

# THE EFFICIENCY OF MENTORING PROGRAMS FOR RURAL ENTREPRENEURSHIP

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## *Abstract*

The main focus of the paper is development and efficiency of mentoring programs for increasing entrepreneurial activity in rural areas of Latvia. Balanced and sustainable development of the country is closely linked with the development of successful business environment. As the result of the restructuring process, the rural areas are presently finding themselves in the situation, when many people are either unemployed or unable to undertake independent and economically viable business activity. The research shows that mentorship is positive and successful knowledge and experience transfer system for increasing competitiveness of rural regions. SWOT and the reticulate method show the increase of the number of new enterprises and business relationships and professional knowledge of existing and potential entrepreneurs in Latvia rural areas.

*Key words: knowledge transfer, mentoring, entrepreneurial environment, rural regions*

## Introduction

The paper focuses on efficiency of mentoring programs in promoting entrepreneurship in rural areas of Latvia. Authors have analyzed entrepreneurial environment in rural areas of Latvia according to M. Porter's competitive industry analysis. Statistics, national conceptions and policies on development of entrepreneurship in Latvia were analyzed within the framework of this study and also author's practical research was carried out for determining and analyzing the problems and possibilities for Latvia rural women to create and develop their entrepreneurship as well as their willingness to participate in mentorship program. Authors use SWOT, reticulate and PEST analysis methods for outlining perspective models for mentoring development in regions.

## Definitions and principles of mentoring

The word *mentoring* is derived from the name *Mentor* in Greek Mythology. Mentor was an old wise man, to whom Odysseus entrusted the education and development of his son Telemachus in Homer's epos *The Odyssey* (Jūsela T., Lillia T., Rinne J., 2005). The literature reveals a variety of definitions of "mentors" and "mentoring". Authors of the paper follow definition "A voluntary and interactive relationship in a context of win-win situation. The mentoring relationship develops between an experienced person (the mentor) who agrees to help and support another person less experienced (the mentee), in order for the latter to succeed in her/his endeavors. Although the mentorship relation appears to benefit only the mentee, it can also contribute to the spiritual and professional growth of the mentor as it help to self evaluate and reflect. This mentoring relationship needs to develop in the environment of mutual trust and respect, where the participants have sufficient qualitative and quantitative interactions" (Blake S., 1999).

From different mentoring definitions and experiences of different countries authors have drawn out some common features of mentoring in entrepreneurship:

- a deliberate, conscious, voluntary relationship, that may or may not have a specific time limit;
- that is sanctioned or supported by the corporation, organization, or association (by time, acknowledgement of supervisors or administrators, or is in alignment with the mission or vision of the organization);
- that occurs between an experienced, knowledgeable person (the mentor) and one or more other persons (the mentees);
- that can be internal (inside organization) and external (for promoting newcomers in entrepreneurship);

