The Globalization of Small Businesses: 
The Virgin Islands’ Perspective

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ABSTRACT

The purpose of the study was to examine how globalization has affected the small business sector of the Virgin Islands (BVI). Globalization refers to the extension of production and distribution of goods and services on a vastly greater international scale[10]. Overall, the paper has determined that a legal definition of small businesses should be sought in the form of legislation to provide a legal framework to improve the direction of the sector. In the same vein, the eligibility and classification guidelines should be revisited in an effort to make them more practical in their application to small businesses in the territory. It was also found that the contribution of small businesses within the territory may be undervalued because of limitations to data collection in this sector; thus minimizing the decision making, information sharing and support for the sector. The research used interviews and questionnaires conducted among small business stakeholders within the BVI to validate this claim. In addition, newspaper and other documentary sources were accessed. On ethical grounds, direct reference to a number of the persons interviewed or surveyed has been avoided.

Key Words: Globalization, Small Business, Virgin Islands

1. INTRODUCTION

Many countries across the globe have great concern over how globalization can affect their small business sector. Small businesses generally are vulnerable businesses and the recent economic downturn was no exception, as consumers spent less and banks reduced lending. In order for small businesses in the Virgin Islands (BVI) to become more adaptable to economic downturns of a similar kind in the future, the issue of how globalization has impacted that sector needs to be raised and scrutinized.

The objective of this study was to examine how globalization has affected the small business sector of the Virgin Islands (BVI). Globalization has presented numerous opportunities for small businesses to expand and flourish when the right combination of ideas, investment, research and entrepreneurship are combined. However, it could also present conditions which may undermine, destabilize or destroy small business entities if they are not flexible or adaptable to the changes that will occur.

Presently, there is no legal definition for small businesses in the BVI, as legislation defining such does not exist. Nonetheless, with the recent formation of the Small Business Bureau (SBB) in 2007, classification and eligibility guidelines for small businesses were developed and will be presented later in the paper.

The study used mixed research approach method to substantiate its findings. The mixed research approach method (MRAM) begins with a broad survey in order to generalize results to a population and then focuses, in a second phase, on detailed qualitative, open-ended interviews to collect detailed views from participants[5]. More specifically, respondents are asked to select an answer from among a list provided by the researcher, within a closed-ended questionnaire[3]. In addition, closed-ended questions allow for greater uniformity of responses and are more easily processed than open-ended questions.

The disadvantage of applying the MRAM is that the research project will take extra time because of the need to collect and analyze both qualitative and quantitative data[5]. In the like manner, the chief shortcoming of closed-ended questions lies in the researcher’s structuring of responses[3]. Other concerns relate to the researchers overlooking some important responses or the respondent feeling compelled to answer more than one response. To overcome this, the category of ‘Other (specify)’ was in the survey to alleviate these difficulties.

The present study has triple significance. First, a proper review of the small business experience in the BVI may help strengthen the recent establishment of the SBB, whose objective is to advocate for and facilitate small business, thereby stimulating the economy to better provide a nurturing environment in which the small business sector of the BVI can grow and become more vibrant[14]. Second, the study may also guide public policy in an attempt to enhance the operations of small businesses in that sector, and in turn, the whole economy. Third, the study may stimulate the development of legislation which is needed to provide that legal framework that will improve direction of the sector.

To the best of my knowledge, this is the first paper that attempts to examine the impact of globalization on small businesses in the BVI. However, there are quite a number of empirical papers related to small businesses[1, 2, 13], which can be valuable to this research. In particular, the latter mentioned article investigated the differences in levels of entrepreneurship among countries by gauging the existence of a relationship between government-related variables and the motivation to become an entrepreneur[1].

The paper is organized as follows. Section two presented a review on globalization of small businesses in the BVI. Section three developed the research methodology. Section four provided the data analysis and research findings. Section five gave the conclusion.

