

Entrepreneurship as a driving tool for small-scale businesses creation in Rwanda (case of the 12th ritf expo)

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Abstract

This article focuses on entrepreneurship as a driving tool in business creation in Rwanda. The researcher considered the Rwanda 12th international trade fair at Gikondo expo. Kigali, as a case study, where by entrepreneurs were presenting their products. The objective of this study was to find out the extent to which entrepreneurship contributes to the creation of new business and to assess the factors that influence entrepreneurs to create new business ventures.

In this article, literature on entrepreneurship was reviewed and analysed through a document analysis especially related to the Rwandan context. Moreover, the research revealed that entrepreneurs knowingly, joined business because of entrepreneurial concept, which includes unemployment, job opportunities, innovativeness, technology, internal and external competition, economic growth, and then population growth of Rwanda, in addition to the support provided by the Private Sector Federation (PSF).

Key words: Entrepreneurship, Business creation, Employment, Innovation.

1. Introduction

The understating of entrepreneurship owes much to the work of economists Joseph Schumpeter and the Austrian economists such as Ludwig von mises and Freidrich von Hayek. In Schumpeter (1950), an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. Entrepreneurship forces “creative destruction” across markets and industries simultaneously creating new products and business models. In a way, creative destruction is largely responsible for the dynamism of industries and long-run economic growth.

Despite Schumpeter’s early 20th-century contributions, the traditional micro economic theory had little room for

entrepreneurs in its theoretical frameworks (instead assuming that resources would find each other through a price system).

For Frank H. Knight (1967) and Peter Drucker (1970), entrepreneurship is about taking risk. The behaviour of the entrepreneurs reflects the kind of person willing to put his or her career and financial security on line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture. The acts of entrepreneurship are often associated with true uncertainty, particularly when it involves bringing something novel to the world, whose market never exists. For instance, before the widespread of internet use, nobody knew the market for internet related businesses such as amazons, Google, YouTube etc. Only

after the internet emerged did people begin to see opportunities and market in that technology.

However, even if a market already exists, let's say the market for cola drinks (which has been created by coca cola), there is no guarantee that a market exists for a particular new player in the cola category. The question is: whether a market exists and if it exists for you.

Longenecker (2000:8-10) states that entrepreneurs are achievement oriented, likely to take responsibility and have high energy levels, great contributions of trying and imagination. This combined with willingness to take moderate calculated risks enable them to transform what often began as very simple, ill-defined idea, into something concrete.

Entrepreneurs bring enthusiasm into an organisation and convey a sense of purpose and determination and by doing so, convince others that they are where the action is. The other characteristics include; need for achievement, willingness to take risk, locus of control, passion for business, innovation, strategic orientation, commitment opportunity, control and deployment of resources, management structure and reward focus as further discussed below.

Rwanda is one of the fast developing countries and growing economies in Africa. It should be remembered that, soon after the 1994 genocide, Rwanda was left in both an economic and social impasse. Its work force was reduced to almost nothing by the genocide perpetrators. However, the willingness, the ability, the spirit of hard work and the patriotism of the remaining people towards the country, have helped them to quickly rebuild up the country. The Rwandan economy has stabilised and continues to grow due to the stable security, trust and faithfulness of the people in the country. This has largely enticed the indigenous people with the help of private sector federation

(PSF) to start up businesses in the various parts of the country.

Not only Rwanda citizens have opened up businesses, but also different investors have come into Rwanda to invest in businesses of their choices. It is from the above reasons that the researcher was driven into findings out how the entrepreneurship concepts have really contributed to the opening up of the various businesses in Rwanda today. By starting up business ventures means entrepreneurship yet successful entrepreneurs have led to the rapid growth and development of Rwanda. However, a recent survey on the capacity needs of the Small and Medium Enterprises (SMEs) among 21 districts of Rwanda carried out by Private Sector Federation (PSF)-Rwanda indicates that about 80 percent of the 2,100 total sampled businesses lacked entrepreneurship skills. The researcher is based on entrepreneurship as a driving tool in business creation case study of Gikondo expo. 2009 with the objectives of establishing the factors that drive people to start businesses in Rwanda and determining the effects of entrepreneurship on the welfare of business owners. In order to achieve the above objectives a number of questions were applied:

- How is the level of entrepreneurship in Rwanda?
- How does entrepreneurship improve business creation in Rwanda?