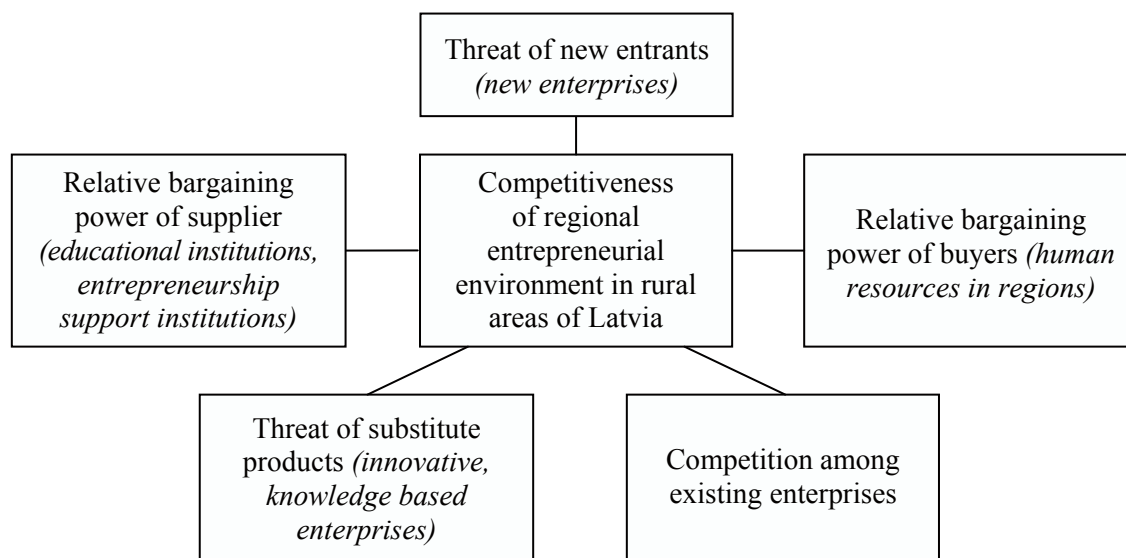
- the outcome of the relationship is expected to benefit all parties in the relationship for personal growth, career development, lifestyle enhancement, spiritual fulfillment, goal achievement, and other areas mutually designated by the mentor and mentee;
- with benefit to the community within which the mentoring takes place;
- such activities taking place on a one-to-one, small group, or by electronic or telecommunication means;
- typically focused on interpersonal support, guidance, mutual exchange, sharing of wisdom, coaching, and role modeling.
- Confidence, mutual trust, openness and confidentiality form the basis of the relationship between a mentor and a mentee.

The mentoring program in Latvia regions started in autumn 2004 within the framework of INTERREG III B program. The target group of the project is women who want to start a business and women who already are entrepreneurs. They can be female employers, unemployed women or young women due to leave school in the near future. In order to get into project they have to have good business ideas, and they have to be strongly motivated to develop themselves and their business (Krūzmētra M. (sast.), 2004). Mentoring by this project is based on voluntary, unpaid personal support provided by actively operating experienced women entrepreneurs, the mentors, to starting entrepreneurs, the actors.

Mentoring pairs and groups are already selected and formed in all regions of Latvia: 10 pairs and 2 groups in Zemgale, 5 pairs and 1 group in Vidzeme, 3 pairs in Latgale and 5 pairs in Kurzeme. Special training and common coaching and networking events for Mentors and Mentees during a year have been provided (Krūzmētra M. (sast.), 2004).

### Future mentoring development possibilities in Latvia

Initially authors analyzed entrepreneurial environment in rural areas of Latvia according to M. Porter's competitive industry analysis (Porter, M., 1990). Statistics, national conceptions and policies on development of entrepreneurship in Latvia were analyzed within the framework of this study and also author's practical research was carried out for determining and analyzing the problems and possibilities for Latvia rural women to create and develop their entrepreneurship as well as their willingness to participate in mentorship program, therefore estimating the meaning of mentoring in process of increasing entrepreneurial competitiveness in regions.



**Figure 1. M. Porter's five forces model for rural entrepreneurial environment of Latvia**

Source: Composed by authors using source (Porter, M., 1990).

Below the main aspects and problems of existing situation in rural areas of Latvia are outlined by authors according to each competitiveness force:

1) *Relative bargaining power of buyers.* Buyers in the analysis are considered as human resources in rural areas. Human resources of regions can influence entrepreneurial environment through following factors: their number and variety of age in rural area, motivation and background.

There are low density of inhabitants in rural areas of Latvia - 18,6 inhab./km<sup>2</sup> and that is connected with high infrastructure arrangement and exploitation costs (Project of Rural development program 2007-2013, 2006). There are also large amount of economically passive inhabitants (41,3 %) if compared with cities (35,6) and also the manpower drain from the rural areas is a presiding problem. Although according to the statistics the proportion of the job seekers in the rural areas is smaller than in the cities, practically the problem of unemployment is more essential in rural areas than in the cities because the greatest part of workers that are constantly employed in the agricultural sector have just a part-time jobs (Project of Rural development program 2007-2013, 2006).

