



Entrepreneurship development framework for small-scale rural tourism establishments in South Africa

Marcia Lebambo*

University of Johannesburg, College of Business and Economics

School of Tourism and Hospitality

University of Johannesburg, South Africa

ORCID ID <https://orcid.org/0000-0002-2944-6802>

E-mail; mlebambo@uj.ac.za

Richard Shambare

School of Business and Finance

University of the Western Cape, South Africa

rshambare@uwc.ac.za

Corresponding author*

Abstract

This paper reports the findings of a study whose purpose sought to identify strategies to addressing the discord and disharmony between entrepreneurial policy and practice in developing countries such as South Africa. Beginning in the early days of its democracy in 1994, the South African government identified entrepreneurship as an all-encompassing strategy to address a plethora of socioeconomic challenges including unemployment and economic growth. In line with this agenda, the government has developed various policies aimed at both developing and growing small enterprises. Despite this, the small to medium enterprise sector has not developed as intended. Characteristically, small businesses are battling to survive amid intensifying competition from large scale enterprises (LSEs). Ironically, the latter is one example where practice does not necessarily follow the dictates of policy. To fully develop an in-depth understanding of this phenomenon, a qualitative case study involving 15 tourism small-scale businesses as well as five government departments in Mpumalanga Province was designed. Data were collected by means of in-depth interviews. ATLAS.ti was used to analyse data. Results revealed a gap between policy and practice. Interestingly, political rhetoric was observed as exacerbating an already dire situation by injecting confusion in the entrepreneurship discourse. Furthermore, the study proposes a conceptual framework, the POEE, which attempts to harmonise policy and entrepreneurial actions. Recommendations are made within the context of the POEE framework.

Keywords: entrepreneurial policies, rural areas, small-scale businesses, tourism, South Africa

Introduction

The South African government's commitment to entrepreneurship as the panacea to the country's socioeconomic challenges is unquestioned. Of note, the National Development Plan 2012 – 2030 (NDP), the government's agenda for economic activity until 2030, identifies entrepreneurship as its central theme. Therein, the NDP further pronounces numerous measures aimed at supporting entrepreneurs and stimulating entrepreneurship. Despite the NDP being the overarching policy document advocating for increased entrepreneurship within the South African economy. Numerous policies supporting entrepreneurship pre-date it, including the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (SA, 1995), the National Empowerment Act (SA, 1998), the Preferential Procurement Act (SA, 2000), the BBBEE Act (SA, 2003), and the Small Business Act (SA, 2003). In addition, a corresponding extensive structure of supporting organisations and bodies to implement these policies and to accelerate entrepreneurship promotion, known as Capacity Developmental Institutions (CDIs) such as the Department of Trade and Industry (DTI), Small Enterprise Development Agency (SEDA), and the National Youth Development Agency (NYDA) have also been established. Moreover, tourism focused policies have also been enacted by the government. For instance, the White Paper on the Promotion and



Development of Tourism in South Africa (SA, 1996) laid the foundation for tourism development in South Africa. Other policy initiatives include the Rural Tourism Strategy, Framework for Local Government Tourism Capacity Development and Promotion Support, and the National Tourism Sector Strategy.

A number of these policies centred on a number of specific strategic considerations, including addressing the Apartheid legacy of the disempowerment of black business and establishing a set of new national institutions to support, coordinate and monitor the process (Rogerson, 2004:767). Of late, another policy initiative aimed at promoting a more inclusive participation in the economy is the Tourism Transformation Fund. This fund was set-up as a capital investment mechanism in collaboration with the National Empowerment Fund, aimed at supporting black owned, youth, women, community-based and rural tourism enterprises (Tourism, 2019).

Despite the aforementioned conducive policy environment created by government since 1994, policy implementation and entrepreneurial actions in rural areas are in discord. Challenges such as stringent regulatory framework, bureaucratic compliance systems and limited access to information and opportunities because of the lack of availability of some of the support institutions continue to threaten the potential of rural entrepreneurship (Berry *et al.* 2002; Ndabeni & Rogerson, 2005; Chalera 2007; Ngorora & Mago 2013, Lebambo & Shambare, 2017, Lebambo, 2019). This quite puzzling scenario which presented itself as somewhat of an academic riddle led to this study asking the question:

To what extent is the existing entrepreneurship policy framework able to address the prevailing dire situation of the micro-rural tourism enterprises?

Theoretical background

What are entrepreneurship policies and what should they do?

In defining entrepreneurship policy, this section begins with defining the term “policy”. Although there is no unanimity on the definition of policy; what appears to be common is bridging the gap between envisioned goal and action or reality. Colebatch (1998) defines public policy as what the government and public sector choose to do or choose not to do. In other words, what is not done is just as important as what is done. Torjman (2005:1) on the other hand links public policy to an influence on every aspect of life: “Public policy determines the quality of air we breathe and the water we drink. It affects the food we eat and how it is harvested, where it is distributed and sold and how much we pay”. Similarly, de Coning and Wissink (2012) define public policy as a public sector statement of intent, a detailed programme of action, to give effect to selected normative and empirical goals in order to improve or resolve perceived problems and needs in society in a specific way, thereby achieving desired changes in that society. Public policy is, therefore, important because the policy represents a decision made by government, which is in the public interest. It is the art of developing responses to public problems (Friesen, 2014).