Literature Review

Entrepreneurship

Entrepreneurship is the practice of starting new organisations or revitalising mature organisations, particularly new businesses generally in response to identified opportunities. Entrepreneurship is often difficult undertaking, as a vast majority of new businesses fail.

The following definitions are sample of what is available:

- Bateman & Snell (1996: 208) entrepreneurship is the act of forming a new organisation of value.
- Stoner, Freeman & Gilbert: (1995:160) state that entrepreneurship is the seemingly discontinuous process combining resources to produce new goods and services.
- According to Martin & Batol (1998:672), entrepreneurship refers to the creation of an innovative economic organisation (or network of organisations) for the purpose of gain under conditions of risk and uncertainty.
- Collins and Moore (1970) studied 150 entrepreneurs and concluded that they are tough, pragmatic people driven by needs of independence and achievement they seldom are willing to submit to authority.
- Bird (1992) sees entrepreneurs as mercurial that is prone to insights, brainstorming, deceptions, ingeniousness and resourcefulness. They are cunning, opportunistic, creative, and unsentimental.
- Cooper, Woo, & Dunkelberg (1988) argue that entrepreneurs exhibit extreme optimism in their decision-making process. In a study of 2004 entrepreneurs, they report that 81% indicate their personal odds of success of 10 out of 10.
- Busentiz and Barney (1997) claim entrepreneurs are prone to overconfidence and over generalisations.

In other words, the term of entrepreneurship means the process of conceptualising, organising, launching, and through innovation, nurturing business opportunity into a potentially high growth venture in complex, unstable environment.

The entrepreneur

Entrepreneurs have many of them same character traits as leaders. Similar to the early great man theories of leadership; however, trait-based theories of entrepreneurship are increasingly being called into question. Entrepreneurs are often contrasted with managers and administrators who are said to be more methodical and less prone to risk-taking. Such person-centric models of entrepreneurship have shown to be of questionable validity, not least as many real-life entrepreneurs operate in teams rather than as single individuals. Still, a vast but now clearly dated literature studying the entrepreneurial personality found that certain traits seems to be associated with entrepreneurs:

- David McClelland (1961) described the entrepreneurs as primarily motivated by an overwhelming need for achievement and strong urge to build.

Need for achievement

Every entrepreneur has agreed for success in whatever he/she is doing, Longenecker et al (2000:8) says that the need for achievement is a desire to succeed, where success is measured against a personal standard of excellence as:

- People with high need for achievement have desire to do well, not only for the sake of social recognition or prestige but also be responsible for feeling of personal accomplishment.
- Entrepreneurs prefer to be personally responsible for settling goals and reaching these goals by their own effort.
- A person with high need for achievement is characterised as follows:
 - Takes responsibility for decisions
 - Sets goals and support them with his/her efforts.

- Has strong desire for regular feedback, this is drive to achieve and find among the ambitions individuals who start new firms.

Robbins (2001:162) states that it was McClelland D. (1961) a Harvard psychologists, who began meaningful modern research on entrepreneurship traits or characteristics. McClelland D's work was not only a major contribution to the literature, but was also a pioneering effort in determining whether entrepreneurs tend to have a certain psychological mind-set. His research was based on the concept of need for achievement.”

Willingness to Take Risks

The second common characteristic of entrepreneur is a risking propensity, which is closely linked with the need for achievement. McClelland D, (1961) determined that individuals with a high need for achievement are moderate risk takers.

