

CABI TOURISM TEXTS

Rural Tourism and Enterprise

Management, Marketing and Sustainability

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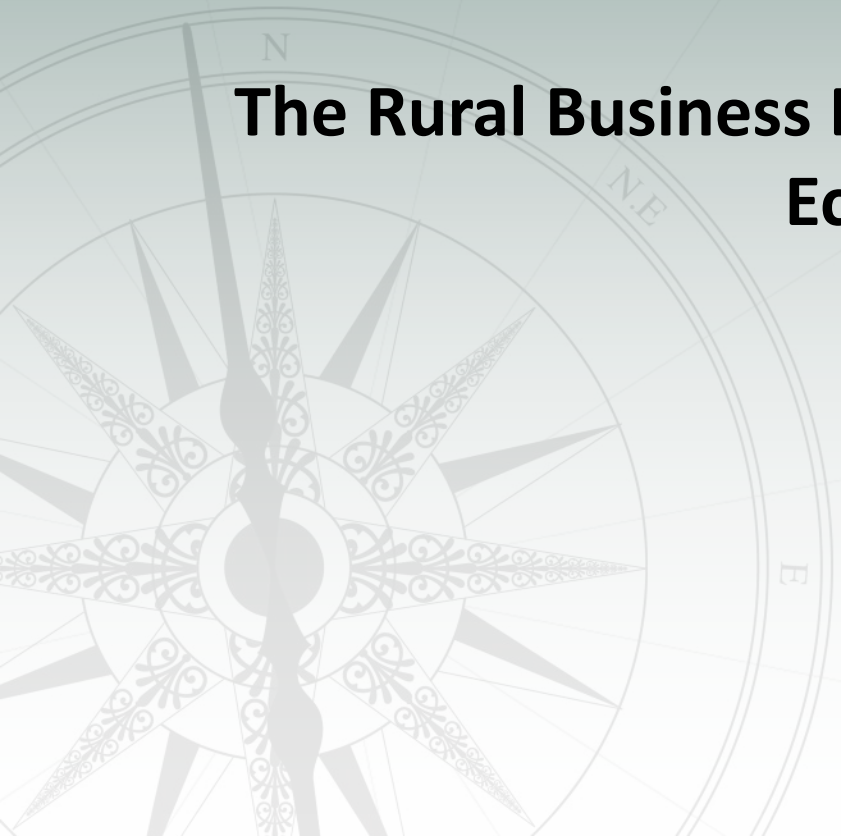


COMPLIMENTARY TEACHING MATERIALS



CHAPTER 6

The Rural Business Environment in Developing Economies



LEARNING OBJECTIVES

After studying this chapter you should be able to:

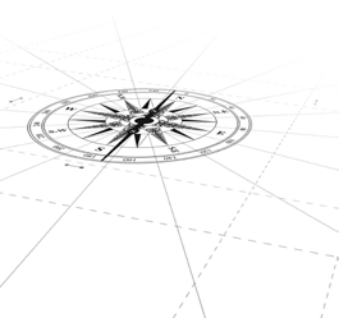
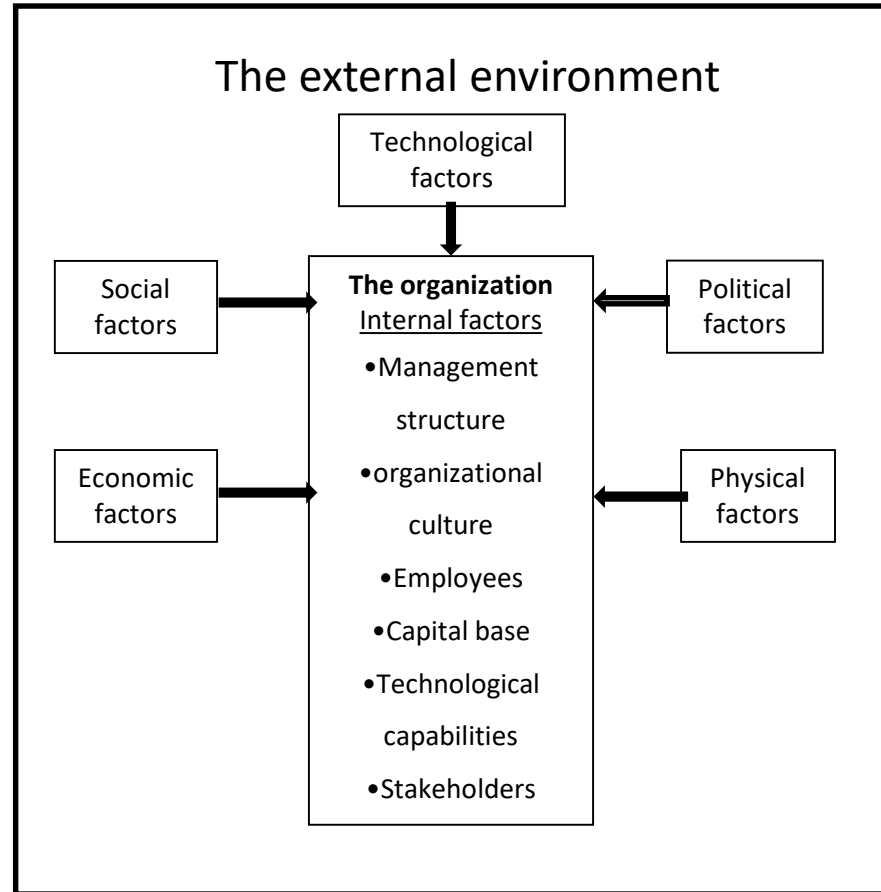
- Explain the nature of rural business environment in developing economies
- Evaluate the key elements that constitute the rural business environment
- Assess the role of new technology in rural business environment in developing economies
- Apply management concepts to explain how rural operators gain 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

