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THE ENTREPRENEURIAL FARMER

A thesis
submitted in partial fulfilment
of the requirement for the Degree of
Master of Agricultural Commerce
at
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by

N.M. GIERA

Lincoln University

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THE ENTREPRENEURIAL FARMER

by N.M. Giera

This study investigates the activities of a selected group of entrepreneurial farmers in an attempt to understand why they have pursued off-farm product related activities. The aim of the study is to examine the personal characteristics of these farmers so an understanding may be gained of how this influences their farm business management and how it distinguishes them from other conventional farmers. The study also looks into the problems and benefits that arose during the establishment and management of entrepreneurial farm businesses.

A qualitative method of data sampling involving a series of 15 in-depth interviews with farmers was used. To effectively distinguish the characteristics of entrepreneurial farmers from their conventional counterparts, a smaller group of successful conventional farmers were also interviewed to test whether particular characteristics are unique to entrepreneurial farmers. The case studies were used to examine a number of factors, including the respondents' approach to information gathering and implementing change in the farm businesses. Risk was also examined in terms of farmers' attitude and management of key sources of risk. Personal characteristics of entrepreneurial farmers were also studied and comparisons made with conventional farmers.

The results of this study have led to the development of a model of emerging entrepreneurship among New Zealand farmers. The model describes a pattern of change occurring within the
entrepreneurial group of farmers. These farmers had reached the point of achieving most farm-based goals and had decided to pursue new challenges and goals for their farm business. This change involved off-farm activities such as marketing, processing or innovation in production. The farmers were often motivated by frustration with existing selling structures, and had the confidence to pursue their own vision of creating a new business and ultimately improving their farm returns.

There were fewer differences between the management style of the entrepreneurs and the conventional farmers than was expected. What did distinguish the entrepreneurial farmer from the conventional farmer was a higher level of confidence, a preparedness to accept higher levels of risk, and the extensive use of information from different sources that they then used in different ways.

The model of emerging entrepreneurship suggests that farm level entrepreneurship may be an option for farmers to improve their on-farm returns, as the transition is likely to be less problematic than in other industries. However, there is likely to be a relationship between confidence and level of resources for the continued emergence of entrepreneurship on New Zealand farms.

**Keywords:** Entrepreneurship, New Zealand pastoral farmers, personality, innovation, management style, change.
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CHAPTER ONE: INTRODUCTION

1.1 Study Rationale

New Zealand’s farm sector consists of some 70,000 farm properties distributed over the length and breadth of the country. The characteristics of farm ‘firms’ are that they tend to be small in size and are mainly operated by family labour (Birks and Chatterjee, 1997).

The New Zealand farm sector has had significant structural and economic change over the past 20 years. The level of intervention, including development incentives, between 1960 and late 1980's increased livestock numbers carried on New Zealand farms by 75 percent causing agricultural based export receipts to climb, even though real on-farm returns had shown a steady downward trend (Birks and Chatterjee, 1997). The impact of deregulation on New Zealand farm profitability was to expose farmers to the vagaries of world commodity markets. Deregulation also increased the level financial risk for many farmers who had developed marginal land with subsidised finance and then faced significant debt servicing obligations.

To increase on-farm profitability, New Zealand agriculture has traditionally focused on innovation and research into the improvement of pastoral based agricultural production systems and gains in efficiency. While New Zealand continues to be at the forefront of efficient production of agricultural products (Johnson, 1999), many farmers still face an increasingly uncertain future for the family sheep and beef farm.

Some farmers have adopted an unconventional approach to improving their farm profitability by making changes to the way they view their business. This has been achieved through innovation in some aspect of their operation, typically production, processing, and/or marketing of their farm products or services. The deregulated operating environment from 1984 has acted as a catalyst for such innovations in two ways. Firstly it has significantly reduced the on farm income for New Zealand farmers (sheep and beef in particular) through reduced assistance. However, it has also provided a dynamic environment that has been more conducive to entrepreneurial activity (Morris and Lewis, 1995).

Even though New Zealand sheep and beef farmers have, in recent times, faced increasingly poor on-farm returns, this has not resulted in all farmers making entrepreneurial changes to
their businesses. Some have retrenched and weathered the hard times through a conservative and low risk management style. Others have effectively diversified into alternative products or land uses. There appears to be more than one successful response to surviving the changes faced in the new deregulated environment. Entrepreneurial farmers appear to have adopted an approach that involves off-farm product related activities to increase their on-farm returns.

The poor financial return that pastoral farmers (in particular sheep and beef farmers) are generating from their farm resources is a problem that effects most other industry sectors. Farm level entrepreneurship in New Zealand has received little research attention in the past and therefore, is likely to be an area of worthwhile research. It is likely that entrepreneurial farmers use their basic set of resources in new ways. An understanding of how they do this may be of benefit to the wider farming community.

1.2 Aims and Objectives

The broad aim of this study is to investigate entrepreneurial farmers and explore whether particular personal characteristics, farming operations and management style are unique to this group of farmers. A primary motivation for undertaking the study is to understand why these farmers decide to engage in entrepreneurial activity.

The specific objectives of this study are to:

1. Evaluate literature which relates to entrepreneurial behaviour and aspects of it which relate to farm management.

2. Investigate entrepreneurial and conventional pastoral farmers and their operations, and draw conclusions on whether particular characteristics are unique to the entrepreneurial group.

3. Develop an understanding of the process of entrepreneurship and how this process can be fitted to the activities of the New Zealand entrepreneurial farmers.

1.3 Outline of Research

Chapter Two will review literature on farm management styles and typologies. This will place in context the entrepreneurial management style relative to other successful and non-economic styles. Chapter Two will also review strategic management literature and explain the role of risk in the entrepreneurial venture and how entrepreneurs manage risk. Chapter Three will review literature on entrepreneurship that identifies entrepreneurial characteristics
and economic theories of the entrepreneur. This will help in understanding the process of entrepreneurship and entrepreneurial motivation. Chapter Four will describe and justify the qualitative research approach adopted in this study. The results presented in Chapter Five will summarise the common themes of the farmer case studies highlighting important characteristics that are unique to the entrepreneurial group. The discussion in Chapter Six describes a model of emerging entrepreneurship in New Zealand farmers and uses key themes in the results and literature to redefine New Zealand entrepreneurial farmers. Chapter Seven summarises the findings of the study and discusses the implications of the findings for farmers and future researchers in this area.
CHAPTER TWO: MANAGEMENT STYLES, STRATEGY AND RISK

2.1 Management Styles and Typologies

Even though New Zealand's farm sector economy has become more uncertain and less profitable since deregulation in 1984, this has not resulted in all farmers becoming entrepreneurs. This is not surprising since farmers, like other business managers, have different individual strategic responses to a similar set of circumstances, depending on their own goals and resources. The literature acknowledges such subjective aspects of management and identifies a variety of farm management styles. Since different farmers respond to their environment in different ways, an overview of different managerial response typologies will improve our understanding of farmers and why management varies. This is outlined in the context of the following literature review.

In the business literature, classification schemes known as strategic typologies and taxonomies have been used to identify a number of different strategies that businesses may follow to gain competitive advantage. These have identified patterns of business strategy. The most widely referenced strategic typologies are Porter’s (1980) three generic strategies and Miles and Snow’s (1978) four management style typologies.

2.1.1 Miles and Snow Typology

Miles and Snow (1978) identified four different strategic managerial response typologies, each with their individual strengths and weaknesses. Their typology of strategies was developed to increase the understanding of the processes by which organisations continually adjust to their environments. Miles and Snow (1978) also provide an explanation for the alternative forms of adaptive behaviour that exist in industries. The first three typologies are expected to enjoy success while the last is perceived to be a failure.

1. The Defender.

The Defender strives to seal off a narrow section of the market and then aggressively maintain this domain through competitive pricing and excellent customer service. These firms try to create a stable environment through incremental growth and market penetration. Because Defenders choose a narrow domain, they invest a significant amount of resources on distribution and processing as efficiently as possible. Defenders usually achieve high
technological efficiencies by creating a domain that will absorb their products on a steady and continual basis.

It is difficult for competitors to enter the same market as the Defender. However, these firms tend to ignore outside developments and major shifts in the market place can threaten their survival.

2. The Prospector
The Prospector enacts an environment that is more dynamic than those in the same industry. Whereas, the Defender creates a stable environment efficiently serving a stable domain, the Prospector’s main strength lies in finding new opportunities and exploiting new markets. For the Prospector, having the image of an innovator is just as important as profitability. Because of the inevitable high failure rate of market innovation, Prospectors may find it difficult to maintain the profit levels of the more efficient Defender. Prospectors are frequently the creators of change in an environment. They utilise many resources in scanning the environment for potential opportunities and therefore, change can be a major tool in gaining an edge over competitors. Prospectors monitor a wide range of environmental conditions and events and because their environment is continuously developing and changing, growth for the Prospector can be sporadic.

3. The Analyser
The Defender and the Prospector seem to be at opposite ends of the spectrum in terms of management style, whereas the Analyser endeavours to use the best combinations of both these typologies. The Analyser is a management style which attempts to minimise risk while maximising the opportunity for profit. The Analyser’s domain is one which is both stable and changing. They limit monitoring of the environment mainly to marketing with some research and development. Generally this style of management can achieve steady growth. By combining the approaches of both Defender and Prospector the Analyser can move towards a new product or opportunity after it has been thoroughly tested or tried on the market place (typically by the Prospector). At the same time the majority of the Analyser’s profits come from a stable set of products and customer groups. The Analyser must be able to move quickly when following the lead of a Prospector and yet still maintain operating efficiency in its traditional markets. For the Analyser to be successful, it must grow through market
penetration and product and market development. To do this, the market must be well balanced between stability and flexibility. Due to the dual nature of this approach, the Analyser can never be completely effective or efficient.

4. The Reactor

Contrary to the productive strategies of the Defender, Prospector and Analyser, the Reactor describes an organisation with a response pattern to its changing environment which is both inconsistent and unstable. As a result, the Reactor is in a continual state of instability responding inappropriately to environmental change and uncertainty. The result is poor business performance, diminishing confidence, and a reluctance to act aggressively in the future. The Reactor is usually the firm that has tried to adopt one of the productive strategies outlined earlier and has not correctly defined its strategy or implemented it effectively. Reactors can only operate and survive in an environment that it is protected from market forces.

These typologies were developed for general business but, conceivably, can be applied to the New Zealand family sheep and beef farm. The Miles' and Snow typology has generated a great deal of investigation and support. Most research concludes that businesses following the first three strategies enjoy success, while pursuing the reactor strategy leads to failure (Zahra and Pearce. 1990). McLeay (1996) found evidence by McDaniel and Kolari, and Walker and Ruekart, that suggests that firms following different types of strategies engage in different marketing activities. However, Zahra and Pearce (1990) question aspects of the Miles and Snow typology. They add that typologies also tend to be imprecise as their development is aided by an investigator's insight, experience and intuition, therefore, they are not easy to replicate empirically. They also tend to be too simplistic because they focus on extreme or suggestive configurations. Zahra and Pearce (1990) examined studies which tested the typologies and found that significant differences exist between Defenders and Prospectors, supporting the Miles and Snow typology. However, Zahra and Pearce (1990) found negative results from Smith et al. of whether Analysers fall in between Defenders and Prospectors. Critics of the typology suggest that explicitness of strategy, internal consistency among strategy elements and speed of domain changes should also be considered.
The typology also proposes that viable strategic types - Defenders, Analysers, and Prospectors will outperform Reactors. Although Zahra and Pearce (1990) cited Snow and Hrebiniak who found that Reactors out-performed Defenders and Prospectors in some industries, these industries are characterised by stable environments with a low degree of change. As the environment for primary producers, up until 1984, had been very stable, we could speculate that farmers who have pursued a Reactor strategy might have prospered alongside the presumed more successful strategies of Defenders, Analysers and Prospectors. Since the propulsion of New Zealand agriculture into a deregulated environment, exposed to the vagaries of international markets, it is possible that those farmers who have made the transition to, or were previously pursuing, one of the more proactive and dynamic strategies are more likely to be prospering in the new environment.

2.1.2 Porter's Strategic Approaches

Porter (1980) identifies five major structural determinants influencing strategic reactions to competition within an industry. They are:

- Threat of entry
- Intensity of rivalry between existing competitors
- Pressure from substitutes products
- Bargaining power of buyers
- Bargaining power of suppliers

To these five competitive forces, Porter offers three potentially successful generic strategic approaches to outperforming other firms in an industry. These strategies may also be applied to agriculture.

1. Overall Cost Leadership.

Overall cost leadership requires 'aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions, tight cost and overhead control, avoidance of marginal customer accounts, and minimisation in areas like R & D service, sales force, advertising and so on' (Porter, 1980, p 35). Low cost compared to competitors is the basis of this strategy. However, other areas like quality and service cannot be neglected.

Maintaining a low cost position gives the firm above average yields in a competitive industry. It also reduces the competitive pressure that powerful buyers and suppliers can exert on
profitability. A low cost position protects the firm against all five competitive forces. Bargaining can only erode profits until those of the next most efficient competitor are reduced to nothing and so the less efficient competitors suffer first.

Achieving the overall low cost position often requires some competitive advantage such as favourable access to raw materials and/or a high market share. This strategy can require high capital reinvestment in methods of efficient production and a wide product line which is cheap to produce. A high market share is often needed and can result in economies of scale when purchasing materials.

The Overall Cost Leadership approach proposed by Porter (1980) can be likened to the traditional strategy adopted by New Zealand producers. As our major markets have been very slow to follow New Zealand into a free market economy, our natural competitive advantage of low cost production has been partially nullified and new strategies are likely to be adopted by New Zealand farmers competing in the future. One such alternative strategy is differentiation.

2. Differentiation
Differentiation involves creating something that is perceived to be unique industry wide. Differentiation can take many forms such as design or brand image, technology, features, customer service, dealer network or other dimensions. Differentiation does not allow the firm to ignore costs as implementing a differentiation approach can be costly due to the nature of research and development, and service related activities. Differentiation provides insulation against competitive forces through brand loyalty resulting in lower price sensitivity. Differentiation does not rely on having a high market share. Instead it achieves a competitive advantage through supplying unique superior products with very few comparable alternatives and so lessens price sensitivity and the need for low cost production.

Differentiation of farm products is an alternative strategy already being adopted by some New Zealand farmers and marketers. This strategy may prove to be successful for New Zealand farmers as it allows the exploitation of tangible product attributes and intangible ones, such as New Zealand's clean green image, and is not bound by small market share.
3. **Focus**

The focus strategy involves focusing on a particular segment of the product line or buyer group. This strategy is built around serving a particular target market very well, rather than the industry as a whole. The focus strategy relies on the premise that the firm will be able to serve its target market more effectively or efficiently than a competing firm with a broader range and market. By focusing on a particular segment, the focus strategy can achieve differentiation by serving its particular market better than its competitors or lower its costs in serving this market. This strategy, like differentiation, can imply some limitations to overall market share and so involves a trade off between profitability and sales volume.

Although Porter intended these to be an outline for business generally, they can also be applied to agriculture. Of Porter’s five competitive forces, *Pressure from substitute products* and *Bargaining power of buyers* are of special relevance to New Zealand farmers. It is hard for New Zealand farmers to compete with substitute American and European subsidised products creating a difficult environment in export markets. For many years the bargaining power of buyers has had a large effect on the ability of New Zealand’s exports to compete in the market place. New Zealand Producer Boards such as the Dairy board have been able to counter this to some extent by being able to play off competing suppliers from different countries supplying essentially the same commodity (Crocombe et al, 1991). However, their power to do this may be restricted in the future.

### 2.1.3 Farm Management Styles and Typologies.

Other writers who contribute to an understanding of decisions made by farm managers are Olsson (1988), McLeay *et al* (1996), and Fairweather and Keating (1990). The following typologies are directly related to the activities of farmers and therefore, provide a clearer understanding of how entrepreneurial farmers fit with other more recognised farm management styles.

#### 2.1.3.1 Olsson’s Farm Management Styles.

Olsson (1988) conducted a study of Swedish farmers aimed at identifying different management styles. He argued that the most important factor influencing what is happening on individual farms is the farmer and his/her managerial capacity. He identified four types of farm managers, two successful and two unsuccessful. It must be noted that this describes the
extremes, and there is no dividing line between the different leadership styles. In practice, it may be difficult to find the pure type.

1. **The Entrepreneur.**

Management is based on clearly formulated business ideas. Olsson (1988) describes the entrepreneur as the farmer who regards himself/herself as not only an agricultural producer, but also the person with the overall management and economic responsibility for the farm firm. The entrepreneur is prepared to take large risks and prefers to anticipate the potential benefits rather than the problems associated with risk taking. The entrepreneur views information gathering as a vital part of decision making. He/she likes to be surrounded with advisers and literature. The entrepreneur has a large circle of contacts both within and outside their own field of interest. The entrepreneur thinks in strategic terms and devotes considerable time to planning and management. Careful deliberation, not impulse, characterise their actions often resulting in the entrepreneur being a successful manager.

2. **The Gambler**

The Gambler prefers not to think of himself/herself as a farmer. Gamblers have strong and convincing personalities, however, they are often not strong managers. Like the entrepreneur, the Gambler is not afraid to take risks but does not have a realistic conception of the consequences of failure. The Gambler’s information gathering skills are not as thorough as the entrepreneur and he/she takes few precautions to manage risk arising from high risk investments. Gamblers often overestimate their management ability and have impulsive and optimistic personalities. Many farmers faced with financial crisis have characteristics of the Gambler. Effectively Gamblers are unsuccessful Entrepreneurs.

3. **The Cautious Strategist**

The cautious strategist views himself/herself as primarily a producer and farming as a way of life rather than a profession. This manager rarely ventures outside his/her own field of knowledge built up by a typically rural upbringing and years of experience. The cautious strategist does not like to jeopardise his/her farm by taking unnecessary risks and consequently works largely with their own capital. The cautious strategist gathers information by attending discussion groups, voicing his/her problems with other farmers and by reading some business literature.
The farm firm is managed progressively by this group of farm managers. Their financial progress is generally steady with above average net farm income being achieved through efficiencies in production rather than innovation in marketing.

4. *The Defensive Strategist*

The Defensive Strategist is the manager who avoids as much risk as possible. They have a defensive attitude towards decision making resulting in a lack of capital reinvestment and antiquated management practices. This causes the farm firm to become rundown to a point where it uses up its own resources. Basically, they are unsuccessful Cautious Strategists.

Economic developments and structural changes have drastically altered the working conditions for the family farmer, worldwide as well as in New Zealand. During the last decade farmers have received new signals from their environment. In the past it was possible to successfully manage a farm with a mixture of experience and common sense. This is now being questioned. Olsson (1988) argues that it is now becoming more necessary for essentially production based farmers to be entrepreneurial and prudent business people. However, many farmers question their ability to make this transition. Olsson, (1988) suggests that those farmers who see farming primarily as a way of life and secondly as a profession, struggle to change their attitudes to the point where they can view the family farm as a firm with goals to be reached (not only succession) and strategies to be followed. A deeper understanding of entrepreneurial farmer behaviour could assist this process.

2.1.3.2 *Fairweather and Keating's Management Styles.*

Like Olsson, Fairweather and Keating (1990) also recognise different managerial styles. Their study was sociological and looked at goals and success from the farmers' point of view. They identified three types of manager in which farmers can be grouped.

1. *Dedicated Producer*

This manager aspires to produce the best quality product. In addition to enjoying farm work, he/she emphasises planning and financial management with the goal of being the best farmer he/she can be. The Dedicated Producer is not satisfied with the current level of production and believes that decision making and farm work should be shared by both partners. This management style utilises financial planning, and believes it to be an important part of the farm firm. Dedicated Producers are mostly young men.
2. *Flexible Strategist*

This manager values marketing, off farm diversification, family and equality. This group comprises of men and women including some part-time farmers. These operators place a high importance on the marketing of their produce and have an external focus. They have off farm investments and like to achieve a balance in their life. The Flexible Strategist's main aim is decreased workload, to market their farm products well and to enjoy their family. Their strategy is to market effectively, use information and keep in touch with off farm events.

3. *Lifestyler*

This style of management is adopted by those men and women who are slightly older than the average and was more followed by those who described themselves as horticulturalists. These farmers do not strive to be top performers and do not necessarily view money as an indication of success. They enjoy the lifestyle of farming, value working with their family and are conscious of the environment. The Lifestyler's main goals are to have a good lifestyle, enjoy family and to improve the environment. Their strategy is to employ family members, cut back when necessary and nurture the environment.

All are 'valid' management styles and the authors argue that each is able to be successful, where success is defined as achieving the goals an individual has set.

2.1.3.3 McLeay, Martin and Zwart's Strategic Marketing Groups.

A study conducted by McLeay *et al* (1996) was more narrowly focused than the previous two studies. McLeay *et al.* (1996) differentiates farmers into groups according to their marketing strategies, previously assumed to be homogenous. A survey was conducted of New Zealand intensive crop farmers and differentiated them according to marketing, business and management characteristics. The following is a description of the five strategic groups identified.

1. *Production / Production Flexibility Strategy*

This group of farmers have a high production focus associated with monitoring crop growth, continually updating production techniques and the use of specialist techniques to maximise crop production. These farmers are aware of crop costs and returns and maximising farm profits is the most important farming goal. These managers also have production flexibility
where they regularly change crop mix and plan production by monitoring a number of market signals. The Production Strategist is not so concerned with planning the crop mix to minimise risk or meeting long-term market requirements. These managers are concerned with the costs and efficiency of production rather than market requirements.

2. **Stability Strategy**

This group of farm managers is the largest one identified by McLeay et al. (1996). This group of farmers produce a standardised crop mix that grows well on their farm. They are likely to operate with a financial focus and view the farm gate as the boundary of the farm business. The Stability Strategist likes to be financially secure by minimising risk and believes that he/she cannot influence the price received for products beyond the farm gate. Because of the way they operate, these farmers do not seek or require a significant amount of market information, are unaware of new market opportunities and do not fully understand market requirements and distribution channels. Because they are unlikely to grow new crop varieties and change production or sales techniques, they may not monitor signals to the same extent as other farmers.

3. **Production/Market Outlet Focus Strategist**

These managers operate with an emphasis on production and have an inflexible product mix with a high degree of channel flexibility. Market Outlet Strategists sell to a large number of different market outlets or agents, are continually searching for new market outlets or agents and are likely to weigh up the costs and returns of a change in market.

4. **Differentiation Strategist**

This is the smallest group of managers identified by McLeay et al. (1996). Differentiation Strategists are likely to differentiate their produce by growing niche products, further processing and marketing, or involvement in other value-adding activities. These farmers are not afraid to grow non traditional products, have a large number of contacts and are continually seeking new merchants and market outlets. Differentiators are likely to have high levels of market knowledge and often have off farm investments typically involved in further processing of their produce.
5. **Arbitrage Strategist**

Arbitrage Strategists have a high degree of sales flexibility and are likely to sell produce on the free market rather than by contract. They are also prepared to store produce, eg grain, and wait for prices to improve. These managers focus on short term returns and sales investment opportunities, (including off farm investment) rather than production concerns. These farmers often receive high product prices by obtaining quality premiums, selling produce at an optimal time of the year or involvement in off farm financial activities.

McLeay *et al.* (1996) suggest that arable farmers (who have more product flexibility than sheep/beef farmers) do not usually utilise textbook marketing principles but take an approach to marketing that is unique to them and their capabilities. They also contend that because these management styles and marketing strategies survived a period of instability and re-structuring of the New Zealand economy, then they can all be deemed to be successful strategies.

In a similar study by Morris *et al* (1995), marketing strategies of Otago sheep and beef farmers were researched. They suggest that sheep/beef farmers will only change their marketing practices if it has little impact on their current management or if it appears to be a market with longterm potential. However, the entrepreneurial farmer may adopt a market focus (as suggested by Olsson, 1988; and Miles and Snow, 1978) which will determine their farm management activities. Morris *et al* (1995) suggest that marketing strategies are tied to aspects of farm management, in particular sheep breeds and timing of lambing. Farming for a new market niche may require fundamental changes to the farming system. They add that most sheep and beef farmers develop a selling policy and stick with it, hoping prices will even out in the longer term. However, like the previous authors, Morris *et al* (1995) conclude that marketing is important for sheep/beef farmers and influences their decisions and farming practices. However they feel that they are in a difficult position as primarily price takers. One can infer from their results that the majority of farmers surveyed in this study may display a Cautious Strategist type of management style. A follow up study to Morris *et al* (1995) could investigate farmers' marketing activities. It may be beneficial for farmers themselves to be more involved in the marketing of their own produce due to their intimate product knowledge and ultimate control over product quality.
2.1.4 Discussion

The literature on management styles provides an explanation of differences in management by focusing on individuals and is likely to reflect the personal traits of managers. Porter takes a different approach, providing generic strategies rather than actual management styles. However, farm management, typical of most small business studies, can be a subjective area where the decisions made by the farm manager often express the personal characteristics of the farmer. Therefore, as suggested by Bygrave and Petty (1993), personal goals and objectives, attitude to risk and the availability of finance play a different role than in that of a large corporation whose main goal is shareholder wealth maximisation. Therefore, it is inappropriate to compare Porter’s generic strategies, intended for large corporations, with the more personal management styles of Olsson, Fairweather and Keating, and McLeay et al. However, Porter’s strategic positioning does contribute to this study by conceptualising a shift that may have occurred in those more entrepreneurial farmers management paradigms. It is possible that this shift has come from an ‘over-all low cost’ position to a ‘differentiation’ or ‘focus’ strategy. As mentioned earlier, New Zealand farmers may struggle to keep up with free market forces through continual improvements in production efficiency. These other generic strategies may provide alternatives for those farmers endeavouring to improve the profitability of their farm businesses.

Integration of the various management typologies suggests that Miles and Snow (1978), Olsson (1988) and Fairweather and Keating (1990) can provide a useful base when analysing the decisions of the New Zealand farm manager. Strategies which have been observed by Miles and Snow (1978), Fairweather and Keating (1990), Olsson (1988) and McLeay et al (1996) are summarised in Table 1.