This means that prefer risky situations in which they exert some control over the outcome in contrast to gambling situations in the outcome depends on pure chance. Virtually all current definitions on an entrepreneur have a component that concerns taking risks. Moderate risk takers prefer risky situations in which they can get control over.

Lucas of control

One fear that people have when starting their own enterprises is that they will not have the drive and energy to keep control over the developing enterprise and allow it to grow. Longernerker, J G Moore, CW & Petty, JW (2000), stated that successful entrepreneurs do not take on something that they feel they will be unable to control.

The individuals who are self-confident and feel they can meet the challenges that come in their way. Therefore locus of control means that an individual (person) perceives the outcome of an event as being either within or beyond his/her personal control and understanding.

Innovativeness

Schumpeter (1934) identified entrepreneurship as a process and described entrepreneurs as innovators who make new combinations in order to introduce new products, develop new methods of productions, open up new markets and find new resources to create forms of business enterprises.

According to Peter Drucker in the (practice of innovation 1997), innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned and capable of being practiced. Entrepreneurs need to search purposefully for the source of innovation, the changes and their symptoms that indicates opportunities for successful innovation. And they need to know and apply successful innovation. Entrepreneurs are investors, who make new methods of production, open up new markets and find new resources to create new forms of business enterprises. Harvard entrepreneurial expert Teresa Amiable (1996:36) says that for entrepreneurs to be successful, they should master creativity first. He defined creativity as generating novel and useful ideas to solve any problem or take advantage of any opportunity. Creative thinking is a necessary not only to come up with novel or new ideas, but also to adapt old ones to take advantage changes in your existing environment.

Oemchse (1990:186) talked about the numerous psychologists and scientists who have studied the creative process as having approached it as a case of problem solving while others have analyzed it by identifying

atypical sequences of phase through which people pass when they solve problems. Ochse (1990:186) divides the process into five stages as indicated below:

Step 1: problem identification, this is where the aspiring entrepreneur gets the ideas of solving such problems, which leads him/her into becoming an entrepreneur.

Step 2. Preparation i.e. conscious search for knowledge experimenting.

Step 3. Incubation i.e. unconscious assimilation of knowledge

Step 4. Illumination i.e. realisation that the idea is feasible

Step 5. Verification i.e. validation or test whether that idea has values through idea contributions.

The role of ideas in Entrepreneurialism

Every business depends on an initial idea. By an idea, I mean a mental impression concept or plan, an intention, purpose or essential future. It is not necessary the very first idea that develops into a business venture. Usually, the original idea is subjected to series of tests and evaluations. During this process, the idea is adapted to become more active. Although some ideas may seem particularly promising, the question arises; is having a perfect or brilliant idea all it takes to be an entrepreneur.

Lauren Swanson (1997:17) explains the job of business as conceive ideas, nurture or care of them to birth and help them grow. In other words, good idea is merely the foundation on which entrepreneurs build an enterprise. What they do with the idea will determine whether they eventually become entrepreneurs. One brilliant idea rarely results in prospering new business in any time. Potential entrepreneurs usually pass through a series of trials and errors situations before they achieve success.

Longenecker et al (2000:5) states that William's ideas from observing his environment (no African food is store) while at vast incorporated. Longenecker (2000:3) also determined the need of client such as the government and designed a communicator according to requirements. Often the original idea develops into a different one that works better than the original idea.

In the process, the idea is subjected to various tests to establish its feasibility. However, ideas are hard to find. According to small business development corporation (1996: 16), there is no shortage of ideas. In fact, the flow of ideas can be amazing. The small business development corporation received 207,000 enquiries in 1996 and the majority of these were in connection with financing new business. Longenecker et al (2000:74-75) identified three basic types of ideas that can develop into new business ventures, like Ideas that focus on providing customers with products or services that do not exist in their markets but already exists in other markets, Ideas that involve new or relating new technology and Ideas that improve existing products and services and thus provide new benefits.

