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## Entrepreneurialism in tourism and economic growth in Rwanda

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# Summary

## Entrepreneurialism in Tourism and Economic Growth in Rwanda: Challenges for Policy Formulation

### Introduction

Entrepreneurialism in tourism has attracted the attention of many world-wide, and is considered an avenue for economic growth and a boost for entrepreneurs (Ateljevic & Page, 2009:1). A majority of African governments view tourism as a source of growth and economic diversification (UNWTO, 2012:1). However, studies incorporating entrepreneurialism in tourism remain largely neglected in academic research arena (Ioannides & Petersen, 2003; Li, 2008; Thomas, 2004). This research seeks to assess issues critical to entrepreneurialism in tourism and subsequent economic growth, an untapped area for academic research, particularly in Rwanda.

The study is conducted in Rwanda, where entrepreneurialism in tourism is an area for policy support and a possible strategy for developing countries in order to increase the quantity and quality of entrepreneurs, since the related results stimulate economic growth. The tourism sector in Rwanda has been the top foreign earner income and holds tremendous economic promise, though its full potential is yet to be exploited. The research focuses on entrepreneurs operating in the Kigali Hub, Rwanda's capital; Volcano and Rubavu Development Management Areas (DMAs), located, respectively, in the Northern and Western provinces; selected areas of study that comprise more than 90% of total revenues generated from all tourism activities in Rwanda (UNWTO-STMP, 2009:65).

The study explores the multiple ways entrepreneurs and policy-makers engage with tourism business opportunities and policy formulation for the development of the tourism business in Rwanda. While international competition mainly driven by globalization and technology is growing among tourism destinations (UNWTO, 2011), effective tourism entrepreneurship skills, including knowledge of trends shaping tourist behavior, is of crucial importance for both tourism development and economic growth of Rwanda. According to Honey (2003), entrepreneurs are recognized as major instigators and substantial business development in tourism industry. From the perspective of entrepreneurialism, tourism may provide unique contexts in terms of the identification of entrepreneurial opportunities up to the devel-

opment of consumable tourism products with economic yields. However, tourism in many countries still suffers from a lack of political will and macroeconomic-conducive policies that hamper it from showing its true economic significance (Ateljevic and Page, 2009:17). This constitutes, for the past few decades, one of the central debates of public policy, common among all economies, with regards to the generation of growth and the creation of employment. A rich body of literature reviewed, both theoretical and empirical, suggests policies that generate and promote entrepreneurship (OECD, 1998; Yu, 1998; Holcombe, 1998). They affirm that countries that have experienced an increase in entrepreneurial activity have also enjoyed higher rates of economic growth. Furthermore, Audresch (2005) affirms that entrepreneurship serves as a vehicle for innovation and change, and a conduit for knowledge spillovers.

In this vein, for the last two decades, Rwanda embraced a new economic development model which is centered on building a global network of powerful friends to lure private investments, bring structural macroeconomic reforms, and market Rwanda to the rest of the world. The newness of this model consists of bypassing the traditional economic model, through building relationships with a global network of business leaders and well-placed friends. This strategy has worked well and has helped Rwanda to lure more tourists and attract foreign investments to Rwanda, such as international brand hotels, like eco-lodge in Nyungwe Forest by Dubai World, Marriott Hotels, and Radisson Blu hotels, Kempiski group of Hotels, Serena group of Hotels, etc. This has boosted economic growth and increased investments in the areas of tourism development.

### **Literature review**

The study reviewed a scant literature existing on entrepreneurialism in tourism and economic growth, and revealed that there exists a link between tourism entrepreneurship and economic growth. It showed critical and central role tourism entrepreneurs and policy-makers play in boosting economic growth through policy intervention, institutional and entrepreneurial capacities development of entrepreneurs, and improved macroeconomic conditions. This was a result of the role played by entrepreneurship leadership as a catalyst for building a strong tourism industry, facilitated by networks and collaborations between key players locally, regionally, and internationally.

Despite the tourism potential and generally optimistic outlook of tourism sector in Rwanda, there are still several factors that hinder the development of a strong and competitive tourism industry. This research aims at

finding out what contribution entrepreneurialism in tourism plays and the role of entrepreneurs and policy-makers can have on the economic growth of Rwanda.