2) *Relative bargaining power of suppliers.* In the entrepreneurial environment in regions suppliers could be considered educational institutions, entrepreneurship support institutions and programs, etc.

There are only 6 independent higher education institutions and some branch offices in regions of Latvia. 77% from all students and 78% from all academic staff is located in higher education institutions in Riga (Ministry of Education and Science, Guidelines for Development of Higher Education, Science and Technology, 2002-2010, 2002). Only 45% of the rural municipalities have developed the detail plans of the territorial development. As a result there are 55% of municipalities that have no such planning which could possibly support the development of entrepreneurship (Research about the entrepreneurship tendencies in the sector of the national economics in the regions of Latvia 2000-2004, 2005).

### 3) *Competition among existing enterprises in rural areas*

According to the research about the entrepreneurship tendencies in the sector of the national economics in the regions of Latvia in the years 2000–2004 it is possible to conclude that the most part of economically active enterprises are situated in Riga statistic region (24 588), which makes 55,63% of the total number of economically active enterprises in all statistic regions. Also increase of the number of economically active enterprises in other statistic regions, except Riga, practically has not changed during the last five years. According to the Report on National Economy, July, 2006 of Ministry of Economics of Republic of Latvia the number of the economically active enterprises to 1000 citizens has constantly increased from 17 enterprises to 23 in the year 2005. The lowest numbers of the economically active enterprises is in the region of Zemgale (11 enterprises to 1000 inhabitants) and Latgale (10 enterprises to 1000 inhabitants on the average). Entrepreneurship in rural regions develops chiefly in such sectors as trade, transport, agriculture, downstream, wood processing, craft and countryside tourism. Untraditional agriculture as well as forms of entrepreneurship that are not connected with agriculture is very poorly developed. The main investors and new job place creators are enterprises operating in the sector of food and wood processing, which the most essential and economically strongest in the rural areas. Incapability of the small rural farms to develop a competitive and market oriented production is the reason why the rural entrepreneurs or potential entrepreneurs wish to terminate their activities in the rural areas. One of the problems in rural entrepreneurship is that persons are not registered as formal owners.

4) *Threat of new entrants.* The threat of new entrants depends on the presence of entry barriers as well as the reaction of new entrants expected from the existing entrepreneurial environment.

There are poorly developed infrastructure in rural regions, including the lack of informational and communication technologies, which limits the mobility of the citizens of rural regions and obstructs the development of the entrepreneurship.

Current researches show that the very idea to start an enterprise is not a guarantee for secure profit, improvement of the well-being of the new entrepreneur and contribution to the development of the national economic sector of the state. The prospective entrepreneur has to legislate on the necessity to register his/her legal status in the particular register of the state, following the particular procedures and obtaining all the necessary permits and documentation for the starting of the entrepreneurship. This stage of starting an enterprise can fundamentally affect the realization of the business idea (e.g., if a person has a good idea, which can be implemented in a particular period of time, this can happen only in case if the period

of starting an enterprise is rather short and the costs of this process is appropriate). Very important in this process is support provided by the supporting institutions and other entrepreneurs. Authors' practical research on women entrepreneurship shows that main obstacles for starting business in rural areas are lack of additional experience and initiative as well as lack of knowledge and information.

5) *Threat of substitute products* are considered as development of diverse, innovative entrepreneurship based on knowledge and entrepreneurship.

It is necessary to develop the non-agricultural sectors of entrepreneurship in the rural areas, such as countryside tourism, ecology, landscape gardening, downstream and consumer services, utilization of the local resources, park and garden laying, crafts and waste treatment for maintaining the density of population and employment in those regions and provide the opportunities for new business launching as well as increasing the quality standards for services rendered for the rural inhabitants.

Authors of the paper propose that mentoring is closely linked with each of five forces of entrepreneurial environment in rural areas. Mentoring can promote new entrants in entrepreneurial environment, encourage people to be entrepreneurs and set up their own business, to ensure unified and effective support in setting up a business, increasing competitiveness of enterprise, let existing enterprises overcome difficulties, barriers and keep developing and also promoting substitute products based on innovative and knowledge based technologies.

