

**THE EVOLUTION OF ACCOUNTING IN THE SOLOMON ISLANDS: AN  
INTERPRETATIVE STUDY ON THE IMPACT OF CULTURE**

**MARIANNE FAITHFUL BERNADETTE ORU**

**A Thesis submitted to Auckland University of Technology  
In partial fulfilment of the requirements for the degree of Master of Business (MBus)**

**2011**

**School of Business & Law**

**Primary Supervisor: Dr James Prescott**

# Table of Content

## Contents

Table of Content .....	1
Table, Figures and Illustrations .....	4
Attestation of Authorship .....	5
Acknowledgements .....	6
Abstract .....	8
CHAPTER 1: Overview of Study.....	9
1.1 Introduction.....	9
1.2 Background of study .....	9
1.3 Research Question and Aim.....	10
1.4 Significance of the study.....	11
1.5 Conceptual Framework – The Social Identity Theory.....	12
1.5.1 <i>Social Identity Theory</i> .....	12
1.5.2 <i>Rationale for using the Social Identity Theory</i> .....	15
1.5.3 <i>Appropriateness of the Social Identity Theory for Solomon Island business studies</i> .....	16
1.6 Conclusion .....	17
CHAPTER 2: Background of Solomon Islands.....	19
2.1 Introduction.....	19
2.2 Overview of Solomon Islands.....	19
2.3 Notion of culture .....	24
2.3.1 <i>Culture as function</i> .....	24
2.3.2 <i>Culture as an adaptive system</i> .....	26
2.4 Common characteristics of Solomon Islands culture.....	27
2.4.1 <i>Melanesian Big-Man</i> .....	27
2.4.2 <i>Wantokism</i> .....	28
2.4.3 <i>The early traders/whalers influences</i> .....	29
2.4.4 <i>World war II aftermath</i> .....	30
2.4.5 <i>Influence of Christainity (Missionaries)</i> .....	31
2.5 The introduction of commerce in Solomon Islands .....	32
2.5.1 <i>The early whalers (c.1800 -1860)</i> .....	32
2.5.2 <i>The growth of trade in the Solomons (c. 1860 -1900)</i> .....	34
2.5.3 <i>The Plantation Days (c. 1900 -1930)</i> .....	35
2.5.4 <i>The post-war trade in Solomon Islands (c. 1942 -1955)</i> .....	36
2.5.5 <i>In preparation for independence (c. 1955- 1978)</i> .....	37
2.6 The Introduction of Commerce Education in Solomon Islands .....	38
2.7 Conclusion .....	40
CHAPTER 3: Literature Review .....	41
3.1 Introduction.....	41
3.2 Family-owned firms .....	41
3.2.1 <i>Social capital in family firms</i> .....	42
3.2.2 <i>Role of family values and relations in family firms</i> .....	43
3.3 Small and medium-sized enterprises (SMEs) .....	47
3.3.1 <i>Cash management practices held by SMEs</i> .....	48
3.3.2 <i>Use and preparation of financial information in SMEs</i> .....	49
3.4 Culture and business in the Pacific Islands – The Melanesian trade .....	50

3.5	Role of culture in the development of accounting practices .....	52
3.6	Conclusion .....	56
CHAPTER 4:	Methodology.....	58
4.1	Introduction.....	58
4.2	The Interpretive- phenomenological paradigm.....	58
4.2.1	<i>The Epistemological assumption</i> .....	58
4.2.2	<i>Ontological assumptions (nature of social reality)</i> .....	59
4.2.3	<i>The phenomenological lens</i> .....	60
4.2.4	<i>Rational for the phenomenological lens</i> .....	62
4.3	Locating and selecting the Research Participants .....	62
4.4	Data collection – phenomenological semi-structured and In-depth interviews .....	64
4.5	Data Analysis .....	65
4.6	Ethics .....	67
4.7	Validity & Reliability .....	67
4.8	Conclusion .....	68
CHAPTER 5:	Colonialism and the development of accounting (commercial) in Solomon Islands.....	70
5.1	Introduction.....	70
5.2	BSIP colonial government and the development of accounting in Solomon Islands .....	70
5.2.1	<i>Lack of provision of learning avenues (locally)</i> .....	71
5.2.2	<i>Lack of encouragement and training for locals in the early profession</i> .....	73
5.2.3	<i>Early trade barriers</i> .....	75
5.3	Colonialism and the creation of negative perceptions towards accounting development in Solomon Islands businesses .....	79
5.3.1	<i>Perceptions towards introduced knowledge accounting</i> .....	80
5.3.2	<i>Perceptions towards class room learning (schooling)</i> .....	81
5.4	Post-colonial government and the attitude towards the role of accounting development in Solomon Islands (1980s – 2000s) .....	86
5.4.1	<i>Overview of SMEs in Solomon Islands</i> .....	87
5.4.2	<i>Government's perception towards the role of accounting development in Solomon Islands commercial sector</i> .....	90
5.5	Current development The Accountant Bill 2010 .....	92
5.6	Conclusion .....	94
CHAPTER 6:	What is accounting? A perception held by the local businesses.....	96
6.1	Introduction.....	96
6.2	The accounting conventions: the local perspectives .....	96
6.2.1	<i>Entity Concept</i> .....	97
6.2.2	<i>Going concern</i> .....	101
6.2.3	<i>Monetary convention</i> .....	104
6.2.4	<i>Periodic convention</i> .....	106
6.3	Perception Towards Tax compliance.....	107
6.4	The Record keeping function.....	110
6.5	Management of Credit Transactions (accounts receivables/payables) .....	112
6.6	Cash Management.....	116
6.6.1	<i>Cash flow</i> .....	116
6.6.2	<i>The cash budget</i> .....	119
6.7	The accrual based system.....	121
6.8	The matching principle .....	122
6.9	The accounting equation .....	123

6.10 Conclusion .....	123
CHAPTER 7: Research Summary, Contributions and Recommendations.....	125
7.1 Summary .....	125
7.2 Contributions of this study.....	129
7.2.1 <i>Contribution to Pacific Islands business-related literature</i> .....	129
7.2.2 <i>Contributions to cultural studies in the development and practice of accountancy             in indigenous settings</i> .....	129
7.3 Suggestions for future research.....	130
7.4 Research limitation .....	131
7.5 Concluding remarks .....	132
References .....	137

## Table, Figures and Illustrations

Table 2.2A Estimated Real GDP 1 .....	23
Table 2.5 Early trade exchange 1 .....	33
Table 4.3: List of Research Participants 1 .....	63
Table 5.5 Definition of SMEs in Solomons 1 .....	87

## Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any degree or diploma of a university or other institution of higher learning.

# Acknowledgements

## Dedication

This thesis is dedicated to my father *Steve Angisioru*.

## Others I would like to acknowledge

A number of people have encouraged and supported me in the completion of my Master degree. I thank them all and am especially grateful to the following:

**Dr James Prescott:** As my primary supervisor, for his generous support in guiding me through my thesis journey.

**Eathar Abdul-Ghani:** As the Postgraduate Manager for School of Business and Law at AUT, Eathar's always patient and very supportive towards us the Postgraduate students.

**The AUT Ethics Committee:** For granting me Ethics approval reference 10/69.

**Gina Xu:** Through the informal chats I had with her, I had gained ideas which help me with my thesis planning as well as write up.

**Dr David Parker:** Through the Postgraduate workshops (KEYS), Dr. David kindly offered to look at a sub section of my thesis, which he gave useful feedbacks with regard to good academic writing styles.

**Serah Enari:** For proof reading my thesis.

**Amber Young:** The AUT NZaid Scholarship Officer, for all scholarship matters.

**The New Zealand Government:** For giving me this opportunity (NZaid Scholarship) to further my carrier in my field of interest.

**Ellie Fa'amauri Firisua and Eddie Fa'amauri:** For their assistance towards developing my theoretical framework.

**The participants of this study:** Tenkiu tumas for time and consents blong youfala!

**Solomon Islands Wantoks in Auckland:** For the moral support and encouragement.

**Finally to the Heavenly Father:** *Tenkiu tumas fo tekem me thru lo disfala journey.*

*Bigfala tenkiu everywan!*



## Abstract

Understanding the impact of culture on the practice of accountancy in businesses in indigenous settings is important. In many indigenous societies such as the Pacific islands, local businesses struggle to adopt the western concept of accounting that is often not aligned with the local value systems and customs that exist. This study seeks to investigate the cultural influences affecting the evolution of accounting across businesses in the Solomon Islands. The study takes on the phenomenological approach of cultural studies in accounting drawing on the life experiences of individuals and groups who have been at the forefront of this development. Participants included business owners and operators, four of the long-standing local businesses and several persons in the accounting profession in Solomon Islands.

The study concludes by making two key contributions to the literature. The first is the empirical contribution to the Pacific Islands business literature and the second includes contributions to cultural studies in the development and practice of accountancy in indigenous settings. The findings have been analysed based on two central themes which are related to culture and its influence on accounting evolution in the Solomon Islands. The themes highlight that culture significantly affects the evolution of accounting in the Solomon Islands in two ways. The first is related to how colonialism affected the mentality of local business owners insofar as their willingness to adopt and practice accounting. The second relates to how the western individualistic framework, that is the basis of the various concepts and principles of accounting, clash with the values and customs that exist in the local Solomon Island business environment. The cultural effect on the evolution of accounting in the Solomon Islands has been to act as a barrier to its adoption and effectiveness in practice.

# CHAPTER 1: Overview of Study

## *1.1 Introduction*

The manner in which the western concept of accounting is recognized, grasped and understood in any setting is said to be influenced by the culture of that setting (Belkaoui & Picur, 1991; Briston, 1978). Culture is one of the most influential factors that affects how accounting evolves in any setting. The purpose of this qualitative study is to investigate how culture influences the evolution of accounting in Solomon Island's businesses. The life experiences of four long-surviving local business consultants, along with persons in the accounting profession were used to describe the subject of interest.

Chapter one provides background information of the current study. This includes firstly, the research question, purpose, aims and its significance and contributions to the Pacific Islands literature in related studies. The second part provides the conceptual framework that is used in this study. This is followed by the rationale, the appropriateness of the framework used followed by a conclusion.

## *1.2 Background of study*

The design for this research is influenced by prior studies conducted in the Pacific Islands in the area of culture and its impact and influence on the development and practice of the following western concepts: economic development (Gegeo & Watson-Gegeo, 2002a; Turnbull, 2002), entrepreneurship and business (Cahn, 2008; Curry, 2005; Gegeo, 1994; Lenga, 2005; Reddy, 2001; Saffu, 2003; Schaper, 2002), knowledge management (Sanga, 2009), accounting education (Dixon, 2004), small business growth and sustainability (Attahir, 1995; Baldacchino, 1999; Prescott, 2009), and accounting practice (Davey & Hauriasi, 2009). These few mentioned studies provides significant findings that helps to explain why the following mentioned western concepts cannot be fully embraced and practiced in the smaller islands in the Pacific.

Hardman (1984) had investigated the development of accounting in the Solomon Islands in the early post-colonial<sup>1</sup>era. Although his study was aimed at stressing how the early educational issues had affected the development of accounting in the early post-colonial days, interestingly, in one of his findings he had stated:

The reasons for the non-participation in accounting at the professional level by Solomon Island nationals are largely historical and cultural. (p. 148)

It is this blunt statement that gave lead for this current study. However, this current study limits its scope to the evolution of accounting in the business sector. This qualitative study seeks to explore and understand the life experiences of individuals who have experienced the introduction of western commerce and accounting in the Solomon Islands and its development through to the present day. The findings from this study will provide context and meaning to Hardman's blunt statement, quoted in the above paragraph.

### *1.3 Research Question and Aim*

The main research question is: How has culture affected the evolution of accounting in Solomon Islands and the businesses who may or may not use it? The development of this key research question focusses on the phenomenological nature of this study, with a goal of allowing the participants to reflect back and construct their stories based on their life experiences (Seidman, 2006). A guide of questions developed towards answering this central research question is presented in chapter four (refer to section 4.4).

The key aim of this qualitative study is to explore how culture affects the evolution process of the western concept of accounting in Solomon Island's businesses. Hofstede (1980) argues that it is not the individuals of the society that becomes individualistic or collectivistic, but rather the society and its institutional rules that determine the individual's behaviour to become individualistic or collectivistic. The western concepts and practice of accounting are based on individualism. This study aims to further the broad understanding of the clash resulting from the

---

<sup>1</sup> The period after independence in 1978.

introduction of western individualistic practices to cultures that are based on collectivism. In particular, this study specifically looks at this clash in the context of businesses in the Solomon Islands and the development of the accounting profession and the practice of accounting. This understanding is likely to complement and benefit policy development in the area of commerce in the neighbouring Melanesian islands of Papua New Guinea and Vanuatu. In addition, Turnbull (2002) had revealed that the Solomon Islands have recently been identified as the least developed country in the South Pacific region, with a heavy reliance on foreign aid. Drawing on Turnbull's (2002) findings, this current study aims to tell the national government of Solomon Islands, through the government's commercial body that accounting development for businesses in the Solomon Islands is a vital approach towards economic growth. This is also supported by Toby (2007, p. 50) in which Toby writes:

A good business environment or investment climate will encourage private firms to be well managed and efficient, be profitable to grow, create jobs, increase the rate of economic growth, and reduce poverty.

This current study identifies that lack of government involvement towards the development of accounting in the business sector, is one of the reasons why local businesses have never realized the benefits of accounting for growth and survival purposes (Attahir, 1995; Baldacchino, 1999; Prescott, 2009). Findings from this study will be useful in demonstrating the importance of government involvement, in raising the awareness by local businesses of the benefits of accounting knowledge for their own business success.

#### *1.4 Significance of the study*

The focus of this study differs from previous research on ethnic cultures and accounting development in that it focuses on the effects of culture on the evolution aspect of accounting development in the local business setting in the Solomon Islands. Although prior studies have been conducted on the impact of culture on accounting development and practices (Davey & Hauriasi, 2009; Gibson, 2000a; Greer & Patel, 2000; Prescott, 2009), very little had been said on the cultural impacts of the evolution of the western concept of accounting in such indigenous settings. This present study contributes to the current literature on culture and accounting by providing new information using life experiences of identified persons from the indigenous

business setting in Solomon Island society. Using these identified professionals who have lived and experienced the subject of interest, this study may provide useful information to local businesses in similar cultural settings. The findings may be useful in particular, for small business development programs, which is currently one of the national policies of the National Government in the Solomon Islands. Regulators in the commercial sector can be guided by a greater understanding of the tensions that can lead to a stagnation in economic development and increase in the number of local business professionals. Many assumptions have been made regarding Melanesian societies including Papua New Guinea, Vanuatu and the Solomon Islands that see the *wantok system* as a barrier to business development. Findings from this study will help to explain how the traditional *wantok system* clashes with the individualistic culture upon which business and accounting are based. This is useful for regulators to implement policies to help local businesses manage these clashes and to find a pathway forward that seeks to preserve Solomons Island identity while moving into the inevitable reality of global commerce.

### *1.5 Conceptual Framework – The Social Identity theory*

Solomon Island's custom is characterized as following the egalitarian and competitive 'big-man' system characteristic of the Melanesian cultures (Malinowski, 1970; Sahlins, 1970). One of the key features of the Melanesian culture is social relations, including networking. The social relationships that exist among the people of the Solomon Islands are rooted in the objective of prestige and social status recognition (Crocombe, 2001). People's everyday activities, are based on maintaining their social standing in society. The Social Identity Theory is used to frame the discussion of the findings in chapters five and six. These discussions include how Solomon Islands businesses perceive and practice the western concept and profession of accounting. Social Identity theory is explained further in the following section (see section 1.5.1)

#### **1.5.1 The Social Identity Theory**

Explaining prejudice, discrimination and intergroup conflicts (Tajfel, 1974) originally has its roots, based on the method-theoretical framework of the European social psychology (D. Abrams, Hinkle, & Otten, 2004). Henri Tajfel, described as the father of the social identity theory, developed the theory based on his research on perspectual accentuation effects of categorization (Tajfel, 1959), cognitive aspects prejudice (Tajfel, 1969), effects of minimal categorization

(Tajfel, Billig, Bundy, & Flament, 1971), social comparison processes, and intergroup relations (Tajfel, 1974). Explaining prejudices, discrimination and intergroup conflicts were Tajfel's key drive behind the social identity theory.

Social Identity Theory has two distinct branches (Huddy, 2001). The version developed by Tajfel and Turner (1979) and Tajfel (1981) are the original versions of the social identity theory. Hogg, Oakes, Reicher, and Wetherell (1987) explain an offshoot version, developed by Turner and colleagues is the self-categorization theory (Huddy, 2001). The self categorization theory is the second version of Tajfel's social identity theory. Although both theories acknowledge the origins of social identity in cognitive and motivational factors, their focus varies from one another. The traditional Social Identity Theory focuses more on the psychological motivations that exists in intergroup membership. This helps to explain how groups compete to distinguish themselves from other groups. In contrast, the later version (self- categorization theory) placed more emphasis on the cognitive underpinnings of social identity. That is, those cognitive factors that encourage and promote categorization of an individual identity as a group member. For instance, this later version is useful for explaining how individuals come to identify and act as members of a group. For the purpose of this study, both versions help to explain the behaviour of Solomon Island business people in their adoption and practice of accounting. The traditional version helps to explain the motivation based on group and intergroup membership while the latter provides a basis for actions of individuals as members of a group or community.

Hogg, Terry, and White (1995) present Social Identity Theory as a social psychological theory, that is used to explain group processes and intergroup relations. With a focus on the generative role of identity in intergroup behaviours (for example, conformity, collective action, stereotyping, group solidarity, ethnocentrism), Social Identity Theory's key focus is on the social self, unlike the identity theory which emphasis more on the "I" or the "self" element of identities (M. A. Hogg et al., 1995). In addition, Social Identity Theory also helps to explain the emotional and value significance that are attached to an individual, giving him or her knowledge of belonging to a particular social group (Reicher, 2004). According to Tajfel et al (1971), Social Identity Theory is the adoption of social identification by an intergroup behaviour.

Tajfel and Turner (1986) argues that Social Identity Theory encourages positive collective identities as individuals strive to maintain or enhance a positive personal identity (Crocker & Luhtanen, 1992). This means intergroup behaviours are generally defined in comparative terms to

distinguish one intergroup's behaviour from other social behaviours or groups' behaviours. The key emphasis is that a group's social identity remains positive, in order for comparison to be made between other social groups. For example, group members would indulge in social comparison at the collective level between their intergroup and other relevant outgroups. Furthermore, a strategy commonly used is social competition, to augment the notion of social identity amongst groups. Such strategy involves group members competing with each other to enhance their objective position in the society, so as to win over those persons with negative social identities or to disassociate and make them leave the social group.

The notion of self-esteem is also an important ingredient of Social Identity Theory (Reicher, 2004). Social Identity Theory proposes that group members seek to achieve positive self-esteem. The self-enhancement tendency that individuals involved in indicates that personal self-esteem is an important moderator in this tendency (Crocker & Luhtanen, 1992). This follows that people can only achieve positive self-esteem, through an evaluation of the specific category under consideration, to make their group better than the other groups. As a result, collective self-esteem which involves individuals' evaluations of how good they are as members of their social group is an important moderator of the social behaviour in Social Identity Theory. In addition, Hubby (2001) adds that boosting of a group's standing and exhibiting of ingroup bias is often done by high-esteem individuals to motivate those individuals with low-esteem in the social group.

Drawing on the work by Tajfel, Social Identity Theory has become popular in psychology research, especially in the late 1980's (D. Abrams et al., 2004). The period of the 1980s witnessed an explosion of research and publication in the burgeoning revival of social psychological research on group process (D Abrams & Hogg, 1998; M.A Hogg & Abrams, 1999; Moreland, Hogg, & Hains, 1994). In addition, Social Identity Theory is also a useful tool to explain human social action in other fields other than psychology (Hubby, 2001). Hubby explains this through the view that human action is best understood in its social context. Literature has shown that other fields (apart from psychology) have also adopted Social Identity Theory as a theoretical framework in understanding intergroup and social behaviours (Deshpande & Forehand, 2001; Deshpande & Stayman, 1994; Forehand & Reed, 2003). While these studies used Social Identity Theory in the areas of marketing and consumer behaviour, Ashforth and Mael (1989) applied it in the context of organisational behaviour.

### 1.5.2 Rationale for using the Social Identity Theory

The primary reason for using Social Identity Theory is based on the prestige-seeking aspect of the Melanesian big-man culture. As discussed in the introduction, the cultures of the Solomon Islands are characterized as following an egalitarian and competitive ‘big-man’ systems (Sahlins, 1970). The *competitive* element of the ‘big-man’ culture is the key impetus for using the Social Identity Theory. As discussed earlier, Social Identity Theory calls for social groups to compete with each other to be distinguished, based on evaluative positive distinctions, from other social groups. Social competition is an ongoing practice in Melanesian societies (Sahlins, 1970). This follows the tradition that social groups must distinguish themselves in order to produce the big-man.

In Melanesian societies, it is very rare for the big-man to sprout out from a weaker or unrecognized social group. Sahlins had described the ‘big-man’ as someone who has been chosen for the leadership role based on *his personal achievement*. However, the term *personal achievement* in such context must also take into account the collective and social effort that pushes and prepares the rising big-man for the leadership role (Belshaw, 1954). For instance, using *wealth* as a criterion to qualify someone for the big-man position, Belshaw writes that wealth in the Melanesian context is “a social concept” (p. 5). Belshaw’s statement is based on how Melanesians perceives natural resources. The Eastern Melanesians, which includes the Solomon Islands, perceives certain natural resources as wealth if they are useful and are scarce. Useful in this context means they must possess monetary value, such as, pigs, taro and yam, certain designated coral fish, to mention a few, are considered monetary goods in the Lau society in the Solomons. Belshaw also states that although gold and nickel does exist in some Melanesian societies (for example, Papua New Guinea and Solomon Islands) they are not classfied as wealth since their usefulness does not fall in line with the traditional definition of usefulness. Scare on the other hand, means those natural resources must require effort in their utilization. Dolphins, for example, is a form of wealth in the Malaitan society in the Solomons. Malaitans use dophin teeth as a form of traditional money for various exchanges, such as, the bride price ceremony (wedding feast), land purchase, other ceremonial exchanges (gifts) and so on. However, in order to hunt for dolphins, the process requires calling on the ancestral spirits. This would involve certain designated men in the clan, to be selected for the hunt. The hunting process then involves the participation of others in the village. The hunt process entails following certain cultural rituals to allow the dolphins to bring themselves into the catching area, instead of the usual method of catching dolphins, which is by casting of nets. After the dolphins are called (they bring



themselves into the nets), it again calls for the assistance of others to remove the dolphins' teeth once killed. The number of dolphins killed can be in the hundreds hence requiring the efforts of many others from the village. The hunting process requires the collaborative efforts of many, including women and children in order to be implemented effectively. Therefore, the term *personal achievement*, which is commonly attached to a big-man (Sahlins, 1970) is in reality a collective achievement. Belshaw further adds that in such a social system, an energetic and powerful individual could obtain personal wealth and prestige by his own efforts and organisational ability. However, this is also moderated by other factors such as land inheritance and skill in fighting.

### **1.5.3 Appropriateness of the Social Identity Theory for Solomon Island business studies**

Harding (1970) posit that the Melanesian exchange systems (for example the *kula* ring) have been characterized as non-economical according to a number of anthropologists (eg., Evans-Pritchard, 1951; Firth, 1957, cited in Harding, 1970). These early anthropologists argue that Melanesian trade puts more emphasis on the social, ritual and political aspects of trading, at the cost of its financial and economic merit. Evans-Pritchard explains that one of the significant features of the *Kula* ring trade in Papua New Guinea is the building of trade relationship amongst the big-men of neighbouring societies for politic-related reasons and objectives. The key objective of creating trading relationships in this trade is not for economic reasons but rather for political objectives and reasons. In addition, Harding also provides that in the Siassi community in Papua New Guinea:

A man who was successful in trading abroad invested his profits in a political career at home, in the distributions of wealth on which superior social position depended. Successful traders, then, became prominent local leaders, or big-man. (T. G. Harding, 1970, p. 99)

Nevertheless, despite these critiques Harding offers that in such societies networks of inter-group social links are vital for trade purposes. The reason being, a social group that lacks a big-man leadership, is seen consisting of few kinship ties, which would frustrates any cooperative endeavor in the trading arena. Harding argues that local economies in 'big-man' societies would

have been less effectively organised at the suprahousehold level and less productive in the absence of the big-man's prestige-seeking and managerial activities.

In relation to the Solomon Islands, Gegeo (1994, p. 255) illustrates how the West *Kwarae*<sup>2</sup> ethnic group perceives the western mode of business:

<i>'adofiku' anga</i>	solidarity, cooperation
<i>dausuliru' anga</i>	building ourselves
<i>fa'ara'elaka</i>	raising ourselves up
<i>'ikulaka</i>	promoting and moving ourselves along, building (of family) and shaping it according to cultural principals

These examples demonstrate the significance of the prestige-seeking aspect of the Melanesian culture for Solomon Islands businesses. In particular, the notion of 'building ourselves', 'raising ourselves up' and 'promoting and moving ourselves along' signal both the significance and importance of increasing status together with the idea that it is collective (ourselves) rather than an individual. Furthermore, the process of 'building ourselves' up needs to be done in accordance with cultural principles. Prestige-seeking only has significance when it is in a social context that re-enforces the recognition of such a status. Solomon Islanders share the view that by going into business, one can get recognition in the society and become the shadow big-man. Based on this reasoning, Social Identity Theory is an appropriate lens in explaining how indigenous local business owners and operators in the Solomon Islands manage the challenge of accounting adoption and practice.

## 1.6 Conclusion

Understanding the relationship between culture and accounting is important for Solomon Islands businesses. This study aims to shed light to business owners in relation to how the local culture clashes with the western framework that form the basis of accounting. This information will help

---

<sup>2</sup> A sub group in Malaita Province.

Solomon Islands business entrepreneurs to realise the importance of accounting, in ensuring that their businesses are economically sustainable and successful. The findings from this study will be useful for policy makers both abroad and in the Solomon Islands. Policy makers need to be aware of the barriers and challenges that have frustrated the enthusiastic adoption and appropriate practice of accounting by Solomon Island business owners and operators.

Culture is considered to be a powerful environmental factor which influences how the accounting profession is embraced, understood and practiced (Riahi-Belkaoui & Picur, 1991). Based on the Melanesian big-man culture, this study uses Social Identity Theory for explaining how Solomon culture clashes with the development of the western profession of accounting. Despite the lack of literature to help support this study's choice of the conceptual framework used, early studies including Harding (1970), Gegeo (1994) and Curry (2005) have already given lead in demonstrating how the Melanesian big-man practice had influenced trade in the Melanesian societies (for example Solomon Islands and Papua New Guinea). This present study hence aims to add on to this literature, by demonstrating how Solomon Islands culture influences the evolution of the accounting profession and the specific adoption of accounting concepts and processes by the local business community.

## CHAPTER 2: Background of Solomon Islands

### 2.1 *Introduction*

Chapter two of this study provides an overview of Solomon Island society. The chapter is divided into two parts. The first provides a historical background of Solomon Islands, which includes a brief outline of the demography, social and the economical features. The notion of culture is also discussed to denote a meaning to be used for this present study. The second part provides an overview of the history of commerce, including commerce education in Solomon Islands. The fact that this study investigates the development of accounting in the commercial sector, it is vital that an overview of the introduction of commerce to the islands is provided, so as to demonstrate how the western concept of accounting had landed on the shores of the Solomons.

### 2.2 *Overview of Solomon Islands*

According to Bennett (1987), the first Spanish explorers to arrive on the shores of the Solomons in 1568 were led by Alvaro de Mendana. In search of gold, Mendana and his ships spent six months in the Solomons, which they gave the name *Solomons* based on the fabulous gold of King Solomon's mine. However, there was no mention of any contact made by the Spaniards with the locals during their six months of stay in the Solomons. The first contact with the Europeans, in particular the French and British explorers, took place later on in the late seventh century.

Solomon Islands, like its Melanesian chain of neighbours<sup>3</sup>, occupies and extend across the Southwest Pacific Ocean from the large island of Papua New Guinea, in the west to New Caledonia in the South and Fiji in the East, on the threshold of Polynesia (J. Bennett, A, 1987). Covering a total area of over 777,000 square kilometers, of which 96 percent is ocean, the Solomons consist of six major islands – Choiseul, Western, Santa Isabel, Guadalcanal, Malaita and San Cristobal. In addition to these are several smaller island groups including Sikaiana, Ontong Java, Rennell, Bellona and Tikopia. The six main islands range in length from 80 to 200

---

<sup>3</sup> E.g., Papua New Guinea and Vanuatu.

kilometers and width of between 15 to 50 kilometers. Producing a perennial and luxuriant green canopy, the climate of the islands is generally hot and wet, with an average day time temperature that ranges from 20 to 33 degree celsius (Sanga, 2009).

Across the six main islands and approximately 900 smaller ones, that make up the Solomon Islands, 94.5% of the total population are Melanesians. Polynesians and Micronesians represents 3% and 1.2% respectively (Sanga, 2009). With over eighty indigenous languages and cultures, Solomon Islands is a very diverse nation, both culturally and linguistically (J. Bennett, 1987; Gegeo, 2001). According to Bennett, the majority of these languages came from the Austronesian group, which originated from the Southeast Asia and as far as Easter Island, New Zealand and Hawaii. Bennett argues that these languages probably entered the Solomons about 2000 B.C, after landing on the shores of the Pacific about 4000 B.C.

In the Solomons, individuals are identified either unilineally<sup>4</sup> or ambilineally<sup>5</sup>(J. Bennett, 1987). For instance, in San Cristobal, Santa Isabel, Guadalcanal, and Nggela individuals are identified based on the mother's traced ancestry with a traditional totemic. These totemics are often linked with some nonhuman living beings such as a bird, a snake or a hawk. On the other hand, other islands such as the Malaitans, individually trace their identities based on the father's clan. Marriage for these two groups of identities also vary. Individuals from the ambilineal societies, can marry anyone except that marriage must exist outside of the first-cousin and second-cousin range. For those following the unilineal practice, marriage can exist between say an individual from hawk's clan and a bird's clan. Inter-marriage between say a 'bird' with another 'bird' is prohibited and not encouraged.

Another social feature of the Solomon society is the significant worth of women in the society (J. Bennett, 1987). In the Solomons, women hold significant roles in production, apart from being childbearers. During gardening, men would cut the trees and clear the bush while the women would do planting, daily weeding and continuous nurturing of the plants. In addition, women also do household chores like cooking, cleaning and looking after the children. This also extends to outside activities such as daily feeding of the pigs and tapa making. In other societies where

---

<sup>4</sup> Either mother's or father's side consistently.

<sup>5</sup> Through mother or father

traditional shell money is produced (for example Malaitan society), women are the ones who would sit longer hours carving and weaving the shells onto the strings. Hence, despite the fact that in the Pacific Islands women's social status is lower than men, women also play significant roles in the society.

The significant roles played by women in the Solomon society is linked to the bride-price system. Generally in the Solomons, women are not taken for free in marriage. A price is usually set (based on certain criteria), which must be handed over to the bride's relatives from the groom's side, in compensation for the loss of losing the woman to the groom's clan. The value or price placed on the bride is influenced by a number of factors including her skills, physical attraction and reputation. To illustrate, young women who were identified as prostitutes were considered as having lower value to those with untarnished reputations. This is to reflect their reduced social worth to the groom's clan (J. Bennett, 1987).

Culturally, Solomon Islanders see themselves as Melanesians. Similar to other Melanesian societies in the Pacific, including Papua New Guinea, Vanuatu, New Caledonia and Fiji (Crocombe, 2001; Scheyvens, 1999), an individual's identity is defined by a set of social relations. It is the social relations that define individuals in the society and is based on kinship, family ties and other social relationships across the clan or community. "Kinship has been the cement of each society, binding the individual to the group" (Davey & Hauriasi, 2009, p. 230). In addition, Scheyvens (1999) also suggests that exchange systems in the Melanesian societies are based on kinship relationship. Mutual aid and dependence are important ingredients (Belshaw, 1954). Foanaota (1989) added, social identity is also crucial in kinship relationship in Solomon society. Despite the many changes that have taken place in the past 150 years, the relationship with one's relatives and *wantoks* is still based on the essence of social identity. As a result, clan members would prefer to live close to each other in small scattered villages, distinguishing themselves from other clans by using of clan names, or languages. The general culture of Solomon Islands is further discussed later in section 2.3.

Solomon Islands was declared a British Protectorate in 1893 (Ipo, 1989). This follows the British concern over the resumption of labour recruiting, commonly known in the early days as *blackbirding* of Solomon Islands men to plantations in Queensland and Fiji. The establishment of an effective and active colonial administration however, did not immediately take place until 1896. Solomon Islands gained its independence in July 1978, and adopted the Westminster system,

a legacy of British colonial rule (Turnbull, 2002). The parliament of the Solomon Islands is comprised of 50 elected members, from each of the 50 constituencies (Morgan, 2005).