2. GLOBALIZATION OF SMALL BUSINESSES IN THE BVI

To repeat, globalization refers to the extension of production and distribution of goods and services on a vastly greater international scale[10]. In particular, globalization and the trend toward a borderless world affect small businesses in new ways as events originating in the external environment force managers to monitor and respond to the external environment.

Precisely, the process of globalization has four distinct stages[5]; (1) domestic (2) international (3) multilateral-national and (4) international (5) global移植 toward a borderless world affect small businesses in new ways as events originating in the external environment force managers to monitor and respond to the external environment.

Precisely, the process of globalization has four distinct stages[5]; (1) domestic (2) international (3) multilateral-national and (4) international (5) global
global [6]. Very often, the argument is made that larger firms would benefit more from globalization than smaller firms and would be in a better position to engage in these four stages. Nevertheless, the global reach of the internet allows companies, small businesses in particular; to reach international markets quickly [4].

It has been emphasized that small business managers can play very different roles than managers in larger organizations [6]. These roles include: (i) the spokesperson role (ii) the entrepreneurial role (iii) the leader role and (iv) the information processing role. The spokesperson role is considered the most important, since the manager must constantly sell the firm to the outside world. The entrepreneurial role is also important, as managers must remain creative and help develop new ideas. On the other hand, small-business managers consider the leadership role and the information-processing roles less important than their large-corporation counterparts based on limited resources and skills.

In 2008, the BVI was referred to as a small island representation of a global village [8]. This description was motivated by the large make-up of immigrants within the BVI society. This diverse socio-cultural environment would therefore force small business managers to become more sensitive to cross-cultural issues in the workplace. Furthermore, management could be more successful if they are culturally flexible and adaptable [6], leaving behind the ideology of ethnocentrism; believing that their own country’s values and methods are superior.

Despite the obvious challenges small businesses may encounter within the global economy, there are various ways for them to get started globally. These options [6] include: (a) outsourcing (b) exporting (c) licensing including franchising (introduced earlier) and (d) direct investing. Other options for small businesses to consider when developing either their product or business for the global market are mergers, acquisitions or joint ventures [6].

To minimize its risks, a firm is likely to begin its internationalization by choosing markets that exhibit less uncertainty and resemble their domestic markets [2]. Additionally, internationalization on the firm level has often been described as a gradual development process, wherein the firm first establishes its home market activities, then gradually enters the closest (geographical and psychological) export markets [11]. More specifically, the psychological distance concept can be defined as a group of factors such as language, culture, politics and so on that hinder the flow of information between the company and the market [2].

A common understanding of a small business can be taken from the definition, which states that it is “a firm that is independently owned and operated, not dominant in its field, and meets industry-specific size standards for income or number of employees [4]. Put it another way, a neighborhood restaurant or bakery is clearly a small business and Toyota is obviously not [6].

In the same vein, a small business in the BVI is defined as one that has no more than ten employees and has gross receipts that should not exceed $100,000 [8]. Going more in depth, literature states that a small business is one that (a) is organized for profit (b) has a place of business in the BVI (c) makes a significant contribution to the BVI economy by paying taxes or using products or labor (d) is a sole proprietorship, partnership, corporation, or any other legal business entity and (e) does not exceed the numeric size standard stated above [14].

In reality, there is no generally accepted or universally agreed-on definition as size standards are basically arbitrary, and adopted to serve a particular purpose [9]. Put differently, it is left up to the jurisdiction or country to outline its own criteria to define a small business.