Basing on M. Porter's five force analysis and other sources, authors have make SWOT analysis for mentoring as knowledge transfer tool for promoting entrepreneurship activity in rural regions.

Table 1

### SWOT analysis for mentoring program development in Latvia regions

<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Guiding method that allows the mentee come to solution by himself/herself;</li> <li>• To ensure sustainability of enterprise in starting phase;</li> <li>• Involve entrepreneurs into active entrepreneurs' network and to start cooperation with each other;</li> <li>• To exchange experiences, to avoid some mistakes</li> <li>• Provide professional guidance, new knowledge</li> <li>• Win-win principle</li> <li>• Emotional encouragement</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Lack of information and reconcilability of mentoring</li> <li>• Geographical distance between the Mentor and Mentee.</li> <li>• Lack of time for cooperation</li> <li>• Limited access and ability to Internet, e-mail in rural regions that complicate mentoring cooperation</li> <li>• There are not always possible to measure clear results of mentoring cooperation</li> </ul>
<p><b>OPPURTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Support from state, municipalities and European Commission/Possibilities to enchain state, municipality and EU financing for mentoring programs</li> <li>• Potential of young entrepreneurs/mentees in rural areas</li> <li>• Supportive local media in regions</li> <li>• Recognition of importance of knowledge and experience transfer</li> </ul>	<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Lack of administrative capacity to ensure mentoring program process</li> <li>• No stable funding for mentoring activities</li> <li>• Lack of potential mentors which are ready to share with their knowledge and experiences</li> </ul>

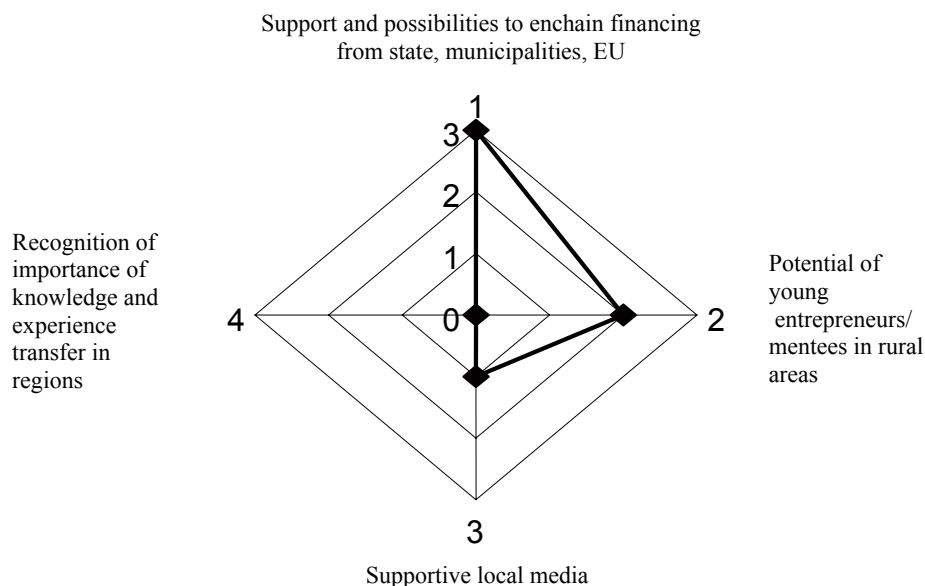
Source: Composed by authors using source (Kochen, F. (ed.), 2002.), (Stabulnieks J., Formica P., 2005.), (Research about the entrepreneurship tendencies in the sector of the national economics in the regions of Latvia in the years 2000–2004, 2005).

Authors use the reticulate method for comparing factors of SWOT analysis based on theoretical background, previous studies and interviews with persons involved in mentoring movement in Latvia, Finland, Estonia

and Sweden (program coordinators, mentors and mentees) (Kalve I., 2005). It allows forming perspective mentoring development models in Latvia.