The studies seem to show a range of types and management styles, some of which have similarities. Olsson’s (1988) Entrepreneur, Fairweather and Keating’s (1990) Flexible Strategist, McLeay et al’s (1996) Differentiator, and Miles and Snow’s (1978) Prospector and Focus Strategy exhibit entrepreneurial behaviour either in a rural context or in general business. These authors identify an entrepreneur, and they also identify a production focused management style. Similarities exist in the observation of the production focussed management styles of Dedicated Producer (Fairweather and Keating, 1990), Stability Strategy (McLeay et al, 1996), Cautious Strategist (Olsson, 1988), Defender (Miles and Snow, 1978)
and Focus Strategy (Porter, 1980). Other types seem to be intermediate between the two, while a final group don’t seem to be successful in an economic sense.

One type which consistently emerges from the literature is the entrepreneur. The management styles and typologies outlined in the literature have identified entrepreneurs as only one type of manager. Some authors, Olsson (1988) and Miles and Snow (1977) have clearly identified the entrepreneurial farmer in 'Entrepreneur' and 'Prospector' respectively and McLeay et al (1996) and Fairweather and Keatings' (1990) 'Differentiation Strategist' and 'Flexible Strategist' also exhibit these characteristics. It appears that there is conformity in defining the entrepreneurial management style as being successful by looking for opportunities, extending the farm business beyond the farm gate while accepting and managing moderately high levels of risk.

Another successful management typology that has relative agreement is a group of managers who are more conservative, focus on production and efficiency and focus on a uniform product or product range to maintain profitability. This group is described by Miles and Snow's (1978) 'Defender', Olsson's 'Cautious Strategist' Fairweather and Keatings' 'Dedicated Producer' and the McLeay et al (1996) 'Stability Strategist'. They tend to form the largest group for the different studies. Their success is characterised by seeing themselves solely as farmers and not venturing past the farm gate in terms of their farm business. Their knowledge has been built on experience and some information gathering. They are receptive to technology changes and market signals and their progress will be slow but steady through relatively low risk taking and a financial focus.


There is a range of other types; some of which seem to be intermediate between the entrepreneur and the production types. Miles and Snows’ (1978) 'Analysier', which covers a wider range of management style, represents a balance between the more entrepreneurial activities of the 'Prospector' and the conservative responses of the 'Defender'. The 'Analysier' typology could encompass a large number of successful New Zealand farmers who
Table 1  Summary of Management Typologies

| Successful Strategies | \hline
<table>
<thead>
<tr>
<th>Entrepreneurial</th>
<th>Intermediate</th>
<th>Production</th>
<th>Non-Economic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur (Olsson)</td>
<td>Arbitrage Strategist (McLeay et al)</td>
<td>Stability Strategist (McLeay et al)</td>
<td>Gambler (Olsson)</td>
</tr>
<tr>
<td>Differentiation (Porter)</td>
<td>Flexibility Strategist (McLeay et al)</td>
<td>Cautious Strategist (Olsson)</td>
<td>Defensive Strategist (Olsson)</td>
</tr>
<tr>
<td>Focus (Porter)²</td>
<td>Analyser (Miles &amp; Snow)</td>
<td>Focus (Porter)²</td>
<td>Stuck in the middle (Porter)</td>
</tr>
<tr>
<td>Differentiation Strategist (McLeay et al)</td>
<td>Production/Market Outlet Focus Strategist (McLeay et al)</td>
<td>Defender (Miles &amp; Snow)</td>
<td>Reactor (Miles &amp; Snow)</td>
</tr>
<tr>
<td>Prospector (Miles &amp; Snow)</td>
<td>Production/Production Flexibility Strategy (McLeay et al)</td>
<td>Dedicated Producer (Fairweather and Keating)</td>
<td>Lifestyler (Fairweather and Keating)</td>
</tr>
<tr>
<td>Flexible Strategist (Fairweather and Keating)</td>
<td>Over-all Cost Leadership (Porter)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 These typologies are suggested to be non-economic or unsuccessful in a financial context.

² This can be included in either category depending on the type of focus strategy.
achieve medium to high returns (comparatively) through sensible farm management practices and limited monitoring of market requirements. McLeay et al’s (1996) *Production/Market Outlet Focus, Production/Production Flexibility Strategist* and *Arbitrage Strategist* can also be included in this group as they tend to search for new markets and/or differentiate by growing niche products and further processing and marketing. This intermediate type or management style would typically represent a group of farmers who do not fully engage in entrepreneurial activity, however adopt technology and can see opportunities not necessarily involving their farming enterprise.

There is evidence to suggest that entrepreneurship is more suited to more deregulated environments and conditions of instability and change (Naffziger et al (1994), Olsson (1980), and Morris and Lewis (1995), Miles and Snow (1978)). However, the more traditional producer type also seems to be successful and research shows it to be a very important group, occupying a more low risk, production focussed position (McLeay et al, 1996; Fairweather and Keating, 1990). Intermediate groups might suggest a transition to more entrepreneurial behaviour. Therefore, there may be scope for investigating these two extreme types in more depth. It would be useful to study entrepreneurial farmers and a more traditional group to highlight unique characteristics of the entrepreneur’s management style, as this may provide an insight for those farmers looking to increase their farm profitability by making that transition.

### 2.2 Strategic Management

Strategy formation and strategic positioning is an area that has been researched thoroughly (Mintzberg (1987); Ackoff (1970); Ansoff (1965); Christiansen et al. (1987)). The various schools of thought in strategy formation will not be discussed in this study. However, a brief description of business strategy within the context of farm management will aid in the understanding of farmers’ strategy formation and selection.

Researchers and academics have varying definitions of exactly what constitutes a strategy. Strategy can be described as ‘the pattern of decisions in a company that (1) shapes and reveals its objectives, purposes or goals, (2) produces the principal policies and plans for achieving these goals and (3) defines the business the company intends to be in and the type of
organisation it intends to be' (Christian et al, 1987 p.125). Glueck and Jauch (1984) take a resource based approach to strategy formulation after comprehensive and detailed environmental and internal analysis. This approach begins with a concept of how to use the firm’s resources most effectively in a changing environment. They conclude that ‘strategies are unified and comprehensive, relate the strategic advantages of the firm to the challenges of the environment to occupy a tangible position in a changing market place’ (Glueck and Jauch, 1984 p.8). Grant (1991) discusses the implication of resource based theory to strategy formulation and defines strategy as ‘the match an organisation makes between its internal resources and skills and the opportunities and risks created by its external environment’ (Grant, 1991 p. 114). The resource-based theory approach to strategy formulation is likely to be the most applicable to farmers, as it has been established that most farmers will base their production and marketing activities around the physical resources available to them (Morris et al, 1995). However, in the past, farmers have been slow to adapt to a changing environment, which can necessitate the adoption of new strategies.

Grant (1991) provides a framework for a resource-based approach to strategy formulation which builds on previous research by Ricardo (1891) and Schumpeter, (1934). Grant’s five stage procedure for strategy formulation includes: analysing the firm’s resource-base; appraising the firm’s capabilities; analysing the profit earning potential of the firm’s resources and capabilities; and selecting a strategy and extending and upgrading the firm’s pool of resources and capabilities. Figure 1. outlines this framework.

Grant’s (1991) case for making the resources and capabilities of the firm the foundation for long-term strategy rests upon two premises. First, internal resources and capabilities provide the basic direction for a firm’s strategy and second, resources and capabilities are the primary source of profit for the firm. The resource-based theory approach to strategy formulation is congruent with other definitions of economic development and entrepreneurship. Schumpeter (1934) provides an economic definition of entrepreneurship as ‘different employment of the economic system’s existing supplies of productive means’ (p.71). Expressed in more simple terms we can presuppose that entrepreneurs profitably utilise the same or similar resources in new and innovative ways. We can then hypothesise that investigating both entrepreneurial and more traditional farmers, will detect whether entrepreneurs use the same resources as
more traditional farmers in new and innovative ways to increase farm business performance. A resource based approach to strategy analysis allows for such an exploration.

**Figure 1** A Resource-Based Approach to Strategy Analysis: A Practical Framework

1. Identify and classify the firm’s resources. Appraise strengths and weaknesses relative to competitors. Identify opportunities for better utilisation of resources.

2. Identify the firm’s capabilities. What can the firm do more effectively than its rivals? Identify the resources inputs to each capability, and the complexity of each capability.

3. Appraise the rent-generating potential of resources and capabilities in terms of: a) their potential for sustainable competitive advantage, and b) the appropriability of their returns.

4. Select a strategy which best exploits the firm’s resources and capabilities relative to external opportunities.

5. Identify resource gaps which need to be filled. Invest in replenishing, augmenting and upgrading the firm’s resource base.


Grant (1991) suggests that the starting point to strategy formation is defining what business the organisation is in or a mission statement. In today’s dynamic environment the needs of customers are often volatile, customer identity changing, and the technology with which to serve them continually evolving. Hence, a definition of strategy in terms of what the business is capable of doing may offer a more durable basis for strategy than a definition based upon the needs which the business seeks to satisfy. Further, Grant (1991) suggests that the implications of resource based theory for strategy formulation is straight forward. Analysing
the rent generating potential of a firm’s resources and capabilities will conclude that the firm’s most important resources and capabilities are those which are durable, difficult to identify and understand, imperfectly transferable, not easily replicated and in which the firm possesses clear ownership and control. Implicitly, strategy formulation is to design a strategy that makes the most effective use of the core competencies and resources.

To assume that New Zealand farmers approach strategy formulation in the same formalised and highly analytical manner as proposed by strategic management researchers addressing the needs of larger businesses, may be naive. Business strategy theory has developed from conceptual, empirical and anecdotal research into the strategic activities that firms undertake. Farm businesses continue to operate in conditions distinct from non-farm firms and although the differences between the two groups may be narrowing as farmers become more market oriented, the application of business theory to farm firms has its limitations. For example, farmers have to manage biological constraints, have a central role as decision maker and operator and often have personal goals and objectives entwined in the farm’s strategy. However, it is hypothesised that the entrepreneurial farmers studied may in fact view the farm business in ways which are more closely aligned with business literature on strategy than other types of farmers.

Because farm businesses are typically small family owned enterprises, the goals and strategies of the farm are congruent with the personal goals and objectives of the small business owner. There is limited application of traditional financial theory models for small businesses, in this case the farm business, which hold the basic premise of wealth maximisation. Researchers have studied the difference between small and large businesses. Ang (1991) and Bygrave and Petty (1993) consider the three critical areas of distinction to be the nature of the assumed objective function (goals and objectives), the role of capital markets in the financing decision of the firm, and the role of risk. It is beyond the scope of this thesis to review the numerous difference between large and small business. However, even though strategic management literature is useful as a guideline, it may be inappropriate to develop farm business level prescriptive tools by copying methods that have been developed for large corporations unless these methods have been evaluated in a farming situation (Martin et al 1990).
In an exploratory study, Harling and Quail (1990) conclude that farm managers think about their business in a similar way to non-farm managers and utilise business management tools and concepts. McLeay (1996) suggests that farm business decision making is a complex process and farmers are aware of the interrelationships between various elements of business management. In a follow up study, Harling (1992) considers farm management from a strategic management perspective. He tests if successful farmers are likely to think in the way that is suggested in strategic management theory and argues that such an approach leads to business developing a strategic fit between the environment, business resources, managerial preferences and an organisation's administration systems. Results from this study suggested that successful farmers are more likely to think strategically about farm business decisions than less successful farmers, although neither group employed a formal approach to strategic management.

McLeay et al, (1996) suggest that for farmers, the strategic management process may be informal, unstructured and performed intuitively or instinctively rather than as part of a formal hierarchal process. This fits well with the entrepreneurial literature of Mintzberg (1987) who suggests that the process of strategy formation is semiconscious at best, rooted in the experience and intuition of the leader. He also suggests that strategy exists in the mind of the single leader as a perspective, or a long term vision or direction. Therefore, it is likely that entrepreneurial farmers will have informal and semiconscious strategic management processes.

Kaine et al (1994) suggest that the actual objectives and strategies of individual farm managers will depend on their perceptions of the operating environment. They add that farmers differ in their perceptions of which elements of their environment they can control and which elements are beyond their control. They note that Rotter suggests that these differences arise as the result of differences in learning, experience and knowledge. From the results of their qualitative study, Kaine et al (1994) found that differences would arise in business performance of farm enterprises due to the different strategies farmers follow, which us a function of perception. They showed that the use of planning aids depends on the degree to which farmers perceive that they can exert control over the performance of their farm. They concluded that formal planning aids would probably only be attractive to the Miles and Snow Prospector type who expressed an ‘internal locus of control’ over costs. This means
that these farmers feel that they can control their costs and using sophisticated planning aids is beneficial to their farm performance. They suggest that planning aids will not be of use to Miles and Snows' *Analysers* and *Defenders* as they perceive market signals as often ambiguous and misleading and should be ignored much of the time.

Kaine *et al* (1994) concluded that farm performance was not superior for farmers who expressed a belief that performance can be influenced by making frequent and substantive changes to farm plans. Further, the performance of farms where the manager expresses an 'internal locus of control' with respect to costs, was superior to farm performance where an external locus of control over costs was expressed. They concluded that differences in farm strategy explained differences in equity beyond that which was provided by factors such as farm type, age, level of education and attitude towards debt. The finding that differences in perceptions of control lead to differences in strategy adopted has significant implications for this study. This work points to a strong relationship between strategy selection and the business performance of farms which is likely to influence long-term farm viability. These findings are congruent with the suggestion by Olsson (1988) that "the most important factor influencing what is happening on the farm is the manager and his/her managerial ability" (p.39). Rotter's 'internal locus of control' theory used by Kaine *et al* (1994) may be a distinguishing feature of an entrepreneurial farmer's character and be a driving factor causing these farmers to adopt new and innovative management practices.

Undertaking research in this area may provide insight into the strategy formulation processes of entrepreneurial and production focused farmers. This will help in understanding whether there are commonalities in the strategies adopted by the entrepreneurial group and the conventional group and may aid those farmers endeavouring to analyse their own businesses in a similar way.
2.3 Risk

2.3.1 Introduction
The area of risk has special significance for New Zealand farmers. Farming occurs in a risky environment and New Zealand sheep and beef farmers are particularly aware of the risk involved in their farm businesses posed by the uncertainty in weather and fluctuating commodity prices (Martin, 1996). The literature on management styles has identified the entrepreneur, and more specifically the entrepreneurial farmer, as a separate group of individuals who have a different approach to risk bearing and management (Olsson, 1980; Miles and Snow, 1978). The entrepreneurship literature from Hornaday and Aboud (cited in Brockhaus, 1982) and also McClelland (1966) has also suggested that an entrepreneur’s character has an impact on decision making, including those decisions made in a risky environment. Because it is accepted that entrepreneurs have a different attitude to the risk involved in their businesses, a review of the risk literature will enhance our understanding of this important aspect of entrepreneurship.

2.3.2 What is Risk in Farming?
Risk and uncertainty have been defined as distinct terms by Hardaker et al (1997). Uncertainty has been defined as imperfect knowledge (eg this season’s weather) and Risk as uncertain consequences, particularly exposure to unfavourable consequences (eg the risk it may be a drought). Fleisher (1990) suggests that risk creates opportunities for farmers to face both gains and losses. It is accepted that the down-side of risk has negative effects but there are also gains made from accepting risk which benefit some individuals and can lead to innovation. It is the gains from accepting higher levels of risk that is usually linked to the activities of entrepreneurs.

The literature has identified the major sources of risk to the farm operator and how these sources of risk can be most effectively managed. By examining the impact of risk and risk management on the farm business, an understanding may be gained of how entrepreneurial farmers are likely to manage risk in an entrepreneurial farming enterprise.
2.3.3 Sources of Risk for the Farm Operator

There are a number of risk sources that farm managers must be aware of in order to successfully manage the farm firm. The literature identifies business risk (which is associated with the operations of the farm) and financial risk (which is tied directly to the farm’s capital structure) (Gabriel and Baker, 1980). The sources of business risk impacting most New Zealand sheep and beef farms include production risk (which impacts on yields) and market risk (which impacts on input and output prices) (Martin, 1996). Other business risks include technological risk, legal and social risk and human sources of risk (Sonka and Patrick, 1984).

Production or Technical Risk
Production risk includes weather, disease, and pest infestations that lead to uncertainty in yields in crop and livestock production systems. In a study of New Zealand sheep and beef farmers Martin (1996) found that on a scale of 1-5 (1- not important, 5- extremely important) farmers rated the production risks of rainfall variability, other weather factors, and disease or pests as 3.6, 3.0, and 3.2 respectively.

Market or Price Risk
A major concern for farmers is the variability of commodity prices. Similarly, short run fluctuations in input prices can cause a variation in farm income and cashflow. Martin (1996) found that New Zealand sheep and beef rated change in product prices and change in inputs costs as 4.2 and 3.7 respectively. Change in product prices was the most important source risk to the farm business.

Technological Risk
Technological risk is defined as the potential that current decisions may be offset or made obsolete by technological advances in the future. For example, investment in farm machinery is exposed to technological risk, as innovation is continual (Sonka and Patrick, 1984). New Zealand sheep and beef farmers attached an importance of 2.0 in the study by Martin (1996).

Human Risk
Human sources of risk may be associated with the labour and management functions of the farm and include the vulnerability of the sole farm operator and the availability and reliability of labour. Human sources also include changing objectives of the individual and family members which may affect the farm’s long run position. Martin (1996) found the risk if accidents and health and changes in family situation were rated as 3.6 and 2.9 respectively.
**Legal and Social Sources of Risk**

Legal and social sources of risk are becoming increasingly important for New Zealand farmers. As the farm firm grows larger, it tends to rely more heavily on outside sources of labour and capital, and legal risk can become important. Marketing techniques such as forward contracts, government policy, tax, trade, credit and resource legislation all pose forms of legal risk for the farm manager. Sheep and beef farmers in New Zealand rated regulatory risk as quite important with a value of 3.2 and miscellaneous risks (theft, labour, contracts) a value of 2.0 (Martin, 1996).

With a heavier involvement in activities outside the farm gate these other business risks may become more important for entrepreneurial farmers. The study of entrepreneurial farmers may reveal shifting sources of business risk and how these farmers respond to this change.

**Financial Risk**

Financial risk encompasses the uncertainty of being unable to meet prior claims with the cash generated by the farm, and is determined by the dispersion of net cashflows, the level of fixed obligations (eg. debt servicing), and the farm’s pool of financial resources (Gabriel and Baker, 1980). Changes in interest rates were regarded as a moderate risk for sheep and beef farmers and given a value of 3.3 (Martin, 1996).

All these risk sources can have short and long run effects on income variability of the farm business. Researchers have suggested that entrepreneurial businesses involve higher levels of financial risk as a result of an entrepreneur’s capacity to bear risk and the risk inherent in innovative or first mover ventures (Miles and Snow, 1978; Olsson, 1980; and Knight’s work cited by Casson, 1982). The investigation of the risk involved in entrepreneurial farm ventures may reveal sources of risk that have not previously had an impact on the farm business.

**2.3.4 Risk Exposure**

Gabriel and Baker (1980) suggest that individuals balance risk by way of a trade off between business risk and financial risk. It is assumed that a decision-maker maximises net returns subject to the constraint that total risk does not exceed a specified level. Total risk is seen as a function of both business and financial risk.
Deregulation has resulted in farmers being more exposed to both business and financial risk as a culmination of the removal of input and output subsidies and the dismantling of some marketing structures (Martin and Lee, 1990). In addition, environmental pressures such as The Resource Management Act 1991 are becoming increasingly significant and exposing farmers to new sources of risk (Martin, 1996). Strategies to reduce exposure of farmers to risk is likely a major part of the activities of entrepreneurial farmers and is worthy of further investigation for research in this area. The investigation of entrepreneurial farmers' behaviour may reveal innovative strategies adopted to reduce and manage the risk inherent in farming.

2.3.5 Attitudes to Risk

In general, research has categorised producers into those assumed to be risk averse, risk neutral, and risk preferring (Fleisher, 1990). Perhaps one of the most defining characteristics of entrepreneurial farmers is acceptance of larger risks involved in their farm business (Olsson, 1988). It is this attitude that will be a point for further investigation in studying entrepreneurial farmers.

Methods of estimating attitudes to risk and incorporating them into farm level decision making may lack accuracy and consistency and are unlikely to play a major role in risky decision making at the farm level. There are problems in using these methods which include difficulties in estimating risk aversion. These include trying to understand respondents cognitive schema, changing risk preferences overtime, and adjusting for objectives and information that may impact on future risky decisions (Hardaker et al (1997); Noble et al (1995); Young (1979)).

Young (1979) notes that considerable heterogeneity in risk preference exists between individuals with superficially common business and personal characteristics. This has implications for the study of entrepreneurial farmers as it suggests that attitude to risk may be a unique characteristic of entrepreneurial farmers (Olsson, 1980; Brockhaus, 1982; McClelland, 1966).

2.3.6 Actions to Reduce Risk

Methods to reduce or manage risk is ultimately the objective of all research in the area of risk in agriculture. Effective risk management requires that the nature of the risks involved in farming be properly understood (Malcolm, 1994). Risk management means identifying the
range of options for treating each particular risk, followed by evaluation, selection, and implementation of these options (Hardaker et al., 1997). Given their propensity to take greater risks, reducing the risk involved in entrepreneurial farm ventures is likely to be an area of concern for rural entrepreneurs.

There are many production, marketing and financial responses available to farmers to reduce the risk involved in farming (Sonka and Patrick, 1984; Barry and Fraser, 1976; Jolly, 1983). For New Zealand sheep and beef farmers Martin (1996) found that, on average, farmers rated production responses of routine spraying and drenching and maintaining feed reserves as the most important response to risk. The next most important strategies for managing risk were the marketing responses of gathering market information and the spreading sales over time and the financial strategy of keeping debt levels low. Other strategies that farmers felt were important for managing risk were having more than one enterprise, managed capital spending and maintaining overall short-term flexibility. However, in a further study, Martin and McLeay (1998) identified considerable variation between groups of farmers. One group placed greatest emphasis on income spreading and debt management, a second group on capital management, a third placed greatest emphasis on off-farm work, another group focused on debt management and market risk factors, and a final group reduced their risk with pest and disease management and feed management.

They found that these differences in methods of risk reduction and management within farm type can depend on farm and farmer characteristics (Martin and McLeay, 1998). Since entrepreneurs may be distinguishable by their personal characteristics, they may have a different approach to risk reduction and management. That is, entrepreneurs are likely to be a subgroup with their own characteristics, particular concerns about risk sources, and methods of dealing with these.

As they move into entrepreneurial endeavours, farmers are likely to change their approach to risk. They may change the importance they place on different risks and the strategies they use to manage them.

2.3.7 Using Information to Manage Risk

The role of information gathering as a risk management strategy deserves special consideration, since the entrepreneurship literature suggests that entrepreneurial decision
makers are more likely to gather significant amounts of information to manage their risk (Olsson, 1980; Schumpeter, 1934). Hardaker et al (1997) advocate information collecting as a useful method for optimising decision making in risky environments. They suggest that when farmers have more knowledge (about technology, marketing options, production options etc) the likely variability of income will be reduced. Barry and Fraser (1976) suggest that as market risk increases, producers will value better information services and sources to improve their expectations of the future.

The capacity to acquire and use new information may depend on the firm's size and its relation to other firms in the industry (Barry and Fraser, 1976). Because the farmer in the farm firm is the general manager concerned firstly with production and then with marketing and finance, his/her capacity to gather, process and absorb new market information is limited by the wide range of management responsibilities they carry out. Hence, larger firms can utilise more sources of information due to a decentralisation of management.

The changes involved in establishing an entrepreneurial farm business may involve decentralisation of management responsibilities and therefore, may give entrepreneurial farmers more time to manage risk. Farm management studies have shown that entrepreneurial farmers use more information sources than others (Olsson, 1980; Hardaker et al, 1997). It is still unclear however, whether the major changes that are likely to be a part of the entrepreneurial farm business involve a change in a farmer's information gathering skills.

2.3.8 Methods of Risk Analysis for Farm Firms

Risk analysis encompasses both considering the chances of possible outcomes, and assessing the consequences, given the current risk management practice (Hardaker et al, 1997). It has been suggested that entrepreneurial behaviour involves making risky decisions (Casson 1982). An understanding of risk analysis may contribute to our understanding of how entrepreneurial farmers make these decisions albeit in a more formalised way. The following section briefly reviews various methods of risk analysis and discusses their application to the New Zealand farming environment.

Much of the literature on producer attitudes to risk (eg, Mapp et al, 1979) has been driven by the requirements of mathematical models which have been used to compare alternative management strategies. Questions are asked to elicit the individual's degree of risk aversion
and a mathematical calculation is used to determine this. This information is then processed in a model (Mean-Variance, MOTAD, static economic analysis methods) with a view to determining the best risk management strategy. These models use measures of risk aversion in order to rank alternative strategies, or to select the most appropriate one. Their use can be limited by problems in measuring individuals’ risk attitudes and in predicting their responses to specific situations (Fleisher, 1990).

Hardaker et al (1997) suggest that few decisions made on-farm warrant in-depth decision analysis, due to the costs associated with such processes. Repeated risky decisions are one of the few that may warrant formal analysis. In this case, they advocate decision making steps and evaluation rather than complex mathematical models. Risk analysis for farm firms will ultimately be the personal preference of the farm decision maker following consideration of relevant sources of risk in a significantly less formalised process.

Malcolm (1994), in his evaluation of risk management strategies for the Australian farm sector, supports this by suggesting that a farmer’s world is so complex that the elaborate quantitative methods of decision analysis are less helpful for decision making than traditional budgets done on a spreadsheet. He states that farm risk management is very often over complicated. In addition, he suggests that to make successful ‘big decisions’ on land purchase, machinery investment and resource improvements, relatively simple whole-farm, partial and cashflow budgets supply all the relevant information that is needed.

While mathematical models for risk assessment contribute to our understanding of risk management, the strategies employed by entrepreneurial farmers are likely to be more informal processes and tied directly to the personal characteristics of the individual. An understanding of how they make risky decisions is likely to give a better understanding of the entrepreneurial farmer and whether their activities involve higher levels of risk than other farmers.

2.3.9 Conclusion

The literature suggests that entrepreneurs are risk takers. Therefore, it is important to understand more about risk, what risk sources entrepreneurs consider to be important for the farm business and how these are managed in an entrepreneurial farm business. The role of
information gathering in the entrepreneur's risk management strategies is also worthy of further examination.