In the context of entrepreneurship, entrepreneurial policies are contemporary policy instruments that are enabling in nature and centre on new and small businesses. This is contrary to traditional policy instruments governing business that typically worked to constrain big businesses (Gilbert *et al.*, 2004). Entrepreneurial policies include governance capacities ranging from regulatory policy to economic development partnerships to poverty alleviation (Hart, 2003). This includes resources such as financial capital, intellectual property protection, specialised skills, as well as the density and intensity of competition within the entrepreneur’s chosen market (Hart, 2003). Lundstrom and Stevenson (2005) presented the following three main areas in which entrepreneurial policies should focus on:



- 1) Supporting the needs of people as they move through the earliest stages of the entrepreneurial process from awareness to intent to pre-start-up and early post-start-up.
- 2) Making greater use of "soft" policy measures, such as mentoring and entrepreneurship promotion.
- 3) Implementing entrepreneurship policy to incorporate a broad set of institutional partners in the make-up of its "support environment" (e.g., educators, the media and a diverse set of government ministries).

For the purpose of this research, rural entrepreneurship policy is defined as an action, which employs governmental authorities to commit resources in support of rural entrepreneurship development (Considine 1994).

The great divide between entrepreneurship policy and practice

Despite many regions having adopted entrepreneurship policies, there is still a great divide between policy intentions and practice. GEM scholars assessed entrepreneurship activities in different regions such as Asia, Europe, Latin America and North American, which have adopted entrepreneurial policies. They found that despite the adoption of several policies by governments of these regions, the regulatory burden for starting and growing new businesses and availability of resources still inhibits entrepreneurial activity (Reynolds, 2000; Hart, 2003; Lundstrom & Stevenson, 2005). In South Africa, Lebambo (2019) found that there are prevailing challenges facing entrepreneurs despite the existence of several entrepreneurial policies. Challenges relating to lack of appropriate business infrastructure, barriers to enter new markets, lack of industry mentors and networking opportunities, stiff competition, high cost of regulatory compliance and barriers in accessing bank loans continue to undermine business viability. This is mainly because policy implementation does not suit local conditions and policy makers lack insights on the conditions of entrepreneurs, resulting in policy being ineffective. In contextualising this dilemma of low entrepreneurial activity despite a conducive entrepreneurial policy environment; Lundstrom and Stevenson (2005) assert that many governments lump SMME-oriented and entrepreneurship-oriented policies together, resulting in entrepreneurship policy being "tacked on" to SMME policy (Lundstrom & Stevenson, 2005:51).

The ability to recognise that entrepreneurship policy and small business policy are interrelated but not the same is an important factor that will drive policymakers to focus not only on established businesses but also on also new and nascent entrepreneurs (Hart, 2003, Reynolds *et al.*, 2005). Small business policy focuses on strengthening the existing small business by ensuring they have a level playing field relative to large firms, while the main objective of entrepreneurship policy should be to stimulate higher levels of entrepreneurial activity by influencing a greater supply of new entrepreneurs (Lundstrom & Stevenson, 2005:51).

As such, entrepreneurship policy support should include fostering networks of potential customers and service providers, which in turn reduces the uncertainty facing nascent entrepreneurs (Hart, 2003:8). The role of institutions and governments should create conditions that will enable small-scale entrepreneurs to be successful in their efforts to start and grow enterprises (Gilbert, Audretsch & McDougall, 2004). In other words, there will be higher levels of entrepreneurial activity in economies where people:

- 1) Are aware of entrepreneurship as a feasible and viable option and are willing to explore it.



- 2) Have access to opportunities to gain the knowledge, skills and ability to be able to pursue it.
- 3) Can gain access to the start-up support they need, such as information and ideas, counselling and advisory services, business contacts, capital and encouragement.

Frameworks for entrepreneurship policy

Audretsch and Thurik (2001) suggest a policy approach that focuses on enabling the creation and commercialisation of knowledge, such as encouraging research and development, venture capital and new firm start-ups. This must be supported by efforts to reduce bottlenecks in the development and financing of new and early-stage firms, encouraging new firm start-ups from university and government research laboratories. This can be achieved by creating new stock market listings for high-tech start-ups, funding small-firm research and development and promoting entrepreneurship in technology clusters (Audretsch & Thurik, 2001 in Stevenson & Lundstrom, 2001).

Wennekers and Thurik (2001:80) proposed two types of appropriate policy interventions. The first type is aimed at promoting the creation of technology-based firms in selected industries. The second type is policy aimed at providing newly created firms, regardless of sector classification, with the financial, organisational and technological resources needed to grow in both domestic and foreign markets.

