Rural Tourism and Enterprise
Management, Marketing and Sustainability

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COMPLIMENTARY TEACHING MATERIALS
CHAPTER 6

The Rural Business Environment in Developing Economies
After studying this chapter you should be able to:

• Explain the nature of rural business environment in developing economies
• Evaluate the key elements that constitute the rural business environment
• Assess the role of new technology in rural business environment in developing economies
• Apply management concepts to explain how rural operators gain competitive advantage and respond to the environment
• Describe the management of rural business environment in developing countries
1 INTRODUCTION

• The external and internal factors are the basic foundation of the environment in which a business resides

• The rural business environment is a complex and multifaceted one with numerous elements and processes

• An enterprise is a sub-unit of the business environment and its operating situation is influenced by a number of factors

• Increasingly the rural business landscape is changing: Traditional vs Contemporary rural environment
THE BUSINESS ENVIRONMENT

The external environment

- Technological factors
- Social factors
- Economic factors
- Political factors
- Physical factors

The organization
- Internal factors
  - Management structure
  - Organizational culture
  - Employees
  - Capital base
  - Technological capabilities
  - Stakeholders
KEY INFLUENCES OF DEVELOPING COUNTRIES’ RURAL BUSINESS ENVIRONMENT

• Economic restructuring
• Increased competition
• Government policies/regulations
• Technological advancement
4 THE NATURE OF DEVELOPING COUNTRIES’ RURAL BUSINESS ENVIRONMENT

The developing countries’ business environment is characterized by:

- Dearth of exploitable business opportunities
- Insufficient access to funds
- Remote markets
- Precarious industry terrain
- Culture and tradition dependent
- Enormous yet undeveloped human resources
DEVELOPING NATIONS’ RURAL ECONOMIC CLIMATE

• The contribution of economic activities at the rural level to the overall economic development in many of the developing economies cannot be overemphasized.

• The rural economy can be divided into two main categories – farm and non-farm economy.

• Traditionally, the rural non-farm sector was classed as a low-productivity sector.

• Recent recognition that the rural non-farm sector contributes to economic growth.

• Access to funds and investment pattern is limited.

• Inequalities and economic structure.

• Impact of government policies.
THE TECHNOLOGICAL ENVIRONMENT

- Until recent times the technological environment of many, if not all, rural areas of the developing economies tends to be basic
- There has been a tremendous shift
- The shift is not only evident in capital investment, consumers’ equipment e.g. mobile handsets
- Mobile telephony is the major transformational tool for development in rural business
- Connection between rural entrepreneurs and investors, suppliers and consumers from further afield e.g. booking of accommodation, is now enhanced
- There is still a need to build up the local technological base
DEVELOPING COUNTRIES RURAL SETTINGS’ POLITICAL ENVIRONMENT

• Political environment for rural enterprise in the developing world is somewhat complex.
• The political landscape in the past was characterized by misplaced priorities and corruption.
• Change of dispositions to rural development and policy making.
• Recent involvement of rural people in planning.
• A major area of political consideration that shapes the business environment of developing countries’ rural business is land ownership and regulations guiding ownership.
• Despite the extensive call for diversification of rural economic base and the potential of tourism to play a major role, government policies still place little or no emphasis on rural tourism development.
THE SOCIAL ENVIRONMENT

• Statistics show that in sub-Saharan Africa about 75 per cent of the population lives in rural areas (International Fund for Agricultural Development [IFAD], 2011)
• Similar pattern in other developing countries round the globe
• Diverse means of livelihood, level of education and inter-tribal relationships
• The extent of an individual’s social network and their gender may be the fundamental determinants of their business success
• Traditional practices primarily formed the basis of behaviour and business decision making (Olubiyo et al., 2015)
Three levels of management

**Government**
- Statutory role
- Management involves initiation of necessary frameworks and incentives

**Group**
- Collaborative work
- Often requires external influence and motivation

**Individual business**
- least management involvement most impact
CONCLUSION

• Prominent outlook of rural business and tourism environment in developing countries is constraints laden.
• Rural tourism and business as means of livelihood.
• Political environment has often been seen as deterrent for achievement of full potentials.
• Non-economic successes through group activities.
• Despite challenges advancement in economic, social political and technological environment has been witnessed in some regions.