This chapter has reviewed the relevant literature on aspects of farm and general business management that are important in understanding entrepreneurial farmers. A number of authors have identified entrepreneurs as having a unique management style, their own approach to strategic change and strategy formulation and a distinctive attitude to risk. This chapter has reviewed an appropriate selection of literature from these fields that will advance our understanding of the special management characteristics of the entrepreneurs at the farm level.
CHAPTER THREE: ENTREPRENEURSHIP

3.1 Introduction
The literature on management styles, sources and responses to risk and strategic change, indicate that these areas are important in understanding the operations of the New Zealand farmer, and in particular, the entrepreneurial farmer. However, it is also necessary to examine the behaviour of entrepreneurs in greater depth. Like most small businesses, the farm business can be viewed as an extension of the owner/manager’s personality. Therefore, to fully understand the entrepreneurial farming operation, a review of the literature surrounding the characteristics of entrepreneurs and the study of the theory of entrepreneurship is needed.

3.2 The Entrepreneur Defined
Several writers have highlighted a lack of congruence on the definition of the ‘entrepreneur’. There are several definitions that vary to some degree or perceive the phenomenon of entrepreneurship differently.

There are those who define the entrepreneur as ‘the organiser of a venture, especially one who owns, manages and assumes the risk of a venture’ (Webster's Third New International Dictionary, 1961, p110). Others suggest that risk bearing distinguishes entrepreneurs from managers (Brockhaus, 1982). Schumpeter (1934) suggests innovation to be the key element of entrepreneurial activity. Carland et al (1984), like Schumpeter, also focus on innovation and the introduction of new goods, new methods of production, and industrial re-organisation. Carland et al add that entrepreneurs and small business owners are not the same and that there is a general lack of agreement to what an entrepreneur is. Casson (1982), defines an entrepreneur as someone who specialises in taking judgemental decisions about the coordination of scarce resources. In Casey’s (1997) review of rural entrepreneurship Meredith et al. provide a definition of entrepreneurs as business leaders who have the ability to see and evaluate business opportunities; to gather the necessary resources to take advantage of them; and initiate appropriate action to ensure success. Meredith et al include the risk dimension, planning and a strong personal conviction. This definition is congruent with Olsson’s (1988) Entrepreneur and McClelland’s (1966) ‘need to achieve’ theory.

Entrepreneurs, as Olsson (1988) indicates, are those farmers who use advanced management techniques, are flexible and responsive, spend time planning and are tuned in to market
signals. Duncan (1991), in his advice to management accountants, suggests that entrepreneurship is the creation of new ventures by individuals where nothing previously existed. He adds that the study of entrepreneurship is therefore, particularly focused on individuals rather than enterprises. Liles (1974) takes a slightly different position by suggesting that far more people could become entrepreneurs than ever do so and the inclination of people to move in the entrepreneurial direction could be increased by circumstances and increased awareness of this as a career alternative.

The wide range of entrepreneurial literature also includes those who adopt a pejorative stance and view the entrepreneur as an individual who “is essentially a reject of our organisational society” (Collins and Moore, 1964, p 241) cited by Liles (1974 p 2). They add that entrepreneurs have failed at the traditional and structured roles available in society and use a business firm as the outlet of their creativity making them unique rejects of society. This clearly illustrates not only is there a lack of definitional agreement of the entrepreneur but significant differences in perspective.

Entrepreneurship examines the personal elements of leadership, in particular the intuition, judgement, wisdom, experience, and insight of the single leader. In Mintzberg’s (1987) analysis of strategy formation literature, he places entrepreneurship in a separate and distinct school of thought. Those contributing to the entrepreneurial school advocate a view of strategy as a perspective associated with image, sense of direction, and above all else, vision (Mintzberg, 1987). Olsson (1988) too focuses on personal attributes of the single leader and integrates his own perspective of entrepreneurial management as being based on clearly formulated business ideas. Olsson (1988) describes the entrepreneur as the farmer who regards him/herself as not only an agricultural producer but also the person with the overall management and economic responsibility for the farm firm. He includes risk taking, information gathering, and planning as being important to the entrepreneurial farmer.

There seems to be two approaches to studying strategy formation in the entrepreneurial school. The majority of research focuses on the distinguishing personal characteristics and behaviour of the entrepreneur as the single business leader. This approach is consistent with Mintzberg’s (1987) interpretation of the entrepreneurial school which suggests that strategy cannot be articulated, as it is semiconscious at best and rooted in experience and intuition.
The second approach is focused on the entrepreneurial process or function, so that entrepreneurial behaviour traits can be developed in managers, and entrepreneurship's role in economic development.

Within the personal traits literature, Miner (1997) has classified entrepreneurs into typologies which explain different types of entrepreneurs. He suggests that there are four types of people that have the potential to succeed as an entrepreneur; the personal achiever, the empathic super-salesperson entrepreneur, the real-manager entrepreneur, and the expert idea entrepreneur. This type of research is consistent with McClelland (1966) who focuses on the personal traits of goal setting and in particular the need for achievement characteristic. Bhide (1996) integrates the strong personal traits of the entrepreneur into a framework which outlines a three step process; clarifying the goals, evaluating strategies, and assessing the capacity to achieve the goal. This framework is designed to help entrepreneurs manage self-sustaining companies by guiding and controlling their strong personal traits. Bhide’s framework is representative of work that has tried to integrate the personal characteristics of entrepreneurship into business guidelines.

Morris and Lewis (1996) conclude that change is a catalyst for entrepreneurial activity, because in stable environments there is little need to develop creative responses to changing conditions, thought to be the hallmark of entrepreneurship. Liles (1974) also suggests that circumstances have a larger bearing on entrepreneurial activity than personality. He argues that successful entrepreneurs become unique individuals. However, before they make the decision to act entrepreneurially they are like many other ambitious, striving individuals. This adds another dimension to defining the entrepreneur. One can infer from this that many individuals may have the characteristics to become entrepreneurs but not the need. This aspect of entrepreneurship is discussed in section 3.5.5 of this chapter which examines the effects of previous experiences on the entrepreneurial behaviour.

The general stream of literature termed ‘entrepreneurship’, has diverging branches in the definition of the entrepreneur and description of the entrepreneurial process. A number of writers (Casson 1982, Mintzberg (1987)) have studied entrepreneurship and have, in the process, defined the entrepreneur from different perspectives. While they all seem to emphasise different aspects of entrepreneurship, there are key similarities. The personal
characteristics of vision, strong personal conviction, and risk taking propensity have parallels to the processes of innovation and creation. The work by Mintzberg, Schumpeter Casson and Meredith et al. look at both the personal characteristic and the entrepreneurial process to define and identify entrepreneurs and will be developed further in the economic theories of the entrepreneur, section 3.3.

The role of the entrepreneur in economic development is an aspect of entrepreneurship that attracted great attention. While modern literature on entrepreneurship tends to focus on the entrepreneurial character and his/her role within an organisation, economic theories of the entrepreneur discuss the role of the entrepreneur within an economy. The following section summarises a review by Casson (1982) on the leading economic theories of the entrepreneur from Leibenstein, Hayek and Kirzner, Knight, and Schumpeter. It also examines the relevance of the theories of the firm developed by Andrews and Penrose to entrepreneurship.

### 3.3 Four Economic Theories of the Entrepreneur

Casson (1982) reviewed the leading economic theories of the entrepreneur, this review is summarised below. Although there are a number of differences between the economic theories of the entrepreneur on specific aspects of entrepreneurship, on the whole their similarities are more significant than their differences. Each theory is valuable because it emphasises some particular aspect of entrepreneurship and each is essentially complementary to the other. These theories were identified because of their differences to neo-classical economic theory which makes some extreme assumptions about an individual’s access to information. For example, simple neo-classical models assume that everyone has access to all the information they require for making decisions. This assumption reduces decision making down to mechanical application of mathematical rules for optimisation (Casson, 1982).

Hence, orthodox economics can tend to trivialise decision making and leave no scope for judgement and other subjective elements required for the analysis of entrepreneurs.

#### 3.3.1 Leibenstein’s X-Efficiency Theory

Leibenstein’s X-Efficiency Theory is defined by Casson in the following way:

‘X-efficiency is the degree of inefficiency in the use of resources within the firm. It measures the extent to which the firm fails to reach its productive potential. For a given set of inputs, productive potential is identified with the point on the neo-classical production frontier. X-efficiency arises either because the firm’s resources are used in the wrong way, or because they are wasted or not used at all.’ (Casson, 1982, p 364)
X-efficiency theory, in contrast to neo-classical theory, which assumes full rationality, suggests that there are psychological costs of being fully rational. These costs limit the extent to which individuals plan to use all the opportunities available, and to satisfy all the constraints to which they are subject. Leibenstein claims that entrepreneurs have a higher propensity to take risks and supports this by suggesting that individuals trade off between 'constraint concern' (planning but not being able to satisfy all constraints) and 'internal pressure' (anticipation of disequilibrium (unexpected results)). Different individuals have different attitudes, and hence different degrees of constraint concern and different degrees of neoclassical 'irrationality'.

There are four main points of difference between neo-classical theory and X-efficiency. The first is that contracts are incomplete. Leibenstein suggests that contracts do not accurately specify job descriptions, terms of employment nor the amount of effort required to fulfil the role. Following this is the notion that effort is discretionary, which results in the employee deciding how much effort is required, not the employer. This theory asserts that effort is required in order to change the allocation of resources, based on the assumption that it is unpleasant to break old habits and hard to establish new routines. This creates a psychological inertia discouraging the transition from one state to another. Inertia, like constraint concern, is a personality characteristic, (Casson, 1982). The final point of difference is that Leibenstein regards the firm as an organisation of individuals with no unanimity between them. The employers or shareholders are interested in maximising shareholder wealth whereas the employees and decision makers pursue their own objectives which are incompatible with maximum effort. Leibenstein regards entrepreneurship as a creative response to X-efficiency. The incongruence of individual objectives resulting in sub-optimal effort and inefficiency create opportunities for entrepreneurs.

Leibenstein identifies two main roles for the entrepreneur. 'Input completion' involves making inputs available that improve the efficiency of existing methods of production or help to introduce new ones. Leibenstein also sees this role as improving the flow of information in markets for venture capital and management skills. The second role, 'gap filling' is best described by outlining Leibenstein's depiction of an economy as a net made up of nodes and pathways. The nodes are represented by industries and households that receive inputs
(consumer goods) from other nodes (industries and households) along the pathways and send outputs (final goods and commodities). In perfect competition, each node is clearly defined, pathways well marked and competition for inputs is on an equal footing, and the net is complete. However, in a realistic economy, nodes are not always defined and pathways can be unmarked leaving holes and gaps in the net (Casson, 1982). ‘Gap filling’ involves the entrepreneur facilitating and creating new pathways resulting in a competitive advantage for inputs and more profitable pathways for outputs.

It can be inferred, from Leibenstein’s X-efficiency theory, that entrepreneurs are receptive to change and fulfil a creative role of profitably capitalising on opportunities where inefficiency exists and resources are being wasted. Casson builds on this and provides an alternative explanation of inefficiency. He states that wrong decisions are made about the allocation of resources not necessarily because of laziness or lack of effort, but because the decision makers do not have all the relevant information or do not interpret it properly. A lack of relevant information may not necessarily be due to a lack of effort but is more likely due to the localised nature of relevant information and the cost of transmitting this information. The recognition of a wrong decision implies that someone else knows the right decision. This means that entrepreneurs believe that they have better information or better powers of interpretation than the general population; in other words, they believe they have superior judgement. The significance of ‘superior judgement’ will become apparent in Casson’s review of Knight’s theory on uncertainty (Section 3.3.2).

3.3.2 Hayek and Kirzner on Market Forces

Casson argued that Hayek’s main contribution to the theory of the entrepreneur is to point out that the absence of entrepreneurs in neo-classical economics is associated with the assumption of market equilibrium. Hayek suggests that market equilibrium can only exist when the future plans of individuals are all mutually compatible. Hayek contends that equilibrium, once established, will exist if external data corresponds to the common expectations of all the members of the society (Hayek, cited by Casson, 1982). Casson adds that equilibrium will continue if the foresight of different members of society is correct. These predictions must be correct, because everybody’s plans are based on those actions that were planned for, based on the same set of external information and so nobody will have any reason to change their plans. Therefore, correct foresight is a defining characteristic of equilibrium. Under certain conditions, the expectations of the people, and particularly the entrepreneurs, will become
more and more correct. Hayek advocates a decentralised process of voluntary exchange based on the price system as being more efficient than a centralised process. Markets help people communicate their information and enable individuals to coordinate their decisions and thereby move toward a state of equilibrium (Casson, 1982).

Casson explains the process by which these prices are set and by which they are adjusted toward equilibrium. Kirzner's theory maintains that the main role for the entrepreneur is the adjustment of prices. If the wrong price exists in the marketplace then there is an opportunity for profit. Sellers and buyers can be willing to accept lower or pay higher prices respectively. According to Kirzner, it is this alertness to disequilibrium that is a distinguishing characteristic of the entrepreneur. Alertness enables some individuals to intervene in the market and change the price while others simply respond by changing their buying and selling plans. Kirzner however, does not explain how entrepreneurs get their flashes of superior foresight.

Hayek and Kirzner's view of entrepreneurship assumes that entrepreneurs are able to intervene in the market and therefore can create opportunities for profit under conditions of disequilibrium. It can be inferred that this process is made possible through superior foresight and predictions of other individuals future plans and actions.

3.3.3 Knight: the Role of Uncertainty

In Casson's review of Knight's theory of the entrepreneur, he found that Knight identifies the entrepreneur as the recipient of pure profit. He defines profit as the residual income from the enterprise after all payments incurred from the process of production. It is the reward to the entrepreneur for bearing the costs of uncertainty. Knight distinguishes uncertainty from risk by stating that, under uncertainty, the probability of alternative outcomes cannot be determined by either a priori reasoning or statistical inference. Because it is a unique event, it does not belong to a larger population of identical events. There is no precedent for it, so that no assessment of probability can be made on the basis of its relative frequency. Knight suggests that uncertainty is a ubiquitous aspect of business decisions because production takes time.

Knight suggests that the main quality required for making production decisions in conditions of uncertainty is foresight. He adds that there can be large gains in uncertainty-reduction by
selecting those individuals with superior foresight to make the production decisions for a firm. The crucial decisions made in a firm are decisions about personnel recruitment. Pure profit is compensation to those people for bearing uncertainty that they have delegated decision making to the wrong type of person. Directors who operate under profit related incentives and involved in delegating direction cannot be fully insured against the consequences of their decisions. Therefore, directors who make decisions under uncertainty also bear the consequences of uncertainty and consequently become recipients of pure profit.

Knight suggests that individuals differ in their judgement of other peoples’ abilities and that no-one can be sure of their own judgement of other peoples’ abilities. As a result, Knight concludes that confidence in one's own judgement is perhaps the most important characteristic of the entrepreneur. This characteristic has to be coupled with a low aversion to risk, which is shown in an entrepreneur's tendency to back up their judgement with their own capital. Knight contends, that in a society, the income level of an entrepreneur will be higher if the general population has a low self-confidence and the entrepreneur has the power to make effective guarantees to employees. This situation will hold no matter what the general level of manager ability is. The confidence of entrepreneurs as a class to bid up the prices of productive services has a significant effect on profit. Casson's review cites Knight directly: ‘...if men generally judge their own abilities well, the general rate of profit will probably be low, whether ability itself is low or high... ...the condition for large profits is a narrowly limited supply of high-grade ability with a low general level of initiative as well as ability (Casson, 1982, p. 373).’

Casson's (1982) review of Knight's work enhances our understanding of the entrepreneur by emphasising the importance of personal characteristics within an economic context. The main feature of Knight's work is that entrepreneurs have a high self-confidence stemming from good judgement of others ability and their own managerial ability. Knight places importance on the environment in which entrepreneurs operate, and maintains the view that the market system allocates judgemental decision-making to entrepreneurs. If the entrepreneur is operating in a general population of low ability but high 'courage' then it is likely that the entrepreneur will sustain a net loss. The scenario which may have significant implications in the study of entrepreneurial farmers is the reciprocal environment- a limited supply of high ability with a low level of initiative. This type of environment has parallels with the New Zealand farming sector and its history of regulation and intervention providing disincentives
to entrepreneurship and what Knight terms 'initiative'. The implications of this environment will be discussed in later chapters.

### 3.3.4 Schumpeter on Innovation

Casson includes Schumpeter’s work as a leading economic theory of the entrepreneur. Schumpeter (1934) contends that the entrepreneur is the prime mover in economic development and his/her function is to innovate, or to carry out new combinations. He identifies five types of innovation; the introduction of a new good (or an improvement of an existing good), the introduction of a new method of production, the opening of a new market, the conquest of a new source of supply of raw materials, and the creation of a new type of industrial organisation. Schumpeter suggests that anyone who performs this function is an entrepreneur, whether they are independent businessmen or dependent employees of a company. He stresses that the entrepreneur is not a risk-bearer. Risk bearing is the function of the capitalist who lends funds to the entrepreneur. The entrepreneur bears risk only in so far as he/she acts as his/her own capitalist. Entrepreneurs he suggests, are also likely to spend a lot of time doing non-entrepreneurial things which are a part of everyday business. He also suggests that the climate is most favourable to innovation when the economy is approaching an equilibrium, because then the future seems relatively easy to foresee. The first innovations made by the most talented entrepreneurs prove successful and so less talented entrepreneurs follow with their own. Because innovations have already been proven by the first movers, capitalists see less risk in backing the less talented entrepreneurs. A wave of innovation follows and Schumpeter perceives this pattern as cyclical.

Schumpeter then touches upon the subjective aspect of entrepreneurship which is more typical of studies that focus on personal characteristics rather than economics. Schumpeter believed that talented entrepreneurs are very scarce, not because of alertness or professionalism but because of their psychology. Even though entrepreneurs are rational economic people, they are not driven purely by consumption and profit.

Schumpeter identifies three motivating factors. Firstly, they have a dream or vision of their destination which may result in not just financial rewards but social status and privilege—"...there is the dream and the will to found a private kingdom, usually, though not necessarily, also a dynasty" (Schumpeter 1934, pp. 93-94).
Second, there is the need to conquer and fight, to prove oneself superior to others. This motivation is very similar to the need for achievement theory developed by Rotter (cited by Kaine et al. 1994). This motivation places less importance on the result of success, but on the process of succeeding itself, in which entrepreneurs gain satisfaction and fulfilment. The final group of motives is the joy of creating, of exercising one's energy and ingenuity or solving a problem. Entrepreneurs seek out challenges in order to change and enjoy ventures. These motives result in intrinsic rewards and can be as strong a motivation for entrepreneurial activity as achieving financial performance and success.

Unlike Kirzner and Hayek, Schumpeter's entrepreneurs do not merely adjust markets, they create and destroy them. In Casson's (1982) analysis of Schumpeter's work, he suggests that entrepreneurs are not just the mechanism or the agents through which the market system operates, they are the creators of the system itself.

3.3.5 Andrews and Penrose on the Entrepreneurial Firm

Economic theories from Andrews (1949) and Penrose (1959) are the final theories to be reviewed by Casson. Andrews is not primarily concerned with the entrepreneur, but with explaining competition between firms at the industry level. Competition within an industry maintains a reasonably uniform price with the market divided by the firms, each enjoying some goodwill of its customers. Andrews divides goodwill between customer loyalty to the manufacturer's brand and the quality of service the firm provides. Firms will often forego short-run profit so as not to lose goodwill. The threat of potential entry into a market will usually come from existing large organisations who are diversifying rather than from small new firms which may be economically weak. This threat of entry keeps the price level in each industry in line with average costs.

Penrose presents a dynamic theory of the firm, which explains how organisations are created and grow. Penrose stresses that the personal characteristics of the entrepreneur are an important influence on the growth of the firm. Casson's review shows that she identifies entrepreneurial qualities such as versatility, imagination, sense of timing, instinct of future demand and judgement or perception of the operating environment as being important to firm growth. Ambition is also viewed as important and is divided between the 'workmanship minded' entrepreneur and the 'empire builder' entrepreneur ambition. Penrose contends that the ultimate limit on the rate of expansion of the firm is set by the ability of the entrepreneur
and his/her management team to adapt to change and consequently create change in the organisation.

3.3.6 Discussion

Alternative economic theories of the entrepreneur highlight the importance of the entrepreneur within organisations and the wider economy itself. Leinbenstein's X-efficiency theory explained the role of the entrepreneur as individuals who are receptive to change and fulfil a creative role by profitably capitalising on opportunities where inefficiency exists. Hayek and Kirzner viewed the role of the entrepreneur within a market context and defined entrepreneurs as those who can intervene in the marketplace creating opportunities and profit through flashes of superior foresight. Knight uses the role of uncertainty to explain that entrepreneurs can spread their risk through the creation of large organisations. Knight also suggests that the success of the entrepreneur is very dependent on the ability and confidence of the general population, and suggests that the entrepreneur has superior amounts of both traits. Finally Schumpeter suggests that the entrepreneur is the prime mover in economic development, motivated by the joy of creation, problem solving, and seeking out challenges. Penrose suggested that the personal characteristics and ambition of the entrepreneur were very important for the strategic direction and growth of the firm.

While these writers have concentrated on the role of the entrepreneurial function within a market or economy, their discussion is essentially centred on the personal characteristics of the entrepreneur. These personal characteristics have driven them to perform these roles, ultimately distinguishing the entrepreneur as a special identity worthy of such attention.

3.4 The Entrepreneurial Venture

Having reviewed economic theories of the entrepreneur, it is important to investigate what it is known about the entrepreneurial venture itself. While the entrepreneurial character is important in understanding the individual behind the entrepreneurial venture, an analysis of the venture itself will provide a more complete understanding of the activities of the entrepreneur within the venture.

Some researchers suggest that the growth of a business or firm or merely a growth orientation, would represent an entrepreneurial characteristic. Yet Vesper (1980), cited in Carland et al. (1984), states that many business owners never intend their businesses to grow beyond what
they consider a controllable size. Glueck (1980) also cited in Carland et al. (1984), distinguished between entrepreneurial ventures and family business ventures by revealing differences in strategic practices. Glueck concludes that in a family business, the needs of the family are given preference to those of the business. A major difference between the two firms lies in the strategies for growth and opportunity. An entrepreneurial venture will always look to continue the pursuit of growth and endeavour to employ the best personnel available, whereas the family business can be seen as an opportunity for family investment and career opportunities. The entrepreneurial venture, as opposed to the family business, will always take options that are in the best interests of the firm.

As outlined earlier, Schumpeter (1934) identified five categories of behaviour that are characteristic of an entrepreneurial venture: introduction of new goods, introduction of new methods of production, opening of new markets, the conquest of new sources of supply, and industrial reorganisation.

Carland et al (1984) suggest that if a firm exhibits any one of these criterion, (excluding the fourth) then that firm can be classified as an entrepreneurial venture. These criteria allow the classification of small traditional firms as entrepreneurial if the firm represents an original entry into the market. In addition, they state that the determining factor of a firm’s entrepreneurial qualities is whether its activities result in innovation, which is viewed as the single most important characteristic of an entrepreneur by Schumpeter (1934).

### 3.5 Characteristics of an Entrepreneur

#### 3.5.1 Introduction

Much of the literature studying entrepreneurship focuses on the personality of the entrepreneur. The economic theories of the entrepreneur also seem to base their theories on strong personal characteristics guiding the entrepreneur’s role in the marketplace and economy. The importance placed on personal traits warrants a more detailed review of the extant literature in this area. The following discusses the most common features of the entrepreneurial character identified in the literature and relates it to the study of the entrepreneurial farmer.
There are four main psychological characteristics that the literature focuses on in terms of distinguishing entrepreneurs from the general population. These are:

- need for achievement;
- personal values;
- internal locus of control;
- risk taking propensity and risk perception.

3.5.2 Need for Achievement and Goal Setting

Brockhaus (1982) argues that McClelland (1961) was the first to identify the ‘need for achievement’ characteristic of entrepreneurs and suggests that those with a high need for achievement prefer to be personally responsible for problem solving, goal setting, and for reaching these goals by their own efforts. These individuals also have a high need for feedback on how well they are accomplishing these tasks.

Olsson (1988) found that for rural entrepreneurs, goal formulation and success were intimately related. The concept of goal setting and self regulation, outlined by Brockhaus, who drew on the ideas of Locke and Locke and Latham, was developed for non-farm businesses but is likely to be the same for farmers. Goal setting leads to self regulation because the goal defines what is an acceptable level of performance. Setting specific and challenging goals leads to a higher level of performance than setting vague, difficult goals or setting no goals at all (Locke, 1968). This is because vague goals can have many outcomes, including outcomes that are lower than an individual’s actual best. A specific hard goal clarifies for an individual what is effective performance and, in general, stimulates more planning. It also directs more effort to goal-oriented actions and less to goal irrelevant actions (Locke, 1968; cited by Brockhaus, 1982). Naffziger et al (1994) suggest that goals may vary for each entrepreneur, while some seek to rapidly grow a firm, cash out, and retire or move, others may simply seek to be their own boss.

3.5.3 Personal Values

Brockhaus (1982) who reviewed the work of Hornaday and Aboud used objective tests to identify and measure the personality characteristics of successful individuals who had started their own businesses and had been in business for at least five years with at least eight employees. Their results showed that when measured on a scale, these individuals scored significantly higher on the ‘need for achievement’, ‘independence’, and ‘effectiveness of
leadership’ than the general population. These individuals also scored lower on ‘need for support’. It was concluded that entrepreneurs are highly creative, recruit key people and set clear business goals and objectives.

Brockhaus (1982) noted that these values are useful for distinguishing the entrepreneur from the general population. However, it is not clear whether these values would distinguish between the successful and unsuccessful entrepreneur.