Verheul *et al.*, (2001) suggested five types of government policy interventions influencing entrepreneurial activity:

- *Demand side of entrepreneurship.* Through policies such as income policy, policies to stimulate technological developments and competition policies, government intervention directly impacts the type, number and accessibility of entrepreneurial opportunities.
- *The supply side of entrepreneurship.* This includes policies such as competition policy, regional development policy and others that affect the supply of potential entrepreneurs.
- *Availability of resources.* Resources to be made available include knowledge, increasing the availability of financial and other informational resources.
- *Shaping entrepreneurial values in the culture.* Government intervention helps shape positive attitudes towards entrepreneurship by introducing entrepreneurship elements in the educational system and paying attention to entrepreneurship in the media.
- *Altering the risk-reward profile of entrepreneurship.* This includes policies on taxation, labour market legislation and others which will increase the flexibility of the business and attract individuals to start or continue a business.

UNCTAD (2012:2) identifies six priority areas for policy focus. Although it recognises that in designing entrepreneurship policy “one size does not fit all”, it however, suggests that the identified components have direct impact on entrepreneurship activity:

1. *Formulating national entrepreneurship strategy.* Achieved by identifying country-specific challenges, specifying goals and setting priorities, ensuring coherence of entrepreneurship strategy with other national policies, strengthening institutional framework and measuring results and ensuring policy learning.
2. *Optimising regulatory environment.* This entails examining and minimising regulatory hurdles such as the cost of doing business, licences, procedures and administrative fees for start-ups. It also entails building entrepreneurs' confidence in the regulatory



environment, carrying out information and campaigns on regulatory requirements and assisting start-ups in meeting regulatory requirements.

3. *Enhancing entrepreneurship education and skills development.* This entails embedding entrepreneurship in formal and informal education, including schools (primary and secondary) and through extra-curricular activities, career awareness, seminars and mentorship programmes.
4. *Facilitating technology exchange and innovation.* It is important to support greater diffusion of ICTs to the private sector by launching awareness and capacity-building campaigns on ICT use, promoting inter-firm network that help spread technology and innovation and build bridges between public bodies, universities and the private sectors and supporting high start-ups by stabling high-tech business incubators, knowledge hubs and science parks.
5. *Improving access to finance.* This is achieved by improving access to relevant financial services on reasonable terms, promoting funding for innovation, building capacity for the financial sector to serve start-ups and providing financial literacy training to entrepreneurs and encouraging responsible borrowing and lending.
6. *Promoting awareness and networking.* Policies should highlight the value of entrepreneurship to society, address negative cultural biases, raise awareness about entrepreneurship opportunities, stimulate private sector-led initiatives, as well as strengthen networks among entrepreneurs.

Mirzanti *et al.*, (2015) uses the existing entrepreneurship policy framework from Minniti (2008) to summarise a proposed conceptual framework using three-levels of interventions by government: micro, meso and macro:

1. Micro level (the individual). At the micro level, entrepreneurship policy should focus on creating motivation, entrepreneurial skills and business skills. This can be achieved through entrepreneurship education and training, eliminating entry barriers, access to markets and finance, incubators, role models, mentors and exposure.
2. Meso level (the firm). This level should focus on decreasing administration and burden in facilitating deregulation, focusing in targeted businesses (technology) and business incentives. This can be achieved through business tax and fiscal incentives, technology transfer, managing entry/exit barriers and import/export regulations.
3. Macro level (macro). Entrepreneurship policy at this level should focus on creating entrepreneurship culture, infrastructure and regulation. This includes awareness, venture capital, access to education and the Internet.

From the above detailed policy frameworks and proposals on entrepreneurship policy, the most important components can be summarised in figure 1 below. These collated policy points can serve as a guide to policymakers to begin the strategic formulation process and the implementation of entrepreneurship policy.

Key components of entrepreneurship policy framework



Figure 1. Summary of key components of entrepreneurship policy framework.

Source: Authors' own construct.

Despite studies having extracted some of the factors influencing the level of entrepreneurship and attempting to contextualise the role of government in promoting entrepreneurship (Ngorora & Mago, 2013; Thurik, & Wennkers, 2004; Ulrich, 2006; Lekhanya & Visser, 2016), the question as to what are the precise steps to follow in implementing entrepreneurship policy remains contested in the literature. There is limited clarity as to which combination of policy measures will produce the desired result in any country. The answer appears to lie in the complex interplay between the dimensions of the individual (the entrepreneur), the enterprise and the environment (Lundstrom & Stevenson, 2005:7). It is for that reason that Minniti (2008) and UNCTAD (2012) advise that each policy framework should be treated as a working document as one size policy does not fit all in the domain of entrepreneurship support.

Methodology

A case study methodology using a grounded theory approach in interpreting and analysing data was adopted for this study. Mehmetoglu and Altinay (2006:31) argue that grounded theory is useful to qualitative researchers provided the approach is not too strictly followed and that it is not the sole method of analysis used in a study. Put more simply, De Vos, Strydom, Fouché and Delpont (2011:312) explained that: "...The qualitative researcher will, during the research process, create the research strategy or design best suited to their research, or even design their whole research project around the strategy selected."

This study was conducted using multiple data collection techniques being in-depth interviews, documents review and observations. The cases for this study were individual small-scale-lodging entrepreneurs within the confines of rural the Mpumalanga province, in total, 15 cases were selected. These included one-on-one in-depth interviews with lodging business owners.