International Best Practices of Entrepreneurs

Strengthening of the SME sector has been a successful tool in achieving economic goals in many countries. This section explores the experiences of:

South Africa

Tanzania

New Zealand

Malaysia

All of these countries governments have taken the lead in SME development to encourage economic growth. These SME policies and programs have been used in close conjunction with overall legislation and policy reform. Each case study should be viewed within their unique context and each solution has been adapted to the specific country's needs, which has supported their success. In

looking at programs and policy options to strengthen and expand the SME sector in Rwanda, the Policy identifies similarities, such as access to finance and capacity building programs, in the selected countries and adjusts proven programs to fit its specific needs as a bespoke policy solution.

South Africa: Youth Enterprise - Umsobomvu Youth Fund (UYF)

Since 1994, the promotion of SMEs has been a priority of the South African government. Its aim is to ensure that SMEs progressively increase their contribution to growth and performance of the South African economy in critical areas such as job creation, equity and access to markets. With a high unemployment rate (23% in 2007, 24.3% in 2009), and SMEs formally employing approx 50-60% of the labor force, investment in SMEs remains a high priority.

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As a result of government backed dedicated SME strategies and policies, the number of SMEs operating in South Africa has increased from just over 1.2m in 2003 to 2.5m in 2009. The SME sector includes about 95% of all enterprises in South Africa (2003). The Umsobomvu Youth Fund (UYF) was created in 2001 to facilitate and promote the creation of jobs and skills development among young South Africans. The UYF runs a number of schemes benefitting young people including the National Youth Service Program, Youth Advisory Centers – linking youth-owned SMEs to procurement opportunities and offering funding and loans to approximately 20,000 young people each year to start or expand businesses.

Tanzania: Women Entrepreneurship Development Program (WED)

In 1973, in recognition of the importance of small businesses in growing the economy, the Small Industries

Development Organisation (SIDO) was created as a parastatal organization. By the mid-1980s, Tanzania had liberalized her economy and moved towards a market led economy. In 2002, the Small and Medium Enterprise Policy was introduced. However, a few years later, MSMEs were still facing problems such as an unsupportive legal and regulatory framework, ineffective marketing system, undeveloped value chains (characterized by low productivity level and low value-addition), and difficulties in accessing appropriate finances. In 2006, the Private Sector Competitiveness Project was introduced to reduce the cost of business and to address common problems affecting MSMEs, which account for over 80% of formal companies.

The Women Entrepreneurship Development Programme (WED) was formed in 2004 by UNIDO and SIDO in order to promote women's development and gender equality within the food processing industry. The scheme has experienced success and is currently operating in all 21 regions of Tanzania. Training courses combine entrepreneurship and technical skills and by the end of the course, trainees are equipped to start their own food processing enterprises. There are 118 trainers working throughout the country: over 2,400 entrepreneurs have been trained, of whom 70% are in business, and 50% of those who have started a business are producing regularly. 1,700 jobs have been created by course participants, some of whom export to neighboring countries.

New Zealand: Business Mentors New Zealand (BMNZ) In recent years policymakers and researchers in New Zealand have focused their attention on supporting SME growth. As a result, the Small Business Unit was established within the Ministry of Economic Development in 2003 and a Minister of Small Business was appointed, signaling the enormous importance of the sector. In 1991, the Business Mentors

(BMNZ) scheme was launched in New Zealand, based on the Business in the Community models of England and Europe. The concept is that large and successful businesses sponsor the development of small businesses. The BMNZ program is SME POLICY– JUNE 2010

funded by New Zealand Trade and Enterprise (30%) and by over 100 private sector companies (70%). The scheme is available to businesses that have traded for at least six months with evidence of accounts, which employ fewer than 25 full time employees and where the business owner derives their main source of income from that business. Businesses are asked to pay a registration fee of \$100, thereafter any mentoring they receive is free and they may make use of it for up to two years. From the outset, BITC fulfilled a major need in this country to help small to medium sized businesses prosper and grow, and accordingly, create wealth and employment opportunities. Since 1991 over 50,000 small businesses have benefitted from mentoring services.