In Rwanda, scant existing researches on SMEs indicate that lack of many entrepreneurial activities is a major challenge for SMEs in terms of supporting potential growth. In addition, a lack of appropriate skills and entrepreneurship policy that may shape the overall macroeconomic environment and ever-changing tourism business, in line with the tourism consumer's behavior, remains a serious threat for the development of tourism. Rwanda's services provision remains suboptimal and is delivered at a high cost compared to its counterparts in the region, making the tourism sector less competitive. Various regulatory and policy shortcomings prevail and may explain these inefficiencies and impede Rwanda's capacity to fully capitalize on the potential of its tourism sector that may play an enhanced role in the economic growth process. The above policy disconnects are serious constraints that need more comprehensive and holistic approaches for enhancing the entrepreneurial skills and competencies of potential, nascent, and current entrepreneurs and policy-makers. Development of appropriate policies and skills within the context of a conducive, entrepreneurial environment could well trigger an effective set of positive entrepreneurial thinking and behaviors. It is not surprising therefore, that the quality of service is such a major issue in Rwanda and one that may affect the competitiveness of and hinder future growth in the tourism sector. Audretsch and Kielbach, (2005: 605), and Todaro and Smith (2010: 130) state that increased knowledge vis-à-vis entrepreneurship and pro-market government policies may help to overcome such constraints. Carree and Thurik (2002) pinpoint that countries that have shifted towards a greater role for entrepreneurship enjoy stronger growth; this is among the major concerns for the Government of Rwanda (Tourism Policy, 2010: 4). Given the short history of business and the absence of successful business role models, fostering entrepreneurialism in tourism in Rwanda and stimulating the local population to tap into the available entrepreneurial opportunities may contribute to a substantial positive impact and propel economic growth. As such, this thesis is a serious attempt at drawing comprehensive plans for the development of entrepreneurialism in tourism in this area of academic as well as policy interest, in which no empirical research work has so far been done. Being a critical source of income and employment, and the most dominant sector in the Rwandan economy, tourism has become a dynamic driver of national economic growth in recent years. However, it is my assumption that this dynamism could be greater if entrepreneurs together with policy-makers could craft appropriate strategies and policies that can influence, attract,

and intensify experiences of tourists through the provision of expected and accepted quality services.

On the basis of what precedes, the researcher formulated the following research objectives to address the issue under study:

- 1 To evaluate the current state of entrepreneurial opportunities in tourism and Rwanda's strategy for boosting its economy;
- 2 To assess factors affecting entrepreneurialism in Rwanda and the role of policy-makers in tourism entrepreneurship development;
- 3 To identify the entrepreneurial skills and competencies that Rwandan entrepreneurs need in the tourism sector to drive and elevate income generation, and propel subsequent economic growth;
- 4 To find out which important policy measures could be put in place to increase the quantity and quality of entrepreneurs' vis-à-vis the advancement of tourism development and economic growth.

In order to address the above objectives, this study is built around the following main question:

“What are the factors affecting entrepreneurialism tourism in Rwanda, and what, in the view of entrepreneurs and policy-makers, are the policy measures and practical considerations entrepreneurs and policy-makers could put in place to boost entrepreneurship in tourism and propel subsequent economic growth?”

### **Conceptual framework**

In the search for getting more insights in understanding the role of entrepreneurialism in tourism development and in the process of economic growth, this research is informed by the Wennekers and Thurik framework (1999) and the revised Global Entrepreneurship Model (GEM Global). The Wennekers and Thurik framework (1999) critically analyzes the role played by individual entrepreneurs in innovation and creativity, and subsequent economic growth. According to the framework, such growth passes through different conditions such as personal, institutional, and other variables like innovation and creativity, competition, entrepreneurial intention, skills and efforts, etc., that influence tourism entrepreneurial activities and lead to economic growth. In that, the concept of economic growth is relevant at all levels from the individual level, to firms, regions, industries, and nations, and depends on a set of conditions such as the development of institutions supporting tourism business development, tourism business incentives offered, etc. Taking and adapting this entrepreneurship framework and link-

