular micro-territory.

Conclusion

The provision of skills training and venture capital are the two main, if not exclusive, conventional methods by which agencies and governments seek to promote successful, small-scale, local economic enterprise. This case study does not support the notion that these are the major bottlenecks in the context of small and island territories. The ready resort to training and development loans may have more to do with ease of response and of its

measurement, than with validity and effectiveness. In their place, this study recommends that it would be more appropriate to consider:

- methods by which naturally available ‘raw materials’ can be locally processed under local control, enhancing spillover effects onto the domestic formal and informal economy;
- techniques by which local manufactures could considerably enhance their retail value by being romanced and promoted as commodities specifically associated with the small island location where they are produced, and targeted in this way to more discerning niche export markets;
- incentives whereby expatriates can become attracted to settle down in island territories and thereby transfer or graft their knowledge, skills, resources and contacts onto the local economy for their mutual benefit;
- human resource management and development strategies within salaried and waged employment, which serve as entrepreneurial nurseries—with opportunities for bearable risk, initiative and discretion; and
- opportunities for communication, marketing and advertising via the internet, which could considerably reduce the logistic problems of operating from small and forlorn island locations.

Each of these five policy arenas, and their interrelationship, suggest different courses of action; including more tightly focused agendas for prescriptive, formative and educational initiatives. In this manner, and in other ways yet to be distilled from comparative case studies, there is reason to believe that the number of locally sustainable and successful small firms like NS should increase among the panoply of small island territories.

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Notes

- 1 Key additions to this literature include a special edition of the journal *World Development* (vol.21, no.2 1993); Bray & Packer (1993); Briguglio et al. (1996a, 1996b); Commonwealth Secretariat (1997); Hintjens & Newitt (1992); Lillis (1993); Lockhart, Drakakis-Smith & Schembri (1993); the academic magazine *Insula* published by UNESCO; and regular articles in the journal *Public Administration and Development*.
 - 2 This is a pseudonym, meant to protect the identity of a going concern.
 - 3 This successful export strategy is evident, say in the case of pawpaw and other vegetable exports to New Zealand from Rarotonga and of coconut cream and lime juice from Niue. See Watters (1988:51, n. 3).
 - 4 For an elaboration of this argument, see Baldacchino (1999), which presents different insights on the same case study firm.
 - 5 Witness, for example, the Indian and Chinese communities in Fiji (Hailey 1985) or the 'half-Europeans' of French Polynesia (Finney 1971).
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