

Knowledge as Social Provision for Successful Entrepreneurship

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Abstract. At the beginning of the 21st century, tourism has become one of the models of farm diversification in rural areas, as small-sized farms cannot provide sufficient revenues only from agriculture production. The majority of farms in Latvia are small regarding both their area and the amount of agricultural land. As in any business, the outcome of economic activity in farms depends not only on unbiased life circumstances for entrepreneurial activities but also on farmers' personality, knowledge, skills, and willingness to improve their knowledge and skills. Knowledge and skills play an increasing role in the process of farm diversification. Within the framework of the research on significance of social provision in expanding rural entrepreneurship, the survey was carried out among a group of farm managers who have chosen tourism in addition to traditional farming as farm diversification model. The results of the survey revealed that the lack of knowledge and skills was considered a significant problem by respondents.

Keywords: agro-tourism, management problems, knowledge role.

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Introduction

Tourism as an industry. Tourism industry continues to grow in Europe and worldwide, diversifying economy and providing jobs and work opportunities. The EU tourism industry generates more than 5% of the EU GDP, with about 1.8 million enterprises employing around 5.2% of the total labour force (approximately 9.7 million jobs). When related sectors are taken into account, the estimated contribution of tourism to the GDP is much higher: tourism indirectly generates more than 10% of the European Union's GDP and provides about 12% of the labour force (European Commission. Supporting...).

Tourism business has been expanding in Latvia. The goal of the government is to encourage tourism as a significant branch of industry, and to increase its share in the direct and indirect revenues as well as to develop an attractive image of Latvia and to promote Latvia as a tourist destination in the international tourism markets (Strategy of National Economy, 2004).

Agro-tourism has also developed rapidly. The data of the agro-tourism association "Lauku celotajs" revealed that in 2010 there were 492 places of accommodation with 9,361 beds, compared with 275 places of accommodation with 4,137 beds in 2003 (Ziemele A.). According to the data of the Central Statistical Bureau, totally 13.2 million people participated in intra-country travel around Latvia in 2010, out of which 3.3 million were holiday trips with staying overnight (CSB). The types of accommodation on offer include farmhouses, holiday houses, guest houses, campsites as well as castles and manors; however, unfortunately, without any percentage distribution for each of the listed alternatives.

The aim of the study is to examine the role of social factors in starting micro-entrepreneurship and the conditions for their provision. To achieve the aim, within the framework of the research, the object of the research was chosen - farmers starting tourism as a diversification model. The task of the research was to find answers on two questions: what characterises a manager of a

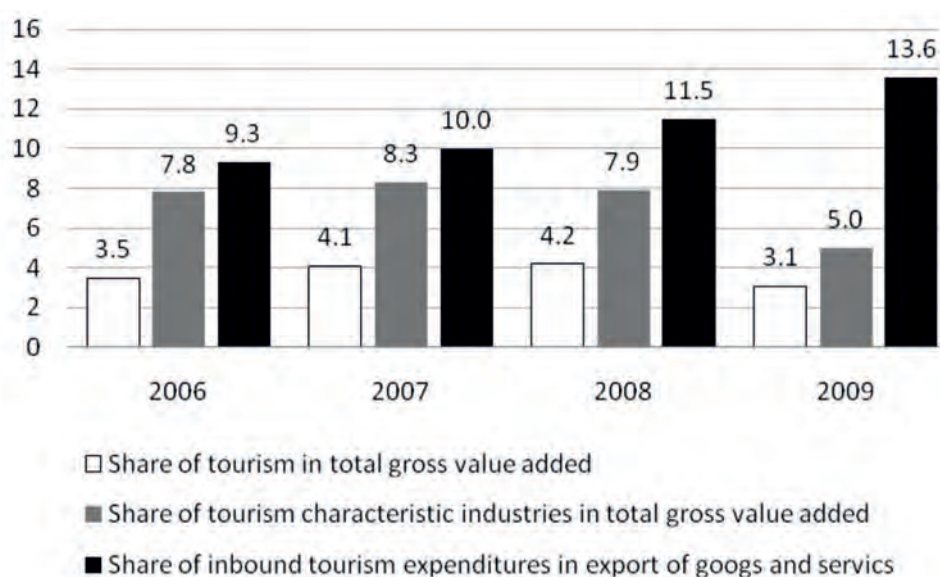
farm who chooses tourism as a supplementary branch to agricultural production when looking for the variants of business diversification and what are the main issues or fields of risks for providing a successful operation in farmers' opinion.