Turnbull (2002) describes the Solomon Islands, together with many of the Western Pacific island communities, as being among the least developed countries in the world. The only town in the Solomon Islands with significant infrastructure, is Honiara (the capital), located on Guadalcanal Island. The population in 2009 was reported to be 523, 170 (World Bank, 2010). With a heavy reliance on bilateral and multilateral foreign aid, subsistence lifestyle is still common in Solomon Island society. Duncan (2008, p. 146) writes that the Solomon Islands “is basically characterized as a primary commodity exporting country”, with forestry, the largest industry and the backbone of the country’s economy. The other major exports of the country include agricultural commodities like copra, coconut oil and cocoa and others like fish (including canned tuna and processed fish loins), bech-de-mer, palm oil and gold mineral. The following table (Table 2.2A Estimated Real GDP 1) sourced from the CBSI (2009) report, demonstrates a picture of the estimated Real GDP of the Solomon Islands economy for the years 2006, 2007, 2008 and 2009 respectively.

**Table 2.2A Estimated Real GDP 1**

<i>Industry</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>
Agriculture	120.5	146.4	167.7	167.7
Forestry	306.5	381.5	398.6	287
Fishing	130.6	116.5	122.1	117.4
Mining & Exploration	-3.3	-5	-5.6	-55.7
Manufacturing	141	144.1	147.7	145.1
Electricity & Water	255	285.6	291.1	283
Construction	70.6	101.2	110.3	111.7
Retail & Wholesale Trade	143.3	152.6	165	164.3
Transport & Communication	187.6	225.9	250.9	259.6
Finance	236	257.8	262.6	267.5
Other service	144.2	153.8	170.4	183.4
Index of monetary GDP prod.	158.3	179.1	194.3	188.1
Annual % movement	7.4	13	8.5	-3.2
Index of primary prod. (Min)	162.4	190.3	206.6	181.8
Annual % movement	7.4	17.2	8.5	-3.2
Non-Monetary: Food	174.3	179.2	184.2	189.4
Non-Monetary: Constr	169	173.8	178.6	183.6
Non-Monetary: GDP Index	173.9	178.8	183.8	188.9
Index of total GDP Prod.	161.1	178.4	191.5	187.3
Annual % movement (Real)	6.1	10.7	7.3	-2.2

**Source: Central Bank of Solomon Islands**

In terms of employment in Solomon Islands, according to the International Standard of Classification by Industry (ISIC), the agricultural sector employs the highest percentage of the workforce (28%) (CBSI, 2009). This is followed by the manufacturing sector (13%), the public administration sector (12%), education services, retail and wholesale 11% and auto repair services 33%.



### 2.3 *Notion of culture*

Culture has many meanings, and each meaning is said to be taken based on the context in which it is used (Inglis, 2005; Yengoyan, 1989). This follows that different meanings are adopted when the concept of culture is used, for instance, as a variable to explain some behaviour, as a topic of academic discussion, or as a concept to solve everyday problems (Baldwin, Faulkner, & Hechi, 2006). Baldwin, et al. adds that the debate surrounding the many definitions of culture is also not new. Clyde Kluckhohn and William Kelly (1952) had demonstrated this critique as early as the year 1945, by showing how different professionals have defined the notion of culture. The professionals, namely, a lawyer, a historian, an economist, a business professional and a psychologist, were asked to define the term culture and it was found that all had defined culture in a different way. Kluckhohn and Kroeber (1952) later reveals that there are approximately 164 separate definitions for the term culture (cited in Inglis, 2005).

Apart from the historical review done by Kluckhohn and Kroeber (1952), a later contemporary analysis of the many definitions was carried out by Baldwin, Faulkner, Hecht and Lindsley (2006). This later review defines culture based on three broad theoretical perspectives: the interpretive, intergroup and cultural perspectives. Drawing on these three broad perspectives, seven strands of the definitions have emerged. These themes are namely, culture as structure, culture as function, culture as process, culture as product, culture as refinement, culture as group membership, and culture as power or ideology. For the purpose of this current study, Keesing's (1974) notion of culture as an adaptive system is used. This definition falls under the culture as a function theme. A brief overview of culture as a function is firstly discussed before specifically looking at Keesing's definition along with the appropriateness of Keesing's definition for this study.

#### **2.3.1 Culture as function**

Defining culture in terms of its function is another approach to viewing culture, according to the review done by Baldwin, Faulkner, Hecht, et al. (2006). This definition is based on viewing culture in terms of what culture can do or accomplish and the needs that it serves in the society. The authors provide a few common functions under this definition, and they include, the guidance function, sense of belonging (or identity), value expression, the stereo-typing function, and means of control function.

Firstly, according to Lewis (1966) the guidance function provides a design of living as the key functional role (cited in Baldwin, Faulkner, Hecht, et al., 2006). This function mainly focuses on helping individuals to adjust and cope with their environment (Binford, 1968; Harris & Moran, 1987), and helping people with their everyday problems (Thompson, 1969). Next, culture as a function also serves to maintain or build an identity among a group, and foster a sense of belonging (Baldwin, Faulkner, Hecht, et al., 2006). Based on this view of belonging, Tokarev (1973) offers the following definition:

Culture, apart from its primary function of active adaptation to the environment, has another, deprivative but no less important, function as an exact material and spiritual environment which mediates and reflects within human collectiveness and among them. Thus, culture serves the functions of.....segregation and that of the integration of human collectives.(Tokarev, 1973, pp. 167-168)

Third, in terms of the value expression sub-function, culture allows individuals to live in a certain way in order to be able to taste and experience life as they prefer (Baldwin, Faulkner, Hecht, et al., 2006). The fourth sub-function or the stereo-typing function, is related to identity. However, particular focus is given to how individuals evaluate themselves compared to others in the groups (Baldwin, Faulkner, Hecht, et al., 2006). The in-group/out-group distinctions as examples of the intergroup perspective, sometimes uses this definition. Finally, when people within a single society adhere to the norms of culture as they vie for control over resources and meanings, they demonstrate the existence of the control function of culture in their society. Turner (1985, p. 74) defines the control sub-function as:

Culture is a necessary resource and....also a constraint....Culture is used to create patterns of superordination and subordination....Culture is manipulated by the more powerful to sustain their priviledge and to mask the underlying conflicts of interest between those who have and those who do not have wealth, power, and other valued resources. (cited in Baldwin, Faulkner, Hecht, et al., 2006).

Here Turner suggest that culture helps to define hierarchies with a society and in so doing regulates the distribution and exchange mechanisms that take place within that society. This

aspect of culture is consistent with Solomon Island society where the notion of big man determines the prevailing social hierarchy.

The following sub-functions briefly outlined the different perspectives held by the functional view of culture. As was mentioned earlier on, Keesing's (1974) *culture as an adaptive system* falls under the *functional view of culture* category. It particularly follows the guidance function, which explains how people are related to their environment. This discussion is continued in the next section.

### **2.3.2 Culture as an adaptive system**

Keesing's (1974) notion of culture as *an adaptive system* is based on viewing culture through the evolutionary lens. This follows the view that human beings develop certain behavioural traits, influenced by their ecological settings. Culture is then considered inseparable from the environment, and is the end product of people's custom, interwoven with influences from the local surrounding. This argument also helps to give answers to such questions as, how human communities develop particular cultural patterns. Keesing defines culture as an adaptive system as follows:

Cultures are systems (of socially transmitted behaviour patterns) that serve to relate human communities to their ecological settings. These ways-of-life-of communities include technologies and modes of economic organisation, settlement patterns, modes of social grouping and political organisation, religious beliefs and practices, and so on. When cultures are viewed broadly as behaviour systems characteristic of populations, extending and permuting somatic givens, whether we consider them to be patterns of or patterns for behaviour, is a secondary question. (p. 75)

Keesing's definition suggests that culture is an evolving system and not static although this evolutionary process can be slow and extend across several generations. His definition implies that the most adaptive central realms of culture are directly tied to factors such as technology, subsistence economy, and elements of the social organisation.

Keesing's definition of culture is used in this present study. This definition is appropriate given the process of change that has occurred in the Solomon Islands since the arrival of the European

settlers in the last two centuries. The arrival of the early European settlers shifted the technological base which in turn influences the evolution of Solomon Island Culture.

The sole reason for choosing Keesing's definition apart from the many other definitions that exists is based on the nature of this present study. This study aims to investigate how culture affects the evolution of accounting. Thus, culture in this context must reflect the historical changes or events that took place when the western concept of accounting was introduced to the Solomon Islands. Referring back to the history when accounting was introduced (see chapter 3), Bennett (1987) writes that accounting is a foreign knowledge. It was introduced for the first time in the Solomons in the 19<sup>th</sup> century with the commencement of western trade by the colonial administration (cited in Davey & Hauriasi, 2009). Solomon Island culture during that period has gone through a process of re-construction, influenced by the introduction of western culture, in particular, western money. This view is also supported by Lewis (2000). Lewis shares that members of a cultural group, their behaviour is dependent, almost entirely, on the history of the people in that society. History in the sense of the experiences that the members adhere to over a period of time, which forms a collective set of norms, reactions and activities. Lewis adds that history may consist of experiences caused by migrations, invasions, conquests, religion, floods, disease and pestilence, to mention a few. Based on this supporting view held by Lewis, this present study proposes that it is inappropriate to limit the local culture's definition from including the influences, that western culture (historical events) imposes onto the local existing customs and value systems. Solomon Island's culture then can be generally described as consisting of: the Melanesian *big-man* practice, wantokism, the whalers and traders influences, Christianity, and World War II aftermath (see also Rohorua, 2007; Sanga, 2009).

## *2.4 Common characteristics of Solomon Islands culture*

### **2.4.1 Melanesian Big-Man**

Solomon Islands culture is characterized as following the egalitarian and competitive 'big-man' system characteristic of Melanesia (Sand, 2002). This characteristic means social relations and networking that exist amongst individuals are rooted in the objective of prestige and social status achievement in the society. In addition, people's everyday activities are based on maintaining their social standing in society.

Keesing (1994) states that the Melanesian *Big-Man* system refers to an older system of hereditary chiefdom system. According to suggestions by some recent linguistic and archaeological studies, the big-man system had evolved in the millennium before the European invasion of the Pacific Islands. The *Big-Man* system is based on the practice of using resources and opportunities at hand, as a means of gaining power and recognition in society. Sahlins (1970) defines the big-man system as a leadership style that is egalitarian and competitive in nature. In contrast to the Polynesian chiefdom system which is heredity-based (cited in Sahlins, 1970). Sand (2002) explains, in Melanesian big-man societies such as the Papua New Guinea, Vanuatu and Solomon Islands, leadership is based on achievement of wealth and surplus (social) production, or long term family and group involvement. Leaders following this leadership style often passes through different social grades, based on competitive achievement rather than through hereditary lines.

According to Alasia (1989), a big-man with reference to Solomon Island society, as in the case of the Kwara'ae community in Malaita, is commonly known as the *ramo*. Such persons are given the name *ramo*, meaning warrior, after they had shown signs of bravery, fearlessness and notoriety in their communities. Their appointment and recognition depends solely on their achievements. In addition, their status in the community as a leader also depend on the support of their followers. Furthermore, in most communities in the Solomons, the wealth-based criteria is commonly used. This means one has to own a large mass land of taro and yam or yards of pigs to be recognised as having wealth status. These mentioned goods are seen as monetary items in the Solomons to qualify and distinguish an individual for the big-man role. This is a deviation from the traditional definition of money as a medium of exchange to wards one based on utility.

#### **2.4.2 Wantokism**

The term “wantokism” stems from the Melanesian neighbouring islands who share the *pidgin* language and who call themselves ‘*wantoks*’ (Lea, 1993). Wantoks is a term commonly used by the Melanesian neighbouring countries including the Solomon Islands, Vanuatu and Papua New Guinea as a reference to their identity and culture. Mihalic (1971) explains, in all lexical matters, the term wantok also becomes a cultural identity for these Melanesian countries. Wantokism refers to the common understanding that these individuals hold, which creates mutual duties and responsibilities amongst these individuals. Lea (1993) explains that individuals who share this common language share the responsibility of helping other wantoks for instance, providing food, shelter and cash. This relationship generates social repercussions once individual members

dishonour or deny its existence. Often it leads to threatening one's standing within the society. In addition, Lea explains that according to the Melanesian cosmology, this relationship also extends to ancestors with other communities. For example, the Bougainville people of Papua New Guinea, value their cultural connections with the Choiseul group in the Western Solomons. To the communities of Melanesia, this cultural identity means maintaining of this social connection for the harmonisation of individuals. Individual preferences is then seen unethical since wantokism has its roots in the tradition pre-eminence of collectivity values over individual preferences.

### **2.4.3 The early traders/whalers influences**

According to Bennett (1987), the landing of the whalers in the first half of the nineteenth century on the shores of the Solomons brings a whole new experience to the lives of Solomon Islanders. The whalers were interested in food, water, wood and women, which they exchanged for iron, in the form of hoop iron, axes, tomahawks, plane blades, fish hooks, nails and western food such as biscuits and sugar. Bennett (1987) termed this as *the iron age* experience, which had led people living far out in the bush to fled the coastal areas. That far-reaching consequences could not have been avoided by the Solomon Islanders, once they started accepting the whalers' trade. However, the goods that the whalers offered to the Solomon islanders were of very little value when compared to what they receive (for example whale hunting).

With the early mode of exchange being introduced by the whalers, Solomon Islanders sought new ways of accommodating the technological innovations that were made possible by the tools and resources introduced by the whalers. This triggered changes in their traditional life and the manner in which they carried out day to day activities. The old technologies became redundant as increasing numbers of Solomon Islanders began taking greater interest in the luxury items that were introduced by the whalers. Islanders also learnt for the first time the distinct economic advantages for using irons over stones and shells (old technologies). For example, the time taken to clear the jungle and fell trees for gardening was shorter compared to when using of stones and sticks.

To the Solomon Islanders, the iron age not only makes life much easier but they grew to prefer it to their traditional ways of working. They soon recognised they were able to do things in less time using the tools the whalers had introduced. For the Solomon Islanders, it is a new era in the traditional way of doing things. Furthermore, Bennett also stresses that the iron age period was

also a knowledge gaining period for Solomon Islanders. Knowledge and ideas about western culture had been introduced. The notion of trade with the whalers now extended to trading with each other normally through a system of barter. For example, trade started between the bush clans who lived inland with those who lived on the coast. This affected Solomon Island society at three levels including technological, economic and social.

#### **2.4.4 World war II aftermath**

For the Solomon Islanders, the outbreak of the war in Europe in September 1939 brought about immediate consequences (J. Bennett, 1987). Bennett highlights that the most enduring but least tangible effect was the impact it had on the Islanders' mentality towards the Europeans. In particular, the British Colonial Government, in that, the engagement the locals had with the US troops as coastwatchers had changed their previously negative view of foreigners and in particular the British. The Islanders, for the first time, recognised their capabilities beyond than of mere labourers in the plantations. As a result, their loyalty towards their colonial masters shifted towards one of mistrust. Bennett stresses that before the war, the Islanders had always perceived their masters as men with high dignity and were well respected. However, the experience they had with the US troops had changed this mentality. The Islanders began to realise that their masters were simply men – vulnerable and no longer omniscient.

The American's generosity and material wealth also brushed aside the cultural fears held by the locals towards the colonial masters (J. Bennett, 1987). For instance, the Americans gave all kinds of goods to the boys whom they engaged and they invited the Islanders to eat with them and mingle around amongst their camps. One of the significant end products of the war in the history of Solomon Islands is the formation of the *Ma'asina Rule*<sup>6</sup> by the Malaitans<sup>7</sup>, which was a political demonstration, seeking independence from the British Colonial Government.

---

<sup>6</sup> A political demonstration aimed at seeking independence from the British colonial government. The term originated from the Are'are sub- ethnic group in the Malaitan society.

<sup>7</sup> An ethnic group in the Solomons

### **2.4.5 Influence of Christainity (Missionaries)**

According to Butu and Fugui (1989), Christainity was first introduced to the Solomon Islands in the late nineteenth and early twentieth centuaries. On 8 February 1568, the first two catholic priests of the Franciscan order visited the Solomon Islands, on board with the Spanish explorer Alvaro de Mendana. These two landed on the shores of Santa Isabel where they celebrated Mass, which was the first Christian celebration held in the history of the Solomon Islands. However, there was no success in this first expedition as a lot of misunderstanding and communication problems had arisen between the indigenous people and the Spaniards. The two missionary spend only six months in the Solomons and returned, taking with them three Solomon Islanders with the aim of training them so they may return and continue the missionary work. However, the three never returned and they died in Peru.

The Anglicans were the next group of missionaries to attempt the work of spreading Christianity in the Solomons (Butu & Fugui, 1989). Their mission was headed by Bishop George Augustus Selwyn in 1849, and unlike the mission headed by the Catholics, young Solomon Island men were taken to New Zealand and trained with the intension of having them return home to carry on with the missionary work. The Methodists later arrived in 1902, headed by John Francis Goldie and they stationed themselves at Munda in the Roviana Lagoon. Butu and Fugui (1989) adds that in order to allow harmony to take place between the two religious groups (Anglicans and Methodists) an agreement was reached. The agreement set out out that the Anglicans would only focus on the Eastern parts of the Solomons, while the Methododists covered the western region. Captain G.F. Jones and his wife came to Gizo in 1914 to begin the Seventh Day Adventist mission in the Solomons. They establish their headquarters in Viru in the Marovo Lagoon. In addition, while western missionaries continue to land in the Solomons, another form of religion also started amongst the Solomon Island plantation labourers (Malaitans) who had been taken to work in the plantations in Queensland. This movement was headed by a North Malaitan labourer called Peter Ambuofa in 1904 as part of the South Seas Evangelical Mission (SSEM).

Butu and Fugui (1989) identify three key impacts that the adoption of Christainity had on the Solomon Islanders. First, locals converted to Christainity after witnessing how Christains suffer less harm compared wih those still holding on to customary beliefs. For instance, when the missionaries carried out healing work as part of their pastoral duties, the locals perceived it as missionaries having more power than the traditional healers. This changed the perspectives and



beliefs away from local customary gods and tribal magicians. Butu and Fugui also credit the missionaries for building hospitals and providing material goods to their patients. This provided an added attraction for joining the Christian Faith and for abandoning their cultural beliefs. The most welcomed aspect of western culture that the missionaries introduced was that of education. Schools were built and run by the early missionaries. For many, it was a new beginning as people became educated, they abandoned their old practices and beliefs and started learning about the western way of life and its beliefs. Christianity therefore, has brought a lot of changes to the people's lives. It changes both the way people live, their perceptions and beliefs towards certain indigenous customs, as they learn the western's way of life.

## *2.5 The introduction of commerce in Solomon Islands*

### **2.5.1 The early whalers (c.1800 -1860)**

According to Bennett (1987), the colonisation of Australia and New Zealand, coupled with the exhaustion of the Atlantic whaling grounds brought the French and British explorers, (including the whalers) back to the Solomons in the 1790s. Solomon Islands is located along a common route, whereby the East India Company ships and American ships pass through on their way to the East from Port Jackson. As the Atlantic grounds become exhausted and less profitable, these merchant ships (whalers) from India and America saw the route through the Pacific Islands as a new path for whale exploration.

Bennett (1987) states that the actual landings from the ships in the Solomons were exceptionally rare in the period 1790-1820, although encounters were sometimes made with canoes at sea. As mentioned earlier, the whalers were interested in food, water, wood and women. In 1803, the first contact was made with the Western Solomons, at a village called Simbo. Trade began with the islanders offering food, water, wood and women in exchange for iron tools including hoop iron, axes, tomahawks, plane blades, fish hooks and nails. Trade later spread to the other smaller islands in the Solomons including Santa Ana, Santa Catalina and Sikaiana. Bennett mentions that because these islands are small in size compared to the other islands, (Guadalcanal, Isabel and Malaita) the whalers felt more secure from attacks made on them by the neighbouring larger islands. The whalers later extended their trade to include the other larger islands in the Solomons in the 1860s and 1870s.

This new iron age, as Bennett (1987) had called it, had led people living far out in the bush to move to the coastal areas. The far-reaching consequences were neither foreseen or avoidable once the Solomon Islanders started accepting the whalers' exchanged goods. However, the goods that the whalers offer to the Solomon islanders were of considerably less value compared to what the whalers were receiving (for example wood and bech-de-mers) in exchange. Nevertheless, Solomon Island societies shifted to accomodate the long term implications of the new technology (tools) that they had been introduced to (also refer to section 2.4.3) .

The Islanders also start to grow taro, yam and other gardening vegetables to be offered to the whalers (J. Bennett, 1987). This signalled the introduction of surplus to the Solomon Island traditional way of life. Traditionally, people only grew extra produce for big occasions such as traditional feasting or to hold important tribal ceremonies. Bennett explains that the Islanders for the first time learn the importance of growing surplus so they can purchase the luxuries that the whalers offered. The islanders also realised that in any form of exchange, an exchange rate is used. For example, in 1847, a 100-pound pig is equivalent to 5 pounds of tobbaoco (refer Table 2.5 Early trade exchange 1) . Similarly, according to Cheyne's visit to Sikaina Island, a list of exchange rate was used (cited in J. Bennett, 1987, p. 42) are as follows:

**Table 2.5 Early trade exchange 1**

<i><b>What was purchased</b></i>	<i><b>Payment</b></i>
For 5 pounds of tobacco	One Pig
For 20 steel fish hooks	One Pig
For 5 strings of red corals	One Pig
For 10 fish hooks	Ten Eggs
For 10 fish hooks	30 pieces of taro

The iron age period (1800 – 1860) confronted the Islanders with a steep learning curve in trade and commerce. While the lessons in early trade and exchange were hard for the Solomon Islanders, they provided an opportunity for the locals to learn about the commercial dealings that they would inevitably face with international markets and globalisation. The hard lessons in western trade introduced them to time management, specialisation, surplus, barter, and money as a medium of exchange. The spread of trade across the island groups of the Solomons encourages everyone to acquire some commercial knowledge.

### **2.5.2 The growth of trade in the Solomons (c. 1860 -1900)**

Trade continued and spread in the Solomons despite the fact that the effects of world war II were felt across much of the British colonies (J. Bennett, 1987). Tortoise shell is still in demand by the whalers. Bennett explains that tortoise shells were useful in the button industry as ornaments. In addition, trade in beche-de-mer had also shown a dramatic increase in the 1860s by the Chinese whalers. There had been an increase number or tonnages of bech-der-mers being exported to the neighbouring suppliers in Australia and New Zealand in the 1860s.

Bennett (1987) also stated that the industrial revolution in Europe and the United States has lead to an increase in demand for coconut oil in the Pacific Islands. Coconut oil had been found to be very useful in the making of soap and chemicals and, in particular, explosives. The early traders saw the Pacific Islands as a potential market for coconut oil. As a result, traders increases their trading activities in the islands. The traders realise that there is great potential in the Islands in terms of coconut oil. In addition, with the increasing prices of copra and a steady demand for other products in the Solomons, the European and Asian markets saw the islands in the Pacific as a potential ground for oil production and other resources.

The labour recruiters coming from Fiji and Queensland after 1869 also help to pass on useful information about the potential of the copra industry in the Solomons (J. Bennett, 1987). Bennett explains that a lot of Solomon Islanders have been recruited to work in plantations in Fiji and Queensland. Through this labour recruiting process, seamen from Australia, Fiji and even Zealand had received information about the potential of copra in the Solomon. This also include information regarding other marketable products such as pearl shells and trochus. As Bennett (1987) describes it; “to the Solomon Islanders the trader’s ship carried much more than simple material goods: it was a floating island of opportunities” (p. 78).

### **2.5.3 The Plantation Days (c. 1900 -1930)**

After 1921-1923, at least two-thirds of Solomon Islanders relied on plantation and associated activities to earn money to buy traded goods (J. Bennett, 1987). The increasing interest in trade goods, coupled with the introduction of taxation in the period 1921-1923 pushes Solomon Islanders to take an interest in plantation related activities. Bennett explains that for the Islanders, working in the plantation economy was the most remunerative employment in the early 1900s. For instance, the wages for working on a six-weekly steamer, which also involved the loading of copra from the plantation ports was three shillings plus ration. Furthermore, the goods and cash earned by the labourers were usually brought home to be distributed to the family and to the extended clan or tribe. According to Bennett, these earned goods represents a substitute for the younger men that were recruited. This is because in pre-contact times, young men would build houses and assist the elders with gardening and other traditional responsibilities such as fishing and hunting. But since they have been recruited to work on the plantations, hence the goods they brought back home became substitutes.

There were two important roles for Solomon Islanders in the new economy as viewed by the government and the European traders (Bennett, 1987). First, Solomon Islanders were seen as producers of labour and raw materials like copra, trochus and pearlshell. Secondly, they were also seen as consumers of imported goods. Nevertheless, many Solomon Islanders took interest and became active participants in the early cash economy. The missionaries saw this potential and as a result, they assisted them by encouraging the hilltop villagers to migrate down to the coastlines to get involve in pastoral activities. The assistance by the early missionaries served as number of goals. Relocating the villagers on the coast would make the task of spreading the Christian message easier as the population would not be so scattered. In addition the missionaries were also mindful of the financial gain that they would receive as the locals shared their earnings with the early church. This strategy by the missionaries was primarily aimed at the pagan bush Malaitans and Guadalcanals. The missionaries have manage to relocate a number of the hilltop pagans to the coastal region and as a result, the number of Solomon Islanders who wanted to participate in the new cash economy, increased significantly.

For most Solomon Islanders, time on the plantation represented a significant proportion of their lives (J. Bennett, 1987). At first, the plantation was seen as an alien institution that was geared towards production and commercial exchange. The Islanders who went there renounced their old

traditional island life and adopted a life that was heavily based on commercial trading. It is only recently that many have come to appreciate the long term benefits of the commercial experience they gained.

#### **2.5.4 The post-war trade in Solomon Islands (c. 1942 -1955)**

The outbreak of the war in Europe in September 1939 had some immediate impacts on early trade in the Solomons (J. Bennett, 1987). Firstly, the fall of the rubber industry, negatively impacted some large Solomon Islands Development Companies including Burns Philip. Rubber trees grown in the Solomons were abandoned and neglected as foreign investors retrenched back to Europe and the United States. Burns Philip, who also provided inter-island transportation in the Solomons, discontinued the service in 1942 with the spread of the war down. This in turn put a stop to inter-island transportation amongst the islands and many planters, who relied on this inter-island transportation service were forced to abandon their plantations.

Since the inter-island small vessels stopped operating, the labourers were stranded on the plantations (Bennett, 1987). Bennett explains many of the labourers had been left without pay even when the planters were still in the process of leaving. As a result, the colonial government arranged for the stranded labourers to return to their home islands. This experience left the locals with a sense of distrust towards the foreign white planters. The labourers felt that they had been betrayed. Bennett stresses that it is an event that cannot be erased. The final evacuation of Europeans from the Solomons took place in february 1942. A total of 200 Europeans, who are planters, including some chinese and missionaries left the islands. The remaining chinese community were left scattered across the Solomons many islands. They were provided with shelter by Islanders for the rest of the war period of 1942-1943. This created a bond between the Islanders and the Chinese foreigners that exists through to the present day.

While the war destroyed the early copra industry in the Solomons, there were some positive consequences for the early economy (J. Bennett, 1987). One of the benefits brought about by the war was the media exposure the Solomon Islands received as a strategic outpost. The media exposure gave rise to the idea for the Colonial Government to consider plans about the future of the Solomons. Among the plans would be re-opening the markets for Europeans who had economic interests in the Islands. A national policy was drawn, aimed at the re-opening of commercial activities and trade in the islands. This followed the Colonial notion that the

“Solomons must support themselves”, and it has become a plantation-based economic policy for Solomon Islands. The implementation plan was prepared by the High Commission in 1945, extending it to a ten-year plan with key emphasis placed on the rehabilitation of the commercial plantations. However, because it had an estimated cost of \$2.25 million, it was rejected during the official negotiation. The British Government instead preferred to give funds on an adhoc basis for individual projects. According to Bennett, the British administrators instead put the blame on the war for destroying the infrastructure and the start of a flourishing economy, which they had started for the Solomon Islands (J. Bennett, 1987).

### **2.5.5 In preparation for independence (c. 1955- 1978)**

According to Bennett (1987), the protectorate was back on its feet by 1955 (after the war in 1945). In the absence of bigger investors (for example Burns Philip), who had left the Islands during the war, the growth of rural cooperatives managed to revive the recessed economy back on its feet. For example, a capital investment of almost £50,000 and a turnover of £170,000 were reported in 1965 as revenue from cooperatives.

Cooperative societies were introduced to the Solomon Islands in the early 1950s (Bennett, 1987). Most of the early cooperatives were rural-based, and included agricultural activities such as small scale copra, and cocoa productions. Bennett mentions that seeing this potential in cooperatives in the Solomons, encouraged the government to establish The Agricultural and Industrial Loans Board. This initiative was intended for both local and expatriate entrepreneurs. Moreover, as the economy was slowly recovering, by 1960s an increase number of international shipping lines had also started to show interest in the Solomons. They included Burns Philip, the Bank Line, the Australia-West Pacific Line, and the Australia-New Guinea Line.

With the government’s continued emphasis on plantation agriculture, between 1962 and 1965 overseas investors returned to the Solomons (Bennett, 1987). Rice, soya bean, and oil palm farming were established on the Guadalcanal plains. By 1977-1978 Solomon Islands was moving towards independence, although the cash economy still remained agricultural. Realising the need to speed up the recovery process the Government started to focus more on larger-scale production – mining, timber extraction, and fisheries. Four timber companies were granted licenses to operate and the Commonwealth Development Corporation, in partnership with the Government planting oil palm for farming on the Guadalcanal plains. However, Bennett stresses that while the

government was working towards reviving of the fallen economy, by means of concentrating on larger-scale productions, the rural and the small scale production were abandoned. For instance, the government had introduced small scale rice and cattle farming projects in some parts of the Solomons, in particular, on Malaita. These field projects were abandoned by the government in the mid to late 1970s. Bennett explains that lack of training and skills prevented the Islanders from continuing with these projects.

According to Bennett (1987), the period nearing independence (1950s- 1978), the commercial activities in the islands was totally in the hands of the Protectorate government and foreign investors. The local entrepreneurs had been left behind with dissatisfaction and confusion. Seeing their land ruined by the introduction of a cash economy, and finally realizing that the bulk of the revenue that had been earned from their resources had left their shores.

## *2.6 The introduction of Commerce Education in Solomon Islands*

For the purpose of chapter five's discussion, a brief history of the early development of the education system in Solomon Islands is discussed. This is to show how commercial education has evolved in Solomon Islands.

Formally organized schooling in the Solomons was introduced by the churches in the 1800s (Wasuka, 1989). Schooling has been entirely in the hands of the five missionary bodies, namely, Melanesian Mission (Anglican), Roman Catholics, Methodist, South Seas Evangelical Mission and Seventh Day Adventists. However, since their primary interest was in introducing Christianity and to civilise the islanders, any other activities were regarded subsidiary to this main aim. A few training schools for teachers were set up in the early 1900s by the Catholic and the Anglican missions. A few Solomon Islanders had also been sent to New Zealand and to the Norfolk Islands in the mid 1800s (1850-1860s) to train as teachers. The primary motivation for the churches establishing schools was to further their spiritual and religious goals.

According to Wasuka (1989), seeing no independence and political future for Solomon Islands, the pre-war (before 1942) Colonial Government took little interest in supporting the missions with the development of education in the Solomons. It was not until in the late 1930s, when the first attempt was made by the Resident Commissioner F.N Asley to financially assist the

churches. This came following the Catholic Church's announcement that some of the catholic owned schools in Marau<sup>8</sup> would be closed due to financial problems. In addition, the Colonial Government also realized that the quality of education that was provided by the missions appeared to be very poor. Wasuka (1989) states that for the first time the colonial administration showed concerns over developing an education system for Solomon Islands.

After the war (World War II) in 1946, a draft termed the Education Regulation was drawn (Wasuka, 1989). It stated that the Colonial Government would take over all educational matters in the Protectorate. Following this, a first Director for the Education Department was also appointed in 1947. The first Director, C.A Coleman-Porter taking on the role was convinced that an 'educational development scheme' should be established to introduce various skills geared towards development and economic growth for the Solomon Islands. This should include teaching, engineering, agriculture, commerce and medicine. The missions (churches) welcomed the new plan and were prepared to hand over responsibility for the schools to the British Solomon Islands Protectorate (BSIP). However, the scheme never went through. Wasuka explains that the scheme had been turned down by the Director's superiors. The Colonial superiors thought the scheme too grandiose for the Solomon Islands. Colman-Porter resigned from his position as Director for Education and left the Solomons in 1948. Wasuka adds that following Colman-Porter's resignation, two similar drafts had been drawn up. However, nothing has been achieved and as a result, the missions continued to take on the education role in the Solomon Islands.

While the BSIP Colonial Government continued to ignore the development of an education system for the Solomons, the Director of Education for Fiji visited the Solomons and proposed a scholarship scheme (Wasuka, 1989). The scholarship scheme outlined that the BSIP government would fund selected Solomon Islanders to study in Fijian institutions. The BSIP government agreed, and identified medicine and teaching as the two selected fields the scheme should cover. By the mid 1950s, agricultural training had been included in the scheme and the government scholarship extended to sending Solomon Islanders to Institutions in Papua New Guinea and New Zealand. Furthermore, the government had also taken over several of the mission schools. By the late 1960s, secondary education has been introduced for the first time in the country. The Solomon Islands' first Technical Institute, the Solomon Islands College of Higher Education

---

<sup>8</sup> A Catholic centre on Guadalcanal Island.



(SICHE) was finally established in 1984 after it gained independence in July 1978. The college offered courses focused on industrial development trainings including plumbing, carpentry, and automotive engineering. The college also offered courses in agriculture and established a school of Finance and Administration.