The BVI consists of 60 small islands/cays with a population of 27518 people [6] and the home to various businesses primarily within the tourism and financial services sectors. Based on the Department of Trade and Consumer Affairs data, there are 11603 trade licenses for businesses and self-employed persons in the BVI as of January 2009. As of February 28, 2009 the department disclosed that there were approximately 7000 businesses in the territory. The breakdown for the 11603 trade licenses are displayed below in Table 1:

**Table 1**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage Breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agents</td>
<td>3.2 percent</td>
</tr>
<tr>
<td>Commercial</td>
<td>69.3 percent</td>
</tr>
<tr>
<td>Entertainment</td>
<td>0.01 percent</td>
</tr>
<tr>
<td>Hotels, Restaurants, bars,</td>
<td>11.8 percent</td>
</tr>
<tr>
<td>Guest Houses and Apartments</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5.4 percent</td>
</tr>
<tr>
<td>Professions</td>
<td>2.7 percent</td>
</tr>
<tr>
<td>Trades</td>
<td>7.5 percent</td>
</tr>
</tbody>
</table>

Source: The Department of Trade and Consumer Affairs, January 2009; data not published previously

The above percentage breakdown disclosed that commercial business activity accounted for approximately 69 percent of trade licenses issued in the BVI, while the category ‘Hotels, Restaurants, Bars, Guest Houses and Apartments’ accounted for approximately 12 percent. The other five categories have estimated less than 20 percent of trade licenses collectively and, more specifically, the ‘entertainment’ category represents less than one percent.

Whatever the path a small business in the BVI decides to take it must first come to grips with the notion that it will be operating within a global economy and it must be well prepared to face the challenges that accompany this. Some firms may decide to remain domestic in operation and not enter the global

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6 The BVI uses the US currency for its economic activities; therefore all monetary disclosures in this paper will be expressed in US dollars.
market. However, such a decision will not lessen the impact for them of globalization nor alter the outcome. Therefore, small businesses in BVI should not only be aware of the global phenomenon, but they should also understand how it will affect their business at all levels and be both flexible and adaptable to the changes their business will have to undertake.

3. MIXED RESEARCH APPROACH: METHODOLOGY

A combination of qualitative and quantitative techniques was used for this research. In particular, this combination is called MRAM. Put differently, when both predetermined and emerging methods are used, when both open- and closed-ended questions are used, when multiple data drawing on all possibilities is done, and when statistical and text analysis is conducted, then in essence the MRAM would have been applied. In addition, strong emphasis was placed on the qualitative findings, which grow out of three kinds of data collection: (1) in-depth, open-ended interviews (2) direct observation and (3) written documents.

In this paper, the usual steps of the MRAM were followed. First, the two objects of the research were identified and described. Small businesses, the main object of the paper, play a significant role in providing employment, goods and services to the BVI community. Globalization, the other object, often presents conditions which could undermine, destabilize or destroy small business entities if those firms are not flexible or adaptable to the changes that will result.

Second, interviews were conducted with the SBB in October 2008 and with the BVICCHA in January 2009. The interviews were conducted using open-ended questions. Each interview did not exceed ten questions. Additional reading resources, including brochures and magazines, were used to supplement the responses from the interviews.

Third, the sample size for the survey was determined and the sampling procedure identified the types of respondents to be approached. As a result, the size and composition of the small business sector was important.

To recall, as of January 2009 there were approximately, 11603 trade licenses for businesses and self-employed persons in the BVI, based on the Department of Trade and Consumer Affairs data. Then on 28 February, 2009 the department disclosed that there were approximately 7000 businesses in the territory. The latter figure represents small, medium and large businesses and at the time of the study there was no data that directly identified the small business population in the territory. Nonetheless, in October 2008, the SBB reported that approximately 80 small businesses were registered with their division who benefit from various SBB initiatives. Thus, the latter estimate was used as the sample size indicator for this paper.

In the absence of up-to-date data found on small business locations across the territory, it was noted that the majority of businesses in the territory were located in Road Town and its surrounding areas. Furthermore, population statistics show that the majority of residents live in Road Town and East End communities. As a result, these two locations were selected as the locations for sampling.

To determine the sample sizes, proportional divisions were adopted. To facilitate this, observations were taken and it was revealed that the population make-up of businesses in Road Town was very different from the East End area. It was found that on average, for every 60 meters walked there were at least seven to eight businesses in Road Town, but in East End, for every 60 meters walked, only one to two businesses were situated. Based on these findings, the sample sizes of 7/8 and 1/8 were chosen for Road Town and East End, respectively.