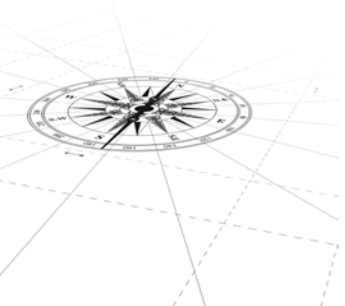


2 THE BUSINESS ENVIRONMENT



3 KEY INFLUENCES OF DEVELOPING COUNTRIES' RURAL BUSINESS ENVIRONMENT

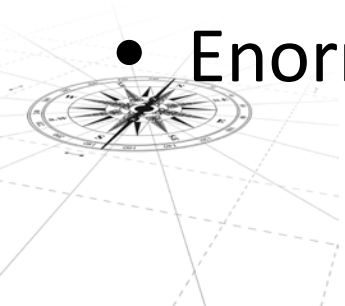
- Economic restructuring
- Increased competition
- Government policies/regulations
- Technological advancement



4 THE NATURE OF DEVELOPING COUNTRIES' RURAL BUSINESS ENVIRONMENT

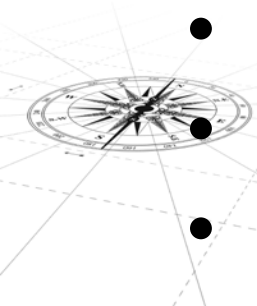
The developing countries' business environment is characterized by:

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



5 DEVELOPING NATIONS' RURAL ECONOMIC CLIMATE

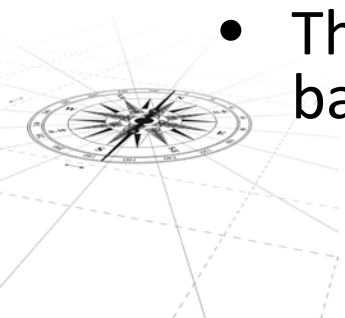
- The contribution of economic activities at the rural level to the overall economic development in many of the developing economies cannot be overemphasized
- The rural economy can be divided into two main categories – farm and non-farm economy
- Traditionally, the rural non-farm sector was classed 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



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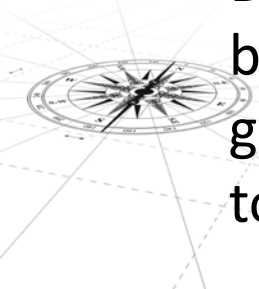
THE TECHNOLOGICAL ENVIRONMENT

- 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



7 DEVELOPING COUNTRIES RURAL SETTINGS' POLITICAL ENVIRONMENT

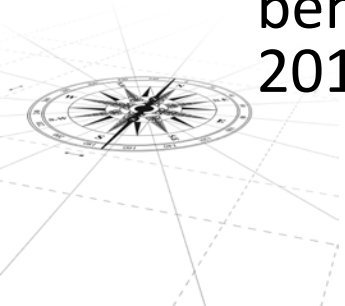
- Political environment for rural enterprise in the developing world is somewhat complex
- The political landscape in the past was characterized by misplaced priorities and corruption.
- Change of dispositions to rural development and policy making.
- Recent involvement of rural people in planning
- 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



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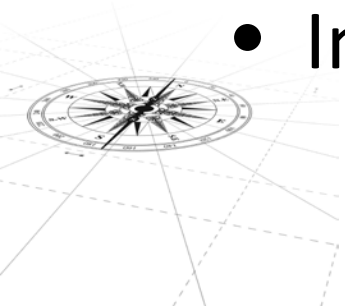
THE SOCIAL ENVIRONMENT

- 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)



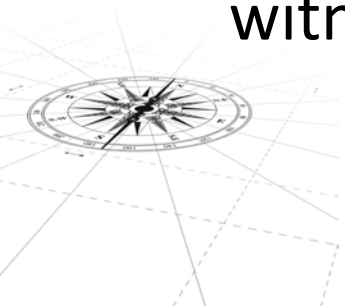
9 MANAGING DEVELOPING COUNTRIES' RURAL BUSINESS ENVIRONMENT FOR TOURISM DEVELOPMENT

- 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.



REFERENCES AND FURTHER READING

- International Fund for Agricultural Development (IFAD) (2011) Facts and Figures, Rural Poverty Report.
- McCulloch, N. (Ed.) (2009) Rural investment climate in Indonesia. Institute of Southeast Asian Studies.
- Olubiyo, S. O., Obayelu, A. E., and Oriade, A. (2015). Unintended benefits of millennium development goals to a culturally embedded rural economy. *European Scientific Journal*, 11(13), 311-320.
- Wilson, S., Fesenmaier, D. R., Fesenmaier, J. & van Es, J. C. (2001). Factors for success in rural tourism development *Journal of Travel Research*, 40, 132-138.