The methods of research. General methods of research and sociological methods: comparative analysis, synthesis, and surveys were used in the research. Managers of rural farms (N=543) in Zemgale planning region were interviewed, focusing on the respondents who have chosen agro-tourism for their farm diversification and identifying a range of problems farmers meet starting this kind of an innovative activity.

Methodology of the research. The present study is based on the theories of innovations and risk reductions.

Innovative activities fostered success in business already in the 20th century but at the beginning of the 21st century, successful entrepreneurship is unimaginable without an innovative operation (Drucker P. F., 2006; Bessant J., Tidd J., 2007; Wong P.K., Ho Y. P., Autio E., 2005; Bolsakovs S., 2008 etc.). The concept of innovation system can be understood in both a narrow and a broad sense (Piirainen and Koski, 2004). The narrow definition of the innovation system primarily incorporates the R&D functions of universities, public and private research institutes and corporations, reflecting a top-down model of innovation. A broader concept of the innovation systems is more interactive and bottom-up including "all parts and aspects of the economic structure and the institutional set-up affecting learning as well as searching and exploring" (Lundvall B., 1992). To perform the research, the authors choose this broader understanding of the innovations system, which comprises not only information disseminators / innovation developers but also their consumers, without whom a real introduction of the innovation to life is impossible. The publication of the OECD member states, devoted to innovation strategy, admitted that the renewal of the significance of start-ups and small businesses in the economic life

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Source: authors' construction based on the data of the Central Statistical Bureau (CSB)

Fig. 1. Indicators characterising the significance of tourism industry, %

Table 1

Size of farms engaged in tourism

Results of business	Size		Total
	Up to 70 ha	70.1 ha and more	
With profit	18 – 94.7%	1 – 5.3%	19 – 100%
Without profit	27 – 71.1%	11 – 28.9%	38 – 100%
Plan to start	7 – 63.6%	4 – 36.4%	11 – 100%

Source: authors' calculations based on the survey results

and the promotion of innovations were new tendencies of the 21st century. One of the reasons that new start-ups and small firms have become more important today is that innovation in the knowledge economy is coming from creativity and it can be more often visible in the operation of new and small enterprises than in the operation of large enterprises (CMEs, Entrepreneurship., 2010).

Any innovative activity is associated with problems or risk situations. Risks can be classified and grouped. In terms of their location, risks are divided into internal and external risks (Petter G., 2004). A. Giddens divides risks into external risks and manufactured risks (Giddens A., 1999). If risks are regarded as decisions, it is accepted to consider them as internal, if risks are regarded as events, they are - external.

Risks are thoroughly characterised by Alfon Bora. He states that a risk is a question of complete or incomplete knowledge. Characterising risk theories in social sciences, A. Bora points out that risk can be the result of an individual decision, group decision, or actions of the whole social system. Thus, A. Bora suggests that in the light of any approach, risk reduction depends on the decision makers' knowledge in the specific area in which the decision is made (Bora A., 2006).

Niklas Luhmann's views should be mentioned analysing risks. Luhmann admits the influence of

the external environment on the human activities and emphasises a close connection of the risk with the possibility of choice, underlying that the choice means the presence of variants but the choice of the variant is in the hands of an individual (Luhmann N., 1993).

Research results and discussion

Farms and tourism as farm diversification alternatives

The findings of the survey among the farm managers of Zemgale planning region confirm the choice of tourism as a significant alternative of farm diversification (Liscova A. et al., 2011; Liscova A., 2011). Sixty-eight respondents out of 543 or 12.5% indicated tourism as a part of their business. Geographically, the respondents represent all the municipalities of Zemgale region. A more detailed analysis of the survey data allowed the authors to distinguish several features of farmers and the main problems they face in their entrepreneurial activities.

The tourism related group of respondents is internally differentiated.

There are three mutually related subgroups in the tourism related group: the first one includes respondents who already earn profit from tourism as farm diversification. The second subgroup includes respondents who have got involved in tourism but who, in

Table 2

Distribution by age of tourism related respondents – farm managers

Results of business	Age					Total
	Up to 40	41-55	56-62	Above 62	No response	
With profit	3 – 15.8%	8 – 42.1%	2 – 10.5%	6 – 31.6%	-	19 – 100%
Without profit	9 – 23.7%	14 – 36.8%	10 – 26.3%	4 – 10.5%	1 – 2.6%	38 – 100%
Plan to start	7 – 63.6%	2 – 18.2%	2 – 18.2%	-	-	11 – 100%