The questionnaires were distributed to businesses located in Main Street, Flemming Street, Port Purcell and the Craft Alive Village for the Road Town sample and Trellis Bay and East End main road for the East End sample. Businesses that participated in the survey were, at all times, selected on a random basis.

Fourth, a survey questionnaire was designed and launched. The survey questionnaire contained 19 questions and was conducted in January and February, 2009. The questions were designed to collect data on five areas: (1) general business information (2) knowledge of globalization (3) infrastructural or organizational changes (4) knowledge of SBB and (5) suggestions for small business support. The most important sections of the questionnaire were the (a) ‘the infrastructural or organizational changes’, (b) ‘the knowledge about SBB’ and (c) ‘suggestions for small business support’. Prior to that, the questionnaire was pilot-tested in October 2008 and 12 small businesses participated.

Using the sampling distributions estimated above, 70 surveys were administered in Road Town and 10 surveys were administered in East End. Businesses were randomly approached, briefed and requested to fill out the forms. Additionally, respondents were informed about the objective of the study. The questionnaires were self-administered by the author at both sites.

Subsequent to obtaining the responses from the surveys, the data was processed, analyzed, interpreted and presented in the section following and the conclusion for the study was determined.

4. DATA ANALYSIS: A SAMPLE OF THE BVI SMALL BUSINESS EXPERIENCE

As mentioned above, 80 survey forms were administered in Road Town and East End. Of the 80 survey forms, only 62 could be used (77.5 percent of the sample). To be more specific, the Road Town sample had a response rate of 77 percent and the East End sample response rate was 80 percent. Indeed, some businesses either misplaced their forms or they were deemed unusable due to non-responses (22.5 percent of the sample). Nevertheless, the overall survey results were deemed usable; as the survey surpassed the acceptable threshold of 60 percent response rate.

The data revealed that of the majority of businesses surveyed, 32 percent were retail stores while the other 68 percent represented a wide distribution of businesses (see Table 2). The majority of the businesses were opened for more than 15 years (approximately 42 percent) in comparison with 11 percent that were opened for 11 - 15 years, 15 percent that were opened for six to ten years and 31 percent that were opened for zero to five years.
Table 2  
Percentage Breakdown of Businesses Surveyed

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Percentage Surveyed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Stores</td>
<td>32 percent</td>
</tr>
<tr>
<td>Baby Stores</td>
<td>3 percent</td>
</tr>
<tr>
<td>Clothing Stores</td>
<td>5 percent</td>
</tr>
<tr>
<td>Furniture Stores</td>
<td>2 percent</td>
</tr>
<tr>
<td>Salons/Barber Shops</td>
<td>5 percent</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>2 percent</td>
</tr>
<tr>
<td>Restaurant/Bar</td>
<td>5 percent</td>
</tr>
<tr>
<td>Department Stores</td>
<td>6 percent</td>
</tr>
<tr>
<td>Pharmacies</td>
<td>2 percent</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>3 percent</td>
</tr>
<tr>
<td>Other (not shown as a category)</td>
<td>35 percent</td>
</tr>
</tbody>
</table>

Source: Survey

The majority of the business owners (34 percent) indicated that the main reason for starting their business was ‘the desire to be their own boss’ as opposed to 16 percent seeking financial success, 6 percent seeking job security, 13 percent wanting a better quality of life, and ten percent having inherited the business through family. Concerning, the number of persons employed, 77 percent of the businesses employed between zero to five persons and 18 percent employed between six to ten persons. The other businesses either employed 11 or more employees; approximating four percent altogether and two percent of those surveyed did not disclose the number of employees (see Figure 1 below).