## 2.7 Conclusion

The Solomon Islands was first discovered by a group of Spanish explorers, led by Alvaro de Mendana in 1568. However, it was not until 1893 when the British declared the Solomons as a *British Solomon Islands Protectorate (BSIP)*. The key reason behind the protectorate declaration was following the *black-birding*<sup>9</sup> of Solomon Islands men to plantations in Queensland and Fiji. Solomon Islands gained independence in July, 1978.

With more than seventy languages and cultures, the Solomons is a very diverse island nation whereby culture varies significantly from island to island. Solomon Islanders however see themselves as Melanesians, in which their identity is derived from a set of social relations that define them in terms of family and a wider set of relations based on kinship (*wantok*). For the purpose of this study, Keesing's (1974) definition of *culture as an adaptive system* is used. Based on Keesing's definition, the key historical events that have taken place in the Solomons were interwoven with the indigenous practices and customs to help reach a greater understanding of the findings in this study. These historical events includes influences from, the early Traders/Whalers, Christianity, World war II, the *Wantok* system, and the Melanesian *Big-Man* social system.

Private sector accounting landed on the shores of Solomon Islands during the early plantation days in the first half of the nineteenth century (J. Bennett, 1987). This was during the time when the cash economy had also been introduced by the BSIP Colonial Government. However, while the need for an early introduction of commerce education locally for Solomon Islanders had long been recognised, commerce education, which included accounting was only introduced in 1984, after they had gained independence in 1978.

---

<sup>9</sup> A reference to the process whereby Solomon Island men were recruited to work in the plantations

## CHAPTER 3: Literature Review

### *3.1 Introduction*

This Chapter three presents a review of literature pertaining to the business sector in the Solomon Islands, the social context of this study. The Solomon Islands business sector consists of businesses that are family owned, and they fall under the category of Small to Medium Size enterprises (SMEs). Therefore, the chapter begins with reviewing the literature relating to the effects of family relations on the financial performance of family businesses in the Solomons. This is followed by a review of the accounting and management issues faced by small and medium sized enterprises. Next, studies that pertain to culture and its influence on the development of accounting practices are reviewed. The study however, limits its scope to those studies that explores how the western concept of accounting clashes with cultures in indigenous settings only. Studies that were aimed at addressing the harmonisation of accounting practices at the international level are outside the scope of this research study. The final review covers the few studies in the Pacific region that investigates how Pacific Island cultures influence the practice of accountancy in the South Pacific. A conclusion is then drawn, highlighting the present gap in the literature that this current study aims to fill.

### *3.2 Family-owned firms*

According to Daily and Dollinger (1993), an increased amount of attention in recent years have been given to family-firm research. This is largely due to the significant contribution family-firms have made to many economies around the world. With their substantial impact on the development of national economies, family firms have been identified as an important governance structure of business organisations, in both developed and developing economies (Chu, 2009). Creation of job opportunities along with the promotion of economic and technological progress are key areas that family businesses have contributed in. Astrachan, Sharma, & Zahra (2003) suggests family businesses are also a key source of funding for new startups in many developed economies (cited in Chu, 2009).

“Most firms in the world are controlled by their founders, or by the founders’ families and heirs” (Burkart, Panunzi, & Shleifer, 2003, p. 2167). For instance, La Porta, Lopez-de-Silanes, and Schleifer (1999) found that a vast majority of publicly traded firms in Western Europe, South and East Asia, the Middle East, Latin America and Africa are family controlled. In Asia and Europe, about 38 to 43 percent of firms are family owned (Faccio, Lang, & Young, 2001). In addition, Kirchhoff and Kirchoff (1987) outline that in the United States, more than 80% of all incorporated businesses are small and family-owned. Chu (2009) added, that according to these studies (Daily & Dollinger, 1993; Kirchhoff & Kirchhoff, 1987) most family owned firms tend to be small to medium in sized (SMEs). For the purpose of this study, the relevant literature that is reviewed relates to family firms that fall under the small and medium-sized enterprises (SMEs) category. This is because in the Solomons, Solomon Islands local businesses are SMEs and they are run and owned by families. This review gives particular attention to literature pertaining to how family values in the family structures and relationships are seen as integral towards the performance and management practices held by family businesses. The role of social capital studies is firstly reviewed, followed by the review of how family values and relations influences the management practices held in small family businesses.

### **3.2.1 Social capital in family firms**

The concept of social capital in relation to family firms is reviewed in this study. Social capital in relation to family firms falls under two categories (Zahra, 2010). The first refers to the family social capital, which is the relationships and interaction that exists among members of the family in the firm. The organisational social capital, is the next category of social capital for family firms. Organisational social capital focuses on the firm’s interaction and networking with the outside stakeholders. It serves particular attention to building of good relational networking with external parties purposely for acquisition of outside capital and other related resources. Zahra explains, it is more applicable to family firms that are not SMEs, since it is aimed at creating and maintaining of good relationships with the external parties (for example financial institutions and outside investors). The focus of this review however, is related to social capital in family firms that are SMEs and that exists in ethnic settings. Therefore, literature relating to this second category of family firms’ social capital is outside the scope of this current review.

Bourdieu (1980, p. 2) defines social capital as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships

of mutual acquaintance or recognition” (cited in Arregle, Hitt, Sirmon, & Very, 2007). This includes the goodwill of family members along with other social resources inherent in relationships, which were used as a means of pursuing economic goals in the firm. In addition, in family businesses the creation of social capital also depends to a larger extent on the relationships among members (Coleman, 1998). Thus, the development and maintenance of mutual obligations in a social network is aided by increased interactions between participants (Bourdieu, 1986).

Social capital plays a key role in the management of family businesses in ethnic settings (Danes, Heck, Lee, & Stafford, 2008). For example, the informal support from family members, friends and relatives and the formal network of ethnic institutions are seen as important resources for ethnic businesses. This extends to include benefits associated with the reciprocal relationship that exists between the ethnic firm and its community. Start-up capital is an example, as community members mobilize their resources, which include information, training opportunities and provision of cheap labour. However, Fratoe (1993) argues that while social capital creation plays an important role in family firms in ethnic settings, family or contributed money that is given up for start-up capital also becomes a common issue in a lot of family businesses. In that, the obligatory ties that is attached with such money is more aimed at serving the group’s obligations and goals, rather than the investment goals of the business (cited in Danes et al., 2008). Hence, in family businesses, social capital provides both positive and negative outcomes, if it is not properly managed (Prescott, 2009).

### **3.2.2 Role of family values and relations in family firms**

“Issues of succession are clearly ‘going concern’ issues for family firms” (Ismail & Najmi, 2009, p. 87). Family firms tend to have a longer-term view of their businesses (Davis & Tagiuri, 1992; Poza, 1989; Ward, 1987) than non-family controlled firms. Taking the business from one generation to another has been identified as one of the key goals held by family business owners and members (Betts, 2001). In addition, the mindset of *keeping the family spirit alive* is also an on-going issue for family businesses (Kets de Vries, 1993). The prevailing attitudes, norms, and values in family businesses are determined by the family spirit that exists between the owner and members of the family working for the business. This creates positive work attitude, and establishes a common sense of commitment amongst members towards the going concern goal.

Several studies (Eddleston & Kellermanns, 2007; Eddleston, Kellermanns, & Sarathy, 2008) have shown the significant role played by family contributing towards the performance and competitiveness of family-owned firms compared to non-family businesses (Craig, Dibrell, Hayton, Neubaum, & Zahra, 2008). For instance, Karra, Phillips, and Tracey (2006) examines the relationship between altruism and agency costs in family businesses by using a single case study in Russia. In their findings, they argue that the development of a quasi-family based on kinship results in improving the agency costs. This is because the interests of quasi-family members are better aligned. In addition, the altruistic behaviour which exists between the owner and his or her family kin whom the firm employs create a sense of togetherness and reciprocity that permeated throughout the firm. Sharing this same view, other studies for instance, Fama and Jensen, (1985), and Jensen and Meckling (1976) add that information asymmetries and monitoring costs in family firms are fewer, compared to non family firms. Strong commitment from members, coupled with the high levels of trust results in reducing certain costs in family businesses (Ismail & Najmi, 2009). For instance, some costs that requires reaching certain decisions or performing certain actions can be done by members of the family instead of hiring some one from outside. Similarly, continuous commitment from family members can also produce organisationally valued outcomes such as low turnover, low absenteeism and higher performance (Griffeth & Hom, 1995; Mathieu & Zajac, 1990). Furthermore, according to the resource-based view of the business, family businesses have more competitive advantage than non family owned businesses (Chu, 2009; Dyer, 2006). This is largely due to in family businesses, family members contributes resources in the form of human capital, social capital and physical or financial capital thus results in having more competitive advantage over the non family businesses (Dyer, 2006). Dyer described human capital as the skills, abilities, attitude and work ethic which are jointly offered by members of the family towards the firm.

In contrast to the above mentioned benefits associated with family businesses, there are also problems arising as a result of family norms and relations that exists in family businesses (Bertrand & Schoar, 2006). Cultures that foster strong family ties may influence the performance of the business if the *family-business* relationship is not well managed. For instance, in situations whereby the owner finds difficulty disassociating family interests from business interests. Thus, literature has shown there are also negative effects associated with running of family firms (Chu, 2009). To begin with, nepotism is one of the end products of a culture which is based on strong family ties (Bertrand & Schoar, 2006). Giving jobs to kinship ties rather than to talented and

qualified individuals is commonly found in family businesses (Amit & Villalonga, 2004; Barnett, 1960; Mock, Strangeland, & Yeung, 2000). This view is based on the cultural mindset held by a lot of family business owners that employing of kin relatives is the way forward to taking the business from one generation to another, based on the *business legacy* notion (Bertrand & Schoar, 2006). As a result, one of the negative outcomes is the under-utilization of family assets and the pool of resources that exists in family firms. Under-utilization of family's financial and physical assets or the pool of combined capital to benefit the firm results in the low agency costs becoming liabilities (Kets de Vries, 1993).

Promotion of family agendas and goals, rather than the financial agendas for the growth of the firm is also common in family firms (Dyer, 2006; Howorth & Westhead, 2006). These family agendas includes providing of employment for family members and protecting the store of family wealth. As Dyer (2006) similarly puts it, promoting family-interests as opposed to the well-being of the firm is one of the negative sides of family firms. Dyer refer to it as where characteristics of "amoral familism" (p. 267) has been displayed by members in family firms. This implies family objectives becoming priority over business goals and objectives (Arregle, Hitt, Sirmon, & Very, 2005; Casson, 1999; Gomez-Mejia, Haynes, Jackson, Moyano-Fuentes, & Nunez-Nickel, 2007), which leads to weaker firm performance. Etzioni (1961) adds, that some family members were found to be self-interested by nature, and were based on the utilitarian and altruistic relationships (cited in Dyer, 2006). This often results in some members taking advantage and serving their own interests at the expense of other family members and the firm (Davis, Gersick, Hampton, & Lansberg, 1997; Lansberg, 1999). Conflicts and disagreements amongst members is a common occurrence. For instance, whilst the hard working members were interested in the growth of the firm, others, primarily motivated by their own self interest opposed ideas and decisions relating to the growth and well-being of the firm and prefer decisions that meet their personal interests.

The planning and control functions in family firms are found to be less associated with firm performance (Ismail & Najmi, 2009). A possible reason given is the flexibility, creativity and risk-taking characteristic of many family firms. These innovative yet often high risk initiatives are aimed at achieving superior performance compared to other non-family owned and operated firms (Daily & Dollinger, 1993). Sophisticated control systems are often not relevant for family firms compared to non-family firms as pre-existing relationships between the family members acts to

regulate worker conduct and their interactions. The non-existence of such control systems and procedures can also negatively affect business performance.

From this review of how family relations influences the performance of family businesses, three conclusions were drawn. Firstly, drawing on family relations, networking, and cultures many studies refer to family cultures that belongs to western societies, or western cultures. The fact that this current study seeks to investigate how family cultures in collectivist societies influence accounting and management practices held by family businesses. A significant number of studies contributing to the family business (and ethnic businesses) literature refer to family businesses in the European societies. Family business studies in the Pacific remain largely unresearched. Furthermore studies in social capital relate to data from western cultures again leaving the Pacific largely unresearched. The present study put forward that although there are many similarities between how family cultures influence business performance in the broad context, further examination, differentiating between societies based on collectivism and individualism continue to reveal differences that will benefit ongoing policy development in this area.

Next, the benefits that were derived from family firms, as was demonstrated by the studies mentioned in this current review, family firms are considered to be a more efficient form of business set up compared to non family businesses (Eddleston & Kellermanns, 2007; Eddleston et al., 2008). The present study supports this argument, and in particular, for settings where access to bank loans are restricted or difficult. For small businesses around the world, seeding capital is frequently sourced from family members and friends as access to mainstream financial institutions are often unavailable or costly. Thus, family relations along with the many other benefits, which included communal support, are vital ingredients for such business type.

In situations where culture significantly influences how businesses are managed, family values and relations will to a greater extend determine the management styles that family businesses will adopt. For example, in cultural settings where the existing culture contradicts the Anglo-Saxon cultures in which the concept of business is framed upon (for example, Asian countries and the Pacific Islands). In such settings, family influences must be well managed to have a balance between the positive and negative effects of family values towards firm performance. As Scott (1983) had similarly stressed, drawing boundaries between family values with economic non-viability is vital for achieving a healthy financial performance for family and ethnic businesses.

### 3.3 *Small and medium-sized enterprises (SMEs)*

Small and medium-sized enterprises (SMEs) play a key role in a nation's economy. In developing economies, some of the significant roles they play include: addressing of poverty issues by creating jobs and increasing incomes, providing a distribution network that reaches rural communities, providing broad-based sources of growth, acting as incubators for developing domestic enterprises into large corporations and serving as suppliers and providers of support services for large enterprises (Habaradas & La Salle, 2008). Bell (1990) adds that SMEs represent the majority of businesses in many countries. For instance, in Malaysia where SMEs are considered to be the backbone of the industrial development of the country, according to data held with the SMIDEC (2002) SMEs accounted for 93.8 per cent of companies in the manufacturing sector (Saleh & Ndubisi, 2006). In New Zealand, Pirich (2001) argues that the nation is dominated by SMEs across all industries of the economy. Similarly, SMEs make up the majority of businesses in the Solomon business sector. The object of this review of SMEs is to look at the accounting issues faced by SMEs. In particular, this review limit its scope only to the financial and management issues relating to (1) cash and credit management practices, (2) record-keeping and (3) use of accounting information in SMEs.

Spence (1999) stated that the definition of SMEs' vary between countries. Some of the common characteristics that were used to distinguish SMEs from large corporations include being independent, multi-tasking, cash-limited, based on personal relationships and actively managed by owners. Other definitions are based on size as determined by turnover and number of staff employed. However the threshold for turnover and number of staff employed vary between countries (Prescott, 2009). Drawing on these various characteristics, Spence highlights that to give a universal definition for SMEs is difficult, given the different settings (for example industry types) and environments they exists in. For example, in Malaysia the definition of SMEs is based on the number of full time employees, annual sales turnover and industry type (Saleh & Ndubisi, 2006) while in Thailand, SMEs are defined as firms with 15 to 200 employees and 30 to 200 million Badt in fixed assets (depending on the industry type) (Sarapaivanich, 2003). Hence, in general extant definitions tend to fall into two common categories: on the annual sales turnover and/or number of full-time employees. In Solomon Islands, SMEs are defined based on the capital invested, number of employees and annual turnover (MCILI, 2010). (Refer to section 5.4.1 for a detailed description of Solomon Islands SMEs)



### **3.3.1 Cash management practices held by SMEs**

Cash budget and cash flow statements are two cash management tools reviewed under this sub heading. Firstly, a period-by-period estimate of the cash position of the firm is a simple definition of a cash budget (R. DeThomas, 1980). There are three components to a cash budget. These are, namely, cash inflows or receipts, cash outflows or disbursements and the resulting cash position. In addition, the duration or timeframe for the budget period is an important component when constructing a cash budget.

A cash budget is one of the cash management tools that is found to be ignored by a lot of small businesses (Grablowsky, 1978). For example, Grablowsky's study has shown that younger small businesses are more likely to prepare cash budgets than the long-established businesses. The reason being, managers in newer firms have been found to have higher educational attainments than managers in the longer-established businesses. Similarly, Anvari and Gopal's (1983) study of Canadian small businesses also shows that the cash budgeting function is also neglected by Canadian small businesses. Results have shown that only half of the respondents mentioned that they prepared cash budgets. However, for small businesses cash budgets is vital for a number of reasons. Payment of business debts is one of the key reasons for the preparation of cash budget. Beheshti and Worley (1992) explained the inability to pay bills when they are due can signal to lenders and suppliers that the business is incapable of continuing. Furthermore, the success of any cash management practice such as budgeting in small business also depends on working capital management (Thompson, 1986). Howard (1971) suggests the lifeblood of the enterprise is its working capital. The fact that sales in small businesses varies during the year (cited in Grablowsky, 1978), effective cash control measures must be in place in order to manage the business' working capital of current assets and current liabilities. Holmes and McMahon (1991) offered an example recalling that, in North America, working capital management practices of small businesses were the target of attention of researchers. This is because the management techniques that were used by small businesses were lagging behind the recommendations made in modern training programs. Poor management of cash was therefore prevalent among small businesses in North America.

The dynamic environment in which small businesses operates characterised with uncertainty. This calls for the need to accurately forecast business cash (R. DeThomas, 1980). Budgeting frameworks that properly classify the firm's cash flows and a forecasting technique that predicts

these cash flows with reasonable accuracy is the key to obtaining optimal cash position. DeThomas stressed, that identifying and making projections of the changes in the firm's operations, which will have an impact on the cash position with sufficient time to allow the management to correct and disparity between the inflows and outflows, should be a key objective for such forecasting systems. In addition, growth and survival of businesses also depends on how healthy the business' cash flow is (Curran, Jarvis, Kitching, & Lightfoot, 1996).

Although many small businesses recognise the benefits associated with having good cash flows, the literature suggests that the take up of forecasting techniques and practices among small businesses is relatively low. Barrett, Dyt and Halabi's (2010) study on the nature and type of financial records kept in small businesses in Australia, shows that whilst 70% (84 businesses) gave favourable views about the usefulness of cash flow statements for their businesses, only 36% (43 businesses) prepared and used cash flow statements. Similarly, Thompson (1986) found that small businesses were not well equipped and have difficulties in making important decisions relating to cash flow management. Poor financial control has been identified as a major contributing factor to business failure. Many small business managers believe that if profits are adequate, cash flow should be able to take care of itself. However, Thompson's study found that cash flow was more important than accounting income for effectively managing small businesses. Therefore, small businesses should not rely entirely on inadequate surrogates such as 'profit plus depreciations' but rather give more attention to study their cash flows. Furthermore, repeatedly referring to the unstable nature of sales in small businesses (cited in Grablowsky, 1978), small businesses were found to rely more on short-term loans and overdrafts than larger firms (Cost & Hughes, 1994). Based on that reasoning a healthy cash flow position is important to demonstrate to banks the firm's ability to repay any loans it may make. Venkatesan (1998) added, optimization of cash flows also depends on effective accounts payable management. For instance, one of the strengths of having an effective accounts payable system is it helps to reduce interest costs and for bridging periodic working capital shortfalls.

### **3.3.2 Use and preparation of financial information in SMEs**

Holmes and Nicholls (1989) suggest that in the case of Australian small business managers/owners preparation of accounting information, apart from those for tax purposes is limited. In particular they found that only 21% of respondents prepared financial statements for their own management purpose, other than those filed for tax. Holmes and Nicholls explain that

there are various factors which influence the preparation of non-statutory accounting information for small businesses. These factors include, “business size, the number of years the business has been operating under existing management, industrial sector, the education of a business’ owner/manager “ (Holmes & Nicholls, 1989, p. 145).

Keasey and Short (1990) provide, despite the debate on whether preparation of financial report is a burden to small businesses has drawn the attention of researchers over the past years (A DTI report, 1985a), their study have shown more than half of their respondents have commented that the preparation of annual reports is beneficial for the management of their small businesses (cited in Keasey & Short, 1990). Obtaining credit and access to finance are two key benefits obtained by the small business owners (managers) for preparation of financial reports. Barrett, Dyt, and Halabi (2010) added, since small businesses are required to prepare annual reports for tax purposes, it also enabled small businesses to have financial information sufficient for business evaluation. Thus, good record-keeping, efficient use and preparation of accounting reports is vital for the growth and survival of SMEs (Sarapaivanich, 2003).

### 3.4 *Culture and business in the Pacific Islands – The Melanesian trade*

In Chapter five of this study, a brief description of the Solomon culture is discussed. Referring again to that discussion, Sand (2002) had spelled out that Solomon Islands culture follows the Melanesian *big-man* system, which is characterized as egalitarian and competitive by nature. These characteristics imply that the social relations and networking that exist amongst the people, are rooted in the objective of prestige and social status achievement, in the society. People’s everyday activities, which extend to including trading activities, are also based on the prestige seeking characteristic of the big-man practice. This review covers literature pertaining to the Melanesian culture and its implications on trade.

Harding (1970) states that the Melanesian exchange systems (for example the *kula* ring) have been labeled as non-economical according to a number of anthropologists (Evans-Pritchard, 1951; Firth, 1957, cited in Harding, 1970). These anthropologists, argue that Melanesian trade is based more on the social, ritual and political significance of the transaction rather than its economic merit. For example, Evans-Pritchard stated, “the most significant feature of the *kula* is the bringing together, through the acceptance of common rituals, of politically autonomous

communities” (cited in T. G. Harding, 1970, p. 108). Similarly, Firth (1957) adds the use and exchange of symbolic objects in the *kula* trade focuses more on the significance of maintaining and building of status relationships. Firth explains, that as had been seen with the Siassi traders, a considerable amount of wealth, including the productive and managerial efforts in politico-ceremonial life, had been invested in the local big-man system (T. Harding, G., 1970). The same had been seen with the distribution of imported goods. Since the prominent roles in internal payments usually rested with the rivalries of the local big-man, their status tended to insure some degree of escalation, entailing increasing *exotic* imports. As a result, trade would increase as internal transactions expanded. For example, larger bridewealth payments or more frequent potlatching<sup>10</sup> took place. Nevertheless, despite these critiques, Harding offers the fact that exchange took place through a network of inter-group social links. A social group that lacks a big-man leader, is seen consisting of few and weak kinship ties. This in turn compromises cooperative endeavor for trading purposes. Harding argues that the local economies in the big-man societies would have been less effectively organised and productive compared with those that lacked this type of social structure.

In Papua New Guinea, Curry (2005) argues that small businesses were found to be more embedded in their indigenous exchange economies, than the imperative role of market. Facilitation of gift exchange and enhancing the social status of their proprietors and investors were key reasons for small business establishment. This can also be found amongst the small businesses in Solomon Islands. Gegeo’s (1994, p. 255) study reveals how the West *Kwarae*<sup>11</sup> ethnic group perceives the western mode of business:

<i>‘adofiku’ anga</i>	solidarity, cooperation
<i>dausuliru’ anga</i>	building ourselves
<i>fa’ara’elaka</i>	raising ourselves up
<i>‘ikulaka</i>	promoting and moving ourselves along, building (of family) and shaping it according to cultural principles

---

<sup>10</sup> Competitive distributions among male club-house associations, and others.

<sup>11</sup> A sub group in Malaita Province.

Gegeo's study demonstrated how the Kwara'ae ethnic group in Malaita perceive western concepts of business. His study helps to support early findings by Harding (1970), in highlighting how the egalitarian characteristic of the Melanesian culture had clashed with the western framework that form the basis of the business concept (also refer section 1.5.3). In addition, Gegeo's study drew a comparison between the gift-giving system (or debt creation) that existed in the traditional exchange systems in Melanesian societies, in particular the Malaitan society, with debt in the business context. An example mentioned in his study is the local exchange system discussed in section 6.5 where debt creation is geared towards social recognition. The more debts one has, the wealthier one is perceived in such societies. Following the existence of this local debt, it affects business entrepreneurs' perception towards debt in the western concept of business debts.

Gegeo's (1994) study is one of the first in the Solomons to investigate how the local custom conflicts with the western concept of business. His study, along with the other early studies conducted in the Melanesian societies like Papua New Guinea and Vanuatu (Curry, 2005) have demonstrated how the egalitarian characteristic of the Melanesian culture had influenced the western concept of business, for instance, the going concern principle<sup>12</sup>. This study recognizes the usefulness of the prior literature for providing context to the current study.

### *3.5 Role of culture in the development of accounting practices*

Several studies (Burchell, S., Clubb, Hopwood, Huges, & Nahapiet, 1980; Fechner & Kilgore, 1994; Meyer, 1986) have shown that the debate on culture and its effects on accounting practices is significant in the accounting literature. For instance, Makdisi (1977), Perera (1989) and Wallace (1990) identifies the relationship of accounting and culture with the needs of developing countries, while Mansor (1984) explores the accounting-culture relationship with the role of religion (cited in Chanchani & MacGregor, 1999). Similarly, the impact of culture on the development of accounting systems internationally is discussed by Gray (1988). Using Hofstede's (1980, p. 25) definition of culture as “ the collective programming of the mind which

---

<sup>12</sup> An assumption that the business will continue operating into the indefinite future without a foreseeable termination date.

distinguishes the members of one human group from another” (cited in S. J. Gray, 1988), Gray incorporates Hofstede’s (1980) cross-cultural research to develop a framework that is aimed at explaining international differences in accounting systems and patterns of development of accounting at an international level. Gray’s framework, which is based on the relationship between Hofstede’s (1980) societal values (power distance, masculinity, individualism and uncertainty avoidance) and accounting values (professionalism, uniformity, conservatism and secrecy) has become a common framework used in accounting-culture literature. It has been used extensively to explain and address the issue of international harmonisation of accounting practices and standards at a global level. A few examples of studies that had adopted his framework includes Eddie (1990), Salter and Niswander (1995), Gray and Vint (1995), Sudarwan and Forgarty (1996), Wingate (1997) and Lopez and Schutz (2001) (cited in Douppnik & Tsakumis, 2004). Douppnik & Tsakumis (2004) outline three key areas within which accounting that have been affected by culture. These include: (1) financial reporting, (2) auditors’ judgement and attitudes and, (3) management control systems.

For the purpose of this study, this review does not include studies that looks at the cultural influences on the accounting systems at the international level and the broader issue of accountig standards harmonisation. This review limits its focus to literature that relates specifically to studies that investigates the cultural influences on the evolvment of the western concept accounting in an indigenous settings. Belkaoui and Picur (1991, p. 110) argue that it is “the culture of a country that determines the choice of its accounting techniques and the perception of its various accounting phenomena”. For example, several early studies (Mueller, 1967; Nobes, 1983; Violet, 1983) reveal that the meaning of the various accounting concepts differs across users from different cultural groups. This is largely due to the manner in which accounting as a profession and practice is recognized, grasped and understood in the local settings in which it exists. The manner in which culture influences the perception of accounting language and concepts, also affect the evolution of the accounting profession and practice.

Briston (1978) argues that the needs of users and the suitability of adopting a particular practice should be considered. Briston directs his argument at those developing countries who adopt western accounting systems, without careful regard to the challenges it presents and the suitability of such systems to the environment to which they are introduced. (Brown & Tower, 2002; Chand, 2005; Perera, 1989; Wallace, 1990). Developing economies include countries like African states,

Asian, South American, Middle Eastern and the South Pacific (cited in Wallace, 1990). Some of the common features of these developing countries includes low standards of living and productivity, high population growth rates, dependency burdens, high rate of unemployment and underemployment and economies that are dominantly agricultural (Brown & Tower, 2002). Brown and Tower explains that since western accounting concepts are based on constructs which are very different from non-western civilization, in terms of the societal, political, cultural, economic and organizational differences, thus gives false impression of a conventional western interpretation of accounting practices in these developing economies. Wallace (1990) adds, that developing countries' have differing trade practices, friendship patterns, language barriers, cultural norms and nationalism making it inappropriate to adopt accounting systems that are developed in industrial countries (cited in Brown & Tower, 2002). English in particular, is a cultural factor which acts as barrier towards an easy transfer of western accounting systems from the English (or other European) to such developing countries where English may be the official language of many large western economies but is not spoken by the vast majority of the population in the developing countries around the world including the Solomon Islands. Furthermore, a lot of these developing countries had little chance to develop accounting systems that would truly reflect their local needs and circumstances because of barriers created by either the Colonial based infrastructure or by powerful foreign investors (multinational companies) (Perera, 1989; Wilkinson, 1965).

While colonisation played a major role in the development of accounting systems for many developing countries, the influence of western accounting systems on indigenous culture has also been debated (Gibson, 2000b). Gibson's study on the effects of western accounting systems on the Aboriginal culture shows that western accounting systems do not fit in well with the indigenous and social values that exist in the Aboriginal communities. For example, western accounting systems are based on financial transactions and economic prices. On the other hand, land and other resources that are culturally seen as assets in the local context and do not fall under the accounting paradigm of financial transactions to be regarded as assets. The Aboriginals of Australia view modern accounting notions of wealth, assets, and income distribution as the products of artificial money. This artificial money is perceived as a barrier towards achieving social wealth, which is wisdom, kinship and knowledge. These social qualities are associated with the Aboriginal traditional ritual of Dreaming (rituals of the dreamtime). When an accounting-based economic system is introduced to a society categorized as *hunter-gatherer* society, a

conflict of perception and mutual understanding arise which affects the accounting lexicon that form the basis of the accounting process. Furthermore, Greer and Patel (2000) add that indigenous values such as kinship are essential in order to maintain harmony amongst the members of a community. Kin relationships and the custodianship of the land take priority over economic motives among the indigenous cultures in Australia, and therefore need to be recognised and maintained.

Across the many small islands nations in the South Pacific, the majority of businesses are classified as SMEs. The current literature indicates that relatively little has been done by way of research into the interaction of culture and western commerce in the Pacific Islands. In particular the reciprocal influence of culture on the developing accounting profession in the South Pacific region continues to represent a gap in the literature. Hardman (1984) investigates the early development of accounting practice in the Solomons. While his study focused on the evolution of the accounting profession during the British colonial era, there was very little mentioned of how this evolution was influenced by the cultures of the Solomon Islands. Hardman's study, however provides a solid starting point for research seeking to understand why the growth of the accounting profession became stagnant in the early post-colonial days. One of Hardman's leading statement was that, "the reasons for this non-participation in accounting at the professional level by Solomon Island nationals are largely historical and cultural" (p. 148).

Davey & Hauriasi (2009) later confirm that there is a conflict between Solomon Island culture and the western culture upon which accounting is framed. The authors highlight that whilst Solomon Islanders recognize the importance of practising western concepts such as accounting and management in order to be successful, dominant traditional values and relationships continue to exist and influence the way they managed their businesses. These traditional values are seen as barriers against the adoption and practice of these western commercial practices. The ability of local organisations to achieve their objectives in contemporary societies and organisations, has been undermined because of the existence of these traditional conflicting values. Similarly, the results obtained by Prescott (2009) in his study on sustainability of Tongan businesses in New Zealand, also shows how culture influences the practice of accountancy and management in Tongan businesses operating in New Zealand. Prescott stressed that the fact that the NZ Financial Accounting Framework and the western commercial environment represents an individualistic and anti-commons paradigm, it conflicts with the Tongan culture, which is similar to any other



Pacific Island culture, holds a collectivist view. An example is the tradition of embracing social identity and the importance of maintaining cultural relationships amongst tribes and clans.

Based on the review of the development of accounting and cultural influences in indigenous settings (Gibson, 2000a; Greer & Patel, 2000) there was very little mentioned on how culture influences the evolution process (evolution) of accounting in these indigenous settings. This current study found that although prior studies had investigated how indigenous culture conflicts with the western concept of accounting, because accounting was framed based on a culture that contradicts the cultures of these indigenous settings, (for example Aboriginal society and the Pacific Islands) very little was said on how this conflict could be managed and the influence that culture had on the early development of accounting when it was first introduced. Based on this argument, this current study aims to fill this gap, with the help of Hardman's (1984) leading statement (cited in the above paragraph) to investigate how culture has influence the evolution of the western concept accounting in the indigenous societies in the Solomon Islands.

### 3.6 *Conclusion*

In the Solomons, businesses are family owned and they fall under the category of small and medium-sized enterprises (SMEs). For this purpose, this review not only focus on studies that investigates the influences of culture on accounting practice, but it also covers studies that looks at how family values affects firm performance, and the common accounting and financial management issues faced by SMEs.

Family relations, networking, and culture contribute both positively and negatively to the performance of family-owned businesses. From a positive point of view, several studies (Eddleston & Kellermanns, 2007; Eddleston et al., 2008) have shown the significant role played by family ties and networking towards firm performance and competitiveness, in comparison to non-family businesses. On the other hand, other studies (Bertrand & Schoar, 2006) comment that family norms and relations can also lead to various problems. Cultures that foster strong family ties may influence the performance of the business if the *family-business* relationship was not well managed. Defining boundaries between family values with economic non-viability is vital for achieving a healthy financial performance for family (and also ethnic) businesses (Scott, 1983).

The common accounting and management challenges for SMEs are those relating to cash and credit management, use of accounting information and proper keeping of business records, and issues relating to liquidity. Firstly, the unstable nature of sales in small businesses (cited in Grablowsky, 1978) calls for effective management systems for both cash and credit transactions. Tools such as cash budgets and cash flows are useful for this purpose. In particular they help business entrepreneurs keep track of their cash position allowing them to pay their bills on time.