In addition, five representatives from government's entrepreneurship support institutions such as the Small Enterprise Development Agency, Mpumalanga Economic Development and Tourism, and a local tourism association were interviewed to achieve cross-case analysis of data collected.

Accommodation is a fundamental factor of the tourism product (Nuntsu, *et al.*, 2004). Hence, a major contributor to the tourism economy is accommodation establishments. Statistic South Africa's 2019 report on tourism impact on employment positioned accommodation second after road passenger transport in the total number of jobs created within the industry. The total income generated by accommodation sector in 2018 is estimated at over 24 million coupled with over 5500 jobs created in the same year (Statistics South Africa, 2019). Rogerson (2004) states that the growth of lodging establishment such as B&Bs in South Africa, particularly in rural areas, is due to the lack of development of hotels and motels businesses in the areas. This creates an opportunity for more rural communities to open their private lodgings for guests with the aim of generating income. Mpumalanga boasts a number of natural tourist attractions and is a gateway province to some of South Africa's tourist attraction centres. With one million visitors a year, the Kruger National Park is one of the world's most visited parks. Three Rondavels, Graskop Gorge Falls, God's Window and several others are also located in the province. Mpumalanga was named the second most visited province of South Africa in 2011, with over 1.5 million tourists visiting annually (Mpumalanga Tourism and Parks Agency, 2019), providing an opportunity for lodging businesses in the province to increase, and consequently, the sector to become highly competitive.



Figure 2. Mpumalanga map tourist attractions
Source: SA places, 2019

Results

The research question for the study sought to establish “to what extent is the existing entrepreneurship policy framework able to address the prevailing dire situation of the micro-rural tourism enterprises?”



Overall, the study found that the South African government has indeed prioritised the promotion of the small-enterprise sector. Not only through policy but also the strategies tabled and support institutions set-up. In fact, the majority of the entrepreneurs have admitted that the democratic government has played a crucial role in creating an enabling environment for black business owners to start businesses and compete in the mainstream economy of the country, something that was prohibited under the Apartheid government. However, because policies and strategies are not tailor-made to address the needs of their unique environments, the pace of development has been very slow, and in some cases not been realised, as captured by the respondents below:

This government gave us freedom, liberation to have black women like myself to start a business" (Respondent 2: Quote 18). "Their policies on paper, yes, they are lucrative but implementation nothing... Maybe 30%, what happens to the rest of the 70%? For example, we still don't have water in this area, market access is still a problem, it's all about connections. (Respondent 6: Quote 37).

The consequence of not fully understanding the dynamics of rural entrepreneurs is captured in the extract below, which exemplifies the gap between policy and the intended outcomes.

Yes, I can say we benefited from their policies, but the only problem is [that] they don't focus on a specific sector when they offer support. I wish we can have one specific training related to tourism or at least accommodation like B&Bs. So, they just train you all in business [management] in general. We were with businesses in manufacturing and others so you can imagine there is no time to ask questions about hospitality. We need to know about how to operate a hospitality business, grading, types of beds and everything that is important for one to run a successful tourism or B&B business. (Respondent 7: Quote: 23).

In addition, because of the administration burden, incompetency of officials and stringent compliance requirements, despite having some of the support departments, the entrepreneurs were found to have lost confidence in the institution's effectiveness. As a result, they strongly believed that these policies have not influenced the performance of their business ventures. For instance, **Case 2** has been trying to get a certificate to rezone the property from the municipality. She shared:

You know that to date my business has not been rezoned. The municipality has sent me from pillar to post. I don't even have a letter of consent to operate the business, so I told myself that I will not be bothered anymore, and they should also not bother me. I will continue operating my business as usual, compliance or no compliance. I do not care (Respondent 2: Quote: 37).

Case 6 also attested to the impediments in getting the certificate to rezone the property. She stated:

...There are some bylaws that I need to follow; I have applied for the permission to rezone the B&B from residential to business. I know that I have bypassed that stage as I am already operating. But I applied with the municipality to give me permission to rezone the place and I am still waiting for the response ... I applied about a year ago, to date [there has been] no reply. [With] every call you are told "we are waiting for council to sit. (Respondent 6: Quote: 1).

Case 1 applied for funding with the Mpumalanga Economic Growth Agency (MEGA) to extend his B&B and build a coffee shop. He indicated:

There is no direct answer to the application status. The only thing that saved me from knowing about the application was [that] after I mentioned that there is someone from TUT doing research on entrepreneurship and I will use the opportunity to expose the department. After hearing this, he asked to call me back in a few minutes, and indeed, he called back. To my surprise, I was told for the first time that my application was sent to the IDC. So, if it wasn't for your study, I would have not known about this. You must



either threaten them or forget about getting cooperation. It is only now that they went to collect my file because I called. We cannot work like that. They talk about access to finance for small businesses, but the processes are the opposite. (Respondent 1: Quote: 12).