Source: authors' calculations based on the survey results

Table 3

Distribution by education of tourism related respondents - farm managers

Results of business	Education					Total
	Practical experience	Basic training	Practical experience and basic training	Vocational education	Higher education	
With profit	5 – 26.3%	2 – 10.5%	-	6 – 31.6%	6 – 31.6%	19 – 100%
Without profit	9 – 23.7%	3 – 7.9 %	1 – 2.6%	13 – 34.2%	12 – 31.6%	38 – 100%
Plan to start	2 – 18.2%	1 – 9.1%	1 – 9.1%	-	7 – 63.6%	11 – 100%

Source: authors' calculations based on the survey results

Table 4

Distribution of basic problems of the tourism related respondents – farm managers (frequency of chosen answers)

Problem groups	Operate in tourism business	Including	
		with profit	without profit
Workload	18x – 31.6%	5x – 26.3%	13x – 34.2%
Knowledge and skills	15x – 26.3%	8x – 42.1%	7x – 18.4%
Resources	7x – 12.3%	2x – 10.5%	5x – 13.2%
Financial problems	12x – 21.1%	2x – 10.5%	10x – 26.3%
Family support	6x – 10.5%	2x – 10.5%	4x – 10.5%

Source: authors' calculations based on the survey results

their opinion, do not earn any profit from it; and the third one - refers to respondents who are still planning start tourism as farm diversification model. In total, 27.9% of the respondents refer to the first group, 55.9% - to the second, and 16.2% - to the third.

The obtained figures reflect the real situation in entrepreneurship. Not everyone, who starts a new form of business, immediately gains profit from it. Irrespective of this fact, interest in tourism as a model of farm diversification is growing (many are planning to get involved in it); moreover, this tendency can be observed in all the municipalities of Zemgale region.

Up to now, mainly **farms with the size** less than 70 ha were the ones who had started tourism in addition to traditional farming. However, the number of farms with the size more than 70.1 ha, interested in tourism as a form of their farm diversification, is growing due to objective processes demanding the increase of competitiveness.

The number of young farmers who are interested in having tourism in addition to traditional farming is growing. There are 31.6% of retired persons among

profitable farmers, 10.5% of retired persons among farmers without profitable result, while there are no retired persons among the farmers who are still planning to start tourism business as farm diversification model.

The education level of farmers involved in tourism as a type of diversification has started to change. The proportion of those farmers who have only practical experience is decreasing. The number of those farmers who have basic training has decreased slightly. However, the number of the farmers who have obtained vocational training is increasing. This means that the significance of vocational education among farmers is growing. People with higher education dominate among the farmers who are planning to get involved in tourism business.

Thus, regarding Zemgale region, people, who have started tourism as a model of their farm diversification, have the following characteristics: they possess mostly small farms – up to 70 ha, they are older than 40 and they have a rather high level of education (one third of respondents have higher education). The group of people who plan to start tourism includes a large number (64%)

Table 5

Problem distribution based on the respondents – farm managers' education level

Education	Level of business activity	
	With profit	Without profit
Practical experience	Knowledge and skills, finance	Workload dominates
Basic training	Workload, knowledge and skills are equally significant	Financial problems dominate
Vocational education	Knowledge and skills dominate	Financial problems dominate
Higher education	Knowledge and skills dominate	Financial problems dominate

Source: authors' calculations based on the survey results

Table 6

Problem distribution by respondents – farm managers' age

Age	Level of business activity	
	With profit	Without profit
Up to 40	Knowledge and skills, finance	Workload dominates
41 – 55	Knowledge and skills dominate	Workload dominates
56 – 62	Concentrated in workload and resources	Finance dominates, followed by workload
Above 62	Knowledge and skills dominate	Knowledge and skills, resources and family support are equally significant

Source: authors' calculations based on the survey results

of young farmers (up to the age of 40), thus, almost two thirds of them have obtained higher education. The owners of larger farms (more than 70.1 ha) are also starting to consider tourism business as an option in addition to agricultural production.

Any business activity including tourism management is associated with **problems and their solutions**. Therefore, it was important to identify the main problem groups encountered by farm managers and to examine the significance of each problem group. The empirical material obtained by the authors gave the opportunity to distinguish among five problem groups – workload, knowledge and skills, resources, financial problems, and family support.

The frequency of chosen respective answers (respondents could choose several problem groups, thus, the total of the answers may exceed 100%) indicates that workload as well as knowledge and skills are in the focus of all farm managers involved in tourism business. A range of problems varies depending on the amount of profit. Managers from farms with profit emphasise knowledge and skills, followed by workload, while farm managers from farms without profit mention finance as the central problem in addition to workload. Thus, farm managers from farms with profit see the main problem in themselves – they think the risk could be caused by the lack of knowledge and skills. Farm managers from farms without profit assign larger significance to unbiased factors. The family support as a problem is equally important for both groups of farms.