3.5.4 Internal Locus of Control

In Brockhaus’s (1982) review of the psychology of the entrepreneur, he highlighted Rotter’s ‘locus of control’ theory as important in understanding the entrepreneur. In this theory, he suggests that an individual perceives the outcome of an event as being within or beyond his/her personal control and understanding. Rotter provides further definition of these two categories (internal vs. external):

> When a reinforcement is perceived by the subject as following some action of his own, but not being entirely contingent upon his action, then, in our culture it is typically perceived as the result of luck, chance, fate, as under the control of other or as unpredictable, because of the great complexity of the forces surrounding him. When the event is interpreted in this way by an individual, we have labelled this a belief in external control. If the person perceives that the event is contingent on his own behaviour or his own relatively permanent characteristics, we have labelled this a belief in internal control (Brockhaus, 1982, p43).

Internal locus of control refers to a belief that an individual is in control of their present and future circumstances whereas external locus of control refers to the contrary belief. Borland (cited by Brockhaus (1982), suggests that the ‘internal locus of control’ belief is a superior indicator of an entrepreneurial character than was the ‘need for achievement’ characteristic. Brockhaus also found that McClelland, suggests that individuals tend to give greater levels of effort when they believe that their actions will directly result in personal achievement. Using these studies as a basis, Brockhaus showed that Rotter hypothesised that those individuals with an ‘internal locus of control’ would be more likely to strive for achievement than those with external beliefs.

Brockhaus (1982), suggests that an ‘internal locus of control’ is an asset to advancement in management. However, he adds that the ‘internal locus of control’ theory is not sufficient to
uniquely distinguish entrepreneurs, as this theory can be applied to both successful managers and entrepreneurs alike. However, it is more likely to distinguish between successful entrepreneurs and unsuccessful ones, as the more unsuccessful entrepreneurs are likely to accept the project failure as being due to circumstances beyond their control.

3.5.5 Risk Taking Propensity

One of the most apparent characteristics of an entrepreneur to the general population, is their propensity for risk taking and risk bearing.

Brockhaus (1982) reviewed the entrepreneurial literature that stressed the importance of risk taking for entrepreneurs. This included McClelland’s study which found that entrepreneurs are willing to take moderate risks. He suggests that the decision to become an entrepreneur is dependent upon considerations of the perceived degree of risk and the perceived possibility of failure. Palmer, also cited by Brockhaus (1982) suggests that “the entrepreneurial function primarily involves risk management and risk taking”. Liles (1974) speculates that in becoming an entrepreneur an individual risks financial well being, family relations, and psychic well being. He adds that the potential entrepreneur should be well advised to consider all risk associated with specific entrepreneurial ventures and determine whether he/she is willing to undertake them.

3.5.6 Effects of Previous Experiences

Brockhaus (1982) suggests that a “push” seems to force potential entrepreneurs from their place of previous employment. In a study of high technology entrepreneurs, Cooper (cited by Brockhaus, 1982) discovered that 30% of entrepreneurs had no specific plans for the future at the time they left their previous jobs and 40% would have left their job even if they had not become entrepreneurs. Shapero (also cited in Brockhaus, 1982) suggests that such a push was associated with dissatisfaction with the previous position.

Brockhaus (1980), (cited in Brockhaus, 1982), argued that the level of dissatisfaction with the previous postion can influence the success of an entrepreneur’s business. While there is less emphasis upon negative experiences in the literature, Wilken (1979) suggests that entrepreneurship is not always generated by favourable circumstances. These individuals may have been more highly motivated to avoid returning to their former or similar jobs and so are more active and persistent in the entrepreneurial enterprises. When an entrepreneur risks
his/her life savings and quits the previous job, they become “super committed” to the belief that they will succeed. Cooper and Dunkelberg (1987) found, from their sample of 890 entrepreneurs, that the number of previous jobs for business owners varied significantly. They could not find a significant amount of evidence to support the premise that the typical entrepreneur was a “drifter” or found it difficult to stay in established organisations. Neither did they find, contrary to previous research, that entrepreneurs were less educated than the general population and find it difficult to relate to authority figures such as teachers, and thus, were impelled to leave school at an early age. They also contend that the majority of entrepreneurs tend to start new entrepreneurial ventures related to what they were doing before and are located where they were already living. However, in their sample of 890 entrepreneurs, there are exceptions as diversity seems to be a central characteristic of entrepreneurial activity.

3.5.7 Role Models

The role modeling theory of entrepreneurship suggests that the career of the child’s parents influence the career of the child.

Brockhaus (1982) reviewed Social Learning Theory (SLT) advocated by Cooper, which forms the basis of role modeling theory. SLT proposes that learning can occur vicariously, through the observation of others, referred to as models. The individual observes the model engaging in various social behaviours and notes reinforcements received by the model. If the observer values the reinforcement or recognises the positive outcome of the action, then the observer will try to replicate the model’s behaviour and obtain similar types of reinforcement. Cooper, found that over 97% of companies studied in the technological industry, had at least one founder who had worked in the same industry. This view of role modelling is congruent with the view of Cooper and Dunkelberg (1987); who suggest that having a family tradition of entrepreneurship or business ownership increases the chance of a young potential entrepreneur becoming one. Business ownership within the family exposes an individual to “role models”. Cooper and Dunkelberg (1987) cite Susbauer who suggests that the success of the relative does not seem to have significant influence, since the act of owning a business creates a credible example. Cooper and Dunkelberg’s research revealed that 50% of the 890 entrepreneurs studied came from families in which a parent or guardian owned a business.
When SLT is applied to career selection, it suggests that role models are an important factor in forming preferences for a particular career. It follows therefore, that an individual is more likely to pursue or express preference for a particular career if they have observed a model successfully perform activities in that career.

3.6 Rural Entrepreneurship

3.6.1 Introduction

While there is a vast resource of literature on entrepreneurship, there is very little research conducted at the farm level, although the area of entrepreneurship in agriculture is well referenced. Previous research is mainly concerned with entrepreneurship at the agribusiness level (Hill and Vyakarnam, 1990; Dykeman et al, 1992; Patrick et al, 1996). These studies focus on entrepreneurial ventures that service farmers and the agricultural sector. Other research that looks at entrepreneurship at the farm level (Mazonde, 1994; Harsch et al, 1994; and Rao et al, 1997), has limited application for New Zealand farmers as this literature is based on studies in developing countries where the infrastructure and culture is very different to traditional New Zealand family farms. Therefore, a gap exists in the literature and emphasises the importance of study in this area for New Zealand farmers.

3.6.2 Definition of Rural Entrepreneurship

Wortman (1990b) suggests that most rural research has failed to use a definition of rural entrepreneurship, assuming that readers know what rural entrepreneurship is. Wortman uses previous definitions, such as a popular image of rural entrepreneurs as ‘independent-natured, risk taking, achievement oriented, self confident, optimistic, hard working, and innovative’ (Hoy, 1987) cited by Wortman 1990b. He then stated that entrepreneurship in a rural context is focused upon creating new employment through new ventures.

Spann et al (1987) provide a definition for the rural entrepreneur that was developed from previous empirical research on entrepreneurship. They state that ‘rural entrepreneurship is the creation of a new product, serves or creates a new market, or utilises a new technology in a rural environment’(p148). This definition is similar to Olsson (1988) who provides a more detailed definition of the entrepreneur in a rural context by providing a typology of management styles. This was outlined in Chapter Two. Olsson describes the entrepreneur as the farmer who regards him/herself as not only an agricultural producer, but also the person with the overall management and economic responsibility for the farm firm. The entrepreneur
is prepared to take large risks and prefers to anticipate the potential benefits rather than the
problems associated with risk taking. The entrepreneur views information gathering as a vital
part of decision making. He/she likes to be surrounded with advisers and literature. The
entrepreneur has a large circle of contacts both within and outside their own field of interest.
The entrepreneur thinks in strategic terms and devotes considerable time to planning and
management. Careful deliberation, not impulse, characterise their actions often resulting in
the entrepreneur being a successful manager.

Olsson's definition of the entrepreneurial farmer incorporates the risk bearing characteristics
identified by Knight. This definition is also congruent with Kirzner, Schumpeter, and Penrose
who describe the entrepreneur as an individual who take advantages of opportunities using
superior foresight and confidence in decision making. Olsson's definition also has parallels
with the general entrepreneurship literature of McClelland, (1966) and Rotter cited by
Brockhaus (1982) when they describe the entrepreneur as one who thinks in strategic terms
and utilises wide sources of information. Olsson's research on entrepreneurial farmers is
based on European conditions. A study of New Zealand farm level entrepreneurship may
reveal new facets of the entrepreneurial character previously unidentified.

3.7 A model of Entrepreneurial Intention
The literature thus far has defined the entrepreneur (rural and general) and outlined what role
the entrepreneur is perceived to play in the marketplace and what special characteristics lead
to this activity. There seems to be an emphasis on the personal characteristics of the
entrepreneur as the main contributor to the expression of innovation and establishment of new
enterprises. To this end, various authors have explained how these personal characteristics
have evolved and whether entrepreneurs are born or made. What is left unexplained is what
motivates the entrepreneur and how can this process best be described. This can be explained

Naffziger et al (1994) take an expanded view of entrepreneurship by including the entirety of
the entrepreneurial experience rather than a narrow focus on a behavioural-trait description of
the entrepreneur. This view identifies the behaviour necessary in the operation of the firm, its
performance and the psychological and non-psychological outcomes resulting from firm
ownership. They argue that their model integrates the interactive aspects of previous models
by Gartner, Greenberger and Sexton, Learned, and Herron and Sapienza.
This model of entrepreneurial motivation describes the process by which entrepreneurs decide whether or not to engage in entrepreneurial behaviour. The process described in the model identifies how a new firm takes shape, how it is managed, and what leads the owner to sustain entrepreneurial behaviour. According to Naffziger et al. the decision to behave entrepreneurially is based on more than personal characteristics and individual differences.

The model developed by Naffziger (1994) (Figure 1) is based upon five major categories or variables believed to influence an individual’s decision to behave entrepreneurially. These are: (1) an entrepreneur’s personal characteristics; (2) the individual’s personal environment; (3) the relevant business environment; (4) the specific business idea; and (5) the goals of the entrepreneur. Figure 2 presents a graphic representation of the model.

The implementation-outcome perception box suggests that the perceived strength of the relationship between the entrepreneur’s managerial strategies and the firm’s outcomes will have a significant effect on the strength of the entrepreneurial motivation. The perceived expectation-outcome relationship is the individual’s perception that the outcomes of the new venture will meet or exceed expectations. These expectations may be intrinsic or extrinsic, will vary between individuals, and may evolve over time as new opportunities present themselves. The management of the entrepreneurial firm involves implementing strategy and adopting new management behaviour for growth. The activities the entrepreneur engages in will lead to the performance outcomes of the firm and subsequent decisions about continuing that strategy.
Figure 2  A Model of Entrepreneurial Motivation

Expectation/Outcome Comparison

Intrinsic/Extrinsic Rewards

Decision to Behave Entrepreneurially

Entrepreneurial Strategy

Entrepreneurial Management

Firm Outcomes

Implementation/Outcome Perception

PC= Personal Characteristics
PE= Personal Environment
PG= Personal Goals
BE= Business Environment
IDEA= Specific Business Idea

Naffziger et al (1994) suggest that entrepreneurs will be motivated to continue to behave entrepreneurially as long as they view that behaviour as instrumental in leading to goal accomplishment. Actual firm outcomes will be compared to expectations and will then influence the decision to sustain entrepreneurial behaviour. Motivation to sustain an entrepreneurial venture can only be measured on an individual basis, as individual perceptions of firm performance and goal achievement will differ. The insights from this research have particular significance for this study of entrepreneurial farmers, as a key question of this research is what motivates farmers to initiate and sustain their entrepreneurial venture. Naffziger et al's research tends to suggest that owner motivation is a personalised issue, and that entrepreneurs define their expectations in much broader terms than traditional performance measures.

Naffziger et al. based their five major categories of what influences entrepreneurial behaviour on existing literature including Reynolds who identified three factors that may affect an individual's decision to start a new firm. These are (1) the characteristics of the economic context, (2) the characteristics of the individual life or career context and (3) underlying personal disposition. This is consistent with a model provided by Morris and Lewis (1995) on the determinants of entrepreneurial activity and its implications for marketing. In this study, the authors suggest that if an event demonstrates innovation, risk taking and productiveness then it is an entrepreneurial event and the person behind it an entrepreneur. They contend, therefore, that entrepreneurship is not an either/or determination, but a question of “how much” and “how often”. These authors argue that the forces or environmental factors that facilitate a level of entrepreneurship can be grouped into environmental infrastructure (logistical, financial, economic, political, legal, and social), environmental turbulence (dynamic, threatening, and complex) and personal environmental experiences (family, educational, work related, and role models). The authors conclude that change is a catalyst for entrepreneurial activity, because in stable environments there is little need to develop creative responses to changing conditions. The authors suggest that entrepreneurship and marketing are both opportunity driven, value creating processes and can be applied to a wide variety of contexts.

3.8 Farm Ventures: Conventional and Entrepreneurial Approaches
A critical factor that distinguishes entrepreneurial ventures from that of a non entrepreneurial small business is innovation (Carland et al, 1984). The entrepreneur is characterised by a
preference for creating activity and by organising resources in an innovative combination for profit. The entrepreneurial venture will also display those traits outlined earlier, such as ‘need for achievement’ (goal orientation), ‘internal locus of control’, ‘need for independence’, ‘need for responsibility’ and ‘need for control’. Although risk taking propensity is a feature of entrepreneurial ventures, it is inherent in ownership rather than specifically entrepreneurship. However, it is likely to be associated with entrepreneurial ventures.

An entrepreneurial farmer is likely to approach extending the farm business in a different way to a farmer not displaying entrepreneurial characteristics (Olsson, 1988; McLeay et al., 1996; Miles and Snow, 1978). For example an entrepreneurial farmer is likely to accept a more risky project provided it has high returns. He/she is likely to investigate projects more thoroughly, possibly utilising more information sources and established contacts. Entrepreneurial farmers are unlikely to be restricted to production innovation alone and may adapt their farm management systems to meet the requirements of a new market. While investigating new options for the farm, the entrepreneurial farmer may view the farm from a different perspective by evaluating the farm’s relative position within the product value chain. The entrepreneurial farmer is not likely to be bound by convention or image and is willing to seek advice in areas outside his/her existing field of knowledge. Once the entrepreneur has decided to commit time and resources to a project, the anticipated rewards are likely to encompass more than purely financial measures, as these individuals enjoy a challenge, gain fulfilment in completing a task, and like to be responsible for problem solving.

However, the majority of successful New Zealand farmers are likely to operate in a manner akin to the management style of the Cautious Strategist (Olsson 1988). Research by McLeay et al. support this, with their results showing that 9% fitted the description of an Entrepreneur while 33% seemed to fit the description of the Cautious Strategist. The remaining 60% were somewhere in between these two typologies.

The likely characteristics of a non-entrepreneurial farmer and approach to farm business development will differ from the entrepreneurial style. The non-entrepreneurial farmer is only likely to embark on diversification if already proven to be a viable venture, usually by an entrepreneur. These farmers will be more likely to try new products or management styles that have a production focus, with production goals being their main performance index. The
motivation behind their new enterprise is likely to be risk spreading and income improvement within the boundaries of physical farm resources and management policy. Their farm or present lifestyle is not likely to be exposed to risk by the changes in their farming enterprise which is funded largely by their own capital. The non-entrepreneurial farmer is likely to seek advice for farm management changes but significantly less than the entrepreneur.

In the future, it is probable that rural entrepreneurs will become increasingly more important to New Zealand agriculture due to the major shifts in the rural population and ever changing face of the New Zealand farm sector. The increasing size of the 'economic unit' may give rise to the increasing importance of off-farm income or investment for those who do not have adequate farm returns.

In the following chapters, the results of an empirical study of entrepreneurial farmers is reported. It focuses on entrepreneurs' personal characteristics, and other areas of interest, such as their attitude to information gathering, risk taking, main motivations, and management of change in the farm business.
CHAPTER FOUR: RESEARCH METHOD

4.1 Introduction
The preceding three chapters described important areas of the literature that aid in the understanding of entrepreneurial farmers and highlight specific areas that require further investigation in this study. Chapter Two described various typologies of management style and farm management in particular. It provided support for distinguishing entrepreneurs as a separate management style alongside other successful and unsuccessful approaches. A resource-based approach to strategy formation was also identified as useful for managers at the farm level. Chapter Two also highlighted the importance of risk sources and risk management for the study of entrepreneurial farmers.

Chapter Three covered the entrepreneurship literature that is important for this study. Economic theories of the entrepreneur described the entrepreneurial process and the entrepreneur’s role in an economy. Personal characteristics of entrepreneurs are also described as the literature highlights this as being important to the success of a business venture. A description of entrepreneurial motivation is also explained in a conceptual model and these theories are related to existing knowledge of New Zealand pastoral farmers. Hence, the preceding chapters have discussed the extant literature in these areas to provide a useful grounding of the subject.

4.2 Research Problem
The primary focus of this study is the activities of a small group of farmers who have significantly increased their on-farm returns by expanding the boundaries of their farm business. These farmers view their businesses in a non-conventional way. It is also apparent that this approach has obvious tangible rewards. This study will investigate the main motivation driving these farmers to act in an entrepreneurial way and in many cases make major changes to their existing farm business and lifestyle. A case study approach is seen as useful in understanding whether personality, circumstance or a unique combination of both has provided the impetus for entrepreneurial activity.

From these broad questions of what drives entrepreneurial behaviour stems a myriad of smaller questions and areas of investigation essential in understanding the phenomenon of
rural entrepreneurship. While the literature provides a definition of entrepreneurial farmers in general, and covers research that aids our understanding of how they operate, there remains a gap in the understanding of entrepreneurship in New Zealand agriculture, and pastoral farmers in particular. A gap also exists in understanding the motives for entrepreneurial behaviour in this setting. In addition, there seems to be limited knowledge of the role of risk in entrepreneurial farmers activities, advice they seek, and problems they encounter when establishing their entrepreneurial farm venture. The personal characteristics of entrepreneurial farmers will help answer the ‘circumstance or personality’ problem which is essential to fully understand the area of farm level entrepreneurship in New Zealand.

From this discussion emerges a research problem that has special significance for New Zealand farmers operating in an environment that allows more freedom to engage in activities down the value chain. This study investigates whether these farmers become involved in entrepreneurial farm ventures in order to retain their current farming lifestyle, whether they are threatened by poor returns, or whether they simply wanted to become more involved in the challenge of establishing a new farm related business. By searching for the answers to these questions, an appreciation may gained of the problems these farmers have faced in this process. Additional questions relate to whether these entrepreneurial traits are exhibited in other parts of the farm business, and whether this approach can be adopted by more conventional farmers.

4.3 The Research Method

The research method chosen in this study is a qualitative one. Qualitative research attempts to capture peoples’ meanings and descriptions of events (Minichiello et al (1990). It is concerned with understanding human behaviour from an informant’s perspective and assumes a dynamic and negotiated reality of the phenomenon. In qualitative research, data is collected through participant observation, unstructured, and structured in-depth interviewing. Qualitative data is analysed by themes from descriptions by informants and reported in the language of the informant.

Minichiello et al (1990) suggest that the decision to use in-depth interviewing, as one’s research method, is linked to theoretical and practical considerations. There are two main reasons for the method choice. The first is tied to the researcher’s view of what social reality is and how it should be studied. Different mental models of reality lead to different
propositions about what reality is. Therefore, different ways are needed for establishing what is real, including different ways of analysis and validation and different methods of data collection. Further, Minichiello et al (1990) add that if meaningful human interaction depends on language, then the words people use and the interpretations they make are of central interest to the researcher. Hence, in-depth interviewing is an appropriate method to gain access to the individual’s words and interpretations.

The second rationale is based on the view that practical issues determine the choice of research method. Quantitative and qualitative research are simply two ways for collecting data on social phenomenon. The decision to choose in-depth interviewing is based on its appropriateness for the research questions. For example, a question of how farmers respond to risk could be surveyed quantitatively, whereas why they choose these responses and how they make this decision is more appropriate for qualitative research. There are also time and accessibility issues to consider when investigating these research questions, as accessibility issues could inhibit the inclusion of farmers from a broader range or farm types.

In-depth interviewing is seen as an appropriate method when the study adopts an exploratory approach. Minichiello et al (1990) suggest that the in-depth interviewing technique of qualitative research is more appropriate where the research is attempting to gain an understanding of the field of study, and to develop theories rather than to test them. It is also an appropriate method for gaining access to, and understanding of, activities and events which cannot be observed directly by the researcher.

The study of entrepreneurial farmers can be depicted as an interaction of individuals with their environment and society. It follows that they can only be studied through understanding points of view, interpretations, and meanings. A qualitative method is seen as the best approach for understanding these facets of rural entrepreneurship. In-depth interviewing is likely to be an efficient way of eliciting the answers to the research problem in this study, while still obtaining the detail of respondents’ interpretations. Research on rural entrepreneurship in New Zealand is sparse and there are no existing studies of entrepreneurship in New Zealand farming. In-depth interviewing will help to develop such theories and may highlight important areas for future research.
4.4 How to do Qualitative Research

The role of the researcher in the process of collecting qualitative data is an important issue worthy of considerable consideration. Mason (1996) suggests that qualitative researchers should be actively reflexive in that they should constantly take stock of their role in the research process. This is based on the belief that a researcher cannot be neutral, objective, or detached from their previous experiences and biases or from the evidence they are generating. In endeavouring to understand one's role in the process of understanding the actions of entrepreneurial farmers, there are some issues which must be considered in the interview procedure.

One such issue is that of farmers expressing an idealistic view about their approach to farming and to life in general. As researcher, my role is that of a student who is obviously interested in their entrepreneurial business and the process by which they came to this end. Therefore, the respondent may feel flattered and over-emphasise what they view as positive points to their characters. To moderate this factor the interview method explores the respondents' views of farming and attitudes by means of a historical narrative and events which led to entrepreneurial behaviour and the antecedents of its expression. As the interview progresses, less emphasis is given to what and why particulars of their business and more to how they made their decisions. The final stages of the interview focus on the respondents description of their own character, values and, interaction with others (personal friends, peers, advisors). By leaving this until the final stages of the interview it is hoped that a more candid response will be elicited. The bias of this area is that it may be assumed (by the respondent) that an independent and self-governing approach to decision making is the most desirable response. The literature on the psychology of the entrepreneur reviewed by Brockhaus (1982) suggests that entrepreneurs are likely to have a plain-spoken nature making these respondents unique and likely to respond in an honest way.

4.5 The Process of Qualitative Research

4.5.1 Sampling Decisions

Stake (1994) argues that nothing is more important than making a proper selection of cases for a case study approach because the case studies are selected to represent a population of cases. Stake suggests that the phenomenon of interest observable in the cases represents the phenomenon generally. Initial sampling decisions were guided by the literature (Olsson,
1980; Brockhaus, 1982; Casson, 1982; McClelland, 1966) which defines entrepreneurial farmers as individuals who hold a strategic view of the farm firm, and who are prepared to accept risk but utilise large sources of information before accepting risk. Innovation and creativity will also characterise the entrepreneur’s actions. Conventional farmers were described in the Olsson typology of the Cautious Strategist as farmers who adopt a production focus, accept considerably less risk, utilise less sources of information, largely work with their own capital and generally manage the farm business in a steady but progressive manner.

The sampling of rural entrepreneurs started with six case studies in the Canterbury region. The selection criteria was based on the literature definition of entrepreneurial farmers, and included those farmers who had shifted their focus from farm production activities to product marketing activities. Specifically, a list of prospective farmers was made using recommendations made by personal contacts with in-depth knowledge of farmers in the Canterbury and Southland regions. Background information was gathered on these farmers before contact was made. Farmers who fitted the literature definition for both entrepreneurial and conventional types were contacted before making a final decision on whether to request an interview. One farmer initially declined to be interviewed due to seasonal commitments although was happy to participate in the second year of research. The selection of cases was constrained primarily by time and financial considerations. In this study the selection of farmers has been restricted to the South Island and the number limited by time constraints to 15 case studies.

The selection of entrepreneurial farmers was restricted to those who appeared to be successful for two reasons. Firstly, the literature on management styles and typologies, specifically Olsson (1988), identified rural entrepreneurs as those managers who were successful because they had a number of desirable management traits. Restricting the sample to successful entrepreneurial farmers with the support of previous work seemed to be a valid approach. The second rationale behind this sampling process is that a better understanding of useful entrepreneurial characteristics is likely to be gained from respondents who appear to be succeeding. Successful entrepreneurs are likely to give a more open response knowing that they have eventually succeeded in their entrepreneurial venture.
When investigating any group of people, a concrete individual must be identified with a set of similar individuals defined and identified using abstract concepts (Babbie, 1995). The implication of this approach is that when the investigation and explanation is completed, one will be able to understand more than one person. To understand the behaviour of entrepreneurial farmers, it is necessary to learn about a similar set of people. In many ways this research is not investigating entrepreneurial farmers as much as studying the phenomenon of entrepreneurship in New Zealand farming. The observation and investigation of entrepreneurial farmers therefore, is the best place to find rural entrepreneurship.

As stated, the initial sampling selection targeted those farmers who were involved in off farm activities, mainly marketing, to improve the performance of their farm business. The evolving process of sampling-interviewing-analysis-sampling highlighted areas of importance and produced strong correlations within the group. However, it also refined the original definition of the sample group. Figure 3 describes this research process.

To reconfirm the new position, four successful conventional farmers were also interviewed. These were defined from the literature (Olsson, 1980). Adding the conventional farmers and the Southland region to the sampling area refined the definition of entrepreneurial farmers and reduced regional bias associated with an unrestricted but confined sampling area. The refined definition then began to include those entrepreneurial farmers who still maintained a strong production focus. While maintaining this production focus the quality of their products provided the foundations of their successful processing and marketing activities in which they had a varying degree of involvement.

Figure 3  Research Process

Definition derived from literature.

Farmers who involved themselves in marketing farm products

Interviewing

Sampling

Analysis

Refined definition from interviewing.

Included farmers with production focus; new motivations; decision processes; included conventional farmers
The backgrounds of the farmer respondents were similar in that they have all come from traditional farming environments, where pastoral farming systems pre-dominate. The selection of interviewees was initially restricted to traditional sheep/beef type farms as this was the sector identified as facing the poorest returns from farming and consequently, having the most potential to improve returns through entrepreneurial activity. The second phase however, included two cropping farmers. A range of farmers were selected, from those who had developed their farm business to a very complex stage involving capital intensive projects, to those farmers who had improved their returns using entrepreneurial methods of production and marketing, but who were still directly involved in the practical side of their farming operation. Table 2. illustrates the range of farmers interviewed and positions them on a scale according to intensity of off farm involvement and the extent of expansion from the initial farm base. Note that farmers are depicted by letters.