Discussion

The primary objective of this paper was to examine what steps could policymakers take to ensure that policy translates to the intended practice in as far as rural tourism in South Africa is concerned by asking the question *“to what extent is the existing entrepreneurship policy framework able to address the prevailing dire situation of the micro-rural tourism enterprises?”*

The economic and employment prospect tourism has on rural communities have intensified the need for the South African government to introduce policies as tools to develop the growth of rural tourism businesses. Rural tourism is increasingly being used as a development tool to improve the social and economic well-being of rural areas (Irrshad, 2010; UNWTO, 1997, 2017). The labour intensive and low-skilled nature of tourism increases economic participation of local communities, consequently alleviating poverty in rural areas (Mayer, 2015, Nedelea & Okech, 2008). Rural tourism has many potential benefits including employment growth, bringing dynamism to local economies, social improvement, revitalisation of local crafts and improving the entrepreneurial spirit among local populace, decreasing the development gap among the regions and overall improvement of quality of life of rural areas (Irrshad, 2010; Ayaz & Ozturk, 2016). “Had it not been for its history of apartheid, South Africa would probably have been one for the most visited places in the world” (SA, 1996:6).

The White Paper on the Development and Promotion of Tourism in South Africa (1996:6) referred to this quandary as a “missed opportunity” as a result of the country’s past political policies which for decades have limited development of the sector, especially in rural communities (SA, 1996:7). As mentioned earlier in the introduction, in an attempt to redress these challenges, the government promulgated a number of policies to develop. However, despite the progress made in developing tourism in South Africa a number of transformational factors still limit the effectiveness of the tourism industry to play a more meaningful role especially to small businesses in the rural areas. Tourism is still perceived as catering to the predominantly white upper and middle classes, “South Africa’s tourism economy is dominated by a small group of locally owned large tourism organisations, led by Sun International, Protea and Southern Sun enterprises. Although these large companies dominate the tourism economy, the vast majority of South African tourism enterprises – as in most countries – are small firms” (Rogerson, 2004:273). In addition, the tourism sector in South Africa is also characterised by a number of challenges.

Similarly, the analysis of the rural Mpumalanga province highlights limitations in South Africa’s entrepreneurship policies, owing to the lack of knowledge of rural entrepreneurship dynamics and challenges. This include the sluggish pace of integrating local communities and previously neglected groups to the mainstream tourism economy; lack of tourism education and training to small-scale businesses, poor business infrastructure in rural areas; restricted access to markets and finance and lack of inclusivity of small-scale establishments in promoting the sector. In addition, political rhetoric was observed to be exacerbating an already dire situation by injecting confusion in the entrepreneurship discourse. For example, the study found that the 2010 Soccer World Cup tournament had a huge influence on the formation of the B&Bs that were established between 2008 and 2010. Prior to the tournament, the South African government urged host communities to take advantage of the economic opportunities that come with hosting mega events such as the FIFA World Cup by turning some of their facilities into B&Bs. Moreover, made promises to assist in the process. This has consequently contributed to the formation and mushrooming of B&Bs. However, its effect was only in



motivating individuals to start B&Bs and not necessarily in channeling resources towards their formation. Many of the businesses are battling to survive; others resorted to selling their properties. Some are still without basic skills needed to operate a lodging establishment. None of the 15 cases used in this study received a grant from government agencies.

Four cases attempted to apply for funding to refurbish their establishments between 2011 to 2015, but due to red tape in the processes, the applications were abandoned by the entrepreneurs. Regarding non-financial support, the six that have attended government-led skills development programmes, cited the lack of tailor-made training to understand the tourism industry and specifically accommodation. Training provided is mainly on general business management where they are trained with other entrepreneurs from various industries, such as manufacturing.

Others indicated that they preferred to be asked first what they would like to be trained on, to ensure that the training is in line with their business needs as indicated by Case 6:

Yes, we attended training once organised by the Local Economic Development (LED) unit. The only problem is that it focused on compliance in general for all businesses. I wish we could have the one specific to tourism or at least accommodation like B&Bs. So, they just train you all in business [management] in general. We were in training with businesses in manufacturing and others, so you can imagine there is no time to ask questions about hospitality. We need to know about how to operate a hospitality business, grading, types of beds needed and everything that is important for one to run a successful tourism or B&B business. (Respondent 7: Quote: 23).

Two of the cases mentioned have used bank loans to fund their businesses. The others have retired or resigned from their full-time employment and used their pension savings to establish and refurbish the B&Bs. Their businesses continue to operate in areas confronted by challenges such as neglected infrastructure, and poor service delivery continues to threaten the livelihoods of these businesses.

Many areas across the nation are still without water and proper roads and access to ICT services, resulting in the high cost of doing business and the lack of investment. The cases of micro-rural lodging establishments in Mpumalanga exemplifies the lack of harmony in policy and practice, despite an existing entrepreneurship policy framework. As a result of the sub-optimal policy outcomes, the POEE model is proposed for government intervention in supporting tourism businesses located in the rural areas. The model answers the question *“What interventions can policymakers put in place to ensure that policy translates to intended outcome in as far as rural tourism entrepreneurship in South Africa is concerned?”*

The POEE Model: proposed framework for entrepreneurship development in rural areas