The reticulate method show that the most important strength for mentoring development in rural areas is fact that mentoring ensure sustainability of enterprise in starting phase, which is considered as one of the most difficult in entrepreneurship. Second significant strength is involving entrepreneurs into active entrepreneurs' network and starting cooperation with each other. As partly significant factors comparing with other strengths authors and interviews show guiding not teaching that is most effective because allows mentee come to solution by himself as well as the win-win principle. Although the mentorship relation appears to benefit only the mentee, it can also contribute to the spiritual and professional growth of the mentor as it help to self evaluate and reflect.

Regarding to weaknesses, the pair matrix method show that the most important weakness is that there is not enough information about mentoring concept and activities. Important factors are also lack of time for cooperation that is a live issue nowadays as well as limited access and also ability of using Internet, e-mail in rural regions that complicate cooperation between Mentors and Mentee. Final factor occurs as a geographical distance between mentor and mentee. Two final weaknesses are connected with bad infrastructure and communications in rural areas.



**Figure 2. Reticulate method for opportunities of mentoring development in Latvia regions**

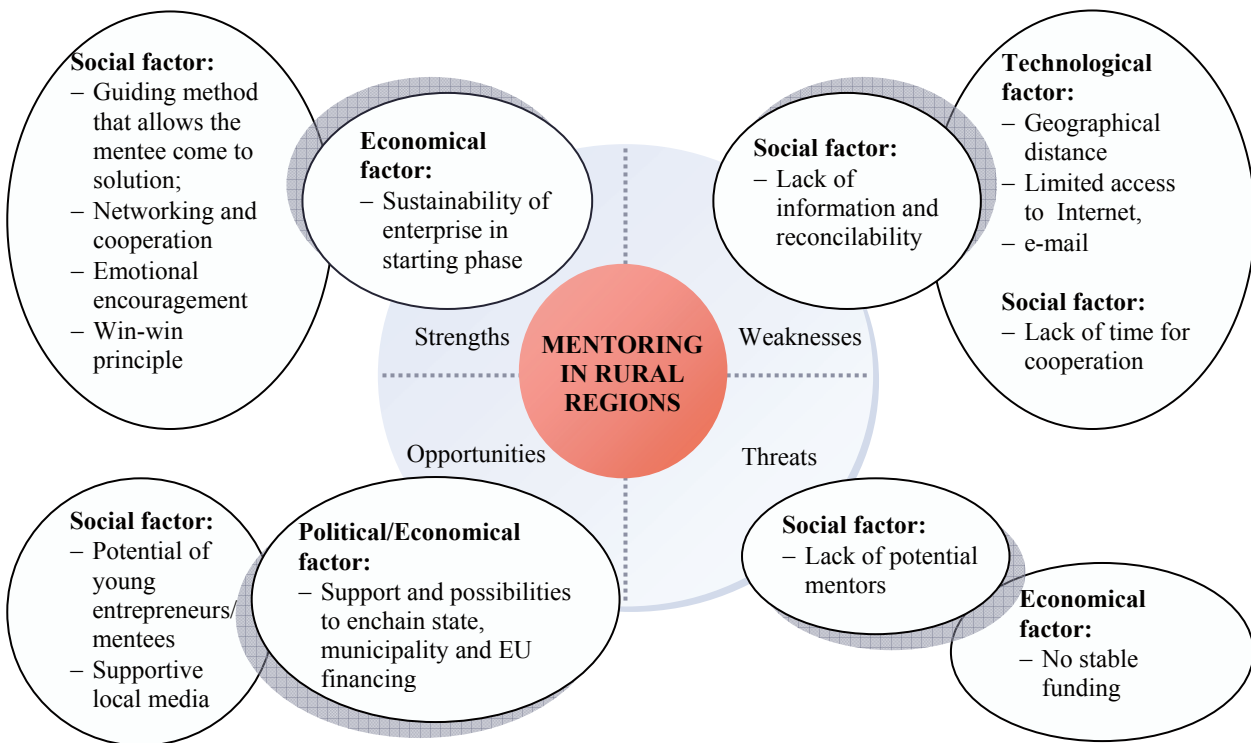
*Source: Composed by authors*

Support from state, municipality and European Commission as well as possibility to enchain financing for mentoring programs was considered as main opportunity comparing with others. European Commission has defined mentoring as an effective expedient in order to develop the environment of entrepreneurship, reduce a number of the unemployment, and also increase the competitive ability of enterprises. Mentoring is included in the National plan for development of Latvia for the years 2007. – 2013 as one of the priorities in creating new competitive enterprises, creation of unite and efficient support system for business launching.

Regarding the threats for mentoring development that the most significant factor is possible lack of mentors in rural areas who want to participate in mentoring programs and share their knowledge and experiences. This problem was outlined in Qualitative research „Evaluation of mentoring”, August 2005 provided by society „Līdere”. The second significant factor is no stable funding for mentoring activities. At present mentoring programs are financed from projects co-financed by EU. It important question – how to finance mentoring activities after end of projects. It is possible to prepare projects and enchain EU co-financing and to rouse interest in municipalities.

Authors use PEST analysis which is useful tool for understanding position, potential and direction of research subject (Kalve I., 2005.). PEST is an acronym for Political, Economic, Social and Technological

factors. According to PEST factors each of strengths, weaknesses, opportunities and threats are being analyzed.



**Figure 3. PEST analysis for strengths, weakness, opportunities and threats for mentoring development in rural areas**

Source: Composed by authors