Table 2. Range of Farmer Respondent

<table>
<thead>
<tr>
<th>Entrepreneurial Intensity / Degree of off-farm involvement</th>
<th>Conventional Farmer</th>
<th>Degree of Off-Farm Involvement</th>
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4.5.2 Interviewing

A focused or semi structured interview technique was used to gather the data (Minichiello et al, 1990). This involves the researcher using the broad topic with which they are interested to guide the interview. The technique used in the later stages of this study was more closely modelled on the unstructured rather than the structured interviewing technique. An interview guide is developed around a list of topics without fixed wording or ordering of questions to elicit the free flow of information.

Interviewing took place in two separate phases. The initial interviewing involved six respondents from the Canterbury region who were identified as entrepreneurial farmers using criteria from the literature and the advice of agricultural professionals and farming contacts. The initial six were seen to have innovated by their involvement in off farm marketing activities. The questionnaire used for these interviews changed little while the interview technique became more polished and analysis began in a symbiotic way. The second phase of
interviewing involved nine respondents, four of whom were identified as conventional farmers and who were achieving relatively high levels of profitability by farming in a conventional way. The conventional farmers were identified by farm consultants and contacts. The additional five entrepreneurial farmers included three from the Southland region and entrepreneurial farmers who had innovated in production as well as marketing.

As the process of interviewing continued, some concepts became saturated and new areas were explored, notably a process whereby entrepreneurial behaviour emerged in farmers as their farming career progressed. More attention was placed upon how these farmers made their decisions and their interaction with others in their social setting. Aspects of interview style also became more polished with fewer leading questions, a more recursive technique, and probing for more detailed answers on how farmers' motivation and previous experiences led to entrepreneurial behaviour. In this way, the approach became more grounded as the process of interviewing-analysis-sampling refined the respondent attributes to enhance the understanding of the variable (rural entrepreneurship) (Babbie, 1995).

4.6 Definition of Entrepreneurial Farmer

The definition of the entrepreneurial farmer used to identify respondents in the initial phase of interviewing was derived from the literature (mainly international) with validation and confirmation from agricultural professionals and other industry members. This definition encompassed those farmers who had improved their farm profitability by being involved in off-farm activities and had shifted their focus from on-farm production to a market focus.

The initial group of farmers were all from traditional sheep and beef properties in the Canterbury province and had made changes to their farm business in order to achieve the marketing objectives of the farm business.

The process of analytical induction led to the inclusion of farmers who still retained a strong production focus. Their involvement in value creating activities further down the product chain redefined the characteristics of New Zealand entrepreneurial farmers and therefore, lead to an enhanced understanding of the topic. The second phase of interviewing also included two cropping farmers and changed the criteria for identification from observable behaviour to an entrepreneurial type attitude. The inclusion of conventional farmers validated the theory of emerging entrepreneurship in New Zealand farmers, which began to develop from the
fieldwork, and also supported the decision to refine the definition of the entrepreneurial farmer.

4.7 The Interview Guide

A recursive approach was taken to interviewing, which meant that in most cases (depending on fluidity of responses) the natural flow of conversation directed the interview while still monitoring the discussion of all topics needed for the research. While this approach may reduce the comparability of the interviews within the study, it provides a more valid explication of the informant's perception of reality. Minichiello et al (1990) suggest that one way to control the recursive type interview from going off on a tangent is to use transitions. Transitions were used in the interviews by relating to something that the interviewer had said earlier in the interview to refocus the respondent or to move on to another topic. Examples of transition follows:

Nick: You said you do a lot of monitoring on your stock performance and health, is that your main way of coping with risk?

Nick: You mentioned before that you had travelled around a bit. How much information do you get - what sort of contacts do you use?

Fontana and Frey (1994), like Minichiello et al (1990) suggest, that because the goal in unstructured interviewing is understanding, it becomes paramount to establish rapport. They suggest that the researcher must be able to put him/herself in the role of the respondent, rather than impose the world of academia and preconceptions upon them.

Establishing rapport was an important part of the interview procedure in studying entrepreneurial farmers. A varying amount of interaction before or after the interview often led to a farm tour and/or sharing lunch or dinner. The respondents were often very interested in the study which helped create a relaxed atmosphere and established the rapport essential for in-depth-interviewing of this type. The respondents were interested in my background and enjoyed talking about farming and common acquaintances stressing the importance of being able to talk on the same level with the farmers. Having knowledge of the practical side of farming as well as the theoretical was an important asset in gaining rapport with respondents.
4.8 Interview Mechanics

Once the respondents had been selected, the process of interviewing involved meeting the farmer (usually on farm) and recording the interview on tape. The interview would usually last one and one half hours. To extract the information required, a questionnaire was needed which would elicit the entrepreneurial characteristics identified in the literature, within the context of the practical outlook of the New Zealand farmer. Though the questionnaire consisted of a set of questions, due to the recursive nature of the in-depth interviewing technique, the questionnaire acted more like an 

interview guide (Minichiello, 1990). In this way, the interview guide directed the interview ensuring coverage of all areas without restricting the flow of information by a sequential set of questions that may not fit the conversation path.

The interview guide was formulated from the literature review. The five main areas identified by the literature and incorporated in the interview guide were:

1. Management style adopted by farmers,
2. Risk sources and responses associated with farm business.
3. Managing change, strategy, and decision-making.
4. The theory of entrepreneurship and behavioural characteristics of entrepreneurs.
5. Personal characteristics and values

A general overview of the farm operation was established before the main body of the questionnaire. The area of management styles was divided into information gathering and advice seeking for changes to their operation. Management style also incorporated respondents perception of their farm businesses and its relative competitive position. Risk was divided into the main sources of risk, as perceived by each farmer, and the methods they used to manage these risks. The interviewees' risk attitude and any change in this position, as their venture grew, was also questioned. The theory surrounding strategic change and decision making was also covered in the interview guide, while the theory of entrepreneurship included both behavioural characteristics and management approach.

In the initial stages of formulating the interview guide, questions were devised which were closely aligned to the literature in order to cover all aspects of rural entrepreneurship. From an initial set of seventy three questions, a final set of sixteen were established through a
process of eliminating areas covered in other sections and encompassing several questions into one broader question. The final interview guide consists of sixteen main questions, with a check list of topics for the interviewer underneath. (See Appendix A for full interview guide) A sample of the interview guide format is included below:

5. How do you cope with risk? (strategies)
   - Information gathering?
   - Management strategies?
   - As risk of a new venture increases do you handle things differently?
   - Defence and rescue mechanisms?
   - Adequate liquidity?

6. a) Are you the main bearer of risk?
   b) Would you rather spread the risk with partners or accept risk and potential higher profits?
   - As the business grew did your attitude to risk change?
   - Decision rules or criteria?

Once the final interview guide was developed, the dialogue used had to be adapted to a relatively informal style of questioning, in line with the recursive method, without sacrificing the quality of information required. An informal style also helped establish rapport with respondents as previously stated. A pilot interview was then conducted to test whether the interview guide elicited the information sought, and to fine tune technical skills needed in recording the data.

4.9 Analysis

The completed interviews were then transcribed for analysis with these manuscripts remaining confidential. Once the data had been collated, it was coded to its relevant area or any new concepts emerging from the fieldwork. The interviews were physically segmented into individual sections, coded under headings and emerging themes and analysed as a set of responses. The farmer responses were then analysed for correlation, emerging themes, and collated in a summarised results section. The discussion involved interpretation of results and identified similar themes or parallels within the sample, drawing comparisons to theory developed in the literature.
Unlike quantitative research, where data collection and analysis are quite separate, qualitative research requires ongoing analysis in the field and involves detecting conceptual issues while the data are being collected (Minichiello, 1990).

The grounded theory approach involved in analysing data revealed a phenomenon of emerging entrepreneurship in New Zealand farmers. This theory could then be validated in the remaining interviews before time constraints imposed limits on the number of interviews. Analysis also directed investigation to understanding respondents’ attitudes, rather than just the motives behind their behaviour. This process has been described by Minichiello et al (1990) and termed the analytic induction method as a means of creating theory rather than justifying theory. It allows for ideas to emerge from the data as it is collected. The analytic induction method was a natural effect of the interview process, rather than a formalised or conscious procedure.

4.10 Ethical Issues and Auditing

In order to obtain the required information, it was necessary to guarantee respondents’ confidentiality. The farmers’ names, their products and processes have not been recorded in this thesis. In order to protect the farmers interviewed, letters have replaced any farmer names and products that have appeared in the results and analysis section of this report. As a consequence, a full copy of the transcribed interviews is not included, but is available to authorised individuals only for the purpose of auditing the research process.

4.11 ‘Insider- Outsider’ Issues

Minichiello et al (1990) highlights problems that can occur with interviewer bias and the ‘insider-outsider controversy’. The insider-outsider problem stems from the researcher interpreting the data from their own perspective and biases. This raises the question; who should carry out such research? On one side of the debate, Minichiello et al cite Merton who suggests that insiders have a special knowledge of their own group, that they are ‘endowed with special insight into matters necessarily obscure to others’. On the other hand Minichiello et al. present an opposing view by Baca Zinn who argues that unprejudiced knowledge about groups is accessible only to non-members of those groups.

The data presented in this study has been interpreted through the lenses of an insider because the activities of entrepreneurial farmers provides some potential for members of an industry
facing increasingly poor returns. The assumptions held before commencing research were that entrepreneurial farmers had improved their on-farm profitability, that this was seen as positive, and that there was a gap in existing knowledge on understanding their behaviour and motives. An understanding of the researcher’s role in this study will aid in reporting the data as objectively as possible.

4.12 Conclusion

The primary focus of this study is the activities of a small group of entrepreneurial farmers who have significantly increased their on-farm returns by becoming involved in off-farm product/services related activities. Sampling decisions were based on entrepreneurship literature and contacts with special local knowledge of Canterbury and Southland pastoral farmers. A series of farmer case studies using a qualitative research method was chosen for this study as it attempts to capture peoples’ meanings and description of events. Including a smaller group of successful conventional farmers into the research is likely to give a fuller understanding of entrepreneurial farmers’ actions and motives.
CHAPTER FIVE: RESULTS

5.1 Introduction

In this chapter, the results of the research are presented. It is divided into sections that best aid in understanding the phenomenon of rural entrepreneurship. The first section looks at goal setting and the main aim or motivating factors for these farmers. The next sections discuss risk and information gathering. Change and 'the farm business' make up the following two sections. The distinguishing personal characteristics of the respondents and how this effects the entrepreneurial process are then discussed. The final section examines the results of the entrepreneurial activity and the benefits and problems that these farmers have experienced by making the changes to their business.

Each section summarises the common themes that arose from the interviews, and pertains to specific facets of entrepreneurship identified by the literature and other aspects of entrepreneurship emerging throughout the research period. The results from the entrepreneurial and conventional farmers are presented separately with similarities and differences being noted. The small sample size of the conventional farmer group means that some characteristics have been identified as either unique to entrepreneurial farmers or common to both groups rather than direct comparisons made between the groups. Direct quotes are also included within the text to enhance both an understanding of rural entrepreneurship and the special character of the entrepreneurial farmer.

5.2 Goal Setting

The entrepreneurship literature identifies goal setting as a distinguishing feature of entrepreneurs. The following section presents a summary of the farmers' responses to questions on whether they set goals, its importance to their business, whether these goals change, and personal attitudes on feedback and achievement of goals. Goal setting also extends to planning for the business and whether these goals and plans are widely shared with employees.

5.2.1 Entrepreneurial Farmers

For most farmers (A, D, E, F, G, H, I, J, K), goal setting was an important part of how they managed their businesses. Others (B, C) did not set specific goals but felt that they were always trying to improve the performance of their business. While goal setting was important...
for these farmers, it was done in an informal way without committing these goals to paper. However, they may have set short-term objectives or plans to paper. These farmers had an overall ambition or vision of where they were heading and pursued that vision rather than formally mapped out goals.

Yea I think you do yea. It may be not be written down but you've got a fairly good idea in your mind how you want to achieve it, and you don't move far from those goals I think you're main objective stays the same its just how you go about it can change depending on the season or the climate or how the markets go. You still believe for example that meat and wool are still great products and so that's what it's all based on. (K)

Would you say that goal setting is quite important to the way you go about your business? Gets you outta bed in the morning?
Ah yea, well I've always been a goal setter and I've always had a goal in the back of my head and I s'pose my other one is to get the whole property fenced which we've been doing little bits each year and this year. We've spent quite a bit of money on doing it and we're going to have that fenced within the next 3 years y'know its looking at probably 50 or 60 thousand dollars which is a big outlay so that's a goal. It was a goal I s'pose 3 years ago when I first thought of it well we're going to have to get bigger and now its getting pretty close. (G)

Do you have goals on paper that at the end o/the day you set up to achieve?
They're not on paper but they're in the back of my mind. That's our big goal at the moment to get rid of debt. But also in doing that and we're sort of fulfilling another goal or dream or ambition which is getting this branded beef programme going. I thinks it's going to be beneficial for a lot or all our clients. I mean we've had some fantastic support from clients over the years, buying bulls and things. Yeah, sort of gets to the stage where you like to actually pay a bit of it back. This guy we know he's got some pretty grand ideas for New Zealand for Agriculture but we're taking the attitude to get one thing done at a time and the first thing is the beef thing. (E)

Yes I have goals. I don't write them down. I am not the classic mould of writing down goals and reviewing them every week or whatever. I have goals but I see things very much on a global picture in terms of where I wish to see the business, in terms of its overall look. I have a whole range of people underneath me who put all the bits and pieces together. (F)

The types of goals varied depending on which aspect these farmers were most intent on improving. Some of these farmers (D, E, F, J, K) had moved away from setting production based goals for their farm and shifted their focus to improving parts of their extended business or general expansion. For these farmers this shift had only occurred after they had reached a desired level of production for their farm. Others (B, C, G, H, I) had been able to maintain their production based goals because they were still controlling the physical side of their farm or they had been successful in delegating these roles to others while managing the broader operation. The goals set by farmers for the extended part of their farm were unlikely to be specific goals as often the off farm part involved new business areas. The goals that they set for production were likely to be more specific as they had a clearer understanding of their farms' constraints and limitations.
Do you set goals?

Yes I do. When we took over I had a vision for what I wanted it to look like and it was a vision based on what I had seen in Oregon that I wanted this farm to be producing, I wanted it to be irrigated, I wanted it to be clean of all these weeds so it could produce high value certified seeds and I wanted it to have nice buildings. The main goals were physical goals, more than financial goals. At the beginning I couldn’t have cared less whether I made $5,000 profit or $50,000 profit which is a stupid thing to say probably for a business person but that is the way I felt about it. I was young and energetic and I had a vision for what I wanted it to look like and actually the physical appearance of the property and the crops were more important to me than what the bottom line was going to be at the end of the year. (J)

One of our other goals was always to have our own house off the property like in Wanaka and we’ve reached that goal this year. Well we’re able to finance ourselves into it so that was one of our goals, just gotta pay for it now (laughs). But um, yea I’m always setting little targets for myself like with my deer farming my aim is to have 500 hinds, 500 stags and then progeny plus to maintain my sheep my numbers and to do that I’ve gotta buy some more land in the next 2 or 3 years so that’s a goal but its not a written down goal... (G)

So you’ve been farming for about 20 years or so initially in your farming did you have mainly production type goals?

Ah no just expansions type goals because our operation was too small, so I had to expand, that was the initial goal. (K)

Most of these farmers (D, E, F, G, H, J, K) changed their goals on a regular basis and set new ones as goals were achieved or circumstances changed. Some farmers (C, D, E, J) felt that their business and personal goals clashed and this was part of their desire to change their goals. Some felt that their business involvement off farm had negative effects on their family life.

Do your goals change much as your operation is growing or do you have to sit back sometimes and say we have to modify these goals and we can do a bit better than what we originally set out to do?

Yes, certainly things change as you’re going along for whatever reason and you’ve got to be prepared to adjust or compensate for that change whatever it might be. I think you’ve got to be prepared to do that otherwise you’ll get yourself into such a rut, you’ve got to be a wee bit flexible with the terrain and things. I’m quite relaxed about changing. I think you’ve got to be focused on what your main objective is and accept that things around it might take a slightly different course but as long as you’re still heading in the right direction. (E)

No it is (goals setting) not an important part but I think it comes automatically. That’s the way my brain clicks any way. I think always before you really achieve - I guess when I look back 20 years ago well I have achieved all my goals easy, but for some reason as you get close to achieving that goal, for some reason you seem to set yourself another ‘bugger before you have even got the last one totally under control. So you have always got goals. (H)

My goals certainly changed. I think your goals change every time you achieve. Every time you get to one goal they have to change and you have to have another one - I haven’t run out of them yet. I think as you’re nearing the completion of one goal well I start to think about the next one and try and sort them out a bit. I am getting to the stage now where they are quite different to where they have been before. Now I want to be more of a successful delegator and I want to have more time with my family. A few things I want to do now that aren’t so productive as they were. (J)
All of these farmers spent a significant amount of time planning their day to day management of their business. They do this in a variety of ways. Some (C, D, E, F, G) plan their management in an informal way without actually writing their plans down on paper. Others (A, B, H, I, J) plan their business on paper at night.

Yes I do spend a reasonable amount of time planning. I guess for most of the farming time I am planning what is done in the evenings and sometimes I have to get up early in the morning and finish off the ideas and things. But I did a lot of planning on how to grow the crops and different ways of looking at it and where the crops would be on the farm and that programme would all fit together each year and how much staff I would need and stuff like and financial planning that I'm not very good on computers but I'm getting used to spending a lot of time with that too. (J)

At the moment I might go to bed at 10 o'clock and not go to sleep till 1 o'clock, you're always planning and always thinking. No I'm not much of an academic ..... sitting down and writing something out but things are going through your mind all the time and I guess that's a form of planning. (E)

We know exactly where we want to be. We haven't sat down and said this is a strategy on paper or such but we know and there are various means of getting there and sometimes you just have to follow your nose to get there. (D)

Most (A, F, H, I, E, D, G) of these farmers liked to have feedback on how they were progressing in achieving their goals. They enjoyed feedback from their clients or customers and felt that it was personally rewarding as well as an important part of improving their business. Others (B, K, C) felt that is was not important to them. However all felt that their confidence in decision making grew as they achieved their goals.

Do you like to have constant recognition? Do you like to hear the buyers that the product is good and things are going really well? Yes very much. It is as much for them. Because we are doing something completely new, it has never been done in the world before, they like to know how we feel and they like to tell us how they feel. So it is a communal thing, for instance, the Wool .... have now got two articles in the next copy, one from each of the two of the manufacturers, they want recognition for the fact that they have been adventurous, they are looking at different things with different fibres. So it helps them as well. As far as recognition from The Press or others, no it doesn't worry us, it's a pain. It is a necessary evil though, I recognise that. (D)

Yes, I think it is important - we have had a huge lot of letters from ladies in Auckland and Christchurch about our potatoes and that has just been fantastic. To me that is just literally critical. Because that is what we are doing the job for. (H)

Now we mightn't of looked at that in quite the same way if we hadn't the good experience of firstly the lamb thing which went really well for us while it was working and then the wool thing which has been a ongoing thing it has certainly changed our idea about risk 'because you can rely on your ability you have got a plan in place you have got some goals. (I)

You know I enjoy that side of it you have to have feed-back to monitor your own performance on how you are going otherwise you don't know - you know in your own right but you might not be attaining the level that perhaps is possible so that's why that feed-back is pretty important and talking to guys who are probably doing things perhaps better than we are. I am always open to learn. (I)
Some (C, D, E, H, J) of these farmers liked to share their goals with employees because they felt that it was important for motivating them and beneficial for the future of their business. Others (A, B, G) in this group did not share their long-term goals with their employees but did discuss short term management of the farm. While others (F, I, K) felt that it depended on the individual employee and how much interest they expressed in the farm.

My wife runs the office, we have managers that run each department internally in here on the packing side. I run the outside - there is nothing that we do outside that all of our staff don’t know about at least twelve months ahead of when we start to think about it. You can put up whatever fancy packhouse you like, all a packhouse does is gives you control of the packaging of the product and it gives you control of marketing it because you have already packaged it. That is all a packhouse does. The key issues outside are all about growing. (H)

Did you make it known to your manager about the marketing side of it - is he quite aware of your objectives with that side of the farm?

Literally every day we sit down and we talk about what we have achieved the night before, because that is the way this thing goes. Who called, who faxed, what was the outcome. So we are preparing our whole farming operation being driven around the customers, the products they want to make, whether it be underwear, scarves, suiting, jacketing or whatever, our whole farming is built around how many kilograms does the retailer want for jacketing, how many kilograms for scarfing. The type of characteristic they need in wool for instance, the length of the fibre. So we make our decisions all the time based around what the customer actually wants. (D)

5.2.2 Conventional Farmers

Like the entrepreneurial farmers, goal setting was an important part of how the conventional group farmed. All farmers in this group set goals in the same informal way as the entrepreneurial group. The types of goals that these farmers set were more closely aligned to the production side of their farm and were more closely defined than the entrepreneurial farmers. There were specific goals in terms of production indices and financial performance. These goals were more like the goals that the entrepreneurial farmers had set earlier in their farming career. These farmers were also looking to spend more time with family and therefore their goals were changing to include more personal goals.

Oh yea I set goals all right, life is one big goal isn’t it oh yea we set goals and we probably set them different ways some goals we set over 4 or 5 years and some goals we set every year and every year you strive to get better than the other one in terms of quality and production and property satisfaction yea sure we’ve got a lot of goals especially with the stud sheep side of it and the way the cropping fits into it. (O)

Oh yea, Well the thing is we’re in a top farm discussion group and my goal was to get to the top of that and over the last two or three years we’ve achieved that consistently and quite clearly. I’m consistently outperforming the rest of the group now and that was a goal, but the group was really good in being able to achieve that.

Is goal setting quite an important part of how you run your farm?
Yeah I suppose it is really. You’re looking ahead, all successful farmers are looking way down the track all the time aren’t they and I suppose you call that goal setting I know exactly when I want to get all my lambs away by and I’ve got those I suppose they’re goals. There are certain deadlines that I have. It goes back to this timing thing I suppose and I work like hell to make sure they happen. (L)

Like the entrepreneurial farmers these farmers spend a significant amount of time planning. They did this by both formally writing down their plans and by just thinking about their operation and how it should progress in the future.

What about with your general farm management, how much time do you spend planning on that?
Quite a lot, I budget a lot y’know forward budget a lot, and I review them and as I say 5 years ago our aim was to try and drive our gross income up and I’m trying to achieve that and the budgeting just realises where I’m at if I’m down on something I have to try and drive it up somewhere else, so that does formulate a lot of the drive for where I’m trying to end up. (N)

Do you spend much time planning?
Yes, but I could probably spend more. Especially when I first started off and couldn’t afford any staff I used to write down all the things that I have to do this week and the week after and plan out how long it’s going to take. First of all put in a priority order and then how long it’s going to take. (M)

This group also liked to have feedback on how they were achieving their goals. They thought that it gave them more confidence but that they did not seek any special accolades. Like the entrepreneurial group, this group of farmers felt that their confidence grew as their farming career progressed recognising the benefits of good decisions.

Does your confidence change as your business has gone along?
Yes it seems to just with experience probably. I never ever let it get me down but you’re more confident as you get older. Actually looking back we did take a hell of a lot of risks earlier on here probably kept spending money. (M)

Just getting back to that goals thing, do you like to have feedback about how you are achieving your goals like do you feel that is quite important?
Yes it is, and we get it two different ways. Our accountant lists all his clients but doesn’t name them, but puts them in order of how they’re going and it’s interesting to see how far up or down the line you are and also the bank does too. And I just saw that one the other day and it was quite interesting. Cause you can actually think well what the hell do we have to do to get a wee bit further. (M)

As you’ve gone along in your farming career as you’ve made the right decisions, has your confidence improved with each decision?
Yes very much so. I must admit I’ve got quite a kick in the last year or so, that you get asked make a contribution at the MRDC groups and the likes, as the results of your efforts. So you quite like that feedback of how are you going?
Yes. We haven’t got a lot of gain financially, we’ve done alright out of farming don’t get me wrong but relative to our investment and the time and effort you put into farming if you put that time and effort and investment into a lot of other things there would be a bigger financial gain. So the other gains you know those sort of less tangible things they’re good value, give you a kick and a boost. (L)
Just with that goals thing, do you like to have a bit of feed back about how your achieving those goals? Like accolades or if you hear a comment or even me coming here today because you’ve been recommended, do you like that sort of thing?

Oh I’m not too worried about that, but we get a lot of pleasure in people ringing up and telling us our stock have performed and there’s a lot of pleasure in growing a good processed crop and have them ring up and ask how did you do that, its not the driving force but yea it makes you think that the goals that you set and the planning and you’re on a reasonable track. (O)

This group of farmers generally employed less staff than the entrepreneurial group. They felt that they may share production goals with staff only if they thought the staff were interested. However, financial goals were not shared.

Goal setting was important for both groups of farmers, this was accompanied by high levels of planning. There were differences in the types of goals set by each group. The conventional farmers were more likely to set specific goals for improving farm production or decreasing debt whereas, the entrepreneurial farmers had a basic vision or dream of where they wanted to progress with their entrepreneurial business. Both groups changed their goals regularly and goals setting was usually carried out in an informal way without recording them on paper. While both groups enjoyed feedback on how they were achieving their goals the entrepreneurial farmers felt it was important for their business. As these farmers enjoyed success in their goals setting their confidence grew.

5.3 Risk

Risk is often a significant feature of the entrepreneurial venture and therefore is worthy of considerable analysis. The following section presents results from respondents on their main sources of risk, their risk management, their personal attitude to the risk involved in their business and whether this attitude has changed during their farming career.