The proposed model for entrepreneurship development in the rural areas is an expansion of research done by (Lebambo & Shambare, 2017) where the authors investigated the state of bed and breakfast establishments in rural South Africa. The latter authors’ discovered the existence of a distinct typology of four variants of rural micro-lodging enterprises and named them Penguins, Owls, Eagles and Eaglets because of the businesses similarity in character and survival mechanisms with the birds. In addition, the typologies considered the unique challenges and successes of each typology of business identified. Lebambo and Shambare (2017) classified the rural lodging entrepreneurs as indicated in figure 2 below:

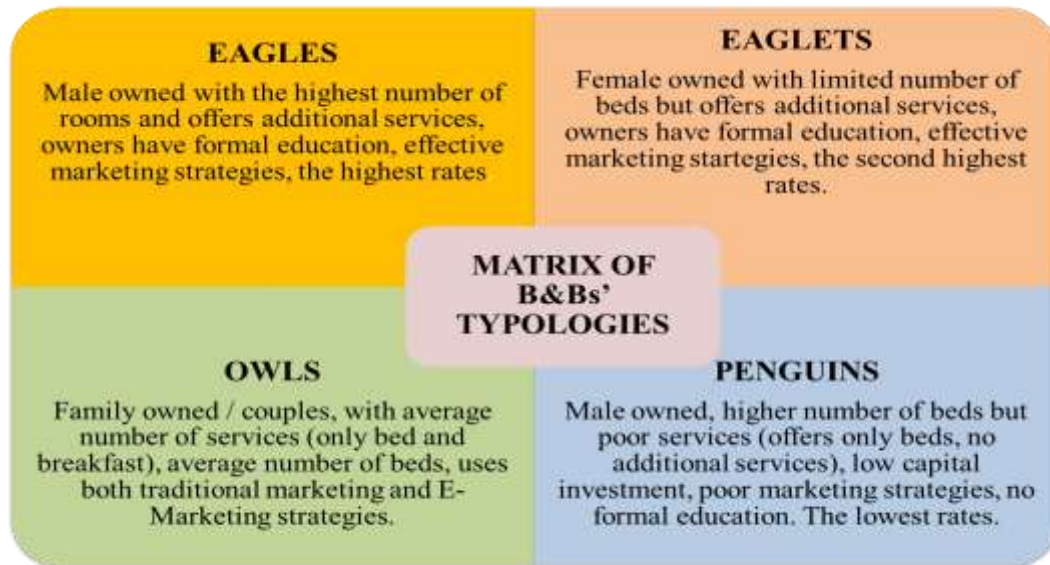


Figure 3. Typologies of lodging businesses in rural South Africa.

Source: Lebambo & Shambare, 2017.

Due to the different typologies and features of the entrepreneurs, Lebambo and Shambare (2017) argue that the “one-size-fits-all” support mechanism applied by government to support their businesses is counter-effective. This notion is supported by Wagner and Stenbery (2004) who argue that entrepreneurship policy strategies need to be tailored to the specific institutional context of each economic region.

In other words, the environments required for the emergence of productive entrepreneurship are likely to differ significantly between a rural area, a high-technology cluster, and a metropolitan area (Minniti, 2008). Therefore, for government policies to be effective, the design and implementation need to consider the dynamics of rural areas which are often bombarded with challenges such as limited business infrastructure and no access to markets or even basic services which are lacking. Mainly, due to flawed systems which fail to root-out corruption, thus hampering service delivery.

The intention of this paper, therefore, is to provide specific intervention approaches that could be used by government to assist each unique typologies of entrepreneurs found in the rural areas. The biggest challenge of the South African Government in developing rural entrepreneurship is the lack of clarity and guidance on how interventions should support policy objectives. What this paper proposes is a framework that accounts for policy. The framework is discussed below:

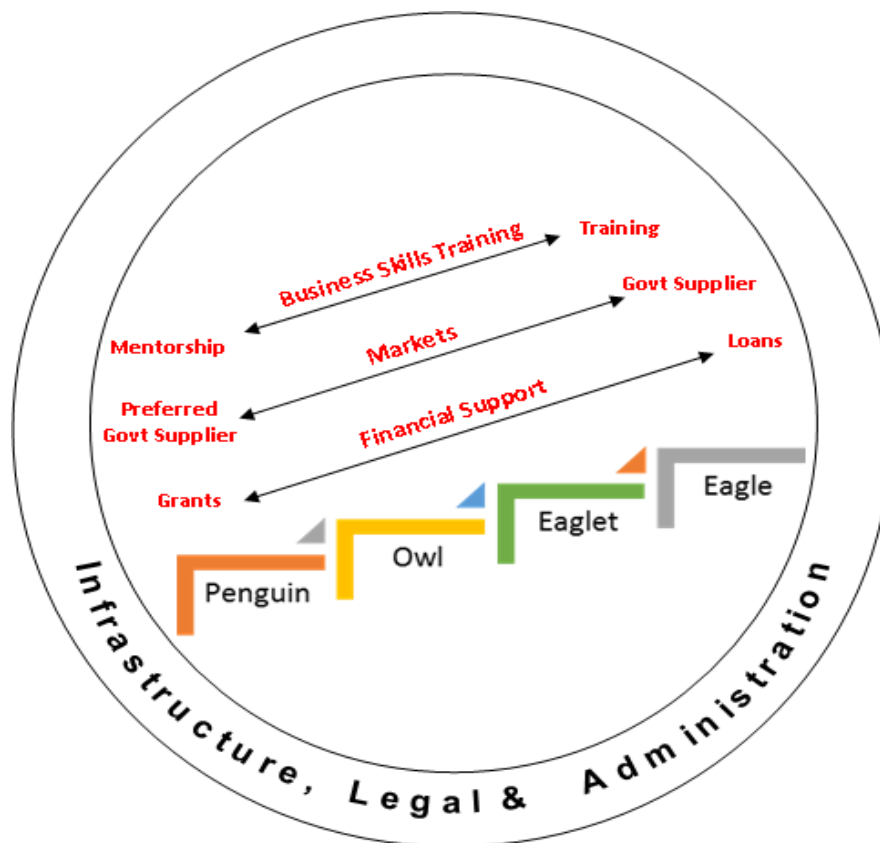


Figure 4: POEE Entrepreneurship Development Model.
Source: Author's own construct.

The framework theorises that at the macro level of policy, (1) business infrastructure development, (2) legal and regulatory framework, as well as (3) business administration are the important pillars of entrepreneurship policy development and that they together constitute the material and significant features of the business environment. In other words, the provision of business infrastructure in the rural areas such as water, roads, access to information and communication technologies is an important policy imperative at a macro level.

Therefore, these policy imperatives should be implemented across settings as they are the backbone of the business environment. However, at the micro level of interventions, entrepreneurship policy imperatives such as access to markets, financial support (grant and loans) and non-financial support (training and mentorship) are the policy interventions needed. This is due to the different physiognomies that these businesses have hence termed according to their strengths and weaknesses (such as the eagles, eaglets, owls, penguins) and as such, the model suggests that intervention should not be a “one-size-fits-all” approach given the different needs of these businesses.

For example, the Eaglets and Eagles, who were observed to be the most established group of entrepreneurs with advantages such as qualifications, previous work experience, skill sets and qualities needed to run a successful tourism business. As such, they should be supported with access to finance. This could be channelled through credit guaranteed schemes from government funding institutions and other networks of partners in the private sector to help these entrepreneurs with business expansion. Furthermore, training on specific needs to further advance their already existing knowledge of the business environment. This could include programmes that foster partnerships and exposure to international markets. In addition, exposure to digital marketing platforms to bring about business growth in a sustainable manner could be another intervention. Exchange programmes and networking



platforms with established counterparts such as hotels could be beneficial to an Eagle business. This, therefore, means that an Eagle and Penguin cannot be subject to the same training nor can they be supported equally with finance due to their different capacity to utilise financial resources.

The Owls and Penguins are characterised by owners with no formal education, with the business being the primary source of income. They operate at the barest level of survival. These are categories of entrepreneurs require one-on-one mentorship programmes tailor-made to fit their needs. In addition, they should be the second layer of preferred supplier of services by government. Meaning, available business opportunities should be channelled to such establishments. Regarding markets, the model suggests that thorough steps should be taken by government to ensure that rural businesses in this category are supported, particularly those operating at the barest level of survival.

Despite two decades of political change, economic exclusion remains a reality for many black entrepreneurs in South Africa, the majority located in rural areas. To ensure equitable share of the country's economy and to fasten the pace of economic transformation, the model recommends radical political postures to support rural micro tourism establishments. Interventions such as making it compulsory that any government programme such as meetings, seminars or conferences, be hosted at a local lodging establishment such as those in the Owls and Penguins categories, rather than using established facilities such as hotels located in the cities. Such interventions are themed the demand side of entrepreneurship policy, which plays an important role in creating room for rural entrepreneurs to access markets. Creating the demand for their products through policy reforms drives the demands for rural entrepreneurs' products and services.



Table 1: Typologies and characteristics of lodging enterprises operating in rural areas