The preparation of financial report is a burden to many small businesses and has been the target of much research (for example, A DTI report, 1985a). The current literature supports the notion that the preparation of annual reports is beneficial for the management of small businesses (cited in Keasey & Short, 1990). For instance, Barrett, Dyt, and Halabi (2010) suggest that since small businesses are required to prepare annual reports for tax purposes, it enables them to have financial information necessary to successfully manage their business. However the literature also outlines that record keeping beyond the minimum required for tax purposes continues to be lacking for the majority of SMEs.

The significance of culture in accounting development process is a key part of this review of the literature. Culture is considered an influencing factor which affects how accounting is both perceived and practiced (Belkaoui & Picur, 1991). In the case of the many small island nations of the South Pacific, the literature shows that little research has been carried out on how Pacific Islands culture influence the development and adoption of western accounting systems (Davey & Hauriasi, 2009; Prescott, 2009). Similarly, few studies have been done to look at the introduction of western accounting systems on indigenous settings and societies (Gibson, 2000a; Greer & Patel, 2000). Based on this finding, this present study aims to contribute to this few studies (literature) with regard to culture and its effect on accounting evolution in indigenous setting. In particular, attention is focused on the evolution of accounting in the small businesses in the indigenous setting in Solomon Islands.

## CHAPTER 4: Methodology

### *4.1 Introduction*

The methodological underpinnings of any research influences the basis upon which subject matter is collected, analyzed and interpreted. This study is concerned with investigating the cultural effects on the evolution of the Anglo-Saxon concept of accounting in businesses in the Solomon Islands. The chapter begins by stating the assumptions held by this study. This is followed by the outlining the methodology of this study, which includes the rationale and the appropriateness of the methodology for answering the research question. A description of the methods used for data collection is also discussed. Finally a discussion of the procedures used in analyzing the collected data, issues relating to ethical conduct in research, and a brief discussion on validity and reliability of findings.

### *4.2 The Interpretive- phenomenological paradigm*

This study takes on an interpretative worldview, based on William & May's (1996) argument that the subjects of the world are explained and interpreted through the classification of schemas of the mind (cited in Gray, 2004). It is the aim of this study to understand social reality through participants' experiences of that social reality (D. Gray, E., 2004). This study therefore, holds the view that the best approach of seeing how culture affects the evolution of the western concept of accounting in businesses in the Solomon Islands is to use the life-experiences of a number of identified long-existing businesses (including other personals in the profession), rather than using a quantitative or a scientific approach to answering the research question. The methodological stance held by this study is discussed below. This includes outlining the epistemological and the ontological assumptions held by this study.

#### **4.2.1 The Epistemological assumption**

According to the following writers (Guba, 1990; S. N. Hesse-Biber, 2006; Lincoln & Guba, 1985) epistemology has been identified as the nature of the relationship between the researcher and the research participants. It provides a set of philosophical beliefs that controls the knower and the known in a research process. Similarly, we can also say it is the philosophical background

that decides upon what knowledge is regarded legitimate and adequate for the knower (Gray, 2004). It then influences and impacts on the researcher's philosophical position to all research aspects, including topic selection, question formulation, method selection, methodology and so on.

Schutz (1962, 1964, 1967, and 1970) discusses the ways the world is experienced by its members – the world every individuals take for granted - is the foundation of the phenomenological lens for social science research (cited in Gubrium & Holstein, 2003). This means that the way ordinary members of a society attend to their everyday lives implies there is a social reality existing, which can only be understood by subjective interactions, in order to construct and give meaning to that ordinary world. The subject of interest for this study then, is a phenomenon that is best understood through gaining stories from identified businesses and personnels, based on their everyday experiences. Meaning is constructed based on the descriptions of their experiences. This reasoning follows closely with the significance of oral communication in the Pacific Island's cultures (A. Brown, M., R. Taplin, & G. Tower, 2005). Solomon Islands, similar to other islands in the Pacific, practice the view that important information passes from one generation to another through the oral means of communication. Important knowledge is handed down from the elders to the younger generation through holding evening story-telling sessions. Similarly, younger men learn and acquire knowledge by practically getting involved (Gegeo, 1994; Gegeo & Watson-Gegeo, 2002b; Sanga, 2009). Through close interaction, they learn and give meaning to their surroundings, based on stories and experiences from the elders.

#### **4.2.2 Ontological assumptions (nature of social reality)**

Ontology, as described by Gray (2004) is the nature of existence or reality. Ontology focuses on an understanding of what is out there in the social world, for instance, symbols, words and concepts. Thus, the manner in which one views the nature of the social world is influenced by one's epistemological view of that reality. The positivists, for example, hold to the view of social reality as being influenced by their epistemological stand. They hold the view that social reality is not created but rather is out there waiting to be discovered and measured (S. N. Hesse-Biber, 2006). In addition, they argued that the researcher and the researched are placed on different planes in discovering that social reality. This belief is based on the argument that the researcher must maintain his or her distant so that the subject can be examined and that discussions can be made subjectively. As Hesse-Biber puts it, the research process is independent of the social

reality that exists. In contrast, the interpretivists argue that social reality is produced during the research process, whereby the researcher becomes an active participant in order to gain insights of the social reality that exists (S. Hesse-Biber, N, 2006). Like the positivists, the interpretativists' view of social reality is also influenced by their epistemological beliefs.

The interpretativists hold the view that epistemology is closely linked with constructivism and that people assign meanings to subjects in the social world based on the interpretation of their interactions (Gray, 2004). Thus, the ontological view held by this study recognises that the phenomena of interest is a very broad statement that can be interpreted to have many meanings. Through subjective interaction, the researcher can create and give meaning to the subject under investigation, based on the real-life experiences of those who have lived and experienced the subject of interest.

### **4.2.3 The phenomenological lens**

The meaning of phenomenology is broken down into three key parts. Phenomenology is firstly, the study of lived experiences, or we can say, the study of the lifeworld (Van Manen, 1997). It is the lifeworld whereby members rather than conceptualizing, categorizing or reflecting on it, they instead experience it pre-reflectively (Husserl, 1970; Luckmann & Schutz, 1973; cited in Van Manen, 1997). Gaining a deeper understanding of the nature or the meaning of our everyday experiences is the key aim of phenomenological studies. Flood (2010) similarly shares that phenomenology is interpretive in nature, and its core interest is in seeking to understand a subject of interest that is perceived or experienced. By engaging with the real world, meanings are constructed. Analyzing the intentional experiences of consciousness to perceive how a phenomenon is given meaning and to arrive at its essence is the researcher's task (Adorno & Sadala, 2002, cited in Flood, 2010). Furthermore, perception is also an important ingredient in the process of conceptualizing of meaning through consciousness. As Moustakas (1994) had commented, perception is regarded as the primary source of knowledge, the source that cannot be doubted, for phenomenological studies. In that, every perception adds something important to the experience, in the alignment of perceptions. In other words, every perception is counted. Merleau-Ponty (1962, p. 184) (cited in C. E. Moustakas, 1994) offered an explanation that highlights the notion of perception for phenomenological studies by stating:

Perception opens a window onto things. This means that it is directed quasi-teleologically towards a truth in itself in which the reason underlying all appearances is to be found. The tacit assumption of perception is that every instant experience can be coordinated with that of the previous consciousness, that monadic and intersubjective experience is one unbroken text, that what is now indeterminate for me could become determinate for more complete knowledge.

Moustakas' quote highlights the role played by perception in experiences. In particular, an experience can only be given a meaning through the process of perception.

Secondly, the concept of phenomenology is derived from the Greek word *phaenesthai*, which means, to show it self, appear, or to flare up (C. E. Moustakas, 1994). According to Hegel, "phenomenology referred to knowledge as it appears in consciousness, the science of describing what one perceives, senses, and knows in one's immediate awareness and experience" (C. E. Moustakas, 1994, p. 26). In short, Van Manem (1997) similarly puts it as the explication of phenomena as they present themselves to consciousness is what phenomenological research is all about. Brentano (1973) observed that Husserl's elaboration of phenomenology is guided by features of consciousness (cited in C. Moustakas, 1994). Brentano explains that consciousness contains a content that is intentional, which is directed towards objects. The emphasis is that human beings have access to the world through their consciousness, whether the object is real or imagined, empirically measurable or subjectively felt. Moustakas (1994) similarly stressed that whether the object actually exists or not makes no difference at all from a phenomenological perspective. This is based on the argument that things emerge in consciousness in an empty manner. It is through experience that the empty space is filled.

Finally, Merleau-Ponty (1962) and Husserl (1982) suggests that phenomenology is also the study of the essence of the subject of interest (Van Manem, 1997). They highlighted that based on the life experiences of individuals, the internal meaning of the structures of the subjects can be uncovered. In addition, between the real and the non-real there exist a sharp contrast between facts and essences. Husserl (1931) puts it as "essence provides on the one side a knowledge of the essential nature of real, on the other, in respect of the non-real (irreal) (p. 45, cited in Moustakas,

1994). Thus, the discovery of meanings and essences in knowledge is the key concern in phenomenology studies.

#### **4.2.4 Rational for the phenomenological lens**

The rational for using the phenomenological lens to answer the research question is based on two reasons. Firstly, in line with the argument already stated in the above sub-section (4.2.1) Brown, Taplin, and Tower (2005) had stated that in the Pacific Islands the mode of communication is an oral means of passing on of information. This follows closely with the traditional culture that is held by the islands, whereby information on genealogy for instance, is passed on from one generation to another through holding stories with the younger generations (e.g. Gegeo, 1994; Gegeo & Watson-Gegeo, 2002b; Sanga, 2009). In addition, the manner in which one perceives the surrounding, whereby meaning is constructed is also based on the life experiences of the elders in the society. The second reasoning follows closely with English being a third language in the Solomons. This current study argues that a questionnaire method of data collection is inappropriate for a setting whereby although English is the official language, it is only used by a minority in the society. Following that reasoning, this study also recognizes that the concept of accounting itself is a very complex concept with terms that is very difficult to translate into the local pidgin dialect. For instance, the entity convention there is no word in the local pidgin to describe such a concept. In addition to this argument, not all business owners or personnels employed by the local businesses, to administer the day to day books of the businesses, are qualified accountants by profession. The phenomelological approach is then seen as the most appropriate means of understanding the subject of interest based on these justifications.

#### **4.3 *Locating and selecting the Research Participants***

Moustakas (1994) emphasises studies that incorporate the phenomenological approach of data collection, selection of participants must involve those who had experienced the phenomenon of interest. Selection of participants for this study was based on the *purposeful sampling* technique for qualitative data. The key selection criteria used was the number of years the participants had experienced the subject of interest. For the businesses, 20 years or more criteria was used, and all four businesses have shown proof of being *wholly-owned* by indigenous Solomon Islanders. Participants apart from the businesses, represents key persons in the profession from both sectors,

private and public. The participants used in this study are summarized in the table below, in two categories. The business consultants represent the first category. The second category of participants relates to those in the accounting profession. It is also worth noting here that the business consultants refer to participants who are not accountants by profession. They do not represent business entrepreneurs who are accountants nor have any qualifications in relation to commerce. It is their everyday lived-experiences that this study aims to grasp for answering the research question.

**Table 4.3: List of Research Participants 1**

<b>Code ID</b>	<b>Position</b>	<b>No. of yrs in operation</b>	<b>Description of the type of good/service offered</b>	<b>Approx number of employees</b>
B1	Operations Manager (owner's son)	38 years	Plumbing and building related services.	17
B2	Managing Director (owner's son)	32 years	Cocoa bean exporter/Property (building investment)/Retailing	8
B3	Director (Owner's son)	25 years	Metal sheet Fabricating related services	20
B4	Owner	20 years	Vehicle servicing and related services	15
<b>Code ID</b>	<b>Brief description of participant's background</b>	<b>No. of years of experience</b>	<b>Type of organization he/she represents</b>	
G1	Solomon Islands first local Accountant General - <i>former AG</i>	More than 20 years in the government	Public Sector/Government	
G2	Director for Industrial Development Division, Ministry of Commerce, Employment & Trade	More than 20 years in the government's Commercial body	Public Sector/Government	
G3	A Financial advisor in the government's Finance & Treasury Division, under the RAMSI's (Regional Assistance Mission Solomon Islands) Financial Strengthening Programs.	Served under the RAMSI program since the early 2000s.	Public Sector/Government	
P1	ISIA's (Institute of Solomon Islands Accountants) first president in 1982. He was also one of the first three local accounting graduates. He is now a private practitioner, but is still an active member of ISIA.	Served in the profession for more than 20 years	Private Sector	
P2	A private practitioner in the accounting profession.	Served for more than 20 years in the profession	Private Sector	
P3	Same as above	Served for more than 20 years	Private Sector	
P4	An accountant by experience. Had the experience of working in the accounts office of one of the early British vehicle importing companies back in the early 1970s.	More than 20 years of experience in the profession	Private Sector	
P5	A representative of the Small and Medium Council of businesses in Solomon Islands.	Had the experience of working with the local businesses in Solomon Islands	Private Sector	



#### 4.4 *Data collection – phenomenological semi-structured and In-depth interviews*

“Interviewing is a powerful way of helping people to make explicit things that have hitherto been implicit – to articulate their tacit perceptions, feelings and understandings” (Arksey & Knight, 1999, p. 32). It is an applicable method for studies that aims to examine human feelings or attitudes (D. Gray, E., 2004).

For the purpose of this phenomenological study, the interview (semi-structured) method is utilized. This follows, whereby Gass and Wimpenny’s (2000) stated that studies which take on the phenomenological approach create meaning through co-creation between the researcher and the researched (cited in Flood, 2010). Therefore this co-creation process is vital, for instance, to avoid the researcher influencing the descriptions of data with his or her own redundant contextual factors or agendas.

The semi-structured interview is said to suit the nature of phenomenological studies (D. Gray, E., 2004). The key reason being they (semi-structured interviews) allow for probing and especially when the researcher intends to explore for subjective meanings based on participants’ understanding and experiences. Moustakas (1994) added, for phenomenological studies perception is regarded as the primary source of knowledge.

The semi-structured interview method is then appropriate as it allows for probing, leading the researcher into seeing new paths as they emerge based on participants’ experiences as they tell their stories. Furthermore, for phenomenological studies Seidman (2006) also recommends the in-depth interview technique, whereby questions are usually open-ended by nature. Building upon and exploring the participants’ responses to the questions is the key task of the interviewer. This allows the participant to reconstruct his or her experiences within the topic under studied.

The goal of this study is to have participants reflect and recount their stories on how they perceive the subject of interest, based on their life and past experiences. For that purpose, other data collection techniques such as the participant observation method was not incorporated in this study. Munhall and Oiler (1993) highlighted that interviews in phenomenological studies are reflective in nature, rather than being observational (cited in Flood, 2010). Reflection on subjects being explored or probed is an important aspect of interviewing using the phenomenological approach. Furthermore, the use of a case study (or multiple cases) also limits the number of life

experiences needed for this study. The subject of interest is best understood through a collection of a wide range of life experiences, say from both sectors (private and public). For these reasons, other techniques such as participant observation and the case study approach were not incorporated.

With regard to the interview questions, Moustakas (1994) explains that for phenomenological studies interview questions often varied, altered or not used at all when the participants start sharing his or her experience of the bracketed question. Based on the semi-structured nature of the interview method conducted by this current study, an interview guide was prepared to guide the interview process. The questions are reflective and open-ended by nature and they are aimed at getting the participants feelings and perceptions of the subject of interest.

The interview guide used is as follows:

1. Personal background information
2. What does the accounting conventions means for Solomon Islands businesses?
  - Entity
  - Going concern
  - Monetary
  - Period
3. What is your personal perception/opinion towards the four accounting conventions – entity, going concern, monetary and periodic conventions?
4. What accounting practices are in place in most Solomon Islands businesses?
5. Why are the mentioned activities in placed or carried out?
6. Which of the activities/practices are regarded as the most important?  
(Give reasons)
7. Based on your every day and past experiences, do you have any thoughts/ideas/difficulties/happy moments that you would like to share with this study with regard to how accounting evolves in Solomon Islands businesses?

#### *4.5 Data Analysis*

The analysis process is guided by Kam's (1959, 1966) method of analysis, as modified by Moustakas (1994), for analyzing of the transcribed interviews for the phenomenological interview

data. Moustakas's modified version of analysis involves seven basic steps. This current study only used Moustaka's modified version as a guide, hence limits the process to only five key steps instead of seven, as was the case for Moustakas. These five key steps were summarized as follows:

1. Identifying and listing of key or common expressions/statements made by the participants which were relevant to the subject of interest. During this process, two key themes have emerged. These two were then tabled so that other smaller related emerging themes were grouped under them.
2. The sccond stage is the reduction and the elimination stage. It is purposely to determine whetheer:
  - the two key themes contain moments of experience relevant for the central research question?
  - Can they be labeled? If so, identify statement or expression for the two themes.

This second process involves careful examination of the two key themes. For instance, how many participants gave support for the theme to become a key theme, and if so, can the theme be given an identity? That is, a broad statement that describes and give meaning to each of the two themes.

3. Clustering and thematizing:

Following identifying of a meaning for each of the two key themes, smaller related themes were classified and were placed under the two key themes, accordingly. Similarly put, the smaller-related themes were clustered based on their meanings, guided by the two broad meanings that were tabled.
4. Validating of clustered themes: confirms that statements and themes are consistent against the complete transcription. This involves going through the transcribed data against the listed themes.
5. Construct for each research participant a textual-structural description of the meanings and essences of the experience, incorporating the individual statements assigned to the categorized themes (C. Moustakas, 1994, p. 121). Each of the transcribed data from the

participants are re-examined again to cross check with the listed themes. This cross checking process is to make sure meanings that were given to the themes reflects how the participants describe their experiences with regard to the subject of interest.

Two key themes emerged from the analysis of the transcribed data. One is related to how the evolution of accounting is influenced by the colonial administration. The other is related to how the principles that framed the western concept of accounting clashes with the local culture. These two themes then made up the discussion of findings in chapters 6 and 7 respectively.

#### *4.6 Ethics*

Ethical consideration is always an important procedure with qualitative research (S. Hesse-Biber, N, 2006). To ensure that the research process and research findings are trustworthy and valid, the moral integrity of the researcher is crucially important. Information that is sought from the participants is confidential and protected. My role as the researcher is to make sure there is trust between myself and the participants. During the whole research process, there is care taken when handling the interviewed data so not to violate the trust and self-respect built between myself (the researcher) and the participants involved. Although participation is on voluntary basis, proper consultation was held prior to the actual proceeding of the interviews. This includes laying out the aims and rationale of the study and possible benefits that participants might gain out from this study. Findings were also reported accurately and caution was taken to avoid mis-representation or distortion of the collected data.

#### *4.7 Validity & Reliability*

Solomon (1984) posit that the success in the employment of any method relies on two important factors, namely reliability and validity (cited in S. N. Hesse-Biber, 2006). While reliability focuses on the consistency of findings, validity is concerned with the transferability or generalisation of findings with similar settings. Firstly, in terms of consistency, this study addresses this issue by involving participants from both sectors of life, namely private and public sectors in the Solomon Islands. As a result, what the businesses have revealed were checked

against using findings from the practitioners or the government bodies. This allows consistency to exist throughout the analysis of data stage, making sure findings were verified against each other.

The issue of generalization, for qualitative studies Stake (2005) suggested that generalisation is based on the claim that research should be of value to people. If generalisation is defined in the usual sense of nomic generalizations, based on population representation, then methods such as case studies are often considered non-useful to be used as a basis for generalization. This argument is based on the view that everyday experiences, through which people learn about the world needs to be framed to ensure research is valuable to people.

A criticism against the quantitative generalization is that using of false laws and even true laws foster misunderstanding to people (Stake, 2005). They distract people from seeing the phenomenon in its natural or simplicity, through their experiences of everyday lives. Researchers then should instead try not to provide generalisation but rather focus on describing the uniqueness of the findings and use them to similar settings. In addition, the phenomenological approach, which employ the semi-structured and in-depth interview methods enhances the researcher to probe where necessary as well as not limiting to certain boundaries of questions as was the case for the structured interview methods. As was highlighted by Gray (2004) that probing can provide thick descriptions about the subject investigated. Thus, probing in this study leads to seeing new paths emerging that helps to add more richness to the findings.

Based on the above arguments, it is not the central aim of this study to use the findings for generalisation purposes. Rather, this study is more interested in the provision of thick descriptions about the subject of interest. This includes, revealing to the local businesses in the Solomons, of how the local culture clashes with the western concept of accounting. Thus, generalization is a secondary issue for this study.

#### 4.8 *Conclusion*

Chapter 4 provides an outline of the research methodology, design and analysis that was used in this study. This study recognised that a face-to-face, interpretive approach is an appropriate methodology for this study. The key reason being that Solomon Islands is a non-English speaking island nation, and the concept of accounting has terms that are very difficult to translate into the

local pidgin dialect, if the questionnaire technique was to be used. In addition, for Solomon Islands the traditional mode of communication is through word of mouth or orally. Therefore, the interpretive paradigm is a more appropriate lens for investigating the phenomenon of interest.

The data collection method consists of semi-structured and in-depth interviews. Questions are reflective and open-ended, which follows closely with the phenomenological type of interview questions. This is to allow probing as well as to allow the participants to tell their stories based on their experiences and not to be swayed by the researcher (bracketing, where the researcher influences the data with his or her knowledge of the subject under researched). Interviews were transcribed, and analyzed using Moustakas' (1994) modified version of Van Kaam's method. Ethical issues were also addressed, with regards to participants confidentiality. This study finally propose that generalisation of findings is not the key aim, but rather shedding light to the local businesses in the Solomons of the subject under study. Nevertheless, there is a possibility of the transferability of findings to similar settings (Melanesian societies for instance, Papua New Guinea and Vanuatu).

## CHAPTER 5: Colonialism and the development of accounting (commercial) in Solomon Islands

### 5.1 *Introduction*

The purpose of this qualitative study is to explore the cultural effects on the development of accounting in the Solomon Islands. In particular, it explores the adoption of accounting practices by Solomon Islands' businesses and the findings are classified into two key themes:

- (1) Colonialism and the mentality towards accounting
- (2) The concept of accounting – *a perception held by the local businesses*

This chapter covers discussion related to the first theme. The findings for the first theme are discussed based on the life experiences of identified persons, who have witnessed how the western concept and practice of accounting evolves in Solomon Islands during the British Solomon Islands Protectorate (BSIP) colonial era. The discussion of these themes is in four sections. The first section begins with a brief definition of what colonialism is. The second section discusses findings concerning the BSIP's colonial attitude towards the introduction of accounting in Solomon Islands, while the third section covers discussion relating to the post-colonial influences towards the subject of interest. A brief overview of the current development of accounting practice in Solomon Islands is then discussed in the final section (section four), prior to the conclusion for this chapter.

### 5.2 *BSIP colonial government and the development of accounting in Solomon Islands*

Silliman (2005) defines colonialism as the process by which a city or nation-state exerts control over people – termed indigenous - and territories outside of its geographical boundaries. It is the conquest and control of non-white, non-European peoples (Yazzie, 2000).

Colonialism had left a traumatic legacy in the world, particularly in the periods between 1750 and 1900 (Henderson, 2000a). Profound consequences for human psychology when colonialism is

viewed as an ideology had been widespread in indigenous societies. These indigenous societies include Canada and its indigenous peoples, the Indians in United States, indigenous Australians, Maori Aotearoa (New Zealand), the native Pacific Islands, Indian Latin America, and indigenous Africa (Yazzie, 2000). Henderson added colonialism represents a phase of rediscovery, in which no ecology, no culture and no people remain untarnished.

According to G1 (G1 is Solomon Islands first local Accountant General - see code ID in chapter four), the British's sole interest in Solomon Islands is merely as a test site for an experimental plan in vegetable oil production. The British colonists identified the Solomon Islands as having one of the best climate in the South Pacific region for coconut growing, along with a very powerful labour force (the Malaitan ethnic group). This presumption is held by Mr. C. R. Swayne, who was Solomon Islands first British Resident (n.n, 1897). Mr. C.R. Swayne stated that according to an early copra expert who was based in Sydney, Solomon Islands copra has been found to be very rich in oil. Following the copra expert's finding, the British had showed interest and declared Solomon Islands as BSIP in 1893 (cited in Ipo, 1989). However, in conducting their business operations, the British were reluctant to share their accounting knowledge with the local inhabitants as they feared this would shift the balance of power to the Solomon Islanders and trigger moves towards independence. In particular, G1 outlines, the key reason for not introducing accounting and involving the locals in dioluges relating to money during the BSIP colonial era is the fear that it will hinder the progress of their (BSIP's) experimental plan in the Solomons. G1 explains that, Solomon islanders if they become educated in money-related subjects, it will enhance an early call for independence. This findings from G1's experiences are discussed and summarised below in three areas including:

- Lack of provision of learning avenues (locally)
- Lack of encouragement and participation for locals in the early profession
- Trade barriers in the early cash economy

### **5.2.1 Lack of provision of learning avenues (locally)**

The development of commerce and accounting in the Solomon Islands was in part hindered by a lack of local support and infrastructure available to Solomon Island entrepreneurs. The non-provision of avenues and schemes to assist commercial development is found in education, credit facilities and management training.



Education and the manner in which it was developed and implemented frustrated the development of commerce and accounting in the early part of the Solomon's history. The clash between the BSIP Colonial Government and the early churches (missionaries) over the development of education in Solomon Islands during the BSIP colonial days (cited in Wasuka, 1989) supports G1's view of a deliberate suppression of indigenous commercial development by the British. Wasuka argues that while the churches were motivated by spiritual reasons to education including christianity and civilizing Solomon Islanders, the BSIP argued that the churches should have handed over the education role to them so that they could have started preparing the Solomon Islanders for independence plans. As a result, the development of the early education system in Solomon Islands is shaped more according to the needs of the educators, rather than the need of the country (see also Gegeo, 1998). In supporting Wasuka's findings, G1 argues that the BSIP colonial administration had long realized the need to introduce commerce education during the plantation days (1900s) yet failed to do so. For instance, the BSIP government saw how Solomon Islanders had shown interest in participating in the early cash economy, by giving up their customary lands for commercial farming, and moving away from their hilltop homes to the coastal areas, where they were able to participate in the early trade (J. Bennett, 1987). Their participation was however ill prepared and subsequently many of these early efforts failed. G1 added that the colonial government had also identified that lack of commerce-related knowledge had led to the failure of a lot of local businesses in the mid 1900s.

Credit is a normal part of any business venture both now and in the early 1900s. However, the early indigenous traders were not eligible to access the credit facilities that were available through companies including Burns Philip and commercial banks. Their access was frustrated by their poor business performance, which in turn was influenced by their lack of commercial education and access to credit. The situation was compounded by a decision on the part of the BSIP government who rendered locals not eligible to apply for credit, when Burns Philip was providing a credit facility, in the absence of commercial banks in the early BSIP days (see chapter 2).

The case of a managed education system that systematically steered Solomon Islanders away from the study of commerce and accounting continued through to the present day. Hardman (1984) reported that, in a survey of accountants in the Solomon Islands carried out in 1980, there were only three qualified accountants that emerged from the various scholarship schemes at that time. This study together with those comments by G1 and Wasuka (1989) suggests that had the

BSIP government provided more avenues for Solomon Islanders in business studies, more qualified accountants and business entrepreneurs would be in existence today. More Solomon Islanders would have access to business related trainings, including learning about white-man's<sup>13</sup> money (accounting).

### **5.2.2 Lack of encouragement and training for locals in the early profession**

A lack of in-house training in accounting coupled with a working environment of fear hindered the development of the accounting profession, and created a negative initial mindset of the profession. G1 recalls that had the locals been given the opportunity to learn about white-man's money, the motivation to learn about white-man's money could have existed. G1 describes that the locals viewed roles relating to white-man's money during the BSIP colonial days as difficult and unattractive. In his reflections, G1 shared that the few of them (locals) who managed to hold positions in the BSIP administration office as cashiers or registry officers, feared working with white-man's money just as much as they feared their colonial masters.

The early 1980s a small number of locals were introduced to roles that involved money, which was strategy towards preparing them for independence. G1 was one of these early trainees and worked as a cashier for the Government's Health Department. G1 explains that taking up such tasks was fearsome, as one gets sacked just by making a small error. On one occasion he recalls that he was nearly faced with the law, just by under-counting by a few cents. When the balance did not total up, he was called into the inner room, where he was faced with three colonial masters, demanding answers for why the coins did not balance. According to G1's recollection, it was one of his most frightening experiences, with regard to his early role with white-man's money. Following that incident, G1 recalls that locals became fearful of taking on money-related tasks in the colonial office.

Through this system of fear, locals were discouraged from showing interest in learning about the white-man's money. G1 however, explained if the locals had been given the opportunity to

---

<sup>13</sup> A term in Solomon Islands pidgin dialect used when referring to western money, in the form of notes and coins. This is to distinguish western money from the existing traditional money in the pre-European days.

formally learn about white-man money, the negative mindset mentioned in the above paragraph towards roles relating to white-man's money would not exist. G1 recalled:

During my early days with the BSIP government, we locals were never encouraged to take up any training or involve in any discussions relating to white-man's money. The British administration thinks we are incapable of handling their money hence we were never given the opportunity to *formally* learn about western money.

Little training was provided to local workers in accounting. G1 explains that on one occasion, he was given the task to do recording in a column cashbook for the end of the day hospital takings (patient fees), for the first few weeks he had not a single clue what he was doing. Although he knew his daily task well, he did not understand why or the importance of keeping records. G1 added because it is a colonial procedure that locals are not allowed to have informal chats with their colonial masters, nor have conversations with each other during work hours, seeking assistance for further clarification on given tasks from the colonial masters was a fearsome exercise. G1 recalled the only time he engages in a conversation with his colonial master is to say good morning, or to report to his master that he had completed his required tasks for the day. Sharing this same argument, P4 (see chapter 4 for code identity of participants) also mentions that during her early days as an office clerk, there was also lack of in-house training for locals in the private sector. P4 started as a receptionist for the Mendana Hotel in 1973. According to P4, during the colonial days Mendana Hotel was the only hotel in the Solomons and it was owned by a British company (The Solomon Islands Investment Company) before the Japanese took over after Solomon Islands gained independence in 1978. Despite the lack of simple bookkeeping background, P4 was introduced to clerical tasks which included keeping the books and records. She termed it as:

We do the front, receptionist accounting of the hotel

She recalls that in those early days every time someone asked what sort of job she had with the Mendana company, she always replied by saying she does the front-receptionist accounting tasks of the hotel. It was later after several years of experience as an accounts clerk that she realized it was the record keeping function, which she termed as the front-receptionist accounting tasks. Like G1, P4's response also demonstrates although locals were introduced with tasks that involve

the record keeping function, they had very little understanding in what they were doing. She termed it as the *front-receptionist accounting* role in her early days because she was never taught that the work she was doing was actually the record keeping function, which is one of the functions in the accounting practice.

The argument on the lack of encouragement and training opportunities, which G1 and P4 reveal was also discussed by Hardman (1984). In Hardman's study, which investigates the development of accounting in Solomon Islands, Hardman similarly states:

The reasons for the non-participation in accounting at the national professional level in S.I nationals are largely historical and cultural. In the BSIP era, neither encouragement nor opportunity for this type of vocational development existed.(p. 148)

In supporting Hardman's early study, this current study highlights that lack of proper training and encouragement, integrated with the strict (formal) colonial procedures, has contributed to the creation of negative mentality that influences the local perspective towards early roles relating to western money.

### **5.2.3 Early trade barriers**

In the early cash economy (1900s), some of the actions and policies implemented by the BSIP colonial government are seen as deliberate trade barrier that prevents the locals from fully participating in this early cash economy. In that, the BSIP colonial government not only discourages dialogues with the locals, with regard to issues relating to white-man's money (cited in J. Bennett, 1987), but they also established trade policies and implemented incomplete projects that left behind negative mentalities towards the introduced cash economy.

The lack of encouragement and opportunities for locals to participate in the early trade is an example of one of the identified *trade barriers* mentioned in the above paragraph. Bennett (1987) reports on how Solomon Islanders were not able to fully participate in trade in the early plantation days (early 1900s). Bennett explains that during the two decades of 1910s and 1920s, the cash economy was already widespread in the Solomons. More Solomon Islanders had shown interest in the early cash economy, and had gained access to imported consumer goods, as they moved away from their bush and hilltop homes to the coastal areas, in order to access trading networks.

Solomon Islanders had also observed how plantations had been operated through their participation as labourers, hence had allowed their customary lands to be used for commercial purposes like coconut and cocoa planting. However, through their engagement as labourers, they had only gained labour-related skills while lacking important knowledge relating to managing and operating such commercial undertaking. As a result, Solomon Islanders were not able to further their interests by fully participating in the early cash economy. For examples, involving in activities such as the operating of small scale plantations, without the supervision of western planters, and even to venture in cash activities such as trade stores. This view is supported by Gegeo's (1998) findings. Gegeo also argues that lack of knowledge had resulted in a lot of the small scale plantations, established by the locals under the supervision of the colonial government being abandoned after independence was gained 1978. Gegeo added that when the British had left (after independence), the plantations were left in the hands of the locals who were unable to continue operating them. The only knowledge the BSIP colonial government had left with the locals was to keep their plantations clean for overseas traders and investors to make money out of them.