5.3.1 Entrepreneurial Farmers

There was a range of responses when the entrepreneurial farmers were questioned on the main risk that their business was exposed to. Some (B, C, E, G, I) felt that their main sources of risk came from the production side of the business. They felt that the production of high quality products was the foundation for their entrepreneurial business, consequently production risks such as disease or weather featured strongly amongst the responses. Others (A, D, F, H, I) felt that their major risks were business risks in the marketing side of their operation, while some (D, E, K, F, G) had significant financial risk associated with their entrepreneurial business.
...we have a huge investment in the hospitality industry. We are talking mega dollars. That risk has been lessened by the fact that our label is worth money - people are wishing to use our label and so therefore our risk of that has gone down. (F)

There were a number of changes that had occurred with farmers’ attitude to their main source of risk since the inception of their entrepreneurial business. The first change is a clearer understanding of how their production risks are intimately linked with their markets. This change had forced most (A, B, E, F, G, H, I, J) of these farmers to place more emphasis on the production of high quality products to meet more direct market signals.

Main risk with us is probably the weather I think. For this system I don't think there is a risk really. The only risk we have got is if the quality control in the shed is not 100% and renege on a deal because of it. If we had a mislabeled bale and that is why we have to make 100% sure that everything is right. You cannot afford to have one mistake. That is the biggest risk. If that is a risk, it blows our whole system really. (I)

Ahh no well probably my attitude to Tb has changed, that I'm more conscious of what's happening and I like I've got to keep tabs on what's happening round here and I've also gotta make sure other farmers in the area are conscious of it too because its not only me y'know Tb can come in anywhere y'know dairy farmers with grazers up here there's up to 1000 cows come into this area and well we all know that dairy cows have been pretty vulnerable to Tb in the last few years. (G)

The second change is associated with a larger farming operation relying on the employment of key people to run the farm. Most (D, E, F, G, H, I, J, K) felt that their business operation was vulnerable to the risk of losing key staff and their own health and ability to manage. The risk of employing competent staff is a source of risk that they had not encountered while farming in a traditional way.

*What are your main sources of risk in this business, even including the farm?*

Um I think I am somewhat vulnerable to the loss of experienced staff, I think that is a risk that I face so we are trying to have sufficient people, probably more than you need in certain positions so that if key people leave we have someone that can at least carry on - that is part of our aim. We still face a reasonable amount of financial risk although I have to say it is somewhat less than it was three years. (J)

When I get the flu and can't work! At the moment that is probably the greatest risk - if I got sick it would it would fall over. At the point it is critically balanced in that I am having to keep contact with the clients we have got, daily, weekly, just to keep the whole thing still growing. (D)

The third change in their business risk is the risk of dealing with buyers and clients. This risk had changed for these farmers. By having more contact with buyers they could manage it with varying amounts of control. This risk can have more significant impacts however, as it can be coupled with high financial risk when dependent on these markets. Most of these
farmers (D, E, F, G, H, K) had the challenge of managing higher market risk and financial risk.

Nowadays the issue is, this is what I am going to buy can you do it? There are times when you are facing up to a hell of a lot of money input simply to keep that buyer because those are his specs. So our issue is to say each time as they come in, and they are changing all the time, different demands coming in all the time, saying this is the demand, how do we put it in place? What is the best way we can put it in place and how do we do the job. It has got nothing to do with the fact that we *can* do it or not, we *are* going to do it, it is a matter of *how* we are going to do it. (H)

Is that opposition to the hunting would that be a bit of a risk to you?

Well, I dare say it is a risk. It doesn’t affect us so much in New Zealand y’know if they get it stopped in the States they’re certainly going to get stopped here so yea in that respect we’ve gotta be pretty conscious of it. (G)

Some felt that they had lessened their market risk because they had more direct involvement with their market but had increased their financial risk by growing their business to this level. The risk for Farmer F had shifted from a production and market risk to a financial and legal or public liability risk. This farmer believed that his total risk had decreased with the establishment of his entrepreneurial farm business.

The management of financial sources of risk varied across the group. Some (B, C, F, H, I, J,) felt that they were happy being the main bearers of risk and did not want to spread the financial risk involved in their business by including partners. They justified this position as a personal attitude of preferring to have complete control of their business. Some (A, G) felt that the size of their operation did not need the inclusion of equity partners and felt that they may include partners if that partner had access to markets or resources essential for their business. Others (D, E, K) were already involved with partners to spread the financial risk of their venture, or would like to in the future.

I am an individual, as a person I am an individual. We won’t even wash other guys crops. A lot of other people have come to ask about processing their crop. We don’t want to do that, we want to totally control our own job. I have learnt enough going around the world and talking to- you know a lot of the big guys are very good to talk to. There are classic examples of guys trying to expand too fast, bought in outside money, lost the voting control and ten years down the track have lost the company. I am such an individual that I am not going to sit at a table and let some other bastard tell me how to run my business. No way. (H)

Yea, no I’m quite happy doing it this way y’know I’ve got full control and with just us as partners and it is better. Well, when you talk about partners now that I think about it we’ve actually just done a bit of a deal with one of the top Elk breeders in New Zealand with introducing the Elk on a 50-50 basis. But the Tb is not a risk to him because its on my property but if one smashes his antler that’s his risk and I don’t have to pay for the animals so um but he’s probably doubling the value of the animal by putting them on my hunting park so that is
one I s'pose you could call him a partner y'know it just helps my cash flow by not having to buy 10 or 15 elk. (G)

Of course I would have liked somebody else to have all that risk and me to have none but at the end of the day we were happy to bear the risk, we had confidence in ourselves that we could do it and we could get through and we certainly wanted to be in charge of our own destiny. I would rather have sold out and gone to do something completely different from farming than to have taken in partners and having them control me. I did think about it once or twice but if I was tipped out of farming then I wouldn't be involved in it now. That's for sure. We were pleased to be the bearer of the risk because if he is there at the end of the day he is going to have the reward. (J)

Yep I would rather have control over my own destiny really. (I)

-No well it lessens the profits then, I think unless something is right out of your depth you’re far better to….and the other thing is that um, if you actually bring in other people you have two people making decisions unless they’re a sleeping partner, and you often don’t see things as clearly as one person. (D)

Some farmers had had bad experiences with partnerships and this had deterred them from seeking other outside partnerships.

Well we had one particular guy that we were on a well we sent him to America on a 50/50 basis-every dollar he put in I put in a dollar. He was going to do the Thar and Chamois side and bring his hunters here, but the first two hunters come and we didn't get paid. So that was a major problem, and we got a bit of advice on that maybe we might have got paid in the long term but we were starting to panic a wee bit we didn’t want, well we wanted the money y’know. (G)

Most of these farmers managed the business risk involved in the product quality part of their operation by attention to detail and insuring that they had done absolutely everything they could to minimise that risk. Some farmers (A, F, H, I, J) took out insurance to cover their products and any legal claims.

There are times they will open a door of a container and it is frozen solid. Because the container unit has stuffed up. That is a shipping problem, they cough up and that is what the insurance is for, they just cough it out. I don’t want to be sharing any of my risk with them and I don’t want to share any of theirs. I think the more responsible you are for each job, we try to run the same with our managers in the department, the more responsibility that you give them the better they will do their job. (H)

It is matter of being able to get the management structure right again to make sure every one of the key points to grow a crop is done dead right, because there are very few you can fix later. You only get one crack at most things. It is just how fussy can you be to make sure everything is done right. (H)

Farmer F had enough confidence in his own ability to believe that if something went wrong it was unlikely to be his fault.
I don't insure heavily. I have got this philosophy that if you can't afford money to pay the insurance premium you desperately need insurance. If you can afford to pay the insurance premium then you can probably afford to take the risk. In other words I am saying that insurance premiums are very very high and I am prepared to - a lot of my vehicles for instance I only third party insure. I will back myself to the hilt...(F)

In general, the attitude to risk of these farmers had changed slightly over their farming careers. Some (D, E, J, K) felt that they had taken some large financial risks in the past and wanted to reduce the risk involved in that part of their operation. This change is likely to be a consequence of age and the consolidation phase of older farmers. Others (H, G, B) felt that their attitude to risk had not changed yet they had learnt how to manage it more effectively. Farmer I felt that he was in a better position to try more risky ventures and was willing to accept more risk however, this was the exception. Farmer J's attitude to risk changed once he had gone overseas and discovered opportunities that could be investigated in New Zealand that involved risk. His overseas travel showed him that a certain level of risk was necessary to increase the income from his farm.

Has your attitude to risk changed much over the years once you started farming back in 1978?
Um (pause) I guess the trip overseas made me realise that I wasn't going to get very far unless I did take some risks, especially financial risk. I could see that I had to get some scale and I had to get some irrigation and get some labour, so I guess I started to take more risks there for quite awhile. Now I am looking to not take so many. I could grow more, for example, on our farm at the moment I could grow more tricky crops than I am but we are trying to make it more simple for the staff that are doing the job and spending less to grow the crops and things like that. So we are really trying to take less risks from now on. But you have to take some risks if you are going to get ahead. As I am getting older I am wanting to have less risk. (J)

Some (B, C, D, G, J, K) felt that they reduced their exposure to market risk by becoming involved in the extended part of the farm business. The level of control ranges from reduced fluctuation in market price to more involvement with customers where farmers negotiate product prices. While these farmers have often sought to reduce the financial risk involved in farming in a traditional way, their entrepreneurial business was likely to have involved higher levels of resources and financial risk. Ultimately the respondents believe that they have improved/are improving their position and ultimate exposure to risk by engaging in entrepreneurial activities.

Do you see yourself as having a lot more control in the market now?
We have total control. We tell people what they are going to pay us. They don't tell us what we are going to pay them. (D)
5.3.2 Conventional Farmers

Similar to a large proportion of the entrepreneurial farmers this group of farmers felt that their main source of risk came from the production side of their business. The Southland farmers (L, M) felt that their stock health was their most important production risk while the Canterbury farmers (N, O) felt the weather was their main production risk. The Canterbury farmers also felt that the weather also increased their market risk by forcing them to sell on volatile store markets during a drought. These are regional differences illustrating that Southland has more a predictable climate conducive to more intensive production systems. Farmer L felt that financial sources of risk were also very important to him as he was constrained by lack of capital.

The weather that’s my biggest risk.
*Your summer dry?*

Yea that’s my biggest risk but if you manage that right then you can actually well because we’re summer dry we’re winter mild and it’s something we are always aware of but this property up here is basically just a breeding unit I only have in-calf cows and breeding ewes here so we can lamb that 3 to 4-weeks earlier up here than the rest of Canterbury so I’ll be having a crack at weaning next week or so and try for that premium money and try to get an early lamb off and prune it right back once we get to the last weaning in November so we’re right back to just having breeding ewes breeding cows and calves here and any young stock is off to be finished and so I’ve got the three blocks working together.

I use fertiliser strategically like high analysis stuff to basically plane out my risk areas and really target certain areas on the farm y’know where I can get a tractor or a truck to spread I put high analysis y’know try and make the grass grow rather than just hope it’s going to rain. So I suppose that’s a risk management thing, we second shear the wool and in some ways that’s risk management you get 2 cracks at the wool market in a year, but that’s probably more my management than risk management. (N)

The main risk well, I think mine is the health of the stock. For instance last year we had a bit of a blip in the lambing time and it cost me at least 10 maybe 15% lambing. So that’s the major risk, interest rates is another one, we’ve been quite involved that if it gets too high that’s another risk, although not as bad as when we were younger. The weather isn’t too greater risk down here, although it could be. Two years ago with the 10 days of snow and then it froze. (M)

All this group had taken measures to reduce their risk exposure. The Canterbury farmers had installed irrigation or purchased finishing blocks to reduce their production and associated market risk. The Southland farmers managed their production risks by careful and informed management, insurance, and planning their financial risks by the inclusion of equity partners or careful spending. The most important sources of risk for this group were market risks, followed by production risks and lower levels of financial risks. Due to the lower levels of financial risks these farmers had lower levels of total risk than the entrepreneurial farmers.
Our property's very successful as far as production goes, from the point of just being able to get that fine tuning better and better because a lot of farmers I feel farm, feed their stock what grass they grow rather than grow enough grass to feed their stock, if you see what I mean and that's the difference in attitude. Most people, we were probably the first sheep farmers in Southland to start using urea and nitrogen to any extent and it was just a matter that you get short periods and sheep farmers weren't prepared to use it, but I was prepared to go out and use it to grow grass to feed your stock and it paid dividends. So I suppose that's managing risk isn't it? (L)

How do you cope with your main sources of risk? Like you said its one of your main sources with your processed crops.
Well I always cover me tail with insurance and I think we've got a balance of crop like we're not exposed to any one in particular but as you know every season is different and not every year not every variety of crop is good so by and large we have 3 or 4 different things going -with the crops like peas and beans and wheat, white clover, ryegrass and spread our risk that way. But we are probably are a bit more exposed with the processed crops and the ryegrass is tricky too isn't it, with wind and rain that's the other reason to let it go it has been good but a bit risky. (O)

The limited use of equity partners by this group of farmers was very similar to the entrepreneurial group. Like the entrepreneurial group most (M, N, O) were happy to be the main bearers of risk and were looking to reduce their financial risk in the future as they got older. The reduction of their financial risk was through reduced debt loading rather than the inclusion of partners even though they had a higher level of confidence in their ability to make farm management decisions than when they were younger. Like the entrepreneurial group these farmers were also actively managing their risk and seeking to reduce it.

Do you prefer to be the main bearer of risk? Have you ever considered or would you ever consider bringing in partners to spread your risk?
Yea um if you had've asked me that 10 years ago I would have been prepared to share it but now I'm prepared to take it.
Why is that?
Well basically I've had the history here now and I sort of know as much as you can know about a property the vagaries of the property and now I know how to work with it. Equity partners etc it depends when they come in I've had some experience with some and they try and push the stocking to the max all the time and it depends if its a sleeping partner or a partner that wants to come in and throw their weight around as well. (N)

Production risks were still a major source of risk for both groups however, they had more significant implications in the market risk for the entrepreneurial farmers than the conventional group. Market risks were important for both groups although managed more effectively by the entrepreneurial group. Financial risks were generally higher for the entrepreneurial farmers with both groups seeking to reduce their level of financial risk in the future.
5.4 Information

Both groups of farmers were questioned on their general attitude to gathering information for their farm business. This section includes the responses to questions about how much information they gather, who gathers it and how, whether they seek professional advice, and of the advice they receive whether they accept it or proceed trusting their own personal convictions or "gut feeling". The results of the interviews on this aspect of their management style are summarised in the following section.

5.4.1 Entrepreneurial Farmers

There was a mixture of responses on how much information these farmers gathered for their entrepreneurial ventures and some strong similarities emerged. With the exception of Farmer I, none of these farmers used farm management consultants for their farm business yet they did utilise a wide range of information sources and sought advice from specialised technical consultants. Most (A, D, E, F, H, J, K) utilised a wide range of information sources when establishing and growing their entrepreneurial business. Much of this information was gathered through personal contacts, travel, and trial and error. Others (B, C, G, I) used experts for selected technical aspects of their business or learnt through trial and error. There was a limited amount of formal research with a varied use of professional advice sought for marketing and business development.

There appears to be a relationship between the type and size of entrepreneurial business and amount of professional advice sought for the extended farm business. When their business involved areas that extended further beyond their existing farm enterprise, these farmers (A, D, E, F, H, K) were more inclined to seek professional advice. All of these farmers were confident that they could successfully manage their farms without consulting farm management advisors.

The area of information gathering for entrepreneurial farmers was significantly affected by the level of confidence they have in their ability to make good decisions. This group of farmers had a high level of confidence in their ability to successfully manage their farms. Limited use of farm management advisors but a high use of other sources of information and a willingness to experiment and adopt new techniques illustrated this confidence.

Do you get any professional advice as far as your farm here goes?
No I don’t and never have employed a farm adviser or consultant or anything like that. I guess I have thought about it more recently than I ever did before and I know that I would never have done the things I have done if I had employed a farm adviser, because they basically have the same recipe for everybody. I would never be involved in (farm company), I would never have grown a 100 acres of evening primrose in 1989 to pay my interest if I had had a farm adviser. I am not anti-farm advisers but I don’t think they would have done me any good. (J)

No I don’t employ farm consultants or people like that I believe I know how to do it myself. I’ve got nothing against them don’t get me wrong on that. But I do read a lot of stuff...(C)

While these farmers did not utilise farm management consultants they may use experts in very specialised areas for technical advice. They preferred to have control of the general management decisions but were inclined to seek advice for specialist production techniques.

So the agronomist out of England came over and he spent a fortnight with us and it has been a huge help to us. Once he got over here and understood our situation and seen our soil types and everything else, and now we are just ringing him back every third or fourth day. It is just getting the contacts of the people who know what they are talking about. I am not a jack-of-all-trades that is for sure - I am a straight farmer, a grower, I want to do the growing.

So you’ve got your man there, your agronomist from England - he keeps you up to play with things - with those sorts of things....

What is happening world-wide. We run, Crop and Food on two programmes at the moment out of Christchurch. They are doing a lot of monitoring for us at the moment. We also run another agronomist out of Pukekohe who is down about four times a year just monitoring our crops. We need somebody from the outside to come in and have a look at the thing and say well (name) I think that is wrong. Some of the failings are that, you hear these stories about not seeing the wood for the trees. You are so used to doing the job and sometimes you need an outsider to come in and say well have you ever thought of this (name)? So that is why I try and use other people to do that. (H)

All farmers from this group felt that they would rather go with a “gut feeling” than accept professional advice that was negative. This personal trait illustrates the high level of self confidence that these farmers have in their own decision making ability. As their business developed and their confidence in decision making grew this level of confidence also grew over their farming career.

...we’ll just make this work... We did follow our gut feeling and we were convinced we had something that would work. In the times that people said to us that they didn’t like it for instance, we still, we got nervous about it and we wondered and pondered but we kept on at it. (A)

Oh yeah I have got great confidence in my own ability to do what I know I can do well and that is reasonable. I think I can farm quite well and I am confident I can do it and I think I have been quite a good developer and you know you have self belief and you have confidence in your own ability and if I didn’t think I had the ability to do it I wouldn’t be too frightened to seek advice from someone to get advice. (I)

So when you first started out did you use quite a bit of advice on marketing and even just on the whole safari sort of set up.

Not really I just did it on my own instincts of hunting cos I’ve always been a hunter my self Yea.
And um maybe just through reading and um I probably some of the hunting guys that came here in the early days I picked their brains found out where they’re doing their marketing and I just basically learnt the trade through some of those hunting guides and while most of them didn’t turn out financially very well for me I’m able to learn the trade off them y’know where they were marketing and what the overseas hunter was expecting and...

Spouse: And by travelling to other by going to other hunting camps as well. (G)

Farmer K justified his confidence in unconventional decisions, by explaining that there was often little sound advice or information available for operators involved in new areas. Farmer K also felt that when unanimous negative opinion prevailed he had confidence to persevere with his original decision. A higher level of confidence is also likely to be present in this aspect for the entrepreneurial farmer.

*How did you make that decision?*

I just listened to everyone else and everybody told me it was the wrong thing to do so I did it (laughs). No one advised me to do that.

*Are you pleased you made that decision?*

Absolutely yea, we bought all the lambs back and the cattle back here and had an on farm sale at the end of June and had a great sale. So yea you have to have all those ideas in your mind and just do it. (K)

Well if we accepted professional advice we wouldn’t have bought it was a gut feeling that things were right for instance there was an adviser and he said that you would be crazy to pay the money we did and he is a well know farm adviser in Southland. (I)

All the outside advice I got was terrible, and as I was just saying to before the Ministry of (product K) and I got them to come down and help me and what they did was after I’d done it was write the book about how to process (product K) based on what I’d done so now you can now buy a book and its got all these pictures of us (processing product K) doing everything wrong and they wrote a book on what we’d done. They couldn’t give us any advice breaking new ground so no you can’t you’ve got alot of problems because you don’t know what the hell you’re doing and we still don’t know what we’re doing 10 years later we’re still doing everything wrong probably. (K)

*Did you seek much professional advice before you started?*

There was literally none available in the area that I was working in, other than business advice - plenty of that around but it doesn’t extend into the area that I was working in.

*Did you use many contacts?*

We just had to start from scratch - literally from scratch, we had no help whatsoever.

*Did anyone strongly advise you against going into anything like that?*

Wools of New Zealand, people like that. We have had to fight, it hasn’t been easy. The wool industry per se has been pretty much against it. (D)

Most farmers (A, C, D, E, G, H, J, K) had travelled before or during the establishment of their entrepreneurial business. These farmers felt that overseas travel had been an invaluable learning experience for them and was essential for the continued growth of their business. The benefits of overseas travel were twofold; firstly it gave them new ideas for the farm production and new markets to produce for; secondly it also gave them an enhanced understanding of the relative position of the farm business in their product chain and provided them with personal contacts with which to strengthen this position.
...where I didn't do any sightseeing I just made visits to farms and farmers that I had some contact with, in East Anglia and Lincolnshire and Kent mainly. 

*Was that mainly where you got your ideas from?*

The main place I got the ideas from for a better future in seed growing was in Oregon on the western sea coast, it is at exactly the same latitude as the Canterbury Plains, and has a very similar climate and where I saw oil seed production and grass seed production taken to a very high standard. I saw irrigation too. (J)

*How much information did you gather before you started...or was it just on your knowledge from Oregon? Was there any information in New Zealand about those specialist crops?*

About growing the evening primrose seed and the borage seed there was very little information really and we just used all that we knew at that time from growing normal seed crops of grass seed and white clover. We were also starting to build knowledge especially about soil fertility and things that helped flowering crops and also with the use of irrigation. All these things combined helped us plus labour was pretty important because we used a lot of labour to grow those crops in certain ways and all the things together helped us to be successful in that really. I am not a great reader actually, but I do read smaller articles quite a bit and farm experience articles, but big technical volumes I don't read at all really. So more short practical type of things that I can read and take in quite well and put into practice a little bit. But great long technical things is not me really it is more a practical thing and a perfectionist thing that lead us to be successful in that I think. (J)

5.4.2 Conventional Farmers

Like the entrepreneurial farmers this group of farmers all used a wide range of information sources for the management of the farms. They all used farm management consultants and most (L, M, N) belonged to a discussion group. This aspect of their information gathering was significantly different to that of the entrepreneurial farmers.

But as I said before, the farm discussion group has been the main source of outside information and we compare notes with each other and somebody will try something so we all don't have to try it, and if it works we all do it and if it doesn't work we won't. It's been really good. Our lambing percentage we reckon is at least 10-20% higher because I've been in that discussion group. (M)

This group had a similar response to whether they relied on a “gut feeling” for changes in their farm management. However, they all used their consultant or accountant as advisors to “bounce ideas off”. Farmer N also used some of his more progressive farming friends for advice and ideas. These farmers (L, M, N, O) had a high level of monitoring to maintain the production and financial performance they achieved on their farms.

Well if I've got a gut feeling on something I go with it but only after I've used the professional advice and generally I work in series with John (consultant) and he'll challenge you on what you're doing and if you can't explain it through to him and convince him well then you've got to doubt if you know which way your heading a bit. So I use them as a spring-board but definitely there's a gut instinct and the fact is that I know the property better than they do and I probably know what I'm trying to achieve and know the property better than they do in some respects and so as long as I give them the information then they should flow. (N)
That generally comes through talking reading and I find just through gross margins on a bit of paper and then challenging those gross margins with your adviser or accountant, local farmers and readjusting it and figuring out if it’s a goer and then you have to go out and make it happen and it’s a time frame thing and if you’re putting your balls on the line and saying you know I’m going to do this on paper then that’s a challenge to me to make sure I go out and do it. (L)

The level of information gathering was at the same high level as the entrepreneurial group although it was more focused on production and management policies with more advice sought from general management consultants rather than specific technical specialists.

Well I always try and get the best advice I can in terms of the stud sheep recording. We’re not smart on that in terms of computers so we use outside bureaus and things like that, we want to do it but we never get round to doing it, Jill’s done a computer course but we haven’t got that far yet. But if there’s something new we try and get the best advice we can in other words I might ring Peter (accountant) or John (consultant) or the vet club and ask where can I go to get the best advice on this so that would be the best. (O)

The level of overseas travel for these farmers was significantly less than for the entrepreneurial group. Only one (farmer O) had been overseas to be involved with other sheep breeders in Australia and he felt that this was a valuable information gathering exercise. It appears that the use of farm management advisors, the experience of travel, and the level of confidence in their ability to do something different are the major differences in information gathering skills between the two groups of farmers.

5.5 Change

The process of change and decision making is a pivotal feature of any business. As a farm business expands, certain aspects of farm management must adapt to fit the new venture. The process of change and the impact of this process on the respondents was investigated during the interviews.

5.5.1 Entrepreneurial Farmers

In most cases these farmers were involved in business off the farm and therefore adopted a more administrative role on the farm. The change resulted in farmers becoming less “hands on” and more administrative in order to free up their time for other business. There was a mixture of responses when the entrepreneurial group were questioned on their attitude to delegation of important roles that they had once implemented themselves. Some (A, D, E, G, J, K) found it very hard to delegate key farm jobs that they had originally done themselves. Others (B, C, F, H) had no problem with this aspect of change, and some did not have to make
many changes in this area. While there were two differing attitudes to delegation all farmers in this group enjoyed the challenges faced in the new parts of their business and most enjoyed being able to decrease their physical input on the farm.

That just comes about by trying to be a perfectionist and those kind of people like I was, try and do everything themselves and make sure everything is done right and I used to have people waiting down at the farm for me to get there so I could show them how deep to put the grubber in the ground and all of this kind of thing. I have had to learn that that is not the way to do things, that you have to give that guy the overall picture and responsibility to prepare the seed bed and leave him to do it. There is one little line I read somewhere once that is really helped me and that is: If you give someone a job to do, you have to let them do it. So that has been the philosophy I have been trying to implement in recent years that has helped me to delegate and helped me to see the picture that I don’t have to be everywhere all at once to get a high standard. (J)

As your operation grew was it hard to delegate?
I found it very easy to delegate and that really is the answer. Unless you are going to be able to delegate and get someone else to do the job, you will never get anywhere, you will be forever trying to do it yourself. I will show someone how to do a job, this is how I would like the job done, this is how I think it would be best to do it, from my experience. However, at the end of the day this is the finished product I want. So long as you don’t take an excessive amount of time to go from there to there, you can do it how you bloody well like! Go and do it. (F)

Some farmers (D, E, G, J, K) thought that their farm operation would suffer when they delegated jobs and in some cases it did. However, they realised that they could not control everything and it was a necessary part of change.