There are main factors of strengths and weaknesses (above) and opportunities and threats (below) of mentoring development in rural areas. According to PEST analysis the most important strength – sustainability of enterprise in starting phase is considered as economical factor, other strengths is considered as social factors. Weaknesses are also related with social factors (lack of information, lack of time of cooperation) and also technological factors in rural areas (access to Internet, e-mail and infrastructure – roads). The most important opportunity is political and economical factor what is connected with EC, state and local policy. Potential of mentees and supportive local media is considered as social factors. Main threats consist of social and economical factor.

## Conclusions and proposals

1. This research is a present evidence of the fact that there are several models for the development of Latvian rural regions through mentoring, but also the state and municipality provided support is very important in program coordination as well as in financing. It is necessary to prevent the possible lack of mentors by creating the data bases of mentors and rousing their interest in this cooperation as well as increasing the information about mentoring in society.
2. Evaluating the experience of Latvia in first mentor program implementation as well as foreign experience the mentoring is used as a knowledge transfer tool in order to promote the increase of qualifications, competences, local and international business relationships as well as professional knowledge of entrepreneurs in rural areas. Analysis shows that mentoring programs will diminish the scale of unemployment and a number of persons who leave rural regions.
3. People in the rural regions admit that their own activity and readiness to act affects the improvement of the quality of their lives as well as development of the local territory. On the other hand they do not

enough to achieve that because of the lack of necessary skills or initiative. The capability of the people living in rural regions is very much depending on the initiative and activity of the local leaders.

Authors propose that mentoring programs in national framework and societal context can be implemented by:

- 1) non-governmental organizations engaged in promoting and supporting entrepreneurship in rural areas, for example resource centers;
- 2) mentoring programs can be carried out in partnership with organizations specializing in employability;
- 3) State or local government agency which could provide and monitor mentoring programs.
- 4) some programs are internal to companies, others recruit from the communities.

Each of these models must include the following program activities for effective implementation: marketing the mentoring opportunity to the business sector, screening the potential mentors, training mentors, providing support to mentors, screening mentees, training mentees, providing support to mentees, providing some structure to the mentoring relationship, monitoring the mentoring relationship and offering support and advice if the relationship runs into challenges and evaluating the program.

The authors of this research are planning to use the method of focus group involving experienced experts for choosing the most appropriate models and perform their observation.

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