The establishment of the Cocoa Project in Malaita in 1958 (cited in Ipo, 1989) is another example. Recognising the potential held by the Malaitans in terms of agricultural activities, a Cocoa Policy was drawn by the BSIP colonial government. The Policy was aimed at increasing the exports of Solomon Islands, by involving indigenous Solomon Islanders to venture in agricultural activities, such as small scale cocoa and coconut planting. Part of that Cocoa Policy was the provision of subsidies to indigenous planters as an encouragement for attracting more Malaitans to participate in cocoa planting. Ipo explains that in the beginning of the cocoa project, there was excitement as a lot of customary land had been willingly given up by tribal groups for cocoa planting. However, the BSIP colonial government's sudden withdrawal had led to the failure of that policy. B2 (a local cocoa exporter/buyer – see chapter 4), who was one of the early cocoa planters in Malaita during that period, says that lack of skills and knowledge prevented them (locals) from continuity. B2 then stresses that for the Malaitans, that experience creates negative mentalities towards the new cash economy. Like the Aborigines, land plays a significant role in the culture of the Melanesians. To give up land for such western motives which only results in failure, discourages and creates new mindsets towards the introduced cash economy.

One of the trade policies which is seen as another trade barrier is the introduction of the license fee for opening of trade stores on shore or on a vessel. A £10 per year fee was established and it covered both foreigners, as well as indigenous Solomon Islanders. To the locals, this fee was seen as a positive discouragement for them to go into business. The few who have managed to raise that fee have attempted to open up a few trade stores, but have failed terribly.

Similar to the £10 per year fee policy, there was also a credit facility that was established in the early trade to assist the early business entrepreneurs with cash problems (J. Bennett, 1987). In the absence of commercial banks in the early days, commercial firms such as Burns Philip agreed to offer services, such credit facilities for businesses that operated in the early days. This service (credit facility) however, did not include the locals. The reason for this exclusion was the establishment of the Native Contract Regulation (No. 2 of 1986) in Fiji, which stated that no civil action is to be taken against the natives to recover their debts. Thus, natives were not eligible to qualify for the credit facility. As Bennett had stated, “the merchant companies of Burns Philip and W.R Carpenter provided most of the services a bank offered – but only to the white community” (p. 202). Therefore, while the Native Contract was aimed at protecting the few native businesses, in reality it was a barrier discouraging the locals from participating in trade. Bennett added despite these trade policies, several attempts had been made by the locals to open a few trade stores. However, these early attempts had failed because of lack of support from the colonial government and discrimination by the western community.

This current study supports the views of Bennett (1987) and Gegeo (1998) by arguing that the above mentioned policies created barriers, and discouraged locals from participating. Furthermore locals were also discouraged from learning about the management of these commercial operations. Bennett (1987, p. 192) writes:

Solomon Islanders could play familiar roles, ones they had learned in the trading and labour trade days. But they were limited to those roles by the policies and practices of the government and the commercial sector. Even as consumers, Solomon Islanders’ interests were subsumed to those of European businesses.

Bennett’s statement demonstrated how Solomon Islanders were not only discouraged from participating in the early trade, but their roles in the early economy was also been

denied. As a result, in the new cash economy, the colonial government and the European commercial players only saw two roles for Solomon Islanders. These are; providing of labour and raw materials like copra, trochus and pearl shells, and as consumers of imported goods (J. Bennett, 1987). G1 recalls that during the colonial era, the BSIP government had deliberately engineered the distribution of roles in the early cash economy in the following manner.

- The BSIP – administration/colonial protection matters
- The Western planters – accounting and management functions
- The Chinese – retailing and other manufacturing services
- Locals – labour force and producers of raw materials for western planters and foreign businesses.

This current study proposes had the locals been given equal opportunity to fully participate in the early trade period without such hindrances, their involvement would have demanded for an early call for the BSIP government to introduce knowledge relating to commerce, as early as the 1930s – 1940s, when the cash crop economy was at its peak. Nevertheless, despite the mentioned colonial policies and negative attitudes, Bennett (1987) reveals that Solomon Islanders have proved themselves to be very honest and trustworthy in their trade dealings. For instance, an expression made by Woodford<sup>14</sup> through his observation of the natives trading relationship with the western planters had shown that:

Taking everything into consideration the natives are fairly honourable in keeping their engagements. Traders have told me that natives have faithfully handed over the amount of produce owing sometimes months and months after the trade advanced was gone and perhaps after they had accepted trade from another white trader. I considered that it speaks well for the natives that the system has been able to exist at all. ( p. 79)

Woodford's observation regarding Solomon Islanders is consistent with people who have been loyal and who were prepared to learn about the introduced cash economy. The existence of the reciprocal aspect in the local culture had resulted in Solomon Islanders carrying over the traits of

---

<sup>14</sup> British Resident Commissioner for Solomon Islands (1896- 1915).

becoming honest in their trade agreements. In the traditional exchange system (gift-giving) that exists in the Solomon culture, nothing is given up for free (see also J. Bennett, 1987; Gegeo, 1998). A good that one receives is a reimbursable good that must be returned in the same way in the near future. This reciprocal feature thus helps Solomon Islanders to be loyal and trustworthy in their trading relationships with the early western planters. Furthermore, Solomon Islanders have also shown the eagerness to learn and fully participate. This is evidenced by abandoning of their hilltop homes and moving down to the coastal areas to access trading networks with the western planters. The willingness to give up their customary lands for commercial purposes is also another evidence of this eagerness to fully participate and learn about the early cash economy. As was already mentioned, in the Melanesian culture, land not only means resources (Gegeo, 1998), land is where the ancestors are laid to rest hence land is sacred in the local culture.

### *5.3 Colonialism and the creation of negative perceptions towards accounting development in Solomon Islands businesses*

The following discussion brings together the indigenous attitudes discussed above with the conceptual framework used in this study *the Theory of Social Identity*. The discussion demonstrates that while the BSIP colonial government is so concerned with maintaining their colonial identity and power in the Solomon Islands, it in return affects the development of accounting and the accounting profession in the Solomon Islands. Referring back to G1's statement, it was explained that the BSIP colonial government fears introducing commerce-related knowledge to the locals as it might trigger an earlier call for independence. Based on that statement revealed by G1, this study uses earlier findings by Bennett (1987), Wasuka (1989) and Gegeo (1998) to help illustrate and give consolidation to G1's statement. In addition, following those supporting evidences, coupled with G1's statement this study draws on two inter-related themes (findings), which were identified in relation to the conceptual framework (see chapter one) as cultural influences affecting the subject of interest (development of accounting in Solomon Islands' businesses). These themes are the perceptions towards (1) introduced knowledge (accounting), and (2) classroom learning.



### 5.3.1 Perceptions towards introduced knowledge *accounting*

The perception of accounting as an introduced knowledge by contemporary Solomon Islands' business can be traced back to those prevalent during the colonial era. Chapter two included a brief outline of the history of commerce in the Solomons, including the period when accounting was first introduced (J. Bennett, 1987). Bennett (1987) suggests the formal practice of accounting in the Solomon Islands began as early as the 1960s. It was a time when the economy of Solomon Islands started growing, with the increased production of local commodities, for examples, copra, trochus, bech-de-mer, logs and so on. These were exported to neighbouring countries including Australia and New Zealand.

While the BSIP colonial government recognized that the locals were both willing and eager to participate and learn about the new concept of *cash trade* (Bennett, 1987), the establishment of colonial procedures coupled with the unfavourable attitudes imposed on the locals had prevented the locals from furthering their interests in the early cash economy. For instance, the demarcation of the economic roles by the BSIP colonial government (see previous discussion on demarcation of roles in the early cash economy). An outcome of the early demarcation of roles creates a mindset which indirectly tells the locals that their only capability in the cash economy is to provide the labour element. A mindset, which discourages locals from recognizing their capabilities in other roles, beyond the demarked boundaries drawn up by the colonial government. Similarly, in another example, after the BSIP colonial government had withdrawn from the cocoa project that they had established in Malaita, and leaving no knowledge of how the islanders should carry on with their cocoa plots, the trust the locals had built with the BSIP government was gone. For the locals (Malaitans), seeing how their land (which is sacred), had been given up for western purposes and has only resulted in failure, leads to the creation of negative mentalities towards adopting of western knowledge and concepts (see also Gegeo, 1994, 1998; Gegeo & Watson-Gegeo, 2002a). These examples demonstrate and explain why Solomon Islanders are reluctant to adopt western concepts and knowledge such as accounting. This study argues that the treatment imposed on to the locals during the colonial era had created negative experiences and mentalities which affects the manner in which western knowledge is perceived. In particular, these local attitudes were entrenched and continue to cast shadows of apprehension over the development of commerce and the practice of accounting. This argument is based on a statement offered by B1 (a local plumbing company, B1 is the code identity for the owner's son who is currently the manager of the company), which demonstrates how Solomon Islands

businesses perceive introduced knowledge such as the western concept of business. B1 had stated “in the Solomons, we will run our businesses the *Solomon way*”. As had already been explained, it was the colonial experiences which had impacted on Solomon Islands’ businesses causing them to feel reluctant to learn and practice introduced knowledge the *western way*.

Since local businesses prefer to practice accountancy the *Solomon way* P1 shares that in the 1980s and 1990s, to operate as a private practitioner was not a very profitable business. This is because local businesses have not shown the significance of practicing accountancy, when running their businesses, hence there is no market for accounting services in the local business sector in the period between 1980- 1990. Furthermore, according to P1 there was only one local practitioner (Fred Seda, who was also one of the first three local accountant graduates in the Solomon Islands – see section 5.4 of this chapter) in the 1980s, prior to P1’s arrival as the second local practitioner, in 1987.

### **5.3.2 Perceptions towards class room learning (schooling)**

The existence of imitation and observation as the traditional mode of learning had also contributed towards the development of accounting in the local business sector. Local business entrepreneurs familiarized themselves with business and accounting through observation and imitation as these were typically the only means available to them in the early days (colonial era). Formal training and education in a class room environment had not been available. Consequently local entrepreneurs regarded such formal training with scepticism and regarded it as irrelevant.

This study suggests that contemporary Solomon Islands’ businesses are yet to realize the benefits of classroom learning (modern schooling) over the traditional mode of learning, which emphasises on observation and imitation. For instance, when the study poses a question seeking to gather the views of the participants, in relation to the importance of formally learning about the basic accounting skills for the benefit of their business, B1 offered the following responses:

Why waste money on learning accounting and management when our fathers can run a business with lack of accounting/booking background, and we still manage to survive.

B1 being one of the identified long and existing local businesses, the manager’s response implies the presence of observation and imitation, which are the two key components of the traditional

mode of learning. It is still significant in contemporary Solomon Islands society. Clearly Such mindset towards formal learning is found to still exist in businesses today. Solomon Island people as with many of its neighboring Pacific Island nations, past down knowledge from generation to generation through observation and imitation. For the purpose of this explanation, it is vital to distinguish between the two modes of learning, classroom (western schooling) and the traditional mode, which is based on observation and imitation.

In the Solomon Islands, the common medium of learning during the pre-European days was much a system of *hands-on* learning (Gegeo & Watson-Gegeo, 2002a; Sanga, 2009). Traditionally, Solomon Islanders learn about ways of doing things by practically getting involved. Elders passed on important information and knowledge through a ‘hands-on’ demonstration or by a full participation mode of learning. For instance, the skill of fishing is learnt by taking the little boys out on a fishing trip and showing them how to fish. Cross (1980) added the belief that one must always be concious of one’s surrounding suggests therefore, that this leads to Melanesians becoming very good observers. They learn from childhood how to distinguish between good from bad. Thus, the skill of looking, remembering and imitating is vital in this traditional mode of learning.

While traditional education is closely woven into the fabric of normal life (for examples, basic skills and knowledge that are necessary for the maintenance of group identity and life), modern formal, and institutionalized education is generally associated with schools (Wasuka, 1989). Early Solomon Islanders viewed this institutionalized set up of learning (schools) as an activity separate from actual living. Similar to the Aboriginal society (Henderson, 2000), Solomon Islanders also viewed the ecosystem in which they live in as their classroom. Living a lifestyle that creates harmony with the ecosystem is vital. The fact that classroom learning encourages change and individualism, it is seen to conflict with the two key components of the traditional mode of learning; conservatism and conformity (Wasuka, 1989). Wasuka further explain conservatism and conformity helps group members adhere to norms and acceptable behaviours. These are not only to establish harmony amongst members with the environment, but also to maintain the cultural relationships with their dead ancestors.

In contrast to the traditional learning system, modern education is generally associated with classroom style of learning (Wasuka, 1989). Solomon Islanders view such institutionalized style of learning as an activity separate from the actual living. In addition, because modern schooling is

an introduced practice, based on western culture that encourages individualism and civilization, Solomon Islanders also see it as interfering with the local culture.

Returning to B1's statement mentioned in the above paragraph, this study argues that had the clash over the education role in the Solomons (between the BSIP and churches) never took place, the development of a proper education system that meets the needs of the people could have erased the mentioned mentality demonstrated by B1. As was already briefly mentioned, this study found that contemporary Solomon Islands' businesses still prefer to acquire western knowledge such as the concepts of business and accounting through observation and imitation, despite the introduction of commerce education has increasingly being recognized in the 1990s (cited in Hardman, 1984). To add further evidence to this argument, we draw on another respond from B2 (a local cocoa buyer and exporter, and also involves in retailing):

Seeing the Chinese stores in Auki<sup>15</sup> are always full with customers, we assume a store must be a very profitable business, so we established our trade store a few blocks away from the Chinese shops. At that time, we never understood what the white-man's concept business means nor accounting or bookkeeping. However, we have seen how they operate and run their shops so we think we are capable and are ready to give it a try.

This present study suggests that both B1 and B2's reflections are based on the *copy-cat* mentality, which is identified as one of the negative end products of the traditional mode of learning (observation and imitating) (Wasuka, 1989). This copy-cat practice is commonly found amongst the local businesses in the Solomon Islands. The copy-cat practice simply means for instance, when a person starts a trade store in an area, a few days later another person from the same area will open a similar trade store in that same area. Another similar example based on this study's findings is the use of the Mind Your Own Business (MYOB) accounting software. When a local business started using MYOB, the rest of the local business also went ahead and install MYOB softwares. Whether they understands the software or not, or the question of the relevance of the software for their businesses, is a secondary issue.

---

<sup>15</sup> Administration centre in Malaita.

The copy-cat mentality implies the presence of businesses struggling to maintain their social identities. Local businesses fear lagging behind therefore they compete with each other to have a place in the local market (or business sector). This follows the egalitarian and competitive culture of the Melanesian societies whereby people's everyday activities, are based on maintaining of their social standing in the society (Sahlins, 1970). Furthermore, the copy-cat is also similar to the concept of *bandwagon effect* in the discipline of marketing (or economics). The bandwagon effect is generally defined according to Webster's third international unabridged dictionary as a movement that uses power, or influence by sheer size, momentum or internal unity of people (Rikkers, 2002). It is used in various disciplines (for examples, marketing and political studies) to explain human behaviour. For instance, in marketing the bandwagon effect is useful to explain why a product is more superior than others. Similarly, when large number of firms adopt a new structure or practice in rapid succession, the bandwagon effect is particularly useful for explaining the rise and decline of a dominant strategy (Tan, Tan, & Xia, 2008).

The copy-cat mentality is found to provide negative effects on the development of accounting in the local business sector. This is demonstrated in the local attitude towards the significance of accounting when going into business. Using B1's statement: "why throw away money to learn about accounting and management when our father can run a business with lack of accounting/management background, and we still manage to survive", this study argues that this statement is a public mockery for the accounting profession in the local business sector. If the founder of B1 can proudly tell his sons that he is capable of running the business successfully (B1 is in its 38th years of operation and is currently identified by the Small Business Council in the Solomons as the long-existing local business in the country) without any business related knowledge, this mindset then passes on to the sons. The sons jokes about it to fellow new comers (new businesses) "why throw away money to learn western's knowledge such as accounting?". Similarly, B2' manager would also joke that the operations manager (elder son) is only a year seventh leaver when the company started its operations in the 1980s. B4's manager, who is also the owner (B4 specialises in vehicle servicing and maintenance, and is 20 years in operation) is a year six leaver. Thus, this study argues that one of the reasons why contemporary Solomon Islands' businesses are not willing to learn about accounting through the classroom mode of learning, is the existence of the copy-cat mentality.

Since the long-existing businesses have never demonstrated the significance of accounting when running their businesses, this mindset is then copied or passes on to new comers. As a result, the practitioners (e.g., P1, who is Solomon Islands Institute of Accountant- ISIA's first president in the 1980s) complains that it is very difficult to explain the accounting principles (for example, entity concept) to a lot of business owners when they seek help to incorporating it into their companies (see chapter 6, section 6.2.2). The practitioners (P1, P2, P3 and P4) also mentions many times they often advice their clients to attend simple bookkeeping classes for the benefit of their business. However, local business entrepreneurs always shrug off the idea of attending bookkeeping classes, as was demonstrated by B1.

A lack of trust, as a result of the colonial treatment imposed on the Solomon Islanders during the colonial era also contributes to Solomon Islanders preferring to hold on to the traditional mode of learning over the modern or western schooling. B1 demonstrated this argument by mentioning that they (the company) seldom rely on advices from the end year tax reports and auditors. B1's manager stressed they always follow their instincts based on their experiences. The reports are usually locked away neatly in the cabinets. At one instant, he mentioned a time when the company was having cashflow problems, and in the audit report it was suggested that the company should sell one of their retail outlet (described by B1's manager as the least profitable outlet of the three outlets that the company currently owns) so they could improve their current cashflow position.

The period of B1's cashflow problems was during the height of the Ethnic unrest in the Solomons in the late 1990s which caused the Solomon Islands' economy to collapse in the period 2000 to 2004. The tension had resulted in commercial banks giving out notices that there will be no credit facilities until the Central Bank had given a positive response. Hence, a lot of the local business were forced to liquidate and an increasing cash problem had been identified, not only in the local businesses but also the foreigners who operated in the Solomons. However, the management of B1 after their meeting responded that they preferred not to take on the opinion given by the auditors. The manager provided that there are other ways of addressing such issues. As he confidently stated:

In the Solomons, we will run our businesses *the Solomon way*.

This finding illustrates that locals have very little trust of introduced knowledge. As a result, they still prefer to practice *looking, remembering and imitating* when it comes to learning about

western introduced knowledge such as accounting. As B1 had earlier stated, they always made important decisions regarding their businesses based on their instincts and experiences.

This study argues had the establishment of an early education system been in place in the early 1900s, the following perceptions towards both introduced knowledge and classroom learning and their related effects with regard to the subject of interest (accounting development) could have been erased. The experiences the locals have had during the colonial era had caused locals to feel unsure regarding the introduction of western knowledge. This then affects their interest in wanting to learn about these introduced knowledge or concepts. In addition, the traditional mode of learning although it is in situations where there is lack of avenues for locals to learn and acquire introduced knowledge, it is only effective when participation is involved. For instance, traditionally important skills are passed on to the younger generation by a hands-on mode of teaching. In other words, skills are passed on by fully involving or engaging the younger generation, taking them step by step during the teaching process. In the case where there is lack of participation or participation is restricted, this traditional mode of learning will not be very effective. Finally, the copy-cat mentality which is said to be an end product of this traditional mode of learning is also linked with the competitive nature of culture that is held by the Solomons. Solomon Islands businesses copy each other in order to maintain their social identities in the local business sector. Therefore, if the long-existing businesses can boast about how successful they are without the need to learn or lack of any business related background such as accounting, this mindset passes on to the younger businesses (new comers). The existence of such mindset leads to affecting the development of accounting in such a setting.

#### *5.4 Post-colonial government and the attitude towards the role of accounting development in Solomon Islands (1980s – 2000s)*

For the purpose of this study, understanding a brief overview of the small businesses in the Solomons is vital. This is largely due to the Solomon Islands commercial sector which is comprised of businesses that fall under the category of small and medium-sized enterprises (SMEs). This discussion begins with a brief outline of the small business environment in the post-colonial Solomon Islands (after independence in 1978). These have been classified into the sub headings.

### 5.4.1 Overview of SMEs in Solomon Islands

According to G2 (director for the Industrial Division, Ministry of Commerce, Trade and Employment in Solomon Islands – see chapter 4), SMEs account for the total businesses in the four key sectors in the Solomon Islands - wholesaling, retailing, manufacturing and services. The lack of data relating to SMEs in Solomon Islands results in this study not being able to provide the actual number of SMEs that have operated under each of the four mentioned sectors. In addition, there is also a lack of data to show SMEs' contribution towards the overall economy in Solomon Islands. For the purpose of this study, Solomon Islands SMEs are defined based on an approved working paper by the Ministry of Commerce. The classifications are capital-based, employment-based and turnover-based. The various organizations are distinguished between micro, small and medium enterprises. Table iv below summarized the classification used.

**Table 5.5 Definition of SMEs in Solomons 1**

**Table 1 Definition of SMEs in Solomon Islands**

Industry	Type	Invested capital (SBD)	No. of employment	Annual turnover
Manufacturing	Micro	<100,000	1-10	
	Small	101,000-500,000	11-20	
	Medium	500,000 -3m	21-50	
Wholesaling	Micro	100,000-250,000	1-5	
	Small	250,000-500,000	6-20	
	Medium	500,000-1m	21-50	
Retailing	Micro	40,000 or <	1-3	100,000 or <
	Small	100,000 or <	4-7	500,000 or 1<
	Medium	500,000 or <	8-15	1m or <
Services	Micro	75,000 or <	1-10	
	Small	300,000 or <	11-25	
	Medium	850,000 or <	26-50	

*Source: MCILI, 2010*



G2 says the development of SMEs in Solomon Islands only began after the year 1996. The emergence of many small to medium size enterprises after 1996 was the result of the establishment of the Industrial Division within the government's commercial body. G2 stated, prior to that year the categorization of businesses as SMEs never existed in the Solomons, although SMEs had already existed prior to the year 1996. One of the reasons given was due to the government's prioritization and heavy involvement in cooperative society development over other forms of businesses. As discussed in chapter 3, the cooperative form of business was introduced in the Solomons in the early 1950s by the BSIP colonial government (J. Bennett, 1987).

Following the introduction of cooperative societies by the colonial government, the majority of businesses in the Solomons remained as cooperative societies through to the early 1990s. G2 outlines that cooperative societies dominated the business sector in the Solomon Islands. Most cooperatives exist in the rural areas and they include small scale agricultural activities like copra and cocoa productions, cattle farming, trade stores and small fishery undertakings (arguable in today's definition of SMEs, these operations would fall under that category). Lack of encouragement by the post-BSIP government for other forms of businesses had discouraged local entrepreneurs to venture outside of the Cooperative Act of Solomon Islands. G2 explained in the early post-BSIP days (late 1980s and early 1990s), local entrepreneurs who ventured to businesses outside of the Cooperatives Act of Solomon Islands were often ignored. Ignored in the sense, that the government only has development policies and business assistance supports for businesses that operate as a cooperative society.

The BSIP colonial government observed that a business model that would fit in well with the culture of the Solomon Islands (collective in nature) is that of a cooperative (cited in Duncan, 2008). Their belief and assumption is that Solomon Islands being a collective society would be suited to it. Thus such models that follow and encourage sole entrepreneurship would not fit in with the existing culture, which is collective by nature. Based on this observation (BSIP's) entrepreneurship which includes sole trading was never been encouraged by the colonial government. However, while this model was found to have some advantages (see Lenga, 2005) for the collective societies such as the Solomon Islands, it also clashes with the intrinsic social identity mentality (see section 5.3 of this chapter) that many Solomon Island people share. Thus, the fact that it discourages sole entrepreneurship, it caused local entrepreneurs who venture

outside of the cooperative model to operate in darkness, as there was no form of support from the government. Furthermore, this study argues that the establishment of cooperatives in Solomon Islands is purposely to facilitate the demarcation regime that has been put in place by the colonial government (refer to G1's recollection in section 5.2.3 of this chapter). That demarcation was a positive discouragement towards accounting development in the local business sector.

Prior to the establishment of the Industrial Division<sup>16</sup>, one of the key functions of the Cooperative Division is to assist local cooperatives with end of year financial reporting and other financial support, for instance, assisting them with the record keeping function. According to G2's reflection, the government's Cooperative Department was very active in the early post-BSIP days (late 1980s). G2 was amongst the few local officers in the Cooperative Department. G2 stated in the late 1980s and early 1990s, their departmental team were always on outreach tours visiting the cooperative societies in the rural areas. They helped society members with bookkeeping and provided other support such as assisting with end of year financial reporting. G2 explained during that early period, it was a Governmental Procedure that at the end of each year all cooperative societies must submit their books for the ministry to prepare the end of year financial reports. By doing this, G2 stressed cooperative societies performed very well and their contribution towards the economy was significant, for example, taking development to the rural areas as well as providing employment for the unfortunate and less educated ones in the rural areas.

Based on G2's recollection of the support the government had given to the local cooperatives, some form of accounting was practiced by the cooperative, for example keeping records it can be seen that the cooperatives were only practicing record keeping to comply with the rules that the government imposed on them. G2 had mentioned it was a governmental requirement that all books must be submitted to the ministry at the end of each year for reporting purposes. This study suggests a lot of the cooperatives were still in the dark as to the relevance of what they were doing. This is similarly demonstrated by G1 when he mentioned that although he knew his daily tasks well (role of a cashier – refer to section 5.2) it took him quite some time to actually figure out what he was doing.

---

<sup>16</sup> A body within the government's commercial department which is responsible for SME development including other Industrial development plans of the government in Solomon Islands

The establishment of the Industrial Division came into effect after the government realized that a majority of local businesses had started to operate outside of the Cooperative Act of Solomon Islands. Based on G2's reflections, an increasing number of Solomon Islanders preferred to operate as sole proprietors in the 1990s. This shift towards private enterprise and sole proprietorship is consistent with the Social Identity Theory that underpinned many of the activities of Solomon Island people. As a result, cooperative societies declined in number as a lot of the society members had ceased their membership and started venturing as sole proprietors. Realizing this problem in the commercial environment, the government established the Industrial Division in 1996 to manage the shift towards private enterprise rather than watch helplessly from the sideline. However, when the government finally recognized the need to introduce categorization of business types as SMEs and encourage financial practice in a private enterprise context, the purpose and role of accounting as a practice and profession were already regarded as redundant. Furthermore, the government no longer facilitated or assisted with the bookkeeping and financial reporting process that it had offered the cooperatives. The locals were left to pay the full price of commercial independence including the development of financial skills to run their businesses. Unfortunately the circumstances preceding the establishment of many SMEs resulted in a government that was not concerned at facilitating the success of these SMEs, coupled with a mentality among many SMEs that financial accounting was a redundant exercise offering no value to the growth and management of the business. Today the development of the accounting profession is the responsibility of the private sector including organizations such as the ISIA (Solomon Islands Institute of Accountants). G2 and P1 (P1 is ISIA's first president in the 1980s) both confirm the practice of accountancy and accounting development for the commercial sector is outside of the ministry's work plan and functions.

#### **5.4.2 Government's perception towards the role of accounting development in Solomon Islands commercial sector**

The key reason for involving the government's commercial body as participants in this study is to find out about the National Government's perception and involvement in the subject of interest namely, *development of accounting in Solomon Islands businesses*. According to the interview held with G2, the Ministry has never involved itself in any policies geared towards the development of accounting in the business sector. Although the Ministry is responsible for facilitation and addressing of business related issues in the commercial sector, accounting

development is outside the scope of the Ministry's workplan. This fact is supported by P1, who was the first president of the local accounting body in Solomon Islands. P1 stated that several times the accounting body had tried to seek assistance from the government towards strengthening the functions of the institute (see later sub heading for functions of ISIA). The government continues to turn its back on the role of accounting development in the commercial sector. As a result, the role of accounting development is entirely in the hands of private bodies like the Chamber of Commerce and the local accounting body (ISIA). Furthermore, this study through another observation which finds that despite the fact that there has been a number of strengthening aid programs (for examples, Ausaid, EU, JICA, Taiwanese aid) injected to revive the collapsed economy of the Solomon Islands (after the ethnic unrest in the period 1999 to 2004) none of these programs were aimed to strengthen and revive private bodies like ISIA and Chamber of commerce with the private sector accounting development function. The Ausaid and NZaid assistance through the RAMSI (Regional Assistance Mission for Solomon Islands), who provides the majority of these strengthening programs (aids), is found to only focus on the public sector accounting development. As was already mentioned in the above lines, the government still sees no future for accounting development in the commercial sector thus, the accounting development role is outside of the government's workplan.

The establishment of the Industrial Division was a positive move by the government in recognizing the needs of the small businesses in Solomon Islands. However, its encouragement for local businesses to continue the practice of accountancy had ceased. This is demonstrated by the government's lack of work plan relating to developing the accounting practice in the commercial environment. A possible reason for lack of recognition by the government towards the development of accountancy in the business sector, is historical and colonial-related. This study proposes that had the colonial government ran proper trainings for the locals in preparation for independence plans, the early post-colonial government would have been well equipped to carry on with what the colonial government had established and left. For instance, referring back to G2's reflection. G2 mentioned prior to the establishment of the Industrial Division the ministry had been actively involved in the accounting function. The Ministry had made efforts to enforce that all cooperatives must keep their books and submit to the ministry for the end of the year reporting purposes. This had been a positive encouragement for the development of accountancy in the local businesses in the Solomon Islands. This study identifies that the reason for this active participation is merely because the post-colonial government was just carrying on with what the

colonial government had established, merely through experience. As a result, when the ministry took a new turn (reducing the focus on cooperatives), the ministry lacked the necessary knowledge to establish work plans and policies to accommodate such changes. Thus, the ministry proposed that all matters relating to accounting development in the commercial sector is the responsibility of private bodies such as the ISIA. In addition, one look at the long-existing officers who are now heading all the departments in the government's commerce ministry, none of them have a bachelor qualification in business accounting. They hold the posts based on their experiences and not because they are qualified enough to ran the commercial affairs of the country. This explains why the ministry is handicapped when it comes to implementation of changes.

The government's perception towards accounting development in the commercial sector demonstrates the existence of the copy-cat mentality that was explained in the earlier discussions (see sections 5.2 and 5.3). This study argues the copy-cat mentality is a cultural mindset which hinders Solomon Islanders from progressing forward. This mindset would never have erased had the mentioned negative attitudes imposed by BSIP colonial government on the locals (refer to sections 5.2 and 5.3) were never created.

### 5.5 *Current Development The Accountant Bill 2010*

Based on G2's experience with the Ministry, he stressed he has never come across a program or any working paper that concerns the accounting practice in the commercial sector. This helps to confirm ISIA's statement, in which ISIA's first President<sup>17</sup> (P1) had blamed the national government's lack of support, as a contributing barrier towards the development of the accounting profession in Solomon Islands. According to P1 and P2, ISIA's key functions includes regulating, improving and developing the pactice of the profession of accountancy in Solomon Islands. P1, had stated that since the formal establishment of ISIA in 1982 the national government had never regarded the functions of ISIA, as an initiative towards economic growth for Solomon Islands businesses. P1 highlighted:

---

<sup>17</sup> He was one of the first three qualified accountants with a bachelor degree in the 1970s. He is currently one of the few local practioners in Solomon Islands.

The government's commercial arm should work closely with us the private bodies like ISIA in their (government's) Business Development Policies and Programs. The government must realise that accounting development for our local businesses is a positive initiative towards economic growth. Encouraging more locals to go into business and at the same time equipping them with the relevant knowledge they would require to keep their businesses running.

P1 added that despite a lot of aid money being poured into the country for the reviving of the country's commercial and financial sectors, very little attention was given to ISIA to assist it with its functions (accounting development programs). The National Government is only concerned over the country's public sector accounting practice. As a result, despite many attempts by ISIA to get the government's attention for support in the late 1980s and early 1990s, nothing has been done. P1 explained in the 2000s period, there was still a shortage of qualified accountants in both the public and private sectors in the Solomon Islands. It is evident when one looks at the present number of local practioners. There are less than ten local practioners currently in the Solomons. Furthermore, when the Chamber of Commerce body was approached, this study found that the subject of interest, *accounting development in the commercial sector*, is also outside the scope of their functions. The Chamber's key focus is addressing and facilitating the legal issues in the commercial sector. For instance, issues relating to companies not complying with the Company Act of Solomon Islands.

In terms of the standard that is currently used, the practioners used as participants stated Solomon Islands continues to adopt a mixture of accounting standards – Australia, New Zealand and UK standards. They reveal that most of the local practioners have started adopting the Australian Accounting Standards (or GAAP) whilst the foreign practioners continue to adopt their home-country's standard. For example, the Chinese practioners would adopt the Chinese GAAP whilst the Australian practioners will follow the Australian GAAP. However, practioners are required to make reference and guided by the International Accounting Standards (IASs).

While little development for a local standard to be in place, during the National Parliament's meet in May 2010, an Accountants Bill was tabled and passed. The Accountants Act 2010 was aimed at regulating the conduct of accountants in both sectors, public and private. The Act outlined the procedures for registration of accountants to practice in Solomon Islands. The Act also extends to include the strenghtening and reviving of ISIA's functions. This had marked a very important era

in the history of the accounting profession and accounting practice in Solomon Islands. For the first time, the accounting profession has been recognised at a national level. However, based on the findings of this study the tabling of the Accountant Bill 2010 was not an initiative of the government's commercial body. The Bill was introduced and passed because one of the members of the Solomon Islands National Parliament (*Honourable Mathew Wale Cooper – Member of Parliament for Auki/Langalanga - Malaita Province*) is a member of ISIA. Hence, it is still an initiative taken by ISIA and not the government's commercial body.