Taking into account the age and the education level of the farm managers involved in tourism business, the authors performed additional calculations with the aim to find out whether there is any correlation between the above mentioned problems and farm managers' age and education.

The analysis of the information obtained during the survey allows to conclude that any farm manager, irrespective of his/her level of education, feels the lack of knowledge and skills and this, according to A. Bora, could be "specific non-knowledge", which directly refers to the specific business area. If "unspecific non-knowledge" was meant, the indicators of the education level groups should exhibit some differences (Bora A., 2006).

A similar situation can be observed when analysing the farm managers' identified problem groups by respondents' age.

If the farm managers who work without profit in all age groups, except the ones above the age of 62, mention workload as the main problem, then farm managers working with profit, of all age groups, except the ones from 56 to 62 years, mention the lack of knowledge and skills as the most significant problem. This fact repeatedly confirms A. Bora's thought that a person may not have enough knowledge and skills but he/she could be aware of the lack of knowledge, and thus, they could also have the understanding of the need to enrich their knowledge.

Therefore, the attention was paid to the willingness of the respondents, farm managers, to acquire new knowledge. The majority of the farm managers were involved in different forms of training already upon starting a multifunctional business.

As the respondents indicated the lack of knowledge and skills as a significant business problem, the authors analysed the readiness of respondents – farm managers to continue improving their knowledge with the help of consultations or attending seminars.

Farm managers working with profit are comparatively less willing to enrich their knowledge and improve skills; however, it has to be admitted that almost a half of

Table 7

Options of studies by respondents – farm managers

Results of business	I learned to start a new business activity		If yes, what option of learning was chosen			
			Training	Exchange of experience	Courses	Reading literature
With profit	No - 10.5%	Yes – 89.5%	4 – 23.5%	5 – 29.4%	8 – 47.1%	5 – 29.4%
Without profit	No – 5.3%	Yes – 94.7%	13 – 36.1%	11 – 30.6%	13 – 36.1%	10 – 27.8%

Source: authors' calculations based on the survey results

Table 8

Willingness of the respondents - farm managers to enrich their knowledge

Types of training		With profit	Without profit	Plan to start
Consultations	No willingness	9 – 47.4%	15 – 39.5%	3 – 27.3%
	Willingness	10 – 52.6%	23 – 60.5%	8 – 72.2%
Seminars	No willingness	10 – 52.6%	9 – 23.7%	-
	Willingness	9 – 47.4%	29 – 76.3%	11 – 100%

Source: authors' calculations based on survey results

them are willing to learn, which is a high number. Farm managers from farms without profit are more willing to learn than farm managers working with profit; the largest group of those willing to learn account for the farm managers who are still planning to start tourism business. Consequently, an assumption can be made that a great number of farm managers involved in farm diversification understand the relationship between the outcome of the business activity and their level of knowledge and skills, although a sufficiently close correlation (with 95% credibility) is observed only between the factors: "What are the main problems in a diversified business activity" and "Education of the farm manager" in the respondents' group with profit from agro-tourism. It means that more detailed research of the outcome of the business activity and the farmers' knowledge and skills is necessary, focusing on both "specific non-knowledge", "unspecific non-knowledge", and the depth and amount of knowledge and skills.

Conclusions, proposals, recommendations

1. The survey of the farmers of Zemgale region confirms that farm diversification as a form of economic activity in Latvia is expanding and tourism is one of the significant alternatives in diversification as 12.5% of the respondents have already started tourism business or plan to do it in the near future. The characteristics of the incoming people (age, education) demonstrate a positive tendency – they are young people with a high level of education.
2. The knowledge and skills in tourism as a form of farm diversification is a precondition of successful entrepreneurship in farm managers' opinion. The lack of knowledge and skills as a problem enhancing factor is indicated by every fourth respondent involved in tourism business (26.3%); almost one half of the profit gaining farm managers (42.1%) mention it.

3. Respondents demonstrate rather high willingness to enrich their knowledge and improve their skills. They are ready to attend consultations, take courses, participate in experience exchange trips, and read published materials. However, the study did not provide with sufficient information to be able to conclude what knowledge exactly is necessary to acquire, and whether it is "specific non-knowledge" or "unspecific non-knowledge".
4. Tourism business as a form of farm diversification needs further research to identify the content and form of the knowledge in demand and the possibilities of the supply.

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