Typologies of rural-lodging enterprises	Characteristics of the business	Characteristics of the business owners	Business use	Policy interventions needed
EAGLES	<ul style="list-style-type: none"> ▪ Registered and male-owned. ▪ Bed and breakfast, and other services such as conference rooms. ▪ Facilities graded or in a process of grading. ▪ Higher in rates: R650 - R900. ▪ Capital investment of over a million. ▪ Highest number of beds. ▪ Adopted of e-marketing. 	<ul style="list-style-type: none"> ▪ University education. ▪ Professionals. ▪ Long-term investors. ▪ Remote entrepreneurs. ▪ Reside out of the premise. ▪ Multiple business owners. 	<ul style="list-style-type: none"> ▪ Long term investment plan for the family. ▪ Financial security. ▪ Relief plan for other businesses. ▪ Social status and job creation. 	<ul style="list-style-type: none"> ▪ Access to loans though credit guaranteed schemes. ▪ Training on specific business needs i.e. digital marketing, cash flow management, networking. ▪ Exposure to international markets. ▪ Reduced compliance cost.
EAGLETS	<ul style="list-style-type: none"> ▪ Registered and female-owned. ▪ Bed and breakfast, and other services such as conference rooms. ▪ Capital investment of over a million. ▪ Facilities graded. ▪ Second-highest in rates: R650 - R850. ▪ Lowest number of beds. ▪ Adopted e-marketing. 	<ul style="list-style-type: none"> ▪ University education ▪ Professionals or retired professionals. ▪ Sleep in the premises. ▪ Business main source of income. 	<ul style="list-style-type: none"> ▪ Main source of income ▪ Used as long-term investment plan for the family. ▪ Financial security. 	<ul style="list-style-type: none"> ▪ Access to loans though credit guaranteed schemes. ▪ Training and skills development, i.e. hospitality management. ▪ Exposure to international markets. ▪ Mentorship with established businesses. ▪ Reduced compliance cost
OWLS	<ul style="list-style-type: none"> ▪ Registered or in possession of a letter of consent from the municipality to operate the business. ▪ Average rates: R400 - R 850. ▪ Not graded. ▪ Both traditional marketing and the use of Internet marketing but high presence of traditional marketing such as business cards, pamphlets and road signs. ▪ Bed and breakfast only, no other facilities. 	<ul style="list-style-type: none"> ▪ Owners have vocational or college education. ▪ Current priority of the business is stability rather than business expansion. ▪ Reside on the business and fully hands on. 	<ul style="list-style-type: none"> ▪ Main source of income. ▪ Future investment for the family 	<ul style="list-style-type: none"> ▪ Mentorship, training and grants. ▪ Access to local markets. ▪ ICTs (i.e. Internet marketing, websites, telephones). ▪ Preferred government supplier of services. ▪ Reduced compliance cost.
PENGUINS	<ul style="list-style-type: none"> ▪ Business at bare level of survival. ▪ Not registered. ▪ Only bed, no breakfast, no additional facilities such as conference rooms ▪ Stay-in owners. ▪ Cheaper rates: R100 - 350 ▪ No Internet marketing. Uses word of mouth to market the establishment. 	<ul style="list-style-type: none"> ▪ Owners have no formal education. ▪ Familiar with the industry opportunities, no resources available to exploit them. This includes access to ICT infrastructure, marketing and business management skills. 	<ul style="list-style-type: none"> ▪ Primary source of income. ▪ Other business ventures with similar characteristic (i.e., a tavern or spaza shop also struggling to develop). 	<ul style="list-style-type: none"> ▪ Incubation programmes. ▪ Linkages with larger established enterprises as part of mentorship. ▪ Access to grants. ▪ Computer training. ▪ Local tourism opportunities. ▪ Internet marketing training ▪ Subsidised facilities.

Source: Adapted from Lebambo & Shambare (2017)



Conclusion

The overarching objective of this paper was to present an entrepreneurship development framework for small-scale rural tourism establishments. As mentioned earlier in the introduction, this paper recognises the progress made to develop the tourism industry by the South African government. This can be traced in the various policy initiatives introduced in the last decade as briefly discussed in the previous sections. However, despite the aforementioned conducive policy environment, analysis of rural Mpumalanga Province highlights limitations in South Africa's entrepreneurship policies, owing to lack of knowledge of rural entrepreneurship processes, dynamics, and even challenges. Moreover, a number of transformational factors still limit the effectiveness of the tourism industry to play a more meaningful role especially for small businesses in the rural areas. Tourism is still perceived as catering to the predominantly white upper and middle classes. Despite the lucrative opportunity in the South African accommodation sector, due to South Africa's legacy of Apartheid, the tourism sector is still confronted with transformation challenges that make it difficult for emerging rural micro-lodging establishments, especially black-owned, to fully benefit from the country's tourism growth. The overwhelming majority of tourism enterprises and of the tourism economy as a whole is under the ownership of the white minority. "Structurally, South Africa's tourism economy is dominated by a small group of locally owned large tourism organizations, led by Sun International, Protea and Southern Sun enterprises. Although these large companies dominate the tourism economy, the vast majority of South African tourism enterprises – as in most countries –are small firms" (Rogerson, 2004:273).

Using the POEE model the paper suggest accelerating the integration of local communities and previously neglected groups in the mainstream tourism economy. Avenues such as of tourism education, training and awareness, and also business infrastructure development can be used to develop entrepreneurship among small-scale tourism establishments. This can be achieved by comprehensively investigating the business needs before implementing any intervention. The subsequent contribution of this paper is a set of tailor-made intervention variables that the government can use to translate policy into action in the quest to develop rural-based small-scale tourism entrepreneurs. The POEE model is a framework that accounts for policy.

The proposed model gives clarity and guidance on how interventions should support policy objectives. It stipulates what is required to support rural entrepreneurs at a macro and micro level for each distinct typology of the business. For instance, the kind of financial and non-financial support needed for two distinct entrepreneurs – one operating at the barest level of survival and the other indicating signs of stability. These recommendations were outlined in accordance with some of the transformative policy objectives contained in some of the promulgated entrepreneurial policies. These include policies such as the Preferential Procurement Act of 2000, the National Empowerment Fund Act No. 105 of 1998, the Broad-based Black Economic Empowerment Act 53 of 2003 and the 1998 Competition Act, which can be used to an extent, to guide the policy interventions as proposed by the POEE model.

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