## 5.6 Conclusion

Despite the fact there has already been a shift towards the export-oriented productions and an increased number of locals have willingly participated and showed eagerness to learn about the introduced cash economy (cited in Ipo, 1989), the need to establish venues whereby locals can formally learn about the introduced cash economy had been deliberately delayed by the Colonial Government. Early studies (J. Bennett, 1987) have shown Solomon Islands started the exporting business in the early 1910s, with the arrival of the Levers Pacific Plantations Limited (LPPL) in 1905. In addition, Bennett writes that Solomon Islanders have also shown interest to participate by moving away from their hill top homes and by allowing their tribal land to be used for commercial purposes. This eagerness to learn and participate in the early cash economy however was limited by the BSIP colonial objectives in the Solomon Islands. Moreover, the Colonial Government was also more concerned over protecting the colonial identity and power in their colonies. This study argues these colonial attitudes leads to the creation of negative mindsets which affects the subject of interest in the Solomon Islands.

In Solomon Islands' culture, observation and imitation are two key components of the traditional mode of learning. In the pre-European days, Solomon Islanders learned through looking, remembering and imitating. Findings from this study have shown that despite the introduction of modern schooling which was widespread in the country (cited in Wasuka, 1989), the traditional mode of learning is still in existences and is preferred over modern schooling. For example, Solomon Islands' businesses still prefer to acquire and learn about introduced knowledge such as accounting through looking, remembering and imitating. The central reasons suggested by this study as to why the traditional mode of learning is still preferred over modern schooling is

following the historical experiences Solomon Islanders have had with the colonial government. The attitude imposed on to the locals during the colonial era had driven away the trust and loyalty that locals have towards introduced knowledge such as accounting. As a result, local businesses in contemporary days prefer to practice accountancy based on looking, remembering and imitating. Simply put, they practice accountancy based on the notion of copy-cat.

The copy-cat mentality while it has some benefits linked with it (see B2's quote in section 5.3.4.2), this study argues it also hinders the development of accountancy in the local business sector. Contemporary Solomon Islands businesses still prefer to hold on to the copy-cat practice so they can maintain their social identity in the business sector. That is, businesses copy each other so as not to lag behind. Therefore, if the long-existing businesses (e.g., B1 and B2) can boast about how successful they are to the new comers with regard to the lack of accounting background held by the owners, this mindset then passes on to the new comers. As a result, local businesses always shrug off the idea of attending bookkeeping classes for the benefit of their businesses. In other words, it kills the willingness to realize the importance of accounting when running a business for Solomon Islanders.

The Government's perspective towards the role of accounting development in the commercial sector has also been discussed. Based on the findings, accounting development in the commercial sector is entirely in the hands of private bodies such as ISIA. The lack of government involvement is also found to be linked with the copy-cat mentality. This study concludes by putting forward had the colonial government show some form of positive attitude towards the locals in the early colonial days, the traditional mode of learning which is identified as a cultural influence affecting the subject of interest could have never existed. The copy-cat mentality hinders local businesses to recognize the importance to (1) learn introduced knowledge the *western way* (classroom learning), and (2) practice introduced knowledge the *western way*.



## CHAPTER 6: What is accounting? A perception held by the local businesses

### 6.1 *Introduction*

Doupnik & Tsakumis (2004) suggests that how individuals perceive and use accounting information is influenced by their culture. Culture is considered to be a powerful environmental factor which influenced how the concept of accounting is grasped, understood and practiced.

This Chapter discusses how Solomon Islands' businesses perceive the western concept of accounting and the accounting profession. The findings are discussed based on the lived-experiences of four long-existing businesses and other identified persons in the accounting profession. The Social Identity Theory discussed in chapter one is used to frame the discussion of these findings. The Social Identity Theory is a Social Psychological Theory that is used to explain group processes and intergroup relations (M. A. Hogg et al., 1995). Using this theory, this chapter discusses how the western culture that frames the basis of accounting clashes with the local culture. The findings of this chapter are examined in the context of the existing literature on (1) the interrelationships between socio-cultural values and the development of the western concept of accounting, as introduced by Anglo-American influences, (2) how family relations and values affects the accounting and management practices held by family businesses, and (3) common accounting and management challenges faced by Small to Medium size Enterprises (SMEs). The last section of the chapter specifically discusses various accounting conventions and business related practices that local businesses have found challenging to adopt. These challenges include tax compliance, cash and credit management practices, and the accounting convention of the matching principle, accounting entity, going concern, fiscal period concept and monetary convention.

### 6.2 *The accounting conventions: the local perspectives*

### 6.2.1 Entity Concept

The entity concept is a core principle in the discipline and practice of accounting and assumes that the business enterprise is a separate entity from the owners or shareholders (Harrison, Horrocks, and Newman, 1987).

Solomon Island business operators do not support the entity concept in relation to their business. Many share the view that the owner and the business are inseparably fused together. In some cases, the business is regarded as part of the family of the owners. B1's manager (B1 is the longest standing business of the four – 38 years in operation and specialises in plumbing and building related services) comments:

I don't think I am willing to adopt that accounting rule. My father fished and dived the sea during the stormy weather. Plants hectares of taro and even to the extent of giving away our family heritage (shell money) in exchange for whitemen's money to raise capital for this business. Therefore, this business is like son to my father.

B1's view of the entity concept above, demonstrates that it is one that is inconsistent with Solomon Island culture and the perceptions of a business shared by some Solomon Island business operators. In particular, the traditional notion of ownership unites the owner and business entity rather than keep them separate. The concept of ownership, to many Pacific Islanders is closely related to the traditional context of ownership, with regard to land and resource ownership (Otto, 1998). Otto explains culturally, the concept of ownership encompasses more than just access to natural resources. Ownership to Solomon Island people is linked to social relations and the identity of individuals in a particular clan.

The link between traditional ownership and social identity is an integral part of Solomon Island culture. Furthermore, it is an example of the Social Identity Theory (discussed in chapter 1) within a Solomon Island context. B1 illustrates the significance of the *sweat* that is exerted in raising the seeding capital for a new business. He suggests that in the Solomon culture, which follows the melanesian big-man practice (Sahlins, 1970), such achievement means there is a personal bond between the owner and the business. The owner perceives the business as a personal belonging because of the hard work exerted in establishing the business (Prescott, 2009). Although the big-man concept focuses on the social status of an individual, it is within the

context of a collective community. Individual status is only valuable because of the community context within which it exists. The status may well be individual but the benefits, in terms of the profits from the business (financial and otherwise) are inevitably shared by the village. The sharing of resources in a village context acts to strengthen kinship ties (see also Davey & Hauriasi, 2009; Gegeo, 1994; Malinowski, 1970).

The entity concept also clashes with the reciprocal tie that exists as a result of social capital contributed by participants towards the business. The findings have shown that in Solomon Islands, whenever a local person starts a business, his intention is often declared publicly to his/her kinsmen that *iam starting a business for us*. The word *us* ambiguously excites every relative that the intention will be obligatorily owned by everybody in the family or tribe. This is often done to:

1. Ignite a wide interest in the group in case there is a call for *all* efforts and cooperation from the tribesmen to generate the necessary initial capital.
2. Publicize and convince the public on-lookers of the fact that the business is tribally owned “blong yumi” (in pidgin dialect for “This is our” business).
3. Convince tribesmen that whatever their initial sweat equity in any form would be *taken* (not recorded) as their share in the business, based on the “blong yumi” label. A led to believe gesture that entices relatives of whatever one asks for in the future from the entity would be granted to him.
4. A Promise of employment within for all tribesmen based on the “blong yumi” syndrome.

This mentality is commonly found not only in Solomon Islands businesses. Prescott (2009) found that Tongan businesses also run their businesses based on ethnic relations, who contribute in terms of social capital, creating similar reciprocal ties (see also Gibson, 2000a). The difficulty in accessing capital finance (for example a bank loan) results in many local owners of businesses relying on kinship ties, to raise capital and provide a cheap source of labour. Similarly, a vast majority of family and ethnic businesses also regard social networks vital for the raising of financial capital (e.g., Feldman, Koberg, & Dean, 1991; Heilbrunn & Kushinirovich, 2007). For many small Solomon Island businesses, relying on family to raise the capital to start the business was often the only avenue available as credit was traditionally unavailable through mainstream commercial channels.

An outcome of the shared nature by which the initial capital was raised to form the business is that the contributors (normally family members) identified themselves as tied to the business and therefore free to access the resources of the business when ever they were in need. This claim on the business is sometimes found to be past down from generation to generation such that the children would turn up at the company's office seeking assistance when ever they were in need of financial assistance. Using B4's (B4 specialises in vehicle servicing & spare parts, and is in its 20 years of operation) response:

I used my brothers' sons to provide cheap labour as well as to earn capital for the business (fishing). My brothers take it as they are indirectly investing in the business. Based on this perception, this knowledge is then passed on to their sons as “ mifala na helpim hem kasim level hem stap lo hem ya” meaning, “without us (the brothers) he wouldn't be where he is right now”. Therefore, for instance when any of the sons (my nephews) prepares to get marry, the father would turn up and ask me for my contribution towards the son's bride price.

In such circumstances, refusing a request creates tension and disharmony to the relationship with their family. The reciprocal ties and relationships that exists between the owner and his participants acts as a barrier towards embracing and practicing the accounting entity convention for Solomon Islands businesses.

The *family inheritance* mindset (Fratoe, 1993), common in many Solomon Island families and communities, introduces an additional obstacle against the adoption of the entity principle by Solomon Island businesses. In particular the children and particularly the sons of the original business owners exercise ongoing claims on the assets of the business, claiming that they are the result of the hard work of their fathers. B2 recounts his experience, starting up a business using the savings that his father had accumulated as a cocoa planter in the 1960s. Traditional inheritance in the Solomon Islands means the male children in each family may stake claim on their father's estate. The spreading of the ownership among the male heirs compromises the financial structure and management of the business and compromises its very existence as a separate operating entity. In these circumstances, satisfying of social and emotional needs of family members is vital, especially for maintaining of the family relations in family businesses

(Chu, 2009). B2 and B4 explains that arguments often arise amongst the sons over for instance, applying management control over company's assets (vehicles and properties) and over profit sharing. The mentality of *this our father's money* had been found to clash with the entity concept with regard to how Solomon Islands businesses perceives using family money for start-up capital. In addition, the business risk associated with the family heritage mindset, is further complicated when the extended family and village contribute to the initial capital, used to establish the business. Fratoe stressed that the manner in which these businesses are established creates a collective obligation and expectations from the wider community and extended family members rather than investment expectations by family members only.

The accounting practioners who were participants in this study shared the view that the entity convention is very difficult for Solomon Islands business owners to embrace. For instance, P1 (Solomon Islands Institute of Accountants – ISIA's first president) mentioned that he would often spend hours aguing with his clients as they would not accept the idea that during incorporation process of their business, the owners becomes a separate entity from the businesses. According to the three accounting practioners (P1, P2 and P3) included in this study, the entity convention was the most difficult of all the accounting conventions, for Solomon Islands' businesses to embrace and adopt.

Gynther (1967) emphasises that while the entity becomes a separate and distinct body from the shareholders in the manner of separation of assets and liabilities from the shareholders, profits earned by the entity can only be accrued to the shareholders when a dividend is declared. However, for the Solomon Islands' businesses the three identified cultural mindsets demonstrates the difficulty of practising the entity concept in the local context. The fact that many Solomon Island businessmen at the outset will make a public announcement to their fellow tribesmen that *i am starting a business for us*, implies the aim to go into business is (1) to get recognition - social identity, and (2) an indirect call for social capital creation from tribesmen. As a result, embracing the importance of the entity principle is very difficult and cumbersome. Hence, the accounting equation, which is said to be formulated based on this assumption (J. Harrison, J. Horrocks, & R. Newman, L., 1987), cannot be properly applied in such a business environment.

### 6.2.2 Going Concern

The going concern convention as explained by Fremgen (1968), assumes that the entity remain in operation for an indefinite period. Transactions of the business are designed to continue and there is no pre-determined limit set upon the life of the business.

Solomon Island businesses share the view that their businesses must continue. B1, B2<sup>18</sup>, B3<sup>19</sup>, and B4 all explained the fact that their families rely on the businesses for their survival, keeping the business going is a common goal. The phrase “mi fundraise lelebet”, which means “I am fundraising” is often used when ever a local man starts a business. As B4 stated:

*Oh business yia hem olsem smol fund-raising blong mifala for meetim oketa  
needs blong family.*

This business is our small *fund-raising* activity to meet family needs

The “mi fundraise lelebet” mentality demonstrates that the objective for going into business for most Solomon Islanders is merely for meeting of family obligations and needs. In addition, it was also found that all four businesses (B1, B2, B3, and B4) mentioned that one way of guaranteeing that their businesses will continue for a longer period of time is to invest in property, for instance acquiring of land and buildings, as a side line activity. B1 shared:

We share the view that our business must continue. Thus, apart from only focusing on plumbing and related services, we also involve in property (land) investment. We are now looking at developing some of the land the company had purchased a few years back and they remain under-utilized.

P1, P2 and P3 (are all local practioners – more than 20 years of experience) however, comment that Solomon Island businesses are yet to realise that the going concern goal does mean keeping the business running from generation to generation or for an indefinite period. The practioners stated for many Solomon Islands businesses, keeping the business going means getting the

---

<sup>18</sup> B2 is a local cocoa bean buyer and exporter, and also involves in retailing and property as sideline activities – 32 years in operation

<sup>19</sup> B3 specialises in metal sheet fabricating services – 25 years in operation

business running to an extent whereby family goals are achieved. For instance, building of homes for family members or to assist the family's extended kin ties with cultural obligations such as bride price payment, death ceremonies and so on. P1 adds that many Solomon Islands businesses that have closed or ceased trading following the death of the original owner as if the lifespan of the business is tied to that of the owner. P1 stated:

Many of my local clients, after the death of the founding owners the children would turn up at my office seeking assistance with liquidation procedures, although their businesses are financially fit to continue. I often spend hours talking to them, encouraging the sons that their businesses are *fit* to continue.

Based on the findings, this study identifies that the going concern principle is linked with the prestige-seeking mentality that is commonly held by the Melanesian societies (Sahlins, 1970). Solomon Islanders, men in particular, see going into business as a means of building their social identities in the society. Business is seen as an activity that will distinguish one in the society. Consequently, when one person starts a business in a particular location, a few weeks later several similar businesses are likely to be established in that same location (see chapter 5 discussion on the copy-cat mentality).

The finding mentioned in the above paragraph is consistent with several early studies. (e.g., Belshaw, 1954; Gegeo, 1994; T. G. Harding, 1970; Malinowski, 1970) (Refer to section 1.5.3). The findings from this study concur with these earlier studies in showing the very different ways Melanesians perceive business transactions and what motivates them to start a business.

While the prestige-seeking characteristic of the Melanesian culture supports the going concern principle, by means of Solomon Islands businesses remaining in operation to avoid losing of one's social identity in the society, it also clashes with the investment motive in the context of the going concern principle. The phrase "mi fundraise lelebet" is not an investment objective as far as the going concern principle is concerned. The motivation to start a business held by many Solomon Islanders is to satisfy the needs of family and cultural obligations. Similarly, using B1's quoted statement:

We share the view that our business must continue. Thus, apart from only focusing on plumbing and related services, we also involve in property (land)

*investment. We are now looking at developing some of the land the company had purchased a few years back and they remain under-utilized.*

Solomon Island businesses perceive property acquisition as a means of securing the ongoing viability of their business. Some acquired land for the purpose of holding an asset that may be used as collateral for future loans they may wish to make. Developing the land as part of growing the business was not a priority. All four businesses (B1, B2, B3, and B4) shared that one way of guaranteeing the future of their businesses was to invest in property, for instance acquiring of land and buildings, as a side line activity. However, using B1's quoted statement B1's manager says that the company is currently looking at developing some of the land their father had purchased as company assets but to date they still remained under-developed. This suggests that the motive for purchasing land is not so much for growing the business but for ensuring the business was a going concern. Ongoing access to debt finance is important for many Solomon Island people as high levels of debt are generally associated with individual success and wealth (Gegeo, 1994). Holding land potentially provided an avenue for business owners to access future debt capital.

Land acquisitions were also a means of achieving of social recognition for local business owners. Purchases of assets for personal reasons potentially weakens the financial strength of the company and leads to cases of balance sheets showing redundant assets. B1 had purchased those land some years back and they still remained under-developed. It means when the company purchased those land, there was no business motive attached with that purchase. As a result, the land is still under-developed as B1's manager had said. To add further support to this argument, during the interview with B4, B4's manager (also the owner) had kindly offered access to the company's balance sheet. A brief examination of the balance sheet revealed a wide array of assets, many of which did not appear to be for the benefit of the company as it was the owner. For example, a significant part of the building remained vacant to accommodate the needs of the owners. These vacant premises may have been used to generate rental income for the company. Similarly, B3 shared:

Our priority is now to get the mortgages on the buildings we acquire off our shoulder.



Those examples illustrate that such investments were geared towards social status building and recognition rather than for continuity purposes. The assumption is in the future even if the business fails, the owners' social identities are still secured because by then they would own half of the properties in Honiara (capital of the Solomon Islands). A traditional mindset that is based on the Melanesian big-man culture whereby men will be recognized in the society based on how much wealth or properties they own (Malinowski, 1970).

This current study argues that one of the central reasons as to why Solomon Island businesses consider property acquisition as a sideline activity is to gain social recognition. This practice is repeated from generation to generation as part of the copy-cat practice discussed in the previous chapter. The objectives behind such sideline activity are geared towards achieving of social identity, and clashes with the financial objectives that are aimed at maximising monetary return. Similar to the family businesses, prioritising the family's needs over the financial wellbeing of the business compromises the financial sustainability of the firm. (e.g., Arregle et al., 2005; Casson, 1999; Dyer, 2006; Gomez-Mejia et al., 2007; Howorth & Westhead, 2006; James, 1999). The objective behind investment in such scenarios clashes with the profit making objective for achieving the going concern objective in accounting. In addition, like the Tongan businesses operating in New Zealand (cited in Prescott, 2009), Solomon Islands businesses also hold the view that the business must continue on as it will bring shame upon the owner's family if the business closes (liquidate). Thus, the fear of losing one's social status in the society is a more important goal for continuity for Solomon Islands business.

### **6.2.3 Monetary convention**

According to Harrison, Horrocks, & Newman (1987) the monetary convention emphasises that business transactions must be measured in monetary terms. Money as the unit of measurement (P. W. Bell & Edwards, 1961), is a key element which form the basis of this principle.

In Solomon society, money is classified as, white-man's money, which is the introduced money in the form of notes and coins and the traditional money, which varies across the nation: the shell money<sup>20</sup>(including porpois teeth – *Malaitans only*) is commonly used by the Malaitans, Makira, the Guadalcanals and some parts of Isabel; bird feathers by the Temotu (Santa Cruz group); and

---

<sup>20</sup> Strings of shells – a form of money commonly used in the Solomons

bokolo<sup>21</sup> is used in the Western Solomons. All forms of traditional money are used as the medium of exchange for various forms of exchanges. For instance, exchanges such as barter, land purchase, bride price or wedding ceremonies and other compensation ceremonies (see also Gegeo, 1994).

The characteristic of money as the unit of measure is not a new concept in the Solomon Islands (see also Gegeo, 1994). For example, in the Lau sub-culture in Malaita, in a bride price ceremony<sup>22</sup> a basket containing 100 crops of yams is equivalent to ten strings of shell money or one *tafuliae*. Sea food like fish are also classified according to their type and sizes. In addition, only certain designated coral fish are classified as having monetary value. A thousand of those designated type of coral fish is equivalent to one *tafuliae*. The different types of taro also have different monetary values and their values varies from one ceremony to another. For instance, whilst five hundred crops of taro (*colocasia esculenta*) is equivalent to one *tafuliae* for the feast of the dead ceremony, in a bride price ceremony, a thousand of the same kind of taro (*colocasia esculenta*) is equivalent to a *tafuliae*. These examples illustrates that traditionally money as the unit of measure concept already existed in the Solomon society. It is determined by the *weight* and the *purpose* of the event. For instance, the feast of the dead has a different quantity of monetary value compared to a bride price ceremony.

The businesses who participated in this study shared that they also embrace the importance of attaching monetary value to their transactions. The fact that *money as the unit of measure* concept already exists in the local culture, local businesses are familiar with the idea of attaching money to their business transactions. However, whilst local businesses are familiar with the idea of attaching monetary values to their business transactions, the demands placed on them to maintain their big-man status should not be underestimated. Solomon Islands business owners are often seen as shadow big-men. Following the big-man system, men with such status must possess the quality of being generous and kind. Hence, not all transactions of the business can be measured in monetary form.

---

<sup>21</sup> A term in the Western dialect which is used to refer to the traditional form of money used in the Western Solomons.

<sup>22</sup> A traditional wedding feast which involves exchange of various cultural gifts, between the bride's extended family and the groom's.

#### **6.2.4 Periodic convention**

In accounting, the period convention refers to the timeframe over which financial performance is measured. Financial activity is allocated to the period to which they relate (Harrison, Horrocks, & Newman, 1987). It can be any length of time for instance, a month, six months or a year, based on whichever framework that is being used to determine and interpret the profit figure. Harrison et al. (1987) adds that the generation of earnings and the ability to meet commitments are two important factors that are commonly used to determine business survival in relation to the periodic convention. Whilst the first factor focuses on the profit and loss, whereby the period convention plays an important role in determining how well a business performs, the latter gives information regarding the financial position of the business at a point in time.

The concept of time, and in particular defining performance over a predefined period of time, is a concept that is foreign to the Solomons (Waleanisia, 1989). Traditionally, before the Europeans arrived and introduced the concept of time, people in the Islands regard time as one of total relativity. People act and do things not on some abstract principle but rather uses the surrounding to tell them when to act. The rooster's crow in the early hours of the morning is a signal that tells fishermen to rise and start launching their canoes for the day's fishing trips. Similarly, when the roosters crow around midnight hours it imply tide is turning high again. Fishermen, in particular, depend on these signals for their everyday lives' activities. Clock and the calendar were never part of the aspect of time to Solomon Islanders living in those historical days. Dependent on the surrounding, people learn to tell when to act and what to do in a certain hour of the day. Hence, Waleanisia added that the inability to organise one's time effectively is one of the criticisms against the traditional attitude towards time. This criticism is viewed from an European's point of view.

Although the accrual-based system used by businesses in the Solomons require transactions to be recognized in the period in which they are incurred (J. Harrison et al., 1987), practicing the convention is difficult. According to the findings, the difficulty of attaching time to when revenues have been earned is still a new notion for Solomon Islands businesses. As B1 had shared:

Because of my continuous cashflow problem, I rely on a network of local suppliers for various materials for the big tenders I won. Us the local

businesses, we understand each other therefore, I always pay up my debts *whenever* cash is available.

B2, B3 and B4 similarly shares the same view. They all mentioned that their continuous cash flow problems results in the difficulty of applying the periodic principle. For instance, revenues earned in 2008 are often collected in 2009. The practitioners used by this study as participants also confirms that for local businesses, recognising the importance of the time when revenues are earned is only a secondary issue. It is the actual collection of cash that matters. P2 offered:

Some of my local clients (local businesses), they tend to not report some of their revenues although they appear as credit sales. When I asked them why they do not want to report those as revenues, they responded that they don't see those as revenues yet.

For Solomon Islands businesses, the periodic convention is influenced by the local mentality towards *time*. The findings have shown that Solomon islands businesses are yet to realise the importance of recognising the time when revenue is earned. The finding also demonstrates that recognising the period in which revenue is earned is not a big issue. It is the actual receiving of cash that they regard as important. In addition, local businesses tend to treat a sale as a revenue when cash is received. Furthermore, the fact that local businesses operate in a network of businesses that are related to each other or are *wantoks* (see chapter two) maintaining their identities is important. In that, local businesses allow credit sale and purchases to each other and they do not worry too much about the timing when revenues are supposed to be recognised and collected for end year reporting purposes.

### 6.3 *Perception Towards Tax compliance*

For small businesses, there are benefits associated with tax compliance requirements (Barrett et al., 2010). In their study on tax compliance of Australian SMEs, the authors (Barrett, Dyt, & Halabi, 2010) reveals that tax compliance enables small businesses to have financial information sufficient for business evaluation. Managers are made aware of how well their firms are performing and problems can be identified to be addressed. Similarly, tax compliance also helps small businesses to improve their record-keeping systems and an efficient use of accounting

information for decision making purposes (Sarapaivanich, 2003). Furthermore, the efficiency of small businesses also depends on how well they are formally organized (or registered) (Chuta, 1983). Chuta explained over three-quarters of small businesses in Sierra Leone were found to be unregistered and unincorporated sole proprietors. Escaping tax obligation and related costs are reasons for not wanting to get registered. As a result, it affects the efficiency and performance of the businesses.

The perception towards taxation, which came into existence after 1921-1923 had long been demonstrated by the killing of Bell<sup>23</sup> on Malaita in 1927 during the BSIP<sup>24</sup> colonial era (J. Bennett, 1987). According to Bennett, opposition to tax in the early days is based on the reciprocal notion of “no one got anything for nothing” (p. 266). Unfair distribution of services and development projects by the BSIP administration, especially to the eastern parts of the Solomons and Malaita had caused these islands to become disadvantaged and lagging terribly behind the other islands in the Solomons, for instance, the western Solomons whereby the concentration of plantations and development was high. Thus, in the view of the people from these poorer islands, why should they pay tax when they receive nothing from the government.

This study found that the early perception held by the Solomon Islanders towards taxation still exists with the contemporary local businesses. B1 stated, while access to bank loans is a hassle for locals who attempt to go into commercial activities, the government has done very little in addressing this problem. This frustration was demonstrated in the previous chapter (chapter 5) on government’s perception towards entrepreneurship. As was discussed in chapter 5, it was not until 1996 that the government opened the door for entrepreneurship development (SMEs development) in the Solomon Islands. Prior to that, local businesses who ventured outside of the Cooperative Act of the Solomon Islands were never encouraged nor recognised. They had struggled all along to raise capitals for their businesses, thus their strong resentment towards the government taxing their businesses.

An outcome of the resentment towards tax compliance is the preference to operate outside of the Business Act of the Solomon Islands. This study found that a majority of local businesses in

---

<sup>23</sup> British district officer who was stationed in the colonial office in Malaita in the 1920s.

<sup>24</sup> British Solomon Islands Protectorate

Solomon Islands are still operating without proper registration in order to escape tax compliance requirements. However, lack of data from the Small Business Association of Solomon Islands (SMEC), this study cannot provide an estimate total of the non-registered businesses in the Solomons.

The fact that small businesses only keeps records for tax reporting purposes (e.g., Barrett et al., 2010), this study argues that the reciprocal notion mentioned in this discussion is a barrier that influences Solomon Islands businesses from realising the benefits associated with tax compliance. P1, P2 and P3 all mentioned that local businesses only seek help from practioners when it comes to end of year tax reporting. P1, being the second local practioner in the Solomons explains that in the 1980s and the early 1990s, there was very little need to practice accountancy in the Solomons. This was because the majority of local businesses had operated outside of the Business Act of Solomon Islands and were not formally established (or registered). Therefore, to practice accountancy, it was not a very profitable business for Solomon Islanders.

The above discussion illustrates the perception towards tax compliance, held by the local businesses in Solomon Islands. This current study together with early findings by Bennett (1987) demonstrates the difficulty of imposing western regulations on the local culture. The idea of taxation is foreign as it follows the western framework that follows individualistic practices and cultures (cited in Prescott, 2009). According to the culture of the Solomons, in particular the exchange system commonly held by the Melanesians, nothing is given up for free (J. Bennett, 1987). Anything that one gives up has to be equated back in the same manner (see also Gegeo, 1994). For example, a pig given as a gift towards a wedding ceremony will be refunded to the giver in the same manner, when his/her turn comes around to hosting a similar event. This current study argues that this cultural mentality is a barrier towards tax compliance for Solomon Islands businesses. Similar difficulty is also found in Tongan businesses operating in New Zealand (Prescott, 2009). Prescott similarly states that adjustment to tax obligations is one of the challenges identified with Tongan businesses in New Zealand. This is largely due to the framework upon which taxation is based on follows an individualistic culture. Thus, it clashes with the collectivist nature of culture that exists in the Tongan society.

#### 6.4 *The Record keeping function*

According to Goldberg (2001), the record keeping function is the initial and pervasive activity in accounting. The record keeping process includes designing, installation and implementation of systems appropriate to the purpose for which the recording is required, and not as assumed by many, making of durable records in books or on cards only. Its key aim is to provide accurate and verifiable evidence of business activity. Following this, accounting records must be capable of being stored for long periods without deteriorating.

Based on the findings, the common books kept in most Solomon Island businesses includes, the excel spreadsheet, along with the basic books, namely, cash book, sales journal, purchase journal, general journal, debtors receivable and payables, and inventory record books. Most local businesses still use these basic books for recording of their everyday business transactions, although a few local businesses have started installing accounting software including Mind Your Own Business (MYOB) software.

The record keeping function has been found to be a hassle for Solomon Island businesses. As with Tongan businesses operating in New Zealand (cited in Prescott, 2009), Solomon Island businesses are also reluctant and have difficulty practising the record keeping function. For instance, B2 mentioned that when the company first started its retail and wholesale operation in the 1970's, the record keeping function was merely practiced. As a result, filing of year end tax reports becomes a hassle for both the practioner and the elder son who was managing the company at that time. B2 added, the local practioner who always prepared their year-end reports often took longer period of time than expected, trying to put all evidences (receipts and paper work) together. This creates extra costs for the business. Similarly, the practioners (P1, P2 and P3) also commented that when it comes to the year-end reporting for tax compliance purposes, many Solomon Islands businesses tend to depend on their bank statements. This is largely due to the fact that the record keeping function was never done properly. P1 shared that often he would call the owners to his office in order to explain the details of the written out cheques as they appear on the bank statements. This difficulty had led to practitioners often not able to draw a reliable report for a lot of local businesses. This is because a lot of the written out cheques, tend to be reported based on the owner's memory and not on any written record. As B1, B2 and B4 had stated:

We get used to remembering our debtors (people who owe us something).

The task of record keeping was beyond the skill and enthusiasm of many Solomon Island business owners and operators who opted to employ bookkeepers or cashiers instead. B4 stated:

I am not good at keeping my daily records so I employ a cashier (my niece) on casual basis to assist me with this task.

Record keeping never existed in the Solomon culture prior to the arrival of the Europeans settlers. For instance, using the traditional exchange (or give and take) system as an illustration, every transaction that involves the movement of items of monetary value between one individual (or a clan) to another in the *give and take* process is sheer memory exercise or through a word of mouth handed down from one generation to the next. To further illustrate this, in the Lau culture<sup>25</sup> recording is done in the following manner:

1. Recording includes a physical exchange of goods, therefore, what goes out is replaced by a tangible item of the same nature.
2. There are only few classified items in the cultural context that have monetary value attached to them. These are Tafuliae (ten strings of shell money), lifoia (Porpoise teeth), pig, fish (certain designated coral ones), yam, taro, swamp taro, bingali (smoked ngali nuts), land and girls (young).

The recording aspect of the above classified items normally exists in quantity through the remembrance mode. For instance, giving of 10 pigs is remembered as *tafuli boso*, 100 yams as *talange Kai*, 1000 taros as *to'oni alo*, 1000 fish as *to'oni ia*. There is no monetary value attached in this recording expression, except in quantity-wise to ease the remembrance process when it passes down to the younger generation.

The above illustrates the non-existence of record keeping in the traditional exchange system. In that, what is given of significant value is remembered as *refundable* in the long term. Hence, the

---

<sup>25</sup> A sub culture in Malaita



recording aspect could be seen only through a handed down knowledge, by word of mouth to the children or tribesmen as to what had been given, to whom, for what purpose and what should be refunded in the future. Children were then told of the fact that so and so were helped with so many tafuliae (measured in feet), pigs, taro, and yams. When the giver's turn comes, the returns are made in the same quantity and measurement. In addition, the non-existence of record keeping in the local culture is also based on the importance of oral communication, which exists in the culture of the Pacific Islands (A. Brown, M., et al., 2005). These authors write that in the Pacific Islands, oral communication is the preferred and traditional means of communication. That is, the passing of important information from one generation to another. Such important information includes those relating to genealogy, land and resources ownership. These were usually handed down to the younger generation by holding evening story-telling sessions with the elders.

For small businesses, Dyt (2005) reveals that for the purpose of an end of year performance reporting process, collecting receipts and cheque butts is vital for enabling the reporting process to occur smoothly. However, Solomon Islands businesses see the record keeping function as a hassle because it is a foreign concept. The pressure imposed on to the businesses by the tax authorities is the only reason why local business keep records. This demonstrates that Solomon Island businesses are yet to fully appreciate and recognise the benefits that are associated with the record keeping function, apart from just fulfilling their mandatory tax obligations (see also e.g., Barrett et al., 2010). As McMahon and Holmes (1991) highlights, that a business that keeps a good recording system is likely to have sound financial management practices in place. Prescott (2009) similarly stressed that one of the central benefits of record keeping is the sustainability objective. Prescott explained, although Tongan businesses complained that the record keeping process is onerous, expensive and inconsistent with the Tongan culture, those businesses that manage to keep records are more likely to continue than those that neglects the recording function. Drawing on these findings, the clear implication is that good record keeping practices are essential for the ongoing success of locally owned and operated Solomon Island businesses.