When you became involved with (farm company) could you see any area that could suffer, particularly your plant production?
Yes I thought it would suffer but I guess I made the decision to be prepared to accept a lower standard farm than I had had. We couldn’t afford to accept much lower of a production standard but I was prepared to - probably one of the main factors that made me consider it for even a short time was that I might have to accept another standard of farm, but in actual fact I have found that I haven’t had to accept a lower standard on the farm. (J)

Did you find that sort of transition hard from when you were doing everything to when you were giving these other guys the jobs that you were doing and that perhaps you felt weren’t being done as well as you could have done it.
Yea its difficult but you’ve just got to do it because you can’t do everything so yea you always think that things aren’t done exactly the way you want them but you just gotta try and get the main things done and hope that nothing suffers. (K)

Farmer B felt that the small size of her operation was optimal as it allowed closer control and didn’t result in significant changes to the management of the farm. Some farmers (A, D, E) felt that the limit to their operation was in the amount of time that they could devote to it. Others felt that finance was their main limitation and some (D, E, G, J, K) were not aware initially of the opportunities for their business but felt that it had unlimited room for growth.
Some farmers still felt that it was hard to be separated from the world price of their product and therefore, this imposed a limit to the premium that could be gained from the changes made in his business. There were also succession issues that had to be considered for a small number of these farmers as their children took a closer interest in the farm business. Farmer H made changes to the extended part of the operation in consultation with his son as he wanted to insure that his son would maintain his interest in the farm.

No, the only limitations would be the limitations we put on it ourselves. And if it gets beyond that what are we going to do, we just don't know. Because I see it as, the potential for it is utterly huge because there is nothing else like it at the moment, really virtually around the world, it is a unique product and that's why we have managed to sell it so readily. (A)

..and the bloke reckoned he had lots of people who were trying to supply product B next year and things, and that doesn't worry me in the least because if that happens and the price goes down then I'll just bow out gracefully, and let someone else do it because if I don't make any premiums then its not worth doing...and I'll think up something else to do. (B)

I have always tried to heavily involve my son in all the decisions in everything we do, because one day for one reason or another I won't be here. I think the terrible thing is and I criticise farmers badly for it, they hang on to everything until they are all of a sudden sitting in a hospital with a heart attack and then all of a sudden say to the son, “Here it is, it's all yours now”. They criticise second generation sons, that is quite a common criticism, the bastard never got a chance. He never gave him a chance in a lot of cases. Farmers are such hands-on guys it is all theirs to the day they die. So I always try to bend over backwards making decisions including my family, everybody else as well. (H)

Most of this group (B, C, E, G, H, I, J, K) still saw themselves as primarily farmers but farmers with a wider vision or outlook on their business. All these farmers had become less involved in the 'hands on' physical side of farming than in the past due to the time commitment of other parts of their business. Ideally these farmers would still like to retain their own physical input on their farms. However, they understood that in order for them to develop the off farm part of their farm business they must rationalise their time. One respondent in this group thought that because he was no longer involved in the day to day management of his farm that he could not call himself a farmer but a businessman. This farmer would like to be more hands on if he had the time.

I would love to be a farmer, absolutely love to be. It is just a total business. What it has become it is no different to what a vintner or wine owner of a label does, he has an input into the growing of the grapes and the whole operation. (D)

*How do you view yourself now - farmer or businessman, marketer?*
Depends on the circumstances I am talking. How do I fill in my census forms? Farmer. Whether it is tongue in cheek I am not sure. My actual role - Professional Company Director. Reality, half the week I am spending with the Meat Board as a Director, the rest of the time I am being a Director of my own company. I don't do as much physical work as I would like to do but that is just a pity. (F)
Do you think your role has changed much like your position in the farm?
Well like you said it's gone from being hands on to be more administration and marketing really.
Do you still see yourself primarily as a farmer?
Yep I do but a farmer whose working looking wider than just the farm gate y'know got a better objective of our markets really. (K)

The changes that these farmers have made to their farm business have generally resulted in a specialisation of farm products. Some of these farmers (C, D, F, H) felt that more specialisation of farm products was needed for other farmers looking for ways to increase their income during the shift to diversification in the 1980's. The rationale behind this belief is that farmers in this period often did not have the capital or the expertise to diversify effectively.

...most people say don't put all your eggs in one basket and spread your risk, but my advice to you young man is to 'put all your eggs in one basket and watch it day and night'(Rockefeller) so I got up said exactly this ....(C)

Having just one product - have you been tempted to diversify into more products cattle or deer or anything like that?
No. We had all our eggs in one basket and I thought OK that is probably bad, but then the best way around that is to look after the basket instead of trying to put more eggs into the basket. That is essentially what I am trying to do. (D)

5.5.2 Conventional Farmers

The conventional farmers like the entrepreneurial group had a mixture of responses to the issue of delegation. Most (L, M, O) found delegation hard but saw that it was necessary if they wished to increase the size of their farm. Unlike many of the entrepreneurial group these farmers were still directly involved in the physical day to day running of the farm but still had delegation issues to manage. Farmer N enjoyed being able to decrease the physical work load on the farm and felt that more time was needed for management and administration to continue to improve the farm's performance.

I'd say farming is certainly 80% labour and that's the end result running of the property the physical stuff, but to make farming really work you've got to be more of a 60-40% 60% labour and 40% management and that's why I want to try and get around to using a donkey and do more thinking because when you get physically tired you don't think very well. (N)

You've just got to accept that he makes some decisions that you wouldn't make. And probably I'm better now at giving clear direction now, spending a day with them at the start of lambing before it gets too busy to get the patterns established of what you would want done. (L)

To physically do it for a start off to actually make the break until you've got confident in the operator. My natural feeling would be that he won't do the job as well as I could and that's been a problem. I suppose it's been the same here with the sharemilker at times you go and hide your head so you don't see what's going on. (L)
Like the entrepreneurial farmers some of these farmers also felt that their production would suffer as a result of expansion and the delegation process. This group saw physical limits to their operation including finance and land use restrictions. Farmer O also felt that he was restricted by labour as the breeding part of his operation involved experience and felt that he was vulnerable to losing experienced staff.

Its far too expensive, but you’ll get someone from town who will fall in love with it and buy it so to try and extend your run operation on Banks Peninsula is bloody hard work, so the limit is maybe we have to sell up here, take the lifestyle money and go somewhere bigger all in one, it is a limit of the property. I'm running 3 blocks and they work well but by the time I tidy up this one and get around the 3 then its time to tidy up this one again so the perfect way would be to have it all in one. (N)

Well I think at the labour side of it at the end of the day well because y'know the more intensive you get the bigger you get you can grow and buy some gear if you can fund it but in our operation where a lot of it is hands on stock things and its always a concern like we lost a man in the middle of lambing in September one year and it was 6 weeks before we got another one by the time you advertise but by gees you vulnerable so probably the limiting factor is labour. But I s'pose the limiting factor for expansion is the cost of land in this neck of the woods and the availability of it because y'know its either small blocks or dairy farms and in terms of what we're doing we're damn limited in terms of expansion. (O)

Like the entrepreneurial group, these farmers felt frustrated about their influence on their product in the market. This has prompted some of these farmers to look more closely at the value to their product further down the value chain. This change has also occurred as these farmers have achieved some of their production goals.

*How do you handle major changes in the farming sector?*
Very frustratingly are you talking like the meat and wool
*Like your markets or the structure?*
Yea very frustrating, I got into it a while ago and got myself quite worked up about it?
*About which?*
Oh about the marketing structures y'know looking into the political side of it there was a lot of dead wood in there but to make a difference once you start going to meetings and making a few noises they say oh well put your money where your mouth is and stand for a board and I sort of backed off because I don’t really want to be there but that was the most frustrating thing they tell you one year to aim at such and such and you go away with that information and say I'm going to gear everything to that say a 15kg lamb and touch wood over the last 3 years it hasn’t changed but you head down that track and then something can change outside what you’ve got control of and you can’t do anything about it. (N)

*I know you can improve the quality of your farm products on the farm where do you see the limit of your business in terms of overall influence on your price and your farm profitability as well. Where do you see the extent of your influence there?*
I don’t know really. I think I could probably get a bit more involved in following through what happens to our lamb and our wool at the moment we just put them in the truck and sign the docket and away they go and I think there’s a lot of money being wasted down the line and we’re being left at the end. Whether I could do something about that I wouldn’t know but we sort of trust that they’re doing their best. (M)
We've got to niche it we're only providing about 3 or 4% of the world fabric trade and shit if we can't niche market that on the properties of wool y'know there's something wrong. But you try and get an export license to do something like that yourself and f**k those boys are down your throat like nothing else, (N)

...and our wool off Banks Peninsula is all the same basically if they could amalgamate it get it all together brand it Banks Peninsula wool y'know its pretty green over here y'know bugger all sprays then we've got a real marketing opportunity and they're trying to work it that way but there's some dead wood to get through first but that's the only way going to survive here in New Zealand we have to take it another stage further instead of just asking for commodity price cos we're going to get dorked. ...and he's niche marketing that and I take my hat off to him. And maybe in another ten years I would like to get in to something like that, but yea at the moment there's so much I want to do here just production and y'know. Well I started to bend out that way and when you start that its bloody hard to try and run two ships and do it properly... (N)

So I've become more involved in the political side of farming, Federated Farmers and that. I suppose that's happened as I've become more and more achieved with farming goals and I've done other things much to Jill's disgust. (L)

Delegation of important farm jobs was a change that both groups faced with the entrepreneurial farmers facing a more significant change in this area. Both groups found this change hard and the entrepreneurial farmers still wanted to retain some physical input into “day to day” management of the farm. Most entrepreneurial farmers still saw themselves as primarily farmers. In a similar way to the entrepreneurial group, the conventional farmers had become frustrated with their lack of control over their product price, prompting them to look closer into this area of their farm business.

5.6 Control and Strategy

There is very little research in business strategy for the farm sector. One possible reason may be that farmers have traditionally had very little control over the price they receive for their products. Some of these farmers have been able to improve their relative position on their product’s value chain, or some other farm related value chain, to increase the profitability of their farm. The changes that these farmers have made may lead to a new perspective of the relative competitive position of the farm. An entrepreneurial business may also change a farmer’s outlook to farming. The following section summarises responses on issues that deal with the farm’s ability to compete in the marketplace.

5.6.1 Entrepreneurial Farmers

Most of these farmers believe that they have gained more control over their product in the market. Before the making changes to their farm business these farmers felt that they were not being properly rewarded for the quality of their products. Most (B, C, D, E, F, I, K)
farmers captured a premium by marketing their products with special qualities or by establishing more direct relationships with their buyers and final customers.

We decided that there wouldn’t be any back measures, we would meet the market, we weren’t going to make an apology for the price or anything... We want to have a high quality product, an up market product... Yes we are definitely a price maker. But we have only control until we get competition and we will get competition, there has to be one day, competition. (A)

Do you think that gaining more control is one way of improving your returns from farming? It has to be I think, yea. Being responsible for yourself for what you get, I mean that’s what it boils down to. (B)

I cannot stress strongly enough that the marketing starts inside the farm gate and that really you are using market information to develop what you should be producing. That is all we did. We asked the market what they wanted in the way of cattle and produced it. ...and even producing the cattle I am in the food industry, I am not in the farming sector, I am producing a product to the consumer specification. I buy animals onto the farm to meet that specification. I finish them, I handle them, the way I work those animals are all to create the product that the consumer wants. Marketing starts on the farm, it doesn’t start at the end of the processing works, you cannot make a silk purse out of a sow’s ear. (F)

While these farmers have been able to extend their control over their products, some (B, I, K) believe that this type of operation is not available to all farmers. Resources such as farm location, financial resources, and property type limiting flexibility in production can limit a farmer’s ability to engage in this type of activity. Others, (C, D, E, F) believe that farmers have great opportunities to increase their control and profitability.

Well no, not everyone can do it. For various reasons, one that the local market can’t cope with everyone doing it anyway there just isn’t enough people in New Zealand to eat it all. And y’know I’m lucky here I live close to **** and have all the facilities, trucks go past everyday and all that’s easy for me. But y’know someone who was living in Kaikoura or somewhere is different all together it simply wouldn’t fit in. (B)

Do you think it is possible for most other farmers to get in there? Absolutely, the world is your oyster. Lamb has got the greatest potential to be marketed, it is just amazing. Growers could probably raise their returns four times if they got in and did what we are doing with lamb. (D)

Some (J) felt that though they had increased the profitability of their farm they had not increased their control.

Now that your whole operation is quite significantly bigger and I am talking about from the initial farm base – do you see yourself having some influence in the market? Or a bit more control over your markets?

No not really. I think all the control is with our customers really. They are giving us things to grow because of the job we do, the only control we have is to make a really good job, but it is up to them at the end of the day whether they re-order or whether they continue to grow in New Zealand. I don’t feel like we are controlling our customers in any way. We are only trying to impress them and delight them with what we can do with the production. (J)
Other farmers (A, E, F, G, H, J) were able to increase the performance of their farm businesses by innovation in production methods, processing of their products, becoming involved in the production of specialist products, farm tourism, or involvement with venture capital companies with farm related business.

The other thing is they said that after doing our (product) for a short time they said it is amazing how people now just walk past and just pick your bag up on the way past. Most people will look at the (product) and roll the bag over and look at them and all the rest of it. You need to get confidence, the buyer must have confidence that they like baked beans every time. You must get a consistent product going out. (H)

-You can put up whatever fancy packhouse you like, all a packhouse does is gives you control of the packaging of the product and it gives you control of marketing it because you have already packaged it. That is all a packhouse does. The key issues outside are all about growing. We always keep saying there are three rules to our company, grower first, grower second, grower third - nothing else matters and it is all about growing. If you mishandle the growing part, I don’t care how many millions you spend in the packhouse, if you bring shit in you have just got a better grade of shit going out, but it is still shit. (H)

Managing the extended part of the business required time maintaining contact with buyers and clients. The personal contact with clients was an important part of how these farmers managed their businesses. Some tried to keep a “down to earth’ approach that is likely to stem from a practical farming background.

I want control of what I am doing and that is why we set the company up because the guy we are dealing with, him and I are talking every day. We think the same, we have the same principles and that, he has also seen enough companies - he knows enough about companies and the company he worked for in the past and the overheads they had. (H)

There are no cars in the company, they get an allowance for their own private car, there are no offices, they run the whole thing with mobiles out of their bedrooms, because that is all they need to do the job. Whereas you see companies get going, they get a few bob they set up fancy rooms and it’s just total crap! Just lose sight of what it was all about in the first place. One of the classic examples is co-operatives. How many co-operatives stay to what they originally designed and put there for. Not many. You get some directors in there who become glory boys and lose sight of the whole thing. (H)

Is it quite important to keep in contact?
That is all it is. Selling, anything. Identify what you have got and if it’s a good product, it’s just going out and introducing it and keeping contact all the time. It is all personal contact. That is why the producer board systems don’t work and it never will work. If farmers seriously wanted to increase their returns they have got to alter the way they think about it. That will only happen when they get their back to the wall. (D)

When asked whether their outlook to farming had changed, some (B, C, H, I) believed that it hadn’t. Some thought that many farmers need to realise that often they are competing with other farmers and they need to take a more competitive attitude. This attitude is likely to be more apparent in a deregulated farming environment where farmers have more opportunities
to start new businesses and where overall profitability is at a lower level. Others (B, C, D, E, F) felt that they still enjoyed farming and needed to maintain a positive attitude towards farming.

*Has your outlook to farming changed at all since you've started?*
I don’t know if it’s changed since then but one of the things that farmers don’t realise that one of their biggest competitors is the farmer next door. Now they have all these discussion groups and all this sort off networking and whatever you don’t see whoever runs Arthur Barnetts going over to Richard Ballantynes and I wouldn’t think anyway? tell them how they’re making money because they’re in competition but the farmers they can’t help themselves y’know I mean they just love telling other cockies what they’re doing and you never hear the bad stories - you only hear the good stories. (B)

*Do you think your outlook to farming has changed?*
I am very very positive - if you are not positive today in farming you may as well not be farming its the way I see it and you just have to go out and try and get your production as high as you possibly can and by using whatever means that are available to you within your budget and be very very positive. (I)

Some farmers felt that their outlook to farming had changed because they viewed the farm in a more business like way. Others did not have a very positive view of the future of farming but were pleased that they had found something new and were pleased to be able to help other farmers increase their profitability.

*Has your view of the farm changed? Do you view it now with a competitive advantage?*
I see it as a business, nothing else. I value it. I see the value of it in the same terms as a business. It has got an international value now, not a New Zealand value. The package that we have established doesn’t have a farm value, it has an international value because we are selling an internationally recognised product. I suppose you could compare it to the way a sheep farmer converts to dairy, I have raised the value of my property. We have just done it another way. (D)

*Has your outlook to farming changed much, your view of farming?*
Oh yes dramatically so. Not only more market focused but far more business focused. I have already quite happily admitted that I am not as good a farmer as I could be if I devoted all my time to farming. (F)

*...yep your outlook to farming?*
Yea it has changed I used to think that farming was the best thing. Well farming today is a bit depressing for a lot of people I think. The pressure of low prices and rising costs for a lot of the farm commodities produced in New Zealand is quite depressing at the moment. I am pleased that we found something else. We found it a little bit because of our efforts in the past but I am pleased we did find something else because people I know in this district live on about $12,000 a year just so they can keep the farm. It is just really tough really tough and they wonder if they are going to make it at the end of the day. I don’t remember knowing about those things in the early 80’s when I started up, it is just so difficult at the moment. There will be changes in Canterbury and what we are doing will be a small part of it and hopefully the future will improve but you are going to have to get into doing things that other people can’t do. (I)
When asked what these farmers felt was their main resource, some (B, F, I, H, J) responded by saying their main resource was their own management ability and skill. Others (C, D, E, G, K,) felt that their stock or property was the main resource that their business had. For these farmers their genetic base in their stock had had many years of work and it provided the initial resource to launch their business. Others felt that their staff and people were very important to the success of their business.

For your total farm business that’s including your (product) marketing, what do you think is your main resource?

Land obviously is, we have a nice property. Skill, management, I think my management is. I have quite good confidence in my own ability. I see properties around here and I just about pull my hair out it just annoys me so much, people just can turn it over so quick if they just do the right things. (I)

With your whole farm business what do you think is your main resource?
The stock yea the livestock yea that’s more important to us than the land actually... ...the value of our stock is not something you could get in dollars and cents because you couldn’t sell them for what they’re worth to us, so its not like a farm where you can sell it and its worth a million bucks but we believe its our future because there’s so much gone into it in the past. So your father had this farm before you?
Yea he started the stud yea. Because that’s where you generate your income from you can change your stock to different properties but they’ll still preform for you, but it takes a huge amount of time to build that up. (K)

The two important things are knowledge retention and people and they both go together. Because it’s the people that have the knowledge. We go to a big effort to ensure that we don’t have staff turnover, cause staff turnover costs a lot of money and retraining, bad publicity and all sorts of things but we go to a lot of trouble to ensure we don’t have that. My accountant always says to me that I pay far too much of my gross income in wages, miles more than any other farmer. It’s worth it though we’ve done a lot more. (J)

5.6.2 Conventional Farmers

The aspect of entrepreneurship examined in the preceding section has been directly related to the establishment of an entrepreneurial farm venture. The discussion for conventional farmers was restricted to their outlook to farming and how they viewed their farm business.

Some of this group felt that their outlook to farming had changed over their farming careers. Like the entrepreneurial farmers these farmers had a more business like approach to their farming operation than when they first started farming.

Has your outlook to farming changed at all since you started farming back 20 years ago?
Definitely, when I left Lincoln I wanted to, because the LDEL days were just finishing and the properties I had worked on had started with 20% effective acreage and end up breaking in bush and scrub and I well once I started looking at farms I started thinking it made me look budget wise at the profitability of farms because we looked at perhaps 50 or 60 farms before we decided on buying this one and when cookies opened their books up the one we were keen on, it really stuck out like dogs balls y’know the ones that were being well managed y’know had a
return whereas the ones with so called potential had a lot of hard work ahead of them and no bottom line profitability. (N)

This group of farmers felt that their main resource were physical things like their property or their stock. However, like the entrepreneurial farmers, some (L, O) felt that their ability to manage their farms successfully was their main resource.

...the key resource that keeps your farm ticking along?
Well those finishing blocks at the moment, the finishing blocks over the last 5 years are basically adjusting my bottom line by about 50 or $60,000 by having the ability to take something that's born here and its our own form of niche marketing and if they want that 16-17kg lamb well then we can do it, well before that we could only get 12-13kg lambs and 15-$20 down per lamb and Jesus all of a sudden the gross income is not there so definitely yea its those blocks. (N)

What do you think is the main resource that you have with your farming operation? The key to the whole business performance?
Just I suppose your skills, your ability as a manager cause that's all we had we didn't have a lot of capital so we had to use our ability to think outside the square a bit, we don't know of any others that were set up the same we actively sought an investor and once we had an investor who showed some interest we then looked at a farm... (L)

What do you see as your main resource, or what do you think has been the key to this property's performance? The whole farm business?
The farm itself we were lucky that it is a reasonable fertile farm and it's not until you get involved, in not only the discussion group but outside, that you realise we're lucky that we finished up with this farm because of the rainfall, the fertility. Some of the other ones I've worked with have stock health problems and whatever we're lucky that ours aren't major. As far as myself goes the probably being able to accept other opinions like from the discussion group being able to listen to other things and make use of them. Being able to have a wee try at something and see if it works and make use of it, cutting out the winter feed thing has been a major step, keeping the winter feed costs down. (M)

Most of the entrepreneurial farmers felt they had improved their control over their product price. Both groups felt that their outlook to farming had changed slightly and that they now had a more business like approach to their business. Most farmers from both groups were still positive about farming and enjoyed it. There was a range of responses from both groups about their main resource. Some farmers from both groups acknowledged the physical resources that were important to their farm. Similarly, all farmers felt that their skills as a manager were very important to their success.

5.7 Benefits and Problems

When establishing any new venture there is likely to be initial problems to accompany the benefits while the business is established. The following section deals with the positive and negative aspects of becoming involved in a new entrepreneurial farm business.
5.7.1 Entrepreneurial Farmers

There was a range of responses by entrepreneurial farmers to the benefits and problems created by the new part of their farm business. All farmers had benefited from their business by an increase in income. There were other more intangible rewards that resulted from their business. All farmers enjoyed the challenges of developing new skills and being involved in new areas particularly the marketing of their products. They found this enjoyable because they had a belief in the value of their products and enjoyed being able to realise this value through their business. Most of these farmers enjoyed being able to see new opportunities once they became involved with new people in their industry. They also learnt a new side to their industry which they had never previously been involved with. These farmers discovered that because of their intimate product knowledge, they were in a good position to sell and market their products.

Yes, um where do you see the main benefits of your lamb marketing?
Well one is financial because we make y'know 5-10 dollars ahead more per lamb
Yeah.
And I enjoy doing it, it's something different. So I've learnt a lot I've met a lot of new people,
I know a lot about supermarkets and butcheries and it's a whole new ball game and I've really
enjoyed it I've got no qualms about that, that's a part of the reason I carry on doing it. (B)

What is your attitude to being more involved in that side of the business?
Yes I like it. I want to do it, it is something we never thought we would ever be able to do as
farmers. We thought now here is this opportunity to do all these different things in our life and
to travel and to see things and to meet people and to understand things better. In most cases it
is all to do with the field of endeavour that we like the most and that is growing crops and so it
is a wonderful opportunity and we are really happy to have it and we want to do it and do it
well. (J)

There were other benefits that were created for other farmers and the wider rural community
by their entrepreneurial farm business. Some (C, E, J, K) thought that this aspect of their
business was particularly rewarding. Others (A, B, D, F, G, H, I) enjoyed the challenge of
creating a profitable business and providing a future for their families or employees.

I thinks it's going to be beneficial for a lot or all our clients. I mean we've had some fantastic
support from clients over the years, buying bulls and things. Yeah, sort of gets to the stage
where you would like to actually pay a bit of it back. (E)

Intrinsic reward. Intrinsic rewards are far far more important to me than financial rewards.
The satisfaction of doing it. That is the urge for me. Satisfaction of (a) creating something that
is nice, that is successful and creating something that looks nice... ...But we need money, no
doubt about it. We haven't got an excessive lifestyle but if wish to have a bottle of champagne
we want to be able to afford to buy one. (F)

Yes I do. I think we were fortunate that we found these higher value crops when we needed
them and there are a lot of people out there now that need the money and I am really enjoying
being able to share what we know about them and get them to grow and I think it is in a small way going to help change the face of Canterbury and make it into a higher value place to grow things. In a small way we are going to make a difference. And I'm looking forward to being able to do that really. (J)

The problems caused by the increased involvement in the extended farm business are varied, they range from decreases in farm production to less time spent with family. The decrease in production arose from a period when the new part of the farm was not earning enough to employ extra labour yet it still involved a great deal of the farmers’ time off the farm.

Well yes it's tough on our personal life, my family cause we're away a lot. That's the biggest drawback of it all. I've totalling 3 years of hard work ................ our children are all quite young so it's hard on (wife) and everything that's the biggest thing. But financially hopefully it will put us on a better footing that's why I have made the suggestion that they buy the property next door and that's to give us a bigger farming base and strengthen our base here, so that side of it is quite good. It's just the personal time. (J)

In the initial days you have that period of time when the income from your off-farm activities is not enough to fully compensate paying someone to do what you are not doing. You do go through a period of time where your farm does start to look a bit dishevelled before you start to bring it back under control and that is just a factor of not being able to be in two places at one time. (F)

Some (D, E, F) encountered problems with existing selling or marketing structures that inhibited their progress. Other farmers (D, E, F, G, K) also had problems with raising significant amounts of venture capital to become established. Most farmers did not have to change their farm management of farming policy significantly in order to meet their new business demands although most required some changes to breeding/selling policies.