ing it to economic growth leads to linking the individual tourism entrepreneurs to the firm and to the macro levels. Lumpkin and Dess (1996:138) posit that small firms are extensions of the individuals in charge. According to Lazear (2004: 1), “the entrepreneur is the single most important player in a modern economy.” At the firm level, this passes through generally innovative business start-ups and entry into new markets. At the macro level, many individual entrepreneurial actions take place, and, through competition, selection, and even imitation, some ideas are replaced, while others survive and expand into new niche markets and industries, and lead to growth of national economies. In this process, entrepreneurs and managerial business owners and staff play their role, and enable them to increase their skills and attitudes. The outcome of the above chain of linkages of tourism entrepreneurship leads to economic growth in various ways, including introduction of new tourism products and experience, with new quality and value. Their innovativeness introduces new ways of product development and new destinations that have not been exploited. It is through tourism entrepreneurship that new sources of supply and new destinations are discovered; along with new tourism business companies created that directly affect economic growth.

With regard to the revised Global Entrepreneurship Model, entrepreneurialism is affected by national conditions. The model considers three major components of entrepreneurialism, such as attitudes, activity, and aspirations. GEM considers the degree of involvement in entrepreneurial activity within a country, and identifies different types and phases of entrepreneurship. While the Wennekers and Thurik model considers only the conditions of established firms that make them thrive, the GEM adds both entrepreneurial capacity and entrepreneurial opportunities for new business activity. The foundation of this GEM has its roots in the concept that the contribution of entrepreneurs to an economy varies according to its phase of economic development. The revised GEM takes into consideration the complexity of the causal relationship between entrepreneurialism and economic development, and introduces a more nuanced distinction between phases of economic development in line with Porter’s typology of “factor-driven economies,” “efficiency-driven economies,” and “innovation-driven economies” (Porter et al., 2002). The GEM’s unique contribution is to describe and measure, in detail, the conditions under which entrepreneurialism and innovation can thrive. In line with the two models, Rwanda can take full advantage of available opportunities in tourism by developing “opportunity-driven entrepreneurs” who can innovate while, at the same time, it facilitates necessity-driven entrepreneurs from the informal sector to become productive workers in the formal economy.

## **Methodology**

In order to understand and develop insights into the phenomena under study, the researcher has followed a qualitative interpretive approach framed by an acknowledgement of the philosophy that knowledge is socially constructed, and that there can be multiple perspectives on a single subject (Creswell, 2013). Qualitative research methods were therefore deemed appropriate to allow for formalization with the subjects, and the views of interviewees (Berg et al., 2001). In line with this descriptive approach, a questionnaire was also developed to pave the way to semi-structured interviews that were addressed to entrepreneurs and or employees at the level of supervision in the tourism industry, and policy-makers from the three above-mentioned tourism development management areas in Rwanda.

## **Data construction and analysis methods**

The data was gathered from the three development management areas (DMA), namely Kigali hub, volcanoes DMA (located in Musanze District), and Gisenyi DMA (located in Rubavu District), as case studies used for this research, and were chosen using a purposive sampling method, based on the relevance of the groups under study, the research questions, the researcher's theoretical position, and the explanation that the researcher has developed in chapter one. This approach to case selection has allowed the researcher to choose the above cases because they likely represent the whole country, since most of total revenues (more than 90%) generated from tourism activities relate to the 3 chosen DMAs and acknowledges their importance as popular destinations in Rwanda and existing opportunities for study. This approach aims at interpreting and understanding people's meanings that are attributed to different contexts and actions, and also it acknowledges an observer as a part of the observed process (Burrell & Morgan, 1985; Sarantakos, 1998). A literature review and a questionnaire that paved the way to a semi structured interview with 9 key players in the tourism sector in Rwanda were applied in answering research questions. At the analysis stage, interview transcripts and literature were content-analyzed by thematically observing the most recurring topics which became the basis for findings and conclusion. INVIVO software was used in the analysis of interview transcripts. Data analysis was done in line with the research questions through both the questionnaires to entrepreneurs and policy-makers and interviews to key informants in the tourism sector and content analysis and discussion of emerging main themes.