Malaysia: SME Corp Prior to 2007, the Malaysian SME landscape was guided by two organizations: Small and Medium Industries Development Corporation (SMIDEC) charged with developing capable and resilient Malaysian SMEs and the National SME Development Council (NSDC) charged with coordinating tasks and making policy.

In 2009, the SME Corp Malaysia was established in order to coordinate SME programs across all related Agencies and Ministries and with formulating the overall policies and strategies for SMEs. SME Corp Malaysia is now the central point of reference for information and advisory services for all SMEs in Malaysia. The remit of the organization is large and it provides the following services:

Implementation of SME policies and programs

Centre on advisory and information services

Management of data, dissemination and research on SMEs

Business support services

Basing on these experiences from South Africa, Tanzania, New Zealand, and Malaysia it is a fact that even in Rwanda entrepreneurship can be considered as driving tool in small-scale businesses creation.

Methodology

Churchill (1992:108) study defines research as the framework or plan of study that guides the collection and analysis of the study. Richard and Williams (1990: 138) also define research as the total plan researchers use to aid in answering her questions; as part of her plan, she decided what the research questions should be, what data will be required to answer them, from whom data will be obtained and the best way to gather the data. In this case, the researcher obtained the data from documentation and interview from Rwanda international trade fair (RITF).

Document analysis as Qualitative research method was adopted to assess the role of entrepreneurship to the business creation in Rwanda.

Results and discussions

Basing on the documents analysed related to entrepreneurship and business creation, the study conceptualized and analysed different perceptions from other researchers in the area of entrepreneurship and business creation in Rwanda.

The researcher visited also the 12th Rwandan international trade which was hosted by the private sector federation (PSF) and the ministry of trade and industry (MINICOM) for having an overview of existing reality on contribution of entrepreneurship on business creation in Rwanda. This

international trade fair started from 30th July 2009 up to 10th august 2009 at Gikondo expo ground, in Kigali. Various entrepreneurs participated in the trade fair. The participants came from eleven countries which included; Rwanda, the host country, Uganda , Kenya , Tanzania, Burundi from east African community , then Ghana, Egypt, India, turkey, and the united Arab emirates(UAE) Dubai. By using observation technique, the researcher managed to assess the entrepreneurs, their products and customers who come to buy their products; the research found out that entrepreneurship has a significant role in promoting business. In addition some customers interviewed said that it is good to have new products instead of the routine ones coming from outside and sometime very expensive. This is meaningful to business improvement because, when customers are satisfied, the quantity of products sold increase and the business grow up.

Background of private sector federation (PSF)

The researcher, by using document analysis, looked at the background of the private sector federation (PSF), for assessing the extent to which entrepreneurship grew up.

According to the www.exporwanda.com, the private sector federation (PSF) Rwanda was established in 1999 as a

fusion between the chamber of commerce and industry and the employers organisation. The federation effectively replaced the two organisations. Initially PSF grouped together 14 associations that were a sector specific. The number grew to 23 associations representing 17 specific business associations and 6 provincial business associations. In 2006, the leadership undertook a restructuring exercise for the purposes of injecting a greater level of efficiency within all its working sites. Currently, the federation groups together nine professional and promotional chambers, seven of sector specific and two of them crosscutting. The Rwandan private sector federation (PSF) is thus a professional organisation, dedicated to promote and represent the interest of Rwandan business community. It is the umbrella organisation and voice of the entrepreneurs.