## 6.5 *Management of Credit Transactions (accounts receivables/payables)*

Credit management is another common issue that emerges from the stories of the research participants. In accounting, the need to record credit transactions is said to be influenced by

accrual based accounting (Harrison, Horrocks, & Newman, 1987). The accrual based accounting system recognises that payment for a credit transaction occurs subsequent to that event. Harrison, Horrocks, and Newman added, credit transactions is an important part of any small business to encourage sales and hence the need to adopt the concept of accrual based accounting.

Findings from this current study shows that management of credit transactions for Solomon Island businesses is influenced by the existence of local debts (reimbursable gifts). According to the businesses (B1, B2, B3 and B4), they all described management of credit transactions as a *struggle*. They explained that although they have strict control measures in place, for instance debt collection controls, implementation of such control systems is difficult in the local setting. A common reason offered was the presence of the *wantok system* (refer to chapter two for the culture of wantok system). The fact that the local business environment consisted of customers who are wantoks, close relatives and friends, it is difficult to implement mechanisms that are aimed at achieving of good management practices for credit transactions (credit purchases and credit sales). For the purpose of this discussion, it is important to explain the context of the local debt (reimbursable gift) which exists in the traditional exchange system. I will use the traditional exchange system that is commonly practised in the Malaitan societies to demonstrate how the local exchange system (local debt) clashes with management of credit transactions, for Solomon Islands businesses (this is due to the practice of the traditional exchange system varies from island to island in the Solomons, although the underlying concept is the same).

In traditional exchange systems, the concept of debt is not new, and has been culturally practiced in the form of *reimbursable gifts*. Using the exchange system commonly practised in the Malaitan society, a gift in a cultural context, given on important occasions<sup>26</sup> are actually disguised as reimbursable exchanges (see also Gegeo, 1994). They will be refunded in the long term when the giver's turn comes around in hosting the similar event. For example, a pig given during a feast will be re-imbursed by the recipient to the giver when he hosts a similar undertaking to that effect. Hence, gifts given on these type of occasions are designated for those occasions only, and the reimburseable aspect is collectable if and when, at the convenient of the giver. In most cases, prior to hosting an event, for instance a wedding feast, the giver would make an

---

<sup>26</sup> Cultural ceremonies such as bride price ceremony, feast of the dead ceremony, death ceremony, to mention a few designated ones in the Lau culture.

announcement to the community. This is to inform his debtors to be aware that debt collection period is near. Therefore, when his turn comes to hosting that event, all his debtors (receipients) are expected to turn up with exactly the same amount of goods they had received. Gegeo further added that since such debts are repaid at the convenience of the provider of the debt, debt creation is seen as a form of traditional banking. In that, the more debts one has in the society, the better off (wealthier) one becomes. This view is inline with the prestige seeking practice of the Melanesian *big-man* culture, in which gift giving plays a key role in *social-status* building. Furthermore, Gegeo continue to mention that social relationships are also maintained by honouring these debts. This means, keeping these debts alive<sup>27</sup> rather than having them die - a point of view quite divergent from the Anglo-European attitude towards debts, helps to keep kin ties and identities stronger in the society.

Contrasting the context of debt in the local exchange system with the western debt (or business debts), the key difference lies in their different modes of repayment. Whilst the local debt is payable at the convenience of the giver (situational), the western debt is due based on a specified time frame (for example, fortnightly or 30 days debt) following the accrual-based system. In addition, with the local debt an announcement (by word of mouth) is usually made, which alerts the receipient that the giver is about to host a similar event. It is an indirect call made to those who owe him, that debt collection date is near. Similarly put, with the local debt collection of debt is entirely in the hands of giver. This means it is the responsibility of the giver to follow up on his debts, which in many cases, the prefered mode is through giving word of mouth reminders and not writing of letters as was the case for business or western debts.

This present study found that the existence of the local debt had influenced the practice of credit transaction management. Solomon Islands businesses are found to have difficulties implementing effective controls over their credit transactions. A common problem area identified according to the findings is debt collection controls and practices. For instance, according to B2, the manager stated:

One of my biggest challenges is debt collection.

---

<sup>27</sup> Increase debt creation in the society

B1, B3 and B4 similarly described the issue of debt collection as a continuous struggle for them. The business consultants described that following up on debts is both hardwork and embarrassing. Hardwork in a sense that although a thirty days credit limit is always used, their debtors tend to wait for the owner of the debt to make a call before payment can be settled. In many cases, when they (the businesses) try to call and follow up on their outstanding payments, a common response they always receive is:

*Oh sore nomoa yet ya*

Sorry I am not yet ready to repay you your dues

It is embarrassing because in the local business environment, businesses depend on each other for credit purchases and other services. As B1 had offered:

Because of my continuous cashflow problem, I rely on a network of local suppliers for various materials for the big tenders I won. The local suppliers, we understand each other hence I always pay up my credit purchases whenever cash is available.

It is embarrassing to call up a wantok or a friend to remind him or her to pay up his or her debt. This implies that for local businesses, the need to maintain a healthy business networking amongst wantoks and relatives is vital for many useful reasons. As a result, to implement control mechanisms is a difficult task.

Based on the prestige-seeking mentality which encourages debt creation, as a means of attaining social identity (Gegeo, 1994), local businesses tend to be generous and flexible with regard to allowing of debts. For instance B4 stated:

I want to see our little boys (new comers) grow and remain in business. So I am always flexible in terms of giving out credit supplies to them.

B4's statement demonstrates the mentality local businesses have towards debt creation. Owners and managers of local businesses think that by having widespread debts, their social identity is elevated within the local business environment. In other words, it is a *show-off* mentality that is aimed at achieving recognition.

Similar to the Tongan businesses operating in New Zealand (cited in Prescott, 2009), Solomon Island businesses also operates in a business environment that comprises of customers and suppliers who are either wantoks or relatives. This follows the traditional way of life that recognizes living together as a means of maintaining kinship relationships, which are vital for mutual support and cooperation purposes (Davey & Hauriasi, 2009). This study however, put forward that while maintaining the above mentioned ties creates a healthy business environment for Solomon Island businesses, it also hinders local businesses from implementing good management practice over their credit transactions. The fear of damaging the kinship ties and their social identities are more important than implementing control mechanisms for the benefit of the business. As Gegeo (1994) similarly puts it, it is the relational and emotional benefits rather than the material gain that lays the foundation for expanding or intensifying exchange partnerships for Solomon Islands entrepreneurs.

## **6.6      *Cash Management***

According to Beheshti & Worley (1992), the world in which small businesses operate in is a competitive world, whereby cash is regarded as the “lifeblood” (p. 13) of the business. Effective cash management practices are essential to be able to survive in such a competitive world. In addition, Beheshti and Worley added bankers and creditors are two important players to be considered in any cash management practice for small businesses. For instance, the inability to meet suppliers bills is often perceived by a banker who has advanced a loan to the business that the business is incapable of continuing. This discussion on cash management presents two key themes that are commonly found in Solomon Island businesses. They are namely, cash flow and cash budget practices.

### **6.6.1    *Cash flow***

DeThomas (1980) writes that the dynamic environment in which small businesses operates is full of uncertainties. Budgeting frameworks that properly classifies the firm’s cash flows and a forecasting technique that predicts those cash flows with reasonable accuracy is the key to obtaining optimum cash position for such environments. DeThomas added, identifying and making projections of the changes in the firm’s operations, which will have an impact on the cash position, with sufficient time to allow the management to correct the disparity between the

inflows and outflows, should also be a key objective for such forecasting systems. This is because a lot of small businesses were constantly found to be undercapitalized (e.g., Thompson, 1986) and because small businesses' sales are not always the same or uniform (e.g., Grablowsky, 1978; Thompson, 1986; Welsh & White, 1981). Cash flow management then should be seriously considered and practiced for those given reasons.

The findings shows that Solomon Island businesses do not take this cash management tool seriously. Business consultants (B1, B2, B3 and B4) all mentioned that although they recognized the importance of cash flow for their businesses, it is seldom used by their businesses. B1 who is currently the longest-established local business, stated that since the business had started in the early 1970s, the cashflow tool was never practiced. In contrast, B2's manager stated that:

In the beginning of each year we tend to consider drawing up a cashflow prior to establishing our cash budget for the year. However, as the year passes, the tools become abundant and ignored.

B3 and B4 also shared that cashflows were never taken seriously. A common reason offered by these four businesses for the lack of seriousness towards the cash flow tool is the difficulty of predicting the cash inflows. This difficulty was especially expressed by B2. B2's manager explained, the fact that the business allow cash advances to local buyers whom the company trust as their loyal customers, it is very difficult to predict how much of those advances will be collected or repaid by the end of the year. Thus, it is difficult to predict what the actual cash inflows would be like. Furthermore, the practitioners (P1, P2 and P3) also shared that Solomon Islands businesses rarely practiced the cash flow management tool. The practitioners explained that for Solomon Island businesses, the only time they would draw up a cashflow statement is when they intend to apply for credit facilities from the commercial banks. In that, when the banks request to see their cashflows, they always turn up at the practitioner's office requesting assistance with cashflow statements. As soon as the cashflows are presented to the banks, the cash flow statements becomes ignored.

An end product for not seriously practising the cashflow management tool by the Solomon Island businesses is a continuous problem of cash flow amongst the local businesses. Cash flow problem is described by the practitioners (P1, P2 and P3) as an ongoing issue faced by many Solomon Island businesses. The difficulty in maintaining a healthy cash balance is a struggle for these

businesses. As a result, it becomes an ongoing practice for most local businesses to rely on credit facilities and short term finances from the commercial banks, for many of their every day operations. In addition, B1 and B4 similarly added, cash flow problem is also a common reason for a lot of the local business failures in the Solomons. B1 and B4 were referring to how the *new-comers* (newly established businesses) only manage to remain in business for a short period of time. A lot of these new-comers were found to stay in business for approximately two to three years. Difficulty in maintaining a healthy cash position had led to an early exit, by many Solomon Island businesses.

The fact that small businesses rely on their sales for financing of their short term obligations and for other capital financing (e.g., Grablowsky, 1978; Thompson, 1986; Welsh & White, 1981) cashflow projections is necessary. As Welsh and White have highlighted:

A small business can survive a surprisingly long time without a profit. It fails on the day it cannot meet a critical payment. In a small company, the cash flow is more important than the magnitude of the profit or the ROI. Liquidity is a matter of life or death for the small business. (p. 29)

Sharing this same view, Bianchi and Bivona (2000) also commented that the growth and survival of small businesses also depend on how owner-managers manages their cash flow. Balancing of cash withdrawals by the owners is important in family businesses. This is because in a lot of family owned businesses, when the cash flow is healthy withdrawals by owners also tend to increase. Cash flow management should be considered for the survival and growth of such businesses (e.g., Curran et al., 1996; Thompson, 1986), and for the uncertainties that existed, surrounding small businesses (Thompson, 1986).

For Solomon Island businesses, the attitude (not serious) towards cash flow as a cash management tool is influenced by the concepts of time and uncertainties, with relation to the introduction of western money. Traditionally, there is no such thing as uncertainties that would require Solomon Islanders to plan in anticipation for the future events beyond their ritual customs surrounding marriage and achieving a big man title. Solomon Islanders are used to living a quiet life, focusing on planting taro and yam or gathering of wealth in anticipation of their sons getting married (future expected obligations) or in anticipation of attaining the big-man role. There is

always a certainty attached with this traditional planning process. Gegeo (1994) similarly described the quiet traditional life by stating:

Westerners considered the Solomon Islands to be ‘primitive’ and life was characterized much more distinctly by precariousness or unpredictability than it seems to be today. (p. 127)

The concept of uncertainty is new and had only been introduced during the early cash economy in the 1900s. Solomon Islanders are still new to the idea of planning and forecasting in anticipation for future uncertainties. Furthermore, the cultural influences imposed on local entrepreneurs in terms of how they view business debts (see prior discussion on credit management) also contributes to creating the difficulty in planning and forecasting. Local business entrepreneurs seem to perceive the idea of debt creation as a way forward to getting recognized. As a result, they (local businesses) have difficulty in predicting their cash inflows, coupled with the fact that most of their debtors are either *wantoks*, relatives or close friends.

### **6.6.2 The cash budget**

The cash budget is another cash management tool that has been used by many small businesses to their benefit (Beheshti & Worley, 1992). Monthly or yearly itemized listings of estimated sources of income and expenditures are presented on this document and it includes a requisite infusions of cash, such as loans, equity, or retention of earnings.

For small businesses, planning a line of credit is identified as one of the useful roles played by the cash budget document. Accurate forecasting is then an essential ingredient in order to meet the objectives of the budget plan. In addition, Crowther and Pilkington (2007) stressed that the environmental uncertainty that exists, calls for businesses to prepare tight budgetary measures. Whether small or micro, the need to be aware of the environment is vital. This is largely due to roles in firms always evolves as time passes. Thus, some form of control plans must be in place.

Like cashflow, budgeting is also rarely practiced by Solomon Islands businesses. For instance, B1 stated:

We never keep an operational budget. We always remember what our monthly expenditures and incomes are based on past year’s figures.



B2 similarly mentioned that their budget is always fixed in their minds. They always know what their limits are, in terms of spending. B2 and B4 added that they often attempt to draw up an operational yearly budget. However, practicing it is very difficult. As a result, it becomes an ongoing practice to do budgeting in their minds, based on remembering what the previous figures (expenses and incomes) were. For example B1 says:

This white-man tool they call budget is unworkable for our local setting. I've been in business for almost 40 years now. I've never keep a budget because I know it can't work (*He gave a sarcastic smile when he shared this experience*)

Based on the findings, the concept of budgeting is influenced, firstly, by the non-existence of record keeping in the local culture (see discussion on record keeping). In section 6.4 of this chapter, discusses the difficulty associated with the record keeping function. According to Beheshti and Worley (1992), budgeting is a record keeping function. Budgeting involves drawing up of a time schedule with the estimated incomes and expenditures for an expected period. Control over that schedule is done either weekly or monthly to keep track of the schedule. Grablowsky (1978) similarly added that the common planning period for most cash budgets in small businesses is on annual (yearly) basis. This calls for frequent updating of the yearly budget lines on weekly, monthly and quarterly intervals. Following this, Solomon Islands businesses tend to rely on their memories rather than written records. As was earlier on discussed in section 6.4, the idea of keeping records is a new concept for Solomon Island businesses.

The ignorance towards the budgeting for many Solomon Islands businesses is also related to the control aspect of the budgeting function. As Crowther and Pilkington (2007) argue, it is essential to have some control measures over the cash outflows in order to achieve the objective of the budget plan. However, the mindset that local businesses held towards the entity concept contributes to the difficulty of implementing the control function. Local entrepreneurs do not see their businesses as a separate entity and therefore use the business as a means of achieving their social identities in the society. For instance, being generous, hosting of annual traditional feasts in the villages, participating in almost every traditional ceremonies, in their respective communities (notion of debt creation – see Gegeo, 1994), to mention a few. Furthermore, some of these traditional events are compulsory in order to live in harmony with kin ties and their fellow

tribesmen. Thus, the control function is very difficult to practice in the local context. Many local businesses realized this difficulty as a result, they ignore the tool altogether.

The difficulty in practicing the two cash management tools – cash flow and cash budget, are largely cultural. These cultural influences identified in this discussion under cash management practices results in the two tools becoming non-existence in the local business sector. The difficulties in implementing these two tools results in many local businesses ignoring to realize the benefits that are associated with the two tools. Thus, these two important cash management functions are still non-existence in the local business context.

### 6.7 *The accrual based system*

According to Gross (1972) “the accrual basis of accounting refers to a form of record keeping which in addition to recording transactions resulting from the receipt and disbursement of cash, records the amounts it owes others and others owe it” (cited in Belkaoui, 1983, p. 299). An accrual based system allows businesses to recognise revenue and expenditure when they occur and not when they are actually received or paid in cash. Payments in cash generally occurs at a subsequent time to when the transaction occurs. The accrual system is therefore an integral part of the matching concept (Littleton & Paton, 1940).

In Solomon Islands, although the accrual system is used, this study found that the cash based system is preferred and is more appropriate for the local setting. This is largely due to the contrasting difference between debt in the local context and debts in the accounting context, coupled with the prestige-seeking objectives held by the local entrepreneurs towards running a business.

The negative impacts of the notion of debt creation for Solomon Island businesses is the bad publicity they receive when western businesses stopped credit to these locals by printing the *no kaoni*<sup>28</sup> notice in their businesses. The foreign businesses, say for instance the Chinese business community recognises this cultural impact on local businesses hence for them to allow credit purchases to local businesses is very rare. Similar to the Tongan businesses in New Zealand who

---

<sup>28</sup> *No- credit- allowed* notice in the local pidgin dialect.

prefer cash transactions (Prescott, 2009), Solomon Islands businesses also prefer the cash based system as a more appropriate system for the local business setting in the Solomon Islands.

## 6.8 *The matching principle*

The matching principle highlights that whether the nature of the transaction is in cash or credit, they must be recognised in that particular period of time (Harrison et al., 1987). It is important that revenues are recognised and are matched against the expenses for that period of time to determine profit. Similarly, Cahill, Dubroff, and Norris (1983, cited in Greier, 1988, p. 27) provided that in financial accounting:

The matching principle requires that for any period in which income is to be reported, revenue to be recognized should be determined according to the revenue principle; then the expenses incurred in generating that revenue should be determined and reported for that period. It follows, therefore, that if revenue is carried over from the past periods or deferred until a future period in accordance with the revenue principle, any expense related to that revenue should also be carried over or deferred until the appropriate period. Careful matching is an essential element of financial accounting; it ensures that there is a proper determination of periodic net income.

Therefore, in order to produce a more accurate periodic account over time of the financial health of the business enterprise, proper matching of revenues with costs is important. In addition, Harrison et al. added that the accrual basis of accounting is also linked with the fact that profit determination is a matching process, which in turn give rise to recorded liabilities (accounts payable) and recorded assets (accounts receivable).

The non existence of the entity convention, coupled with the clash of mindset between the local debt and debt in the accounting context, are cultural barriers towards appreciating the importance of the matching concept for Solomon Island businesses. In particular, the *blong yumi* mindset (refer discussion under accounting entity convention in section 6.2.1) which regard the business and the owner as the same entity, results in the business not able to match all of the cash outflows

against the inflows. This is because a lot of these cash outflows do not relate to incurring of business income. Additional to this, the year end balance sheet report, say for instance the current assets and liabilities often do not reflect a true picture of the business for a particular reporting year. This is because some of the assets bought are for family use (see discussion on going concern). Similarly, debts that were not able to be collected or recovered during a particular period are usually not recorded in most local businesses. B2 explains recording of such uncollected debts brings shame to the businesses when drawing up end of year financial reports.

This study argues that it will take some time for business owners to fully realise the importance of these important principle for their businesses. This would call for abandoning certain cultural practices in order to be able to apply and embrace such principles.

### *6.9 The accounting equation*

Similar to the above two principles, the local Solomon Island culture also has some implications on the accounting equation. Harrison et al. (1987) stated that the relationship between the three elements – assets, liabilities and proprietorship – provides the framework of the accounting equation. The difficulty that Somon Island business owners have with the accounting entity concept is echoed in their struggle with understanding the accountig equation. The findings from the current research show that their struggle witht the entity concept affects the existence of the accounting equation for Solomon Island businesses. That is, for most local businesses, the A=P mentality distorts the meaning of the accounting equation as it ignores the role of debt or liabilities.

### *6.10 Conclusion*

The framework that forms the basis of the accounting concept follows a culture that is individualistic in nature, and is in contrary to the Solomon culture and society. Solomon Islands customs and values follow the big-man culture, whereby the customs and value systems are egalitarian and collective in nature (Sahlins, 1970). Based on these two key characteristics, the concept of Social Identity Theory was used as the cultural lens that framed the discussion of findings for this chapter.

The clash between the two cultures (western culture and the local culture) has been found to provide negative effects on the development of accounting in Solomon Island businesses. This is evidence by how the businesses perceive and practice accountancy. In seeking to understand how Solomon Islands businesses perceive the four accounting conventions that make up the financial accounting framework, the four conventions (entity, periodic, monetary, going concern) are all contrary to the Solomon culture. As was mentioned in the earlier paragraph, Solomon Island culture is both egalitarian and collective in nature, which is found to conflict with the western framework that form the basis of the four conventions. As a result, Solomon Island businesses are still struggling to embrace and practice the four conventions. In addition, this present study also found that the perception towards tax compliance had long been demonstrated by the killing of the British commissioner, Bell during the colonial era (J. Bennett, 1987). This perception, which is based on the reciprocal notion of “no one got anything for nothing” (p. 266) is linked to the two key characteristics of egalitarian and collective. It then lead to preventing local businesses from realising the benefits that were associated with tax compliance reporting for small businesses (Barrett et al., 2010).

The practice of record keeping, is still new in the Solomon society. Solomon Islands businesses struggles with the idea of having to keep track of all business transactions and they regard this function as a hassle. Like the neighbouring Pacific Islands, Solomon Islanders are also used to the traditional mode of keeping records which is orally (A. M. Brown et al., 2005). Furthermore, with regard to management over cash and credit transactions, this present study supported Gegeo’s (1994) early study in arguing that the cultural notion of debt creation, which exists in the traditional exchange system had prevented Solomon Island businesses from implementing an effective management systems over both cash and credit transactions. Solomon Islands businesses were found to still practice the idea of being generous, an approach to gaining social recognition. Such mentality results in a cash based system, being a more appropriate and preferred system over the accrual system, for Solomon Island businesses.

Understanding how culture affects the development of accounting in Solomon Island businesses has been demonstrated by seeking the perceptions of the local businesses with regard to the various accounting conventions and practices. The western concept of accounting is contrary to the indigenous customs and value systems. Therefore, Solomon Island businesses still struggles to both embrace and practice the concept in the local setting.

## CHAPTER 7: Research Summary, Contributions and Recommendations

### 7.1 *Summary*

This chapter presents a summary of the findings of this research. This is followed with the contributions this study made to the body of knowledge, suggestions for further research and the limitations encountered by this study.

This study centres on the research question: How does Solomon Island culture affect the evolution of accounting in Solomon Islands? The key impetus behind this research question is based on an early study by Hardman (1984) that investigated the development of accounting in the Solomon Islands. In his findings, Hardman bluntly stated that the reason for the stagnancy of the accounting profession and practice to expand in Solomon Islands is largely due to cultural clashes and a series of historical effects. In addition, this study is also influenced by findings from prior studies conducted in the Pacific Islands (see chapter one). These mentioned studies have discussed how the Pacific Islands' culture have influenced the development and practice of western concepts such as business development, economic development and even accounting development, to mention a few. These studies are presented in section 1.2 in chapter one of this present study.

Solomon Islanders see themselves as Melanesians, and following the egalitarian and competitive characteristics culture of the big-man system (Sahlins, 1970). Peoples' everyday activities is rooted in the cultural mentality that all individuals are equal. It is this cultural view that gave way for the competitive feature of the Melanesian big-man culture. Melanesians believe that only through social competition, can one gain power to influence the *equality* component that exists in the culture of Melanesian societies (see chapter 2). In particular, social competition gave rise to the power to have influence over the use of resources in their society. In addition, based on mutual dependence, Solomon Islands is also a collectivist island nation (e.g., Belshaw, 1954), whereby kinship plays a major role in biding of individuals, and as well as defining of individuals' social identities (Foanaota, 1989). With more than seventy languages and cultures

that exists in the Solomons (Gegeo, 2001), Solomon Islands is a very diverse nation, both culturally and linguistically.

For the purpose of this study, Keesing's (1974) notion of culture as an adaptive system was used to denote a meaning of culture to be used by this study. Keesing writes that culture as an adaptive system is based on the view that human beings, they develop certain behavioural traits, influenced by their environmental settings. Culture in this context is considered inseparable from the environment, or in other words, is the end product of people's custom, interwoven with the influences from the local surrounding such as technologies and modes of economic organisation, settlement patterns, modes of social grouping and political organisation, religious beliefs and practices, and so on. Following this definition (Keesing's notion of culture), Solomon Islands culture can be seen as consisting of, namely: the Melanesian *big-man* practice, wantokism, the whalers and traders influences, Christianity, and World War II aftermath.

Early studies by Bennett (1987) had shown how commerce had evolved in Solomon Islands. The concept of cash economy was introduced on the shores of the Solomons in the early 1800s. It was known as the period of the whalers and traders. According to Bennett, private sector accounting landed on the shores of Solomon Islands during the introduction of the cash economy, which is in the first half of the nineteenth century. The need for accounting in that early period is related to an increasing number of European investors showing interests in the Solomons in the early 1900s (Hardman, 1984).

This current study is similar to previous studies (e.g., Davey & Hauriasi, 2009; Gibson, 2000a) who also investigate the cultural influences on the development and practice of Anglo-American accounting systems in such indigenous societies that holds a contracting social culture to that of the Anglo-American societies. However, whilst the phenomenological approach was used in this study to capture the lived experiences of individuals and businesses (business consultants), this approach of investigation varies from the research approaches used by those early mentioned studies. For instance, the participant observation coupled with in-depth interviews was used by Davey and Hauriasi (2009). In this present study, the emphasis is more on understanding and capturing the lived experiences of the individuals whom have lived and experienced the subject of interest. Based on their experiences, several themes have emerged, which made up the discussions in chapters five and six.

The broad research question (see chapter one) seeks to determine how Solomon Islands culture influences the evolution of practicing accountancy in the local business sector (Solomon Islands businesses). Using the social identity theory as the lens for providing an insight into how the western concept of accounting is practiced by the local businesses, two key themes (findings) have emerged, and these were presented in chapters five and six respectively.

The first relates to how colonialism had affected the early development of accounting in the local business sector. In short, Yazzie (2000) defines the term colonialism as the conquest and control of nonwhite, non-European peoples. These non-whites or indigenous societies include Canada and its indigenous peoples, the Indians in United States, indigenous Australians, Maori Aotearoa (New Zealand), the native Pacific Islands, Indian Latin America, and indigenous Africa. Henderson (2000a) added, colonialism had left a traumatic legacy in the world, particularly in the periods between 1750 and 1900. It represents a phase of rediscovery, in which no ecology, no culture and no people remain untarnished.

The early development (or introduction) of the accounting practice for the Solomon Islands has been found to be purposely delayed by the BSIP government (British Solomon Islands Protectorate) for colonial reasons. These reasons include (1) serving their interests in the country's natural resources (including man-power resource), and (2) protecting their colonial identity. This finding is demonstrated under three sub heads namely, lack of training avenues *locally*, lack of encouragement and participation in the early profession, and trade barriers against the locals in the early cash economy.

The early treatment (or colonial attitude) imposed on to the locals by the BSIP Colonial Government provides negative outcomes (demonstrated by the three subheads mentioned in the above paragraph), which affects the development of accountancy in the local business sector. Those experiences creates new mindsets, and left scars which effected how Solomon Islands businesses perceive introduced knowledge such as accounting and business, and influenced the mentality towards classroom learning. One of the significant impacts is the preference of acquiring and practicing introduced knowledge (accounting) through careful observation and imitation. Solomon Islanders have lost their trust and loyalty with regard to accepting of western introduced knowledge and concepts. Thus, they prefer to learn and practice western concepts such as business and accounting the *Solomon Way*. Drawing on this finding, this present study argues that had the unfavourable experiences and scars never exists, the traditional mode of



learning (observation and imitation or the *copy-cat* mode of learning) would have been erased. Furthermore, while this study acknowledges that the copy-cat mentality is cultural as it is linked with the prestige-seeking custom of the Solomon culture, it also influences the development of accounting in the local business sector. Local businesses observe and imitate each other in order to maintain their pace in the local business environment, or to avoid lagging terribly behind. The fear of one lagging behind is embarrassing in the local setting.

The second theme relates to how Solomon Islands culture clashes with the framework that forms the basis of the western concept of accounting. The clash between the two cultures (western culture and the local culture) has been found to provide negative effects on the development of accounting in Solomon Islands businesses. This is evidence by how the local businesses perceive and practice accountancy. The fact that right in the beginning, the key objective for most Solomon Islands men to go into business is to promote their identities (see also Gegeo, 1994), this affects how they (Solomon Islands entrepreneurs) run their businesses. For instance, the four accounting conventions (entity, periodic, monetary, going concern) were used to capture how Solomon Islands businesses perceive these important accounting principles that make up the financial accounting framework. According to the findings, these four important principles are contrary to the Solomon culture (customs and value systems).

While contemporary local businesses are struggling to digest the significance of accounting for their businesses, they are not prepared to let go of some of the traditional practices (e.g., being generous) that were found to hinder the practice of accountancy in the local commercial setting. Local business entrepreneurs fear losing their social identities in the society hence they still want to retain the custom practices whilst practicing accountancy. This present study termed this behaviour Solomon Islands businesses are practicing accountancy the *Solomon Way*.

Drawing on the findings, this study concluded that Solomon Islands culture had affected the evolution of accounting in Solomon Islands businesses in two ways, namely, (1) colonialism and the creation of negative mindsets towards western introduced knowledge (accounting), and (2) the clash between the local culture and the western culture that frame the basis of the accounting concept.

## *7.2 Contributions of this study*

Based on the emergent themes derived from the lived experiences of persons who have lived and experienced the phenomenon of interest, two key contributions were provided and are discussed below.

### **7.2.1 Contribution to Pacific Islands business-related literature**

Prior studies conducted in the Pacific Islands have identified how the cultures of the small islands had influenced the practice of the following business-related concepts: economic development (Gegeo & Watson-Gegeo, 2002a; Turnbull, 2002), entrepreneurship or business (e.g., Cahn, 2008; Gegeo, 1994; Lenga, 2005; Reddy, 2001; Saffu, 2003; Schaper, 2002), knowledge management (e.g., Sanga, 2009), accounting education (e.g., Dixon, 2004), small business growth and sustainability (e.g., Attahir, 1995; Baldacchino, 1999; Prescott, 2009), and accounting practices (Brown & Tower, 2002; Davey & Hauriasi, 2009). The mentioned studies provide explanations as to why the following mentioned western concepts cannot be fully embraced and practiced in the South Pacific region.

While the above mentioned literature have identified how culture of the small Islands had conflicted with the adoption and practice of the following mentioned western concepts, there remains a significant gap in relation to culture and the evolution of the Anglo-Saxon concept of accounting in the smaller nations in the South Pacific region. With particular attention given to small businesses (SMEs), this present study takes on an ethnic specific approach, and attempt to fill that gap by investigating how Solomon Islands culture affects the evolution of the Anglo-Saxon concept of accounting in the businesses in the Solomon Islands.

### **7.2.2 Contributions to cultural studies in the development and practice of accountancy in indigenous settings**

Culture determines the manner in which accounting is recognized, grasped, or understood (Belkaoui & Picur, 1991). Belkaoui and Picur, although their study was aimed at investigating the cultural determinism of accounting at the international level, they have provided significant contribution to the literature which takes on a cognitive approach to investigating the cultural effects on accounting development. Taking on the similar approach (cognitive studies in accounting), other studies (Davey & Hauriasi, 2009; Gibson, 2000a; Greer & Patel, 2000) have

also contributed to the literature as they moved away from the harmonization of accounting practice issues to investigate how the Anglo-Saxon concept of accounting is perceived in indigenous settings. Greer and Patel for instance, their study demonstrated how the Australian indigenous cultures conflict with the framework upon which accounting is developed. Their study illustrates how the accounting is perceived in the indigenous settings in Australia.

This present study also takes on a cognitive approach to demonstrating the manner in which culture has affect the evolution of accounting in Solomon Islands businesses. The contribution this study had made is in particular related to revealing how the Melanesian big-man culture had provide negative outcomes towards accounting development in the indigenous or local business sector in the Solomon Islands. This contribution is summarised in two distinct ways.

1. It does so through the application of social identity theory that demonstrates how the Melanesian big-man system influences or affects the development and practice of accountancy in Solomon Islands' local business setting. This finding is consistent with arguments by Belshaw (1954), Evans-Pritchard (1952, cited in T. G. Harding, 1970), Gegeo (1994) and Malinowski (1970). These mentioned studies although they focuses on how Melanesian entrepreneurs practice the western concept of business, they also demonstrated how Melanesian entrepreneurs *run* their businesses.
2. It identifies certain cultural elements of the general customs held by Solomon Islanders which are seen as barriers towards accounting development in the commercial setting. For instance, the theory of bandwagon effect discussed in section 5.2.4.2, which this study termed it as the copy-cat cultural mentality, is one of the influential elements identified by this study as a barrier towards accounting development in the local business sector.

### 7.3 *Suggestions for future research*

The findings in this qualitative study enable the researcher to suggest areas for further research.

The concept of the *bandwagon effect* (discussed in section 5.3) is a possible theoretical framework for future researchers in the Pacific Islands, in particular, societies that adopt and

practices the big-man culture. An area suggested by this study is using the concept of the *bandwagon effect* for further investigating into the adoption of the Going Concern principle for Melanesian businesses. This study briefly demonstrated how the copy-cat mentality clashes with the going concern principle for Solomon Islands businesses. However, this present study limit its scope to demonstrating only the clash between the two concepts. Further study is needed to investigate what outcomes the copy-cat mentality may have on the going concern principle for businesses in such settings.

This study also provides a platform for future research in similar settings who may wish to employ the social identity theory in investigating the adoption and practice of accountancy, and taking on the ethnic specific approach of research.

#### 7.4 *Research limitation*

This sub-section outlines the limitations of this study and the consequences of these limitations on the conclusions.