Their views are contextualized with reference to the research questions outlined in chapter one, and subsequent chapters two and three. For ease of analysis of field data, cross-case analysis was utilized in this research to facilitate comparison between views from respondent units in order to explore properties of each category (Douglas, 2003). Framework analysis (Ritchie & Spencer, 1994) was adopted as the main analytical method to filter and classify the textual data (transcripts of interviews), while addressing the research questions presented in chapter one. The coded transcripts were used to note and come up with ten major themes that emerged after analysis of the transcripts and that were found in common for each interviewee. This integration of categories and their properties, with respect to different constructs, were grouped together, and the “10 top themes” that emerged from the interviews enabled comparison and analysis, and discussion and interpretation of the phenomena.

### **Main conclusions**

The main conclusions are based on the views of the participants on the main themes captured from their views, in relation to the state of entrepreneurialism in tourism business and Rwanda’s strategy for boosting its economy in general, the role of government’s policies in stimulating tourism business development, the role of entrepreneurs and policy-makers in coordinating and harnessing the regulatory framework to enhance macroeconomic conditions and entrepreneurial skills, and the competencies of key players in the tourism sector in the context of Rwanda. The literature review showed that entrepreneurs are agents of change and research around the globe consistently links tourism with rapid job creation, GDP growth, and long-term productivity increases and that without the influence of entrepreneurs; tourism would not evolve well, even in areas endowed with tourism resources. Thus, the importance of individual entrepreneurs, their attitudes, skills, and purposive activities were found to be instigators of economic growth. Therefore, policies aiming at boosting entrepreneurial capacity may not solely focus on macroeconomic conditions but rather, to a large extent, on the entrepreneurial qualities and skills of the individual entrepreneur. The purposeful action of the entrepreneur is what triggers tourism to develop. A key policy in supporting entrepreneurialism is an important ingredient that can change the current state of tourism and further generate greater added-value to tourism performance and economic growth. In relation to the first objective, tourism is an influencing factor for economic growth.

In relation to the second objective, it was found that, for Rwanda to harness the potential of its tourism sector, regulations and policies need to better target existing factors underpinning the effective productivity of tourism, including issues of accessibility, lack of coordinated effort and partnership on the part of the key players in the tourism sector (entrepreneurs and policy-makers), quality of service-delivery due to poor cross-functional skills and competencies, limited entrepreneurship and innovation skills among tourism's key players, affordability, and competition.

In line with the third objective, it was found that Rwanda as an evolving destination requires a set of new skills, technicians, and information systems, people with managerial and entrepreneurial skills, able to run the process of product diversification and high-quality service-delivery. Tourism requires a variety of skills for its diversification and competitiveness with a wider range of innovations along the way - in terms of training and capacity building –being driven by adaptability and sustainability in order to avoid bottlenecks that can adversely affect tourism development.

In relation to the fourth objective, findings revealed that Rwanda still faces policy formulation challenges to generate the increased revenues. Issues still exist on the improvement of leisure markets for extending the length of stay of visitors, skills and competencies development of key stakeholders, and investment incentives and access to financing mainly for local entrepreneurs. The study also found that the general regulatory environment in Rwanda is structured towards large companies believed to have the time and resources to comply. This makes the existing structures a challenge for growing hospitality SMEs, and Rwanda could lose if the tourism SMEs sector is not strengthened. Continued cooperation from policy-makers and entrepreneurs could develop the capabilities of SME operators, an essential ingredient for increasing growth rates in the tourism sector.

### **Limitations and future research**

Currently, much of what is known about entrepreneurialism in tourism vis-à-vis economic growth, management of tourism firms, and business innovations is based on research conducted in Eurocentric economies. Substantially, less is known about entrepreneurialism and management in developing economies, mostly on the African continent, and, in particular, in Rwanda, in terms of the extent to which existing conceptual entrepreneurialism frameworks are applicable in the context of Rwanda. As a result, there is a lack of a solid knowledge base to guide effective interventions of policy-makers aimed at spurring entrepreneurialism and innovation in de-

veloping economies. In an effort to build this knowledge base, this research has contributed to the advancement of general knowledge through this study on entrepreneurialism in tourism in Rwanda and economic growth, and has examined challenges faced by entrepreneurs and policy-makers in shaping tourism entrepreneurship in Rwanda. Economic motives that Rwandan entrepreneurs pursue needs to be deepened by new research that focuses on understanding the interplay of the regional context, in general, and, in particular, the Rwandan context and socioeconomic processes in the tourism business.