Concerning the meaning of globalization, 21 percent of the businesses felt that it meant ‘increased competition’, while 16 percent each thought it would either create a ‘diversified society’ or ‘new opportunities for business’. Another eight percent of those surveyed felt that it would cause ‘increased trade’, five percent felt that it would cause an ‘influx of immigrants’, two percent believed that it meant ‘new technology’ and two percent chose ‘new technology’. Precisely, 21 percent of those surveyed did not respond even though the ‘Other (specify)’ category was provided. This is particularly disappointing as small businesses should be able to appreciate the opportunity and challenges of globalization.

In short, the statistics relating to the number of employees and revenue earnings suggested that the eligibility and classification guidelines did not match. In this case, the data brought to light that 94 percent of the businesses employ less than ten employees. In addition, only 47 percent of the businesses earn under $120,000 (see Figure 2). Collectively, 33 percent of the businesses earned over $120,000. The latter results were very significant, suggesting that a lot of the small businesses were making in excess of the eligibility and classification guidelines of $100,000.
65 percent of those surveyed made known that either the business employer or the employees have received training or professional development of some form.

Table 3

<table>
<thead>
<tr>
<th>Infrastructural or Organizational Changes in Small Businesses</th>
<th>Yes</th>
<th>No</th>
<th>No response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of Technology</td>
<td>61</td>
<td>34</td>
<td>5 percent</td>
</tr>
<tr>
<td>Improvements to Infrastructure and Organizational Structure</td>
<td>82</td>
<td>15</td>
<td>3 percent</td>
</tr>
<tr>
<td>Introduce new products</td>
<td>89</td>
<td>5 percent</td>
<td>6 percent</td>
</tr>
<tr>
<td>Introduce new services</td>
<td>61</td>
<td>19</td>
<td>19 percent</td>
</tr>
<tr>
<td>Training or Professional Development</td>
<td>65</td>
<td>34</td>
<td>2 percent</td>
</tr>
</tbody>
</table>

Source: Survey

With respect to competitiveness, 97 percent pointed out that they have goals and objectives to become more competitive. Of these respondents, 52 percent stated that they intend to ‘introduce new products or services’, 29 percent indicated that they intend to ‘set up a website’, eight percent signaled that they want to ‘invest in new infrastructure’, eight percent chose the ‘invest more money in your business’ option and two percent specified the ‘copyright your products or services’ option.

Concerning the knowledge about the SBB, 66 percent of the surveyed mentioned that they knew of the Bureau’s existence. Moreover, 56 percent of those surveyed designated that they did not understand the role of the SBB, 85 percent revealed that they were not registered with the Bureau and another 85 percent disclosed that they have not attended any workshops or seminars hosted by the Bureau. Collectively, these statistics suggest one of two things: either the SBB’s mission or its activities need greater marketing initiatives, or the SBB’s coverage may need expanding to the businesses which are not owned by BVIslanders, so that there is greater utilization of the resources available.

The following programs and initiatives were also recommended by the respondents: (1) ‘To have more workshops and training on small business management’; (17.5 percent); (2) ‘For the Bureau to provide support in networking’ (two and a half percent); (3) ‘For expertise in small businesses growth to be provided’ (two and a half percent); (4) ‘The development and protection of localized markets’ (12.5 percent); (5) ‘To have a more comprehensive policy towards franchise licenses’ (two and a half percent); (6) ‘Greater marketing of entrepreneurship within the educational system’ (five percent); (7) ‘A more aggressive ‘buy local’ campaign’ (seven and a half percent); (8) ‘Greater Marketing and Promotional Assistance for small businesses’ (five percent); (9) ‘A comprehensive revision of the import and exemption policies’ (12.5 percent); (10) ‘Small Business Loan Assistance’ (five percent); (11) ‘For training to be provided in Customer relationship’ (seven and a half percent); (12) ‘For training to be provided in the diversity of cultures and markets’ (two and a half percent); (13) ‘For training to be provided for employees of small businesses’ (two and a half percent); (14) ‘To have debt collection assistance’ (two and a half percent); (15) ‘To improve on statistical data collection on the sector’ (two and a half percent); (16) ‘For the formation of a small business cooperative’ (two and a half percent); (17) ‘To have copyright protection’ (two and a half percent); and (18) ‘To have small business legislation for protection purposes’ (five percent).