The following chambers are sector specific in nature and bring together business associations within the sector for

Table: 1.The nine chambers that form PSF

Serial no.	Name of chamber
Chamber 1	Agriculture and livestock
Chamber 2	Industry
Chamber 3	Commerce and services
Chamber 4	Tourism
Chamber 5	Financial services
Chamber 6	Crafts, artists and artisans
Chamber 7	Liberal professions
Chamber 8	Women entrepreneurs
Chamber 9	Younger entrepreneurs

Source: secondary data

advocacy and business challenges assistance. The PSF is a key role player enabling the private sector to respond to Rwandans vision for her future.

As the country flagship business institution, private enterprises look to PSF to address or facilitate solutions to business constraints that they face and represent their interests in dialogue with the government.

The PSF has made tremendous progress in restructuring itself and fostering private sector development in Rwanda. Nonetheless, the road forward is arduous as significant business changes persist.

The PSF organisation structure is enriched with a spectrum of dictated members of the Board. Senior and support staff at different levels, majority of whom are either directly or indirectly engaged in business. The highest decision-making organ is the general assembly, which sits annually to review progress, approves the annual report and accounts as well as action plan and budget for the following year.

The general assembly mandates the BoD to oversee the operations of the organisation. The Board is composed of 16 members.

The day-to-day operations of the federation are run by the permanent secretariat, headed by the secretary general, and assisted by the deputy secretary general team of directors, then managers and professional staff. The secretary general is an ex-official member of the BoD.

It is because of the mission of PSF, which is to represent the private sector while providing innovativeness services to member enterprises towards sustainable private sector development that entices the federation to organise the international trade fair in the country.

Challenges faced by Entrepreneurs

Although substantial supporting initiatives had been undertaken by the GoR, they have failed to create the

enabling environment necessary to develop the sector. Key challenges include:

1. *Limited resources and human capacity* for previous initiatives meant they were unable to fulfill the mandate of SME development or to extend their services country-wide
2. *Limited coordination and partnership* in these initiatives meant that many ongoing activities, in the public and private sector, were not sufficiently connected and harmonized to maximize their potential for SME development
3. *A limited policy environment* lacking focus and a prioritization of cluster and sector specific policies meant that the general policy environment was not targeted at SMEs
4. *The structure of previous finance schemes*, by placing them in large intermediary institutions with complicated application procedures and limited assessment capacity, meant the SMEs found them difficult to access
5. *The (low) quality and “one size fits all” approach* for business development services meant that the private sector did not take advantage of them, though the current PSF model is working to address this constraint
6. *The general regulatory environment in Rwanda* is structured toward large companies that have the time and resources to comply, making the existing structures a challenge to grow for SMEs (Ministry of trade and industry, 2010)

From these previous challenges, it is clear that a focused coherent policy and integrated approach is necessary to create an enabling environment for entrepreneurs. This will require a concerted effort to develop human capacity at the national and local level as well as the provision of adequate resources to support the implementation of the policy strategies.

This was stipulated by Rwanda vision 2020 as follow: The developmental process and capital formation cannot – in the long run – be achieved by the state or by donor funds alone. While both of these must contribute, the backbone of the process should be a middle class of Rwandan entrepreneurs.

Productive entrepreneurship must be fostered to perform its traditional role of creating wealth, employment and vital innovations through opportunities for profit. Ministry of finance and economic planning, (July, 2000)

Conclusion

VISION 2020 represents an ambitious plan to raise the people of Rwanda out of poverty and transform the country into a middle-income economy through entrepreneurship. Some will say that this is too ambitious and that we are not being realistic when we set this goal. Others say that it is a dream. But, what choice does Rwanda have? To remain in the current situation is simply unacceptable for the Rwandan people. Therefore, there is a need to devise and implement policies as well as mobilize resources to bring about the necessary transformation to achieve the Vision. This is realistic based on the fact that countries with similar unfavorable initial conditions have succeeded.

The development experience of Rwanda shows that this dream could be a reality.

Suggestions

Basing on data and literature review analysed above, it is recommended that Rwandans should continuously encourage entrepreneurship as one of the strategies for economic development.

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