Were there any problems created from your expansions into marketing?
Oh yea they're just financial problems y'know trying to keep up with the amount of debt you've got because you're borrowing so much money and I mean you can't have a bad year because your cashflow is affected too much so its very hard when you're in a development phase and when you've also got a lot of money borrowed. Yep so that's a problems its a balance all the time. (K)

Did anyone strongly advise you against going into anything like that?
Wools of New Zealand, people like that. We have had to fight, it hasn't been easy. The wool industry per se has been pretty much against it. (D)

There was a belief that the farmer had a huge way of impacting on the quality of the beef that is going to be consumed. The first one, I had difficulties as I said before with the Meat Board and various other organisations saying no you can't do it and the second one when I was explaining my theory to a vet, he said absolutely bloody rubbish, it has nothing to do with it at all, so I kept my mouth shut for about five or six years about what I was doing. (F)

Yea well getting good staff is a key area of concern I mean its not easy yea its one of the biggest problems really getting the right staff and getting them trained.
Did you have any problems with that?
Oh yea we still are I mean it's an on going thing, we just employed a new manager just three months ago and he's just actually resigned and got a job working for Alliance meat company and they're giving him financial package that I can't match, so yea labour is a real problem because there's not enough money in the system to pay these guys what we should be. (K)

5.7.2 Conventional Farmers

This group of farmers were questioned on the benefits and problems they have had when expanding their farm size or making changes to their farm management. The benefits are mainly financial benefits and the satisfaction of developing new land or increasing the performance of their property. The benefits that these farmers have enjoyed are more narrowly focused to their farms and families.

Q: What do you see as the main benefit of growth since you started farming, right from the beginning, what do you enjoying most about growing a business? The main benefit to you?
A: Well probably the fact that I've helped my sons start off is probably the biggest boost but you get a lot of pleasure out of getting a lot of lambs fat and getting them away to the works. Then planning for the next year and away you go again.

Q: What do you enjoy most about farming?
A: That would be it. And tidying the place up. (M)

Q: When you bought the finishing block did any of the other areas of your farm suffer?
A: No I think it actually enhanced it, because pre that I was prepared to have an average lambing % here because the more good big lambs that you had on mum at the gate they were the ones that went a way fat. But when I got the finishing block I was geared to getting the maximum number of lambs out there so it made me look at this block here and made me really start to drive the production up here. So it gave me a challenge to knuckle down and make this as a breeding unit I want everything multiple births on ewes and I want a live calf on every cow because I had the capacity to finish and its more challenging and more enjoyable too to see your own stock to grow through to a killable weight. (N)

One of these benefits was the ability to reduce the financial risk involved in farming.

Q: Well obviously by getting bigger you've been able to increase your income or reduce your debt or whatever
A: Probably the main benefit is that we're starting to get a sense of achievement with our stud stock that would have to be one. Satisfaction I s'pose, and another is the risk is not the same as it used to be when we started off your net equity is increased.

Spouse: That sense of achieving from nothing to what it is now?
A: Yea well I s'pose I started off with 13 old ewes didn't we the first year I left primary school I worked in the holidays and bought a few old ewes so I've been going for a while so I'd put that down to benefit, we've got a nice place to live, in terms of surrounds and that but there's other down sides to it, like we created a rod for our own back in terms of irrigation and I'd love a day off some days. (O)

The aspect that these farmers enjoyed most about farming drew a variety of responses ranging from "being one's own boss" to developing land and working with stock.

What do you really enjoy most about farming?
I suppose it is being your own boss and making your own decision and being accountable to them, you can't blame anyone if you make a mistake being a one man band you're the one in
the firing line, but you have that chance to see outside the square and y'know go with your gut instinct and make a few decisions but I like that and I like the outside physical work of it I like dealing with stock. I just like the whole, I used to hate people saying it, but I like the lifestyle of farming, I used to argue that its not a lifestyle but financially over the last few years its pretty hard to argue in some peoples' books that it isn't more than just a lifestyle but I just love what I'm doing really, but being your own boss is the something we take for granted a wee bit, being in another job being told what to do and having boundaries around us I would find that hard now. (N)

What do you enjoy most about farming?
I don't know, selling rams probably getting satisfaction and contact with people.
Spouse: Contact with the people that have a common interest really.
Farmer O: And seeing people come back and talking, you see what sort of results they've had, yea I think that side of it is good. And a lot of pleasure about seeing good crops. The selling - rams and dealing with stock and people is my biggest love and stress level trying to fit it all in. (O)

The problems these farmers have faced are more directly associated to “on farm” management and problems they may have had with local bodies depending on their farm region. Like the entrepreneurial farmers this group felt that less time spent with their families had been a negative side to their large farm commitment.

Have you had any major problems when you’ve changed to all grass wintering?
Yes the first year I went too quick round the farm and I ran out of grass in July and I didn’t have anything else to feed them on. You have to be reasonably careful with the pugging, if it’s really wet you have to shift it twice, as long as you’re on the ball. If it’s a wet day you’re better to stay at home than go to town, go on a fine day because you know you’re going to have to shift the sheep. But it’s helped the production, it’s not only saved us money it’s actually improving the pastures too by grazing them hard in the middle of winter has done them good. (M)

Just with main changes in the industry what about the RMA how is that affecting you?
Well over here we’ve had a real go on it and its something that’s been passed on to us. Banks Peninsula as a whole y’know our council they decided in their great wisdom with one farmer on it, led bloody DOC and Forest and Bird and put these huge restrictions and we had to take them to the High Court. The plan came back and we’re sitting under the legislation now and this property here for instance 80-90% is classed under a resource management area under coastal protection area which means that everything I now do compared to what I used to do I need to get a resource consent To build a set of yards its just ridiculous so we all went in there blind, as farmers. Its through a lot of hard learning that now we ended up getting into Simon Upton’s office into his ear and we learnt what the Act was meant to be achieving. The Council’s mis-read it and so we basically took them to the High Court and then the Council backed off it took that much to turn the bastards around and frustrating Jesus! And now they’re getting us to re-write the rural side of the plan and do a variation. We’re basically trying to negotiate with DOC, Forest and Bird, Friends of Banks Peninsula all these splinter environmental groups. (N)
What problems, like when you converted to dairy what problems did you encounter there? Was there any major problems?
Well it was a hell of a year because it was a major learning curve for us because we had no dairy background at all so we didn’t know what,
Spouse: and we planned the conversion
Farmer L: I oversaw it all. I just had to go out and learn what was expected of a dairy farm, what to do, what to put in place and then did it. And of course you were trying to farm that year as well and your sheep production dropped a bit as consequence. (L)

5.8 Personal Characteristics and Skills
The personal characteristics of entrepreneurs are likely to distinguish them from the general population. A small business can be considered to be an extension of the owner’s personality therefore, these entrepreneurial traits are likely to be present within their businesses. The following section presents the personal characteristics of both groups of farmers to effectively identify the special entrepreneurial character.

5.8.1 Entrepreneurial Farmers
There were a variety of responses to what these farmers thought distinguished them from other farmers. Some (B, E, K) thought that nothing distinguished them from other farmers except that they had a few more opportunities. Others (C, D, F, G, I, J) thought that a few personal traits had helped them to achieve including how they had been raised, goals setting, determination, a positive attitude, a willingness to try new things, innovation, and a general enthusiasm for their farming operation.

Do you think anything sets you apart from other farmers?
My overdraft. I don’t think anything sets me apart I think I’ve just been lucky enough to take on a quite well established stud which sort of gives you licence to do some other things. I’ve done quite a bit of travelling and things looking for new bulls and genetics and things which sort of opens your eyes a wee bit so I just been given some opportunities that a lot of other farmers haven’t been given so I’m no different than most other farmers I’ve had some better opportunities, that’s all it is. (E)

I think it is very important being able to give something a try, well at least investigate it, y’know some of them won’t even look at it, y’know changing the breed of sheep or something. (B)

Most farmers felt that they were highly motivated and focused individuals who are driven to achieve more things than others. These farmers also displayed the ‘internal locus of control’ characteristic whereby they believed that the success or failure of their business was entirely dependent on their own efforts and not dependent on luck or chance.

I remember building a seed cleaning plant, my banker didn’t want me to do it so we sold some other assets to do it and he was pretty surprised that we did that. But y’know that paid off and got us going in the seed industry so we have been determined. (J)
As a total dedication to the development project and trying to achieve perfection in a development process, so that was for wild oats eradication, irrigation, development for developing new crops and now for (farm company) certainly at the expense of recreation and certainly at the expense of some time with the family and stuff, we have gone at these things pretty hard. (J)

Confidence seemed to be a major part of the entrepreneurial farmers' personality. They appeared to be confident of their own ability to manage their farms well and this confidence also extended to the expanded part of their farm business.

These farmers were generally very positive individuals. This positive attitude had helped them to have confidence in their off farm activities. This positive approach to their farming had led them to enjoy their farm business and was likely to have an influence on its success.

I am very very positive - if you are not positive today in farming you may as well not be farming, that's the way I see it. You just have to go out and try and get your production as high as you possibly can and by using whatever means that are available to you within your budget and be very very positive. (I)

...but it couldn't give them a bigger high than what I get standing in a paddock when we have done things absolutely dead right and it's a ripper crop. You know, just sit there and buzz with excitement. To me that is what it is all about. That is the reward. I couldn't care less about having 2 million dollars sitting in the bank, I couldn't care less. To me that is useless, all the pride that people are is that they love their job and they are good at their job. (H)

All the entrepreneurial farmers felt that personal skills and being able to relate to people was very important when establishing and growing their new ventures. The farmers that were directly involved in the marketing of their product or service felt that a sound knowledge of their product was essential for effective marketing. This knowledge was supported with a strong belief in the quality of their product and business.

I think you have to have reasonably good communication skills and to be able to sell your product and yourself not in a pushy way but y'know you have to be able to engender confidence in the other person that you are meeting on the other side. And you actually have to know your product, it's no good trying to sell wool if all you know is the production side of it, you actually have to know a bit further down the track...

Whereas wool I know about, and so I can talk reasonably intelligently about it. So I think you need to know your subject and be able to demonstrate that they're a reliable person. (C)

Talking to people. You need to be able to talk to people. If you are employing staff, you have got to be on the ground with them - just critical. They have got to know what you are doing, what you are trying to do. (H)

What do you think, overall, you need to be good at to succeed in this type of operation or to succeed in farming in general for the future?
Um pretty difficult question because everyone's trying to do something different. Well, in what we're doing here you really do have to understand the market and understand that the market is going to change and produce something that they want now that's all very well to say but the average farmer doesn't make any difference to it anyway because he's not dealing with the market he's only dealing with the meat company and the meat company aren't giving him any real encouragement. They don't know who's eating their lamb they don't know who's using their products they've got no idea and if you can't talk to the people who are using them how do you know how good they are? (K)

Timing and dealing with people and I have learnt that you have to be very tolerant I rarely fly off my head. I might to (wife). If you have a problem I don't go in and rant and rave I have learnt to stand back a bit and just hopefully by taking a different approach, that problem will be solved and that has led on to other things. I think that the timing thing farming is all about timing. The timing is what has made this operation successful but one of the things that trust thing takes a lot of beating. If you can build up a relationship with someone that you are going to benefit and they are going to benefit and you have that trust thing in between and you both know that you are not going to let each other down that is very important. (I)

5.8.2 Conventional Farmers

Like the entrepreneurial farmers this group of farmers were highly motivated and set goals to achieve. These farmers had self-confidence in their ability to successfully manage their farms. However, it was unclear whether this confidence had been shown in business involvement outside the production sector.

Like the entrepreneurial farmers, this group were open to new ideas and displayed high levels of innovation. They also displayed an internal locus of control characteristic, whereby they felt that the success of the farm business was dependent upon them to perform as managers. However, their ‘internal locus of control’ did not extend as far down the value chain as the entrepreneurial farmers who appeared have more confidence to become involved in other off farm activities.

I went to a field day at Woodlands and they had the grass growth graph for Southland, for Woodlands and basically it's the same here, its same soil type. And it just appeared to me straight away that everybody was lambing too early, well most people were lambing too early in the district. So I immediately shifted my lambing date back 10 days or a fortnight. And that just seemed logical to me, and I wasn't constrained by tradition to do that sort of thing but it's interesting that most lambing dates are now back there too. (L)

It's up to me to make the effort. (M)

...so you're accountable at the end of the year and you have to run everything on a business like basis, there's no cutting corners I suppose, not that my nature would be to do that anyhow, I want to succeed in whatever I do. (L)

How much control do you feel you have over the performance of your business?
We like to think we have a lot of control but when it comes to selling your produce its just a bloody gamble you just keep your fingers crossed. (M)
The skills that this group of farmers had learnt during their farming careers were more directly linked with the physical aspect of farming. Unlike the entrepreneurial farmers, this group had not had the off farm experiences with their businesses nor had they travelled as extensively.

What do you think over your whole farming career has been the most valuable skill that you've learnt?

Probably stock selection would be the most valuable but not the most interesting one the most satisfying one would be developing virgin land. Starting of with something that wasn't producing anything and within 6 months you had it growing grass and I got a hell of a lot satisfaction from that and I'd love to do that again but its not profitable. But the important thing was stock selection, selecting the best sheep that are going to give the best production for - their life and actually crossing them with the ram... (M)

I suppose it goes back to this timing thing and I think that's the most important aspect whatever farming you're in. The ability to get your timing right. To look out in front of you a bit rather than just where you are at the moment. A bit of vision I don't know if its that one thing I don't if it is... (L)

What do you think has been the most valuable thing that you've learnt through your farming career?

Probably money management and people management... ...so I think money management is probably the thing that changed most when I first came here I was all into the physical using dogs and stockmanship are part of it but stockmanship can be taught and with management you can set higher goals for your staff I'm certain you could certainly make them achieve good results re lambing %, weaning weights, just by being meticulous in your man skills and getting across to them... (N)

What do you think has been the most valuable skill that you've learnt over the years over your farming career?

Probably honesty I s'pose. I always think that if you tell the truth then you only have to tell it once, and I don't have to look over my shoulder and if there's something wrong I just say there's something wrong, yea skill or lesson its hardly a skill. And communication is a skill I've been able to relate to people. Communication and honesty are probably the most important things, and in the business we're in you see the other side of it and they go all right for a while but they run into all sorts of problems created without it. (O)

Like the entrepreneurial farmers these farmers had a positive attitude to their farm business and felt that the enjoyment they received from farming contributed to their success. Farmers L and N felt that they were not constrained by a family tradition on their farms and this had helped them to be more open to new ideas.

Just to conclude what do you think you need to be good at to succeed in farming?

You've got to be interested in what you're doing for a start, you've got to be really interested and be prepared to get out and learn as much as you can and you've got to be prepared to work too. I mean there's always getting out and learning but you've got to work. (M)

I think over here the thing that sets me apart at the moment is the fact that I'm not banking on a history on this place and so I can do anything what I do is what I do, so I haven't got that hanging around my neck and there's a couple of guys in the bay who are quite innovative but they're still get hung up on the "well you can't do this because the old man says you can never do that" so that's un-restricting. So I don't think there's anything else. (N)
5.9 Motivation

The primary motivation behind an entrepreneurial venture is likely to have a significant impact on the success of the business. The reasons why these farmers decided to expand their farm business and establish an entrepreneurial business is also one of the key questions in this study. There may also be other reasons for the change. One may be a desire to retain the farming lifestyle which can become threatened by increasingly poor on farm returns and low commodity prices. The responses to these issues are presented in the following section.

5.9.1 Entrepreneurial Farmers

The most obvious and apparent motivation behind the decision to establish an entrepreneurial business is the desire to increase the profitability of the farm. Within this broader motivation are other issues which have pushed these farmers to become proactive outside the “farm gate”. One such factor is a dissatisfaction, and in many cases a frustration, with previous structures of rewarding farmers for producing quality products. There is also a desire to establish more direct linkages with the end user. Most of these farmers expressed a general desire to increase the profitability of their farm.

“...The main challenge was that we had three children at boarding school and the accounts had to be paid and quite regularly. We had to get the price of our wool up so that was our first vehicle but we also knew at the same time that product D was considerably different to any equivalent micron wool and that is what drove us as well. We knew that we had the possibility of creating a distinctive niche in the market.” (D)

Well the main aim was to get more for lamb and to be rewarded for growing bigger and heavier lambs because that was in the year that we had people getting the same for a 20kg lamb as they would have got for a 16kg lamb in say December...

...and well it was something new to try. A bit of a change, life gets a bit boring if you do the same thing all the time.” (B)

In 1986 we had very high debt and we had developed all the irrigation systems and borrowed all the money to do it and we just had to have a higher income or we weren’t going to survive so that is what...... I guess you don’t diversify unless there is a need to diversify and that is why it came about. That need and the Roger Douglas depression if you like, that period of high interest rates and so forth, that made us go and diversify and that was the turning point from being traditional to being kind of what we are doing now. (J)

Was there any other things that drove you?
Oh just out of frustration with the existing system which is designed to bring everyone back to the averaging level to bring everyone back to the lowest common denominator. That’s why yea. And a total disbelief in the market signals that they give you. I just don’t believe them, I refuse to believe them y’know, that lambs are worth nothing in the middle of a drought, its still worth the same in Europe they don’t care whether its a drought here or not. They’re just sticking it to us by dropping the price, its not market related its just supply and demand so yea those things.

You were getting frustrated with those types of things?
Well I don't believe it, I don't believe that they have to continue to drop the schedule through a drought for example when the markets are fine overseas so that's purely a supply and demand in New Zealand so we have to remove ourselves from that. (K)

...we really strived to create an excellent product, bred them and fed them properly and just did everything dead right and to get to the processing side of it and either get ripped off, so they'd try to put us out of business or just totally ignore the quality and just pay us on the average like everyone else, yeah it made me pretty angry. So that's when this opportunity came along. I really want to take them on, because for too long farmers have sort of been dictated to by these blokes. (E)

So that's when we thought well y'know we've just gotta get out and do it ourselves or else these guys are only going to look after them and not us so that's what made us go and...(G)

The last quote illustrates both a desire to increase on farm returns and an interest to become involved in marketing and selling of the farm's products. Farmer C also felt that if he had more capital then he would like to become more involved in the marketing of his product.

Well I just think that we need to get closer to the customer so that we know what they want really I mean the problem is with most of the things we're selling from the farm we have really no idea what the customer wants. (C)

Climatic events such as the 1992 snow were factors which worsened these farmers financial position and provided an impetus for the expression of entrepreneurial characteristics.

Speaking for myself, about how it all started I would never have done it if things hadn't been so tight in the farming world, ever. (A)

There were also other less tangible reasons for wanting to start a business. Some farmers (A, B, C) were getting bored of their current farming system and others (G, J, K) had initial reasons which were unrelated to the business and subsequently saw an opportunity to start a new venture. Some farmers were also motivated by a desire to remain on the farm which they thought could be fulfilled by improving the profitability of their farming enterprise.

No well the main reason I did it was in the late 70's and 80's when the helicopters come into this area and they were creaming everything out. And well I was one of the only ones in the whole area that never let them on my property and it became a kind of a sanctuary to the deer, and I was thinking Jesus there's not gonna be any more hunting left for my kids, with all the choppers around. So I thought there weren't going to be any great numbers of deer so I fenced actually fenced them in and built it from there... (G)

And my motivation was different, I had three children who had just all left home and none of whom will farm in all probability and I could see along future ahead of me... and I knew I was going to be there feeling a titch bored. (A)
When you went into flowers and then into beef, was your main aim to increase your profit so you could retain your current lifestyle and remain on the farm, or was it because this looks quite exciting, I have never done this before a challenge? Or was it something else?

No it was to make the farm initially more profitable. We went into beef and marketing our beef and growing our grapes and marketing our wine to improve the viability of remaining in farming in this area. (F)

Some farmers (D, E, G, K) were motivated by succession issues and felt a responsibility to maintain an asset and increase the value of the farm business that they inherited from their parents. Others also felt that they wanted to help improve the returns of other farmers who had supported them in the past.

This farm has been here well I'm the third generation and the fourth are on their way and I certainly want to make sure that, well there's an old saying the first one makes it, the second one spends it all and the third one something. I don't want to fall into that category. There is a bit of responsibility there to leave it on a good footing." (E)

Yea I think its also then to be able to source the product from our clients and then increase our clients and the whole breeding program because of it so the whole thing is tied together really. So you're trying to remove our product and our clients product really from the mass bulk market and give it an identity. (K)

Most (A, D, E, F, G, H, I) farmers enjoyed the satisfaction of growing a good business and were motivated by the process of entrepreneurial activity as much as the final outcome of increased returns.

What has pushed you to do these things?
To get a business to run and to be able to maintain all the specs and put all the gear in that it takes to do it, you need a certain amount of throughput. So you have got to try and match that to the cost that is going into it. If you look at it world-wide, there are getting less and less operators in every field, that is because each individual, if you look at our set-up there, you say well OK what are the issues that have popped up last year... (H)

One is attitude and one is being able to stay focused on the job that you set out to do. That is why it is critical to love what you do - don't do it for money. If you love what you do you will always stay focused on it but when you deal with other companies, co-operatives and directors, they are guys who get bought and get sold overnight for a cheque. (H)

I said no we are not prepared to do that yet and the supermarket said; “How big do you want the cheque?” We said we were not interested. It has got nothing to do with money, we are not doing the two jobs at the moment to a degree that we are happy with, so why the hell would we go on to something else. So the change of expanding is always there. But it is what you want to do as a person. (H)

Some were motivated by negative comments from other peers and colleagues in their farming area and this drove them to prove to themselves that they had made a good decision.

Well one of the main things that maybe motivated me from the start was that a lot of people thought we were absolutely mad coming up here selling quite a nice property to come up to a
place that was run down and wasn’t working. I was determined to get it up and running. My main aim was achieving the performance level up there that was my main aim to sort of buying marginal properties that weren’t performing and people going broke on them to get them up to a level so you can make a decent living off them and I have really got a lot of satisfaction out of that. (I)

5.9.2 Conventional Farmers

The conventional group of farmers was also questioned on what motivated them to achieve in their farming operations. While the following sections may not contribute to understanding the motives behind entrepreneurial behaviour it is likely to highlight whether the motivations of the entrepreneurial farmers to establish an entrepreneurial business are shared by the conventional farmers when trying to improve their farm performance.

The responses from farmers growing a traditional farm business were not significantly different from farmers growing an entrepreneurial one. These farmers were motivated by succession issues, debt reduction, and a sense of achieving a high level of performance from a pastoral farming system.

... if I can explain to them that the higher performing sheep are worth a bit more, so that’s always been in the back of my mind or the driving force as we got more involved in the stud sheep because I got so sick of the prices in farming and the big corporate just coming along and dictate to you and so we always wanted to drive our own destiny there a little bit... (O)

Dollars. Number one would be dollars it has to be a cash benefit and behind that would be labour efficiencies meaning that if I’m going to run around and not change the dollars sufficiently, but its going to take me a whole lot of extra work, then its not worth doing because the labour efficiency on a one man band is a bloody important thing. There’s got to be a good return on changing something and you’ve got to be prepared to put the work into to do it. (N)

Well probably my original aim was to get some land around us and get as much out of it as you can and breed the best possible stock you can and grow the best out of the cropping ground, but y’know I’ve never been one to gather up glitter around the shed in terms of machinery. Like if I was about to finish I’d like to think that I would have achieved most of the things that I set out to have done, rather than say I wish I had’ve done this or that. (O)

My goal probably has been to help all the boys get started farming, if they were interested, if they weren’t interested that’s fair enough and that would probably save me the hassle. But they are interested and it’s been a pleasure to help them, so that’s probably the biggest goal and providing that everything goes right they’re all sailing pretty close to the wind but with a bit of luck it’ll work. (M)

Like the entrepreneurial farmers there also appears to be frustration with these farmers in the system of rewarding farmers for farm products.

y’know its bloody frustrating cos its effecting our livelihood and sure most farmers are behind a structure which is single desk or call it what you want, but if its run properly its to the benefit of everyone but shit there’s a lot of dead wood in there at the moment. (N)
The motivations to reach the level of success achieved by both groups were generally similar with some minor differences. Most farmers were motivated by succession issues, debt reduction, and being able to grow a successful farm business. Some of the entrepreneurial farmers were however, becoming frustrated with their level of control prompting them to look closer at downstream product related activities. Some of the entrepreneurial farmers were also facing an uncertain future which forced the to take up opportunities that they may not have, if not pressured financially.

5.10 Conclusion

The results presented in this Chapter have identified some important aspects of rural entrepreneurship. The presentation of results on a section by section basis has highlighted the special traits of entrepreneurial farmers and helped to identify unique characteristics that are worthy of further discussion. While Chapters Two and Three suggested that the entrepreneur was a unique character, the results have found many similarities and some differences between conventional and entrepreneurial farmers. The following chapter will discuss these findings and relate it to the literature to provide a more meaningful understanding of the ‘entrepreneurial farmer’.
CHAPTER SIX: DISCUSSION

6.1 Introduction
This chapter discusses the research findings. It presents a model of emerging entrepreneurship in New Zealand farmers derived from the results. The discussion of important aspects of entrepreneurship follows the same progression as the results in Chapter Five. An Entrepreneurial Scorecard is developed that helps to determine whether particular characteristics are unique to entrepreneurial farmers. A redefinition of an entrepreneurial farmer is discussed and a conclusion is drawn for the implications of the discussion for the study.

6.2 Emerging Entrepreneurship in New Zealand Farmers
The conceptual model Figure 4 represents a phenomenon which has emerged from the investigation of entrepreneurial and conventional pastoral farmers. This model was based on Naffziger et al.'s (1994) model (Figure 2) and has been developed from a shift in conceptual thinking of rural entrepreneurship and the description of the entrepreneurial farmer.

Figure 4 A Model of Emerging Entrepreneurship in New Zealand Farmers

The model is cyclical and conceptualises the decision process that farmers may take when formulating a strategy to achieve farm performance based goals. The model begins with the circle which represents any farmer who has established goals and objectives (financial or other) for his/her farm business. In order to achieve these goals, the individual may pursue one or more of the three business aspects of the farm, depicted in the boxes as production, processing and marketing. If a farmer decides to become involved in product/service related activities outside the farm gate they may decide to pursue the entrepreneurial path. If not, they may take the conventional path.

The ‘entrepreneurial decision’ may be made at the ‘Strategic Farm Direction’ stage of the model. This decision is influenced by four determining factors. These are resources, environment