Of the recommendations listed above, the most popular response was ‘to have more workshops and training on small business management’.

5. CONCLUSION

This study attempted to examine how globalization has affected the small businesses in the Virgin Islands. To conduct such a study, the research focused on first small businesses in small islands and second, the challenges of globalization. Afterwards, it was determined that given the nature of the sector, the mixed research method would be the most suitable, as it combines predetermined and emerging methods, open- and closed-ended questions multiple data drawing on all possibilities, and statistical and text analysis. In that respect, a sampling design was proposed and used, interviews were conducted and a questionnaire was designed and launched. Concerning the sampling design for the survey, a random sampling with proportional divisions was deemed appropriate. Two groups were identified: Road Town and East End businesses. As it relates to the questionnaire, closed-ended questions were used to elicit the majority of the information from the respondents.

Overall, the study identified that the eligibility and classification guidelines should be changed to reflect the current circumstances of the businesses. It should also be noted that a more comprehensive survey would have to be conducted to give more conclusive suggestions. However, preliminary suggestions would be to increase the eligibility and classification guidelines for small business gross receipts to $200,000 instead of the present level of $100,000. This would therefore force the medium-sized business criteria to be adjusted to $400,000 instead of the present level of $200,000.

Increased training of small business owners in this uncertain global economy is necessary, based on the 21 percent of the surveyed who did not respond to the question which asked for their ‘knowledge of globalization’. It is vitally important that small businesses in the BVI be aware of the global phenomena so that they can understand how it will affect their business at all levels and to allow for greater flexibility and adaptability within the sector. Moreover, a private and public sector partnership is required to ensure the survival of this sector within these uncertain economic times.

Statistics have confirmed that the majority of small businesses do not understand the role of the SBB. Hence, it is suggested that improved marketing of the Bureau be undertaken to make the sector more aware of what the Bureau’s role is. This action may lead to increased utilization of the Bureau’s resources.

Furthermore, it has been confirmed from the survey that many of the small businesses have not utilized the services of the SBB. This may be occurring since the SBB’s main focus is on small businesses which are owned by BVIslanders and Belongers. Obviously, this point of emphasis is logical, but the reality is that businesses not owned by locals may be contributing also the BVI’s development through the employment of locals or by providing goods and services to the local community. One way or the other, there is indeed a direct
link between all BVI businesses and the local community. Inadvertently, any omissions of support or guidance to the small business sector will only diminish or undervalue the sector’s contribution in providing employment, goods and services to the territory. Therefore, the percentage of small businesses in the territory that are locally owned must become an important statistic to be determined, in order for us to ascertain whether the Bureau is being utilized efficiently and effectively. Moreover, it is recommended that the Bureau’s focus be expanded to include small businesses that may not be owned by BVI Belongers or Belongers.

Increased statistical support of the sector is definitely needed. This need became very apparent as population and other statistics specific to the small business sector could not be found to allow for comparisons to be drawn within the study or to validate the research sample sizes. A lot has been done in the past to get the Bureau to the point that it is now, but at this juncture there is an opportunity for improvement and there is an urgent need to have updated statistics on this important sector as soon as possible.

Finally, there is a definite need for legislation on the small business sector. The passing of a Small Business Act would clear all ambiguities existing within the sector. Furthermore, such legislation would better outline the purpose of the SBB; thus giving the Bureau more authority to direct, manage and control the small business sector.

To check the robustness of the results, further research should be adopted. Within the recommended research, it would be important to: (a) increase the sample size (b) include businesses from the surrounding islands within the territory and (c) revisit the population size.

REFERENCES