The key problem identified whilst conducting this study is the issue of accessibility. In particular, the researcher's inability to access persons who have been told to hold useful experiences and information with regard to the subject of interest (accounting development in Solomon Islands). The *purposeful sampling* method that is used by this study follows the snow-ball technique for locating of the participants. However, while the snow-ball technique is useful for leading the researcher to participants who were believed to hold useful experiences and information about the early development of accounting in Solomon Islands, access to these identified persons is difficult. These persons were found to be scattered all over the islands. Solomon Islands being a country that is made up of scattered islands, makes it very difficult to locate these retired and *old-time British boys* (a term commonly used for those Solomon Islanders who have worked in the colonial office during the British Solomon Islands Protectorate days). These old-time British boys after they have retired from the designated posts they have held in the government after the Independence, they went and live quiet lives in their respective villages (island homes). They were never found in Honiara (capital town of the Solomon Islands) during the period when this study was conducted. For instance, G1 (Solomon Islands first local Accountant General) this study had to pay for his travelling and accommodation expenses to get him across from his home

island to Honiara to participate in this research. Coupled with the difficulty in transportation in the islands (sea transportation amongst the islands varies - on weekly/ fortnightly, and even on monthly basis), accessibility is a major limitation faced by this study.

In chapter five of this study, a lot of the findings with regard to theme one, which is colonialism and how it affects the subject of interest, was provided by G1. A lot of the experiences and facts that G1 had shared, this study is not able to access other participants whom G1 had referred to as his work-colleagues (old-time British boys) due to the reasons outlined above. For this purpose, this study relies on the current literature (e.g., J. Bennett, 1987; Gegeo, 1994; Hardman, 1984; Wasuka, 1989) as supporting evidences to those experiences and recollections offered by G1. This is to achieve the validity and reliability of findings objective.

## *7.5 Concluding remarks*

This qualitative study employs the phenomenological approach of viewing the world to collect the lived experiences of identified persons who have witnessed the development of accounting in the local business sector. Using the social identity theory, those lived experiences were interpreted to demonstrate how Solomon Islands culture has affected the development of accountancy in Solomon Islands business setting. Following those interpretations, two key conclusions were presented. Solomon Islands culture had affected the development of accounting in Solomon Islands businesses through, (1) colonialism and its effects on local business' perceptions towards accounting as an introduced knowledge, and (2) the western culture that form the basis of accounting contradicts the local culture held by the Solomon Islanders.

This study, however, is not intended to provide generalizations of findings regarding culture and accounting development in local business settings, but rather to draw on the lived experiences of identified persons and business houses in Solomon Islands as a theoretical basis for understanding the subject of interest.

## References

- Abrams, D., Hinkle, S., & Otten, S. (2004). The social theory identity perspective: Intergroup relations, self-conception, and small groups. *Small Group Research*, 35(3), 246-276.
- Abrams, D., & Hogg, M. A. (1998). Prospects for Research in group processes and intergroup relations. *Group Processes and Intergroup Relations*, 1, 7-20.
- Alasia, S. (1989). Politics. In H. Laracy (Ed.), *Ples blong iumi Solomon Islands: The past four thousand years* (pp. 137-151). Suva, Fiji: Institute of Pacific Studies of University of the South Pacific.
- Amit, R., & Villalonga, B. (2004). *How do family ownership, management, and control affect firm value?* Unpublished Paper.
- Anvari, M., & Gopal, V. V. (1983). A survey of cash management practices of small Canadian firms. *Journal of Small Business Management (Pre-1986)*, 53-58.
- Arksey, H., & Knight, P. (1999). *INterviewing for Social Scientists: An Introductory Resource with Examples*. London: Sage.
- Arregle, J. L., Hitt, A., Sirmon, D. G., & Very, P. (2005). The development of organisational social capital : Attributes of family firms. *Journal of Management Studies*, 44(1), 73-95.
- Arregle, J. L., Hitt, A., Sirmon, D. G., & Very, P. (2007). The development of organisational social capital : Attributes of family firms. *Journal of Management Studies*, 44(1), 73-95.
- Ashforth, B. E., & Mael, F. (1989). Social identity theory and the organisation. *Academy of Management Review*, 14(1), 20-39.
- Attahir, Y. (1995). Criticle success factors for small business: Perceptions of South Pacific entrepreneurs. *Journal of Small Business Management*, 33(2), 68-72.
- Baldacchino, G. (1999). Small business in small islands: A case study from Fiji. *Journal of Small Business Management*, 37(4), 80-84.
- Baldwin, J. R., Faulkner, S. L., & Hechi, M. L. (2006). A moving target: The illusive definition of culture. In J. R. Baldwin, S. L. Faulkner, M. L. Hechi, & S. L. Lindsley (Eds.), *Redefining culture perspectives across the disciplines* (pp. 3-26). London, UK: Lawrence Erlbaum Associates, Publishers.
- Baldwin, J. R., Faulkner, S. L., Hecht, M. L., & Lindsley, S. L. (2006). Layers of meaning: An analysis of definitions of culture. In J. R. Baldwin, S. L. Faulkner, M. L. Hecht, & S. L. Lindsley (Eds.), *Redefining culture perspectives across the disciplines*. London, UK: Lawrence Erlbaum Associates, Publishers.
- Barnett, M. L. (1960). Kinship as a factor affecting cantonese economic adaptation in the United States. *Human Organization*, 19(1), 40-46.
- Barrett, R., Dyt, R., & Halabi, A., K. (2010). What is the use of financial compliance? the case of small business in Australia. *Qualitative Research in Accounting and Management*, 7(2), 163-179. doi:10.1108/11766091011050840
- Beheshti, H. M., & Worley, J. K. (1992). Improving cash management in the small firm: A risk adjusted approach. *Journal of Business & Entrepreneurship*, 4(3), 13-20.
- Belkaoui, A. R. (1983). Accrual accounting and cash accounting: Relative merits of derived accounting indicator numbers. *Journal of Business Finance & Accounting*, 10(2), 299-312.
- Belkaoui, A. R., & Picur, R. D. (1991). Cultural determinism and the perception of accounting concepts. *International Journal of Accounting*, 26, 118-130.
- Bell, A. H. (1990). Emphirical study of the types and frequencies of accounting problems encountered during the stages of development of small businesses.

- Bell, P. W., & Edwards, E. O. (1961). *The theory and measurement of business income*. New York, USA: Garland Publishing Inc.
- Belshaw, C. S. (1954). *Changing melanesia*. London, UK: Oxford University Press.
- Bennett, J. (1987). *Wealth of the Solomons: A history of a pacific archipelago, 1800 - 1978*. Honolulu, Hawaii: University of Hawaii Press.
- Bennett, J., A. (1987). *Wealth Of The Solomons: A History Of A Pacific Archipelago, 1800- 1978*. Honolulu: University of Hawaii Press.
- Bertrand, M., & Schoar, A. (2006). The role of family in family firms. *Journal of Economic Perspectives*, 20(2), 73-96.
- Betts, P. (2001). Family companies are ready for the worst. *Financial Times (London)*.
- Bianchi, C., & Bivona, E. (2000). Commercial and financial policies in family firms: The small business growth management flight simulator. *Simulation and Gaming*, 2(31), 197-229.
- Binford, L. R. (1968). Some Comments on Historical versus Processual Archaeology. *Southwestern Journal of Anthropology*, 24(3), 267-275.
- Bourdieu, P. (1986). The forms of social capital. In J. G. Richardson (Ed.), *Handbook of theory and research for the sociology of education* (pp. 241-258). New York, USA: Greenwood.
- Briston, R. J. (1978). The evolution of accounting in developing countries. *International Journal of Accounting, Education and Research*, 14(1), 105-121.
- Brown, A., M., Taplin, R., & Tower, G. (2005). The importance of oral communication in a Pacific Island countries' context. *The Journal of American Academy of Business, Cambridge*, 7(2), 113-140.
- Brown, A. M., Taplin, R., & Tower, G. (2005). The importance of oral communication in a Pacific Islands' context. *The Journal of American Academy of Business, Cambridge*, 7(2), 113-140.
- Brown, A. M., & Tower, G. (2002). Traditional and western accounting disclosure models for Pacific Island countries' entities. *Pacific Accounting Review*, 14(1), 43-66.
- Burchell, S., Clubb, C., Hopwood, A., Huges, J., & Nahapiet, J. (1980). The roles of accounting in organisations and society. *Accounting Organisations and Society*, 5(1).
- Burkart, M., Panunzi, F., & Shleifer, A. (2003). Family firms. *The Journal of Finance*, 9(5), 2167-2201.
- Butu, S., & Fugui, L. (1989). Religion. In H. Laracy (Ed.), *Ples blong iumi Solomon Islands: The past four thousand years* (pp. 73-93). Suva, Fiji: Institute of Pacific Studies of the University of the South Pacific.
- Cahn, M. (2008). *Indigenous entrepreneurship, culture and micro-enterprise in the Pacific Islands: Case studies from Samoa*. Canterbury, New Zealand: Lincoln University.
- Casson, M. (1999). The economics of the family firm. *Scandinavian Economic History Review*, 17(1), 10-23.
- CBSI. (2009). *CBSI annual report*.
- Chanchani, S., & MacGregor, A. (1999). A synthesis of cultural studies in accounting. *Journal of Accounting Literature*, 18(1), 1-29.
- Chand, P. (2005). Impetus to the success of harmonization: The case of South Pacific nations. *Critical perspectives on accounting*, 16(3), 209-226.
- Chu, W. (2009). The influence of family ownership on SME performance: evidence from public firms in Taiwan. *Small Business Econ*, 33, 353-373.
- Chuta, E. (1983). Upgrading the managerial process of small entrepreneurs in West Africa. *Public Administration and Development*, 3, 275-283.
- Coleman, J. (1998). Social capital in the creation of human capital. *American Journal of Sociology*, 94, 95-120.

- Cost, A., & Hughes, A. (1994). *Size, financial structure and profitability*. London, UK: Routledge.
- Craig, J., Dibrell, C., Hayton, J. C., Neubaum, D. O., & Zahra, S., A. (2008). Culture of family commitment and strategic flexibility: The moderating effect of stewardship. *Entrepreneurship: Theory and Practice*.
- Crocker, J., & Luhtanen, R. (1992). A collective self-esteem scale: Self-evaluation of one's social identity. *PSPB*, 18(3), 302-318.
- Crocombe, R. G. (2001). *The South Pacific*. Suva, Fiji: University of the South Pacific.
- Cross, G. (1980). *Aloha Solomons*. Suva, Fiji: University of the South Pacific's Institute of Pacific Studies in association with the Solomon Islands extension centre.
- Crowther, D., & Pilkington, M. (2007). Budgeting and control. *Financial Management (London, England)*, 29-30.
- Curran, J., Jarvis, R., Kitching, J., & Lightfoot, G. (1996). *The financial management of of small firms: An alternative perspective* (The chartered association of certified accountants research report No. 49). London.
- Curry, G. N. (2005). Doing "Business" in Papua New Guinea: The social embeddedness of small business enterprises. *Journal of Small Business Entrepreneurship*, 18(2), 231-246.
- Daily, C. M., & Dollinger, M. J. (1993). Alternative methodologies for identifying family- versus nonfamily-managed businesses. *Journal of Small Business Management*, 31(2), 79-90.
- Danes, S. M., Heck, R. K. Z., Lee, J., & Stafford, K. (2008). The effects of ethnicity, families and culture on entrepreneurial experience: An extension of sustainable family business theory. *Journal of Developmental Entrepreneurship*, 13(3), 229-268.
- Davey, H., & Hauriasi, A. (2009). Accounting and culture: the case of Solomon Islands. *Pacific Accounting Review*, 21(3), 228-259.
- Davis, J. A., Gersick, K. E., Hampton, M. M., & Lansberg, I. (1997). *Generation to generation: Life cycles of the family business*. Boston, USA: Harvard Business School Press.
- Davis, J. A., & Tagiuri, R. (1992). On the goals of successful family companies. *Family Business Review*, 1(2), 105-117.
- Deshpande, R., & Forehand, M. R. (2001). What we see makes us who we are: Priming ethnic self-awareness and advertising response. *Journal of Marketing Research*, 38, 336-348.
- Deshpande, R., & Stayman, D. M. (1994). A tale of two cities: Distinctiveness theory and advertising effectiveness. *Journal of Marketing Research*, 31, 57-64.
- DeThomas, A. R. (1980). Forecasting the cash budget in the small firm. *American Journal of Small Business*, 4(3), 9-20.
- DeThomas, R. (1980). Forecasting the cash budget in small firm. *American Journal of Small Business*, 5(3).
- Dixon, K. (2004). Experiences of an accounting educator in Kiribati. *Accounting Education*, 13(3), 311-327.
- Douppnik, T. S., & Tsakumis, G. T. (2004). A critical review of tests of Gray's theory of cultural relevance and suggestions for future research. *Journal of Accounting Literature*, 23(1), 1-23.
- Duncan, R. (2008). Cultural and economic tensions in the Pacific Islands' futures. *International Journal of Social Economics*, 35(3), 919-929.
- Dyer, W. G. J. (2006). Examining the "Family Effect" on firm performance. *Family Business Review*, 19(4), 253-273.
- Dyt, R. (2005). *What is the use of financial compliance? The case of small businesses in Australia*.
- Eddleston, K. A., & Kellermanns, F. W. (2007). Destructive and productive family relationships: A stewardship perspective. *Journal of Business Venturing*, 22(4), 545-565.



- Eddleston, K. A., Kellermanns, F. W., & Sarathy, R. (2008). Resource configurations in family firms: Linking resources, strategic planning and technological opportunities to performance. *Journal of Management Studies*, 45(1), 26-50.
- Faccio, M., Lang, L. H. P., & Young, L. (2001). Dividends and expropriation. *American Economic Review*, 91(1), 54-78.
- Fama, E. F., & Jensen, M. C. (1985). Organisational forms and investment decisions. *Journal of Financial Economics*, 14, 101-109.
- Fechner, H. E., & Kilgore, A. (1994). The influence of cultural factors on accounting practice. *International Journal of Accounting*, 29(1), 265-277.
- Feldman, H. D., Koberg, C. S., & Dean, T. J. (1991). Minority small business owners and their paths to ownership. *Journal of Small Business Management*, 29(4), 12-27.
- Flood, A. (2010). Understanding phenomenology. *Nurse Researcher*, 17(2), 7-15.
- Foanaota, L. (1989). Social change. In H. Laracy (Ed.), *Ples blong iumi Solomon Islands: The past four thousand years* (pp. 68-72). Suva, Fiji: Institute of Pacific Studies of the University of the South Pacific.
- Forehand, M., & Reed, A. (2003). *Social identity and marketing research: An integrative framework*. Unpublished Paper.
- Fratoe, F. A. (1993). Rural minority business development. *Review of Black Political Economy*, 22(2).
- Fremgen, J. M. (1968). The going concern assumption: A critical appraisal. *The Accounting Review*, 43(4), 649-656.
- Gegeo, D. W. (1994). *Kastom and bisnis: Towards intergrating cultural knowledge into rural development in the Solomon Islands* (Doctoral thesis). University of Hawai'i, Honolulu, Hawai'i.
- Gegeo, D. W. (1998). Indigenous knowledge and empowerment: Rural development examined from within. *Contemporary Pacific*, 10(2), 289-315.
- Gegeo, D. W. (2001). Cultural rupture and indigeneity: The challenge of (re) visioning "place" in the Pacific. *The Contemporary Pacific*, 13(2), 491-507.
- Gegeo, D. W., & Watson-Gegeo, K. A. (2002a). Whose knowledge? Epistemological collision in Solomon Islands community development. *Contemporary Pacific*, 14(2), 377-409.
- Gegeo, D. W., & Watson-Gegeo, K. A. (2002b). Whose knowledge? Epistemological collisions in Solomon Islands community development. *Contemporary Pacific*, 14(2), 377-409.
- Gibson, K. (2000a). Accounting as a tool for Aboriginal dispossession: then and now. *Accounting, Auditing & Accountability Journal*, 13(3), 289-306.
- Gibson, K. (2000b). Accounting as a tool for Aboriginal dispossession: then and now. *Accounting, Auditing & Accountability Journal*, 13(3), 289-306.
- Goldberg, L. (2001). *A journey into accounting thought*. London, UK: TJ International Ltd.
- Gomez-Mejia, L. R., Haynes, K. T., Jackson, K. J. L., Moyano-Fuentes, J., & Nunez-Nickel, M. (2007). Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills. *Administrative Scientific Quarterly*, 52(1), 106-137.
- Grablowsky, B. J. (1978). Management of the cash position. *Journal of Small Business Management*, 16(1), 38-42.
- Gray, D., E. (2004). *Doing Research In The Real World*. London: SAGE Publications Ltd.
- Gray, S. J. (1988). Towards a theory of cultural influence on the development of accounting systems internationally. *Abacus*, 1-15.
- Greer, S., & Patel, C. (2000). The issue of Australian indigenous world-views and accounting. *Accounting, Auditing & Accountability Journal*, 13(3), 307.
- Greier, D. A. (1988). The myth of the matching principle as a tax value. *The American Journal of Tax Policy*, 15(17), 17-166.

- Griffeth, R., & Hom, P. W. (1995). *Employee turnover*. Cincinnati, OH: South-Western College Publishing.
- Guba, E. G. (1990). The Alternative Paradigm Dialog. In E. G. Guba (Ed.), *The Paradigm Dialog*. California, USA: Sage Publishing.
- Gubrium, J. A., & Holstein, J. A. (2003). Analysing interpretive practice. In N. Denzin & Y. Lincoln (Eds.), *Strategies of qualitative inquiry*. California, USA: SAGE Publications Inc.
- Gynther, R. S. (1967). Accounting concepts and behavioural hypotheses. *The accounting Review*, 42(2), 274-290.
- Habaradas, R. B., & La Salle, D. (2008). SME development and technology upgrading in Malaysia: Lessons for the Philippines. *Journal of International Business Research*, 7(1), 89-116.
- Harding, T., G., (1970). Trading In Northeast New Guinea. In T. Harding, G., & W. Wallace, *Cultures Of The Pacific* (pp. 94-112). New York: The Free Press.
- Harding, T. G. (1970). Trading in Northeast New Guinea. In T. G. Harding & B. J. Wallace (Eds.), *Cultures of the Pacific*. New York, USA: The Free Press
- Hardman, D. J. (1984). Accounting development in the Solomon Islands. *International Journal of Accounting Education and Research*, 20(1), 141-152.
- Harris, P. R., & Moran, R. T. (1987). *Managing Cultural Differences* (2nd ed.). Houston: Gulf Publishing Co.
- Harrison, G. L., Horrocks, J., & Newman, R. L. (1987). *Fundamentals of accounting*. Auckland, New Zealand: Longman Paul Limited.
- Harrison, J., Horrocks, J., & Newman, R., L., (1987). *Fundamentals Of Accounting*. Auckland: Longman Paul Limited.
- Heilbrunn, S., & Kushinovich, N. (2007). Immigrant and indigenous enterprise: Similarities and differences. *International Journal of Business Performance Management*, 9(3), 344-361. doi:10.1504/IJBPM.2007.013312
- Henderson, J. Y. (2000). Ayukpachi: Empowering Aboriginal thought. In M. Battiste (Ed.), *Reclaiming indigenous voices and vision* (pp. 248-278). Vancouver, Canada: UBC Press.
- Henderson, J. Y. (2000a). Postcolonial ghost dancing: Diagonising European colonialism. In M. Battiste (Ed.), *Reclaiming indigenous voices and vision*. Vancouver, Canada: UBC Press.
- Hesse-Biber, S., N. (2006). *The Practice of Qualitative Research*. London: SAGE Publications.
- Hesse-Biber, S. N. (2006). *The practice of qualitative research*. London, UK: SAGE Publications.
- Hofstede, G. (1980). *Culture's consequences*. CA, USA: Sage Publications, Inc.
- Hogg, J. C., Oakes, M. A., Reicher, S. D., & Wetherell, M. (1987). *Rediscovering the social group: A self-categorization theory*. Oxford, England: Basil Blackwell.
- Hogg, M. A., & Abrams, D. (1999). Social Identity and social cognition: Historical background and current trends. In D. Abrams & M. A. Hogg (Eds.), *Social Identity and social cognition* (pp. 1-25). Oxford, England: Blackwell.
- Hogg, M. A., Terry, D. J., & White, K. M. (1995). A tale of two theories: A critical comparison of identity theory with social identity theory. *Social Psychology Quarterly*, 58(4), 255-269.
- Holmes, S., & McMahon, R. G. P. (1991). Small business financial management practices in North America: A literature review. *Journal of Small Business Management*, 29(2), 19-29.
- Holmes, S., & Nicholls, D. (1989). Modelling the accounting information requirements of small businesses. *Accounting and Business Research*, 19(74), 143-150.

- Howorth, C., & Westhead, P. (2006). Ownership and management issues associated with family firm performance and company objectives. *Family Business Review*, 19(4), 301-316.
- Hubby, L. (2001). From social to political identity: A critical examination of social identity theory. *Political psychology Quarterly*, 58(4), 255-269.
- Huddy, L. (2001). From social to political identity: A critical examination of social identity theory. *Political psychology*, 22(1), 127-156.
- Inglis, D. (2005). *Culture and everyday life*. London, UK: Routledge Taylor & Francis Group.
- Ipo, J. (1989). Land and economy. In H. Laracy (Ed.), *Ples blong iumi Solomon Islands: The past four thousand years* (pp. 121-136). Suva, Fiji: Institute of Pacific Studies of University of the South Pacific.
- Ismail, N., & Najmi, A. (2009). Succession planning in family firms and its implication on business performance. *Journal of Asia Entrepreneurship and Sustainability*, 5(3), 86-107.
- James, H. S. (1999). Owners as manager, extended horizons and family firm. *International Journal of the Economics of Business*, 6(1), 41-55.
- Jensen, M. C., & Meckling, W. F. (1976). Theory of the firm: Management behaviour, agency costs and ownership structure. *Journal of Financial Economics*, 3, 305-360.
- Karra, N., Phillips, N., & Tracey, P. (2006). Altruism and agency in the family firm: Exploring the role of family, kinship, and ethnicity. *Entrepreneurship: Theory and Practice*, 861-877.
- Keasey, K., & Short, H. (1990). The accounting burdens facing small firms: An empherical research note. *Accounting and Business Research*, 20(80), 307-313.
- Keesing, R. M. (1974). *Theories of culture*
- Keesing, R. M. (1994). Kwaisulia as culture hero. In J. Carrier (Ed.), *History and tradition in Melanesian anthropology* (pp. 174-192). Los Angeles, USA: University of California Press.
- Kets de Vries, M. F. R. (1993). The dynamics of family controlled firm: The good and the bad news. *Organisational Dynamics*, 21(3), 59-71.
- Kirchhoff, J. J., & Kirchhoff, B. A. (1987). Family Contributions to Productivity and Profitability in Small Business. *Journal of Small Business Management*, 25(4), 25-31.
- La Porta, R., Lopez-de-Silanes, F., & Schleifer, A. (1999). Corporate ownership around the world. *Journal Of Finance*, 54, 471-517.
- Lansberg, I. (1999). *Succeeding generations*. Boston, USA: Harvard Business School Press.
- Lea, D. (1993). Melanesian axiology, communal land tenure, and the prospect of sustainable development within Papua New Guinea. *Journal of Agriculture and Environmental Ethics*, 89-101.
- Lenga, B. (2005). An institutional analysis of village-based aid projects in Solomon Islands. *Pacific Bulletin*, 20(2), 42-55.
- Lewis, R. D. (2000). *When cultures collide: Managing successfully across cultures* London, UK: Nicholas Brealey Publishing.
- Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic Inquiry*. California USA: Sage Publishing Inc.
- Littleton, A., & Paton, W. (1940). *An introduction to corporate accounting standards*. Columbus, Ohio: American Accounting Association.
- Malinowski, B. (1970). The Primitive Economics of the Trobiand Islanders. In T. G. Harding & B. J. Wallace (Eds.), *Cultures of the Pacific : Selected Readings* (pp. 51-62). New York: The Free Press.
- Mathieu, J. E., & Zajac, D. M. (1990). A review of meta-analysis of antecedents of correlates, and consequences of organizational commitment. *Psychological Bulletin*, 108, 171-194.
- McMahon, R. G., & Holmes, S. (1991). Small business financial management practices in North America: A literature. *Journal of small business management*, 29(2), 19-29.

- Meyer, J. W. (1986). Social environments and organisational accounting. *Accounting, Organisations and Society*, 11(4/5).
- Mihalic, F. (1971). *The Jacaranda dictionary and grammar of Melanesian Pidgin*: Jacaranda (Milton Q).
- Mock, R. K., Strangeland, D. A., & Yeung, B. (2000). Inherited wealth, corporate control, and economic growth? . In K. Randall (Ed.), *Concentrated corporate ownership*. Chicago, USA: University of Chicago Press.
- Moreland, R. L., Hogg, M. A., & Hains, S. C. (1994). Back to the future: Social psychological research on groups. *Journal of Experimental Social Psychology*, 30, 527-555.
- Morgan, M. (2005, 2005). *State society and governance in Melanesia*. Discussion paper, Canberra, Australia.
- Moustakas, C. (1994). *Phenomenological research methods*. California, USA: Sage Publications, Inc.
- Moustakas, C. E. (1994). *Phenomenological research methods* Thousand Oakes California: Sage Publishing.
- Mueller, G. G. (1967). *International accounting*. New York, USA: MacMillan.
- n.n. (1897). British Solomon Islands. *Bulletin of Miscellaneous Information*, 416-420.
- Nobes, C. W. (1983). A judgemental international classification of financial reporting practices. *Journal of Business Finance and Accounting*, 10(1), 1-19.
- Otto, T. (1998). Resource management in Lavongai and Tidak Islands: Changing practices, changing identities. In J. Wassmann (Ed.), *Pacific answers to western hegemony: Cultural practices of identity construction* (pp. 229-252). New York, USA: Oxford International Publishers Ltd.
- Perera, M. H. (1989). Accounting in developing countries: A case for localised uniformity. *British Accounting Review*, 21, 141-158.
- Pirich, A. (2001, June). *An interface between entrepreneurship & innovation - New Zealand SMEs perspective*. presented at the meeting of the Winter conference, Aalborg University, Denmark.
- Poza, E. J. (1989). *Smart growth: Critical choices for business continuity and prosperity*. California, USA: Jossey-Bass.
- Prescott, M. J. (2009). *Pacific business sustainability in New Zealand: A study of Tongan experiences* (Doctoral thesis). Auckland University of Technology, Auckland, New Zealand.
- Reddy, N. (2001). *General managers in the Pacific Islands*. Denmark: Aalborg University Press.
- Reicher, S. (2004). The context of social identity: Domination, resistance, and change. *Political psychology*, 25(6), 921-945.
- Riahi-Belkaoui, A., & Picur, R. D. (1991). Cultural Determinism and the Perception of Accounting Concepts. *The International Journal of Accounting*, 26, 118-130.
- Rikkers, L. F. (2002). The bandwagon effect. *Journal of Gastrointestinal Surgery*, 6(6), 787-794.
- Rohorua, F. I. (2007). *The concept of development in Ulawa in Solomon Islands and its implications for national development policy and planning* (Doctoral thesis). University of Waikato, Hamilton. Retrieved from <http://waikato.researchgateway.ac.nz/>
- Saffu, K. (2003). The role and impact of culture on South Pacific island entrepreneurs. *International Journal of Entrepreneurial Behaviour & Research*, 9(2), 55-73.
- Sahlins, D. M. (1970). Poor man, rich man, big man: Political types. In T. G. Harding & B. J. Wallace (Eds.), *Cultures of the Pacific* (pp. 203-215). New York, USA: The Free Press.
- Saleh, A. S., & Ndubisi, N. O. (2006). An evaluation of SME development in Malaysia. *International Review of Business Research Papers*, 2(1), 1-14.

- Sand, C. (2002). Melanesian tribes vs. Polynesians chiefdoms: Recent archeological assessment of a class model of sociopolitical types in Oceania. *Asian Perspective*, 41(2), 284-296.
- Sanga, J. B. (2009). *An exploratory case study into the cultural effects on knowledge management practice in Solomon Islands* (Masters). Victoria University of Wellington, Wellington, New Zealand.
- Sarapaivanich, N. (2003, October). *The use of financial information in financial decisions of SMEs in Thailand*. presented at the meeting of the 16th Annual Conference of Small Enterprise Association of Australia and New Zealand, Ballarat, Australia.
- Schaper, M. (2002). The future prospects for entrepreneurship in Papua New Guinea. *Journal of Small Business Management*, 40(1), 78-83.
- Scheyvens, R. (1999). Culture and society. In J. Overton & R. Scheyvens (Eds.), *Strategies for sustainable development: Experiences from the Pacific*. Sydney, Australia: University of New South Wales Press.
- Scott, W. L. (1983). Financial performance of minority- versus non-minority-owned businesses. *Journal of Small Business Management*, 21(1), 24-48.
- Seidman, I. (2006). *Interviewing as qualitative research: A guide for researchers in education and social sciences*. New York, USA: Teachers College Press.
- Silliman, S. W. (2005). Culture contact or colonialism? Challenges in the archaeology of Native North America. *American Antiquity*, 70(1), 55-74.
- Spence, L. J. (1999). Does size matter? The state of the art in small business ethics. *Business Ethics (Oxford, England)*, 8(3), 163-174.
- Stake, R., E. (2005). Qualitative Case Studies. In N. Denzen, K., & Y. Lincoln, S., *Qualitative Research* (pp. 443-446). London: Sage Publications, Inc.
- Tajfel, H. (1959). Quantitative judgement in social perception. *British Journal of Psychology*, 50(1), 16-29.
- Tajfel, H. (1969). Cognitive Aspects of Prejudice. *Journal of Social Issues*, 25(4), 79-97.
- Tajfel, H. (1974). Social identity and intergroup behaviour *Social Science Information*, 13, 65-93.
- Tajfel, H. (1981). *Human Groups and Social Categories*. Cambridge: Cambridge University Press.
- Tajfel, H., Billig, M. G., Bundy, R. P., & Flament, C. (1971). Social categorization and intergroup behaviour. *European Journal of Social Psychology*, 1(2), 149-178.
- Tajfel, H., & Turner, J. C. (1979). An Integrative Theory of Intergroup Conflict. . In G. Austin & S. Worchel (Eds.), *The Social Psychology of Intergroup Relations*. Monterey CA: Brooks-Cole.
- Tajfel, H., & Turner, J. C. (1986). The social identity theory of inter-group behavior. In S. Worchel & G. Austin (Eds.), *Psychology of Intergroup Relations*. Chicargo: Nelson-Hall.
- Tan, D., Tan, J., & Xia, J. (2008). Mimetric entry and bandwagon effect: The rise and decline of international equity joint venture in China. *Strategic Management Journal*, 29(1), 195-217.
- Thompson, R. (1986). Understanding cash flow: A system of dynamics analysis. *Journal of Small Business Management*, 24(2), 23-30.
- Toby, A. J. (2007). Financial management modelling of the performance of Nigerian quoted small and medium-sized enterprises. *Journal of Financial Management and Analysis*, 20(1), 49-68.
- Tokarev, S. A. (1973). The Segregation and integrative functions of culture. In B. Bernardi (Ed.), *The Concept and Dynamics of Culture*. Tha Hague, Paris: Mouton.
- Turnbull, J. (2002). Solomon Islands: Blending traditional power and modern structures in the state. *Public Administration and Development*, 22, 722-758.
- Van Manem, M. (1997). *Researching Lived Experiences: Human Science For An Action Sensitivity Pedagogy*. Canada: The Althouse Press.

- Van Manen, M. (1997). *Researching the lived experience: Human science for an action sensitive pedagogy*. Ontario, Canada: Althouse Press.
- Venkatesan, V. (1998). Accounts payable: Silver lining or dark cloud. *Secured Lender*, 54(6), 88-94.
- Violet, W. J. (1983). The development of international accounting standards: An anthropological perspective. *International Journal of Accounting Education and Research*, 18(2), 1-12.
- Waleanisia, J. (1989). Time. In H. Laracy, *Ples Blong Iumi Solomon Islands: The Past Four Thousand Years* (pp. 47-60). Suva: Institute of Pacific Studies of the University of the South Pacific.
- Wallace, R. S. O. (1990). Accounting in developing countries. *Research in Third World Accounting*, 1.
- Ward, J. L. (1987). *Keeping the family business healthy*. California, USA: Jossey-Bass.
- Wasuka, M. (1989). Education. In H. Laracy (Ed.), *Ples blong iumi Solomon Islands: The past four thousand years*  
Suva, Fiji: Institute of Pacific Studies of University of the South Pacific
- Welsh, J. A., & White, J. F. (1981). A small business is not a little big business. *Harvard Business Review*, 59(4), 18-27.
- Wilkinson, T. L. (1965). United States accounting as viewed by accountants of other countries. *International Journal of Accounting Education and Research*, 1, 3-14.
- Yazzie, R. (2000). Indigenous peoples and postcolonial colonialism. In M. Battiste (Ed.), *Reclaiming indigenous voices and vision*. Van Couver, Canada: UBC Press.
- Yazzie, R. (2000). Indigenous peoples and postcolonialism. In M. Battiste (Ed.), *Reclaiming indigenous voices and vision*. Van Couver, Canada: UBC Press.
- Yengoyan, A. A. (1989). *Culture and ideology in contemporary Southeast Asian societies*. Unpublished manuscript. Environment and Policy Institute, East-West Center. Honolulu, Hawaii.
- Zahra, S. A. (2010). Harvesting family firms' organisational social capital: A relational perspective. *Journal of Management Studies*, 47(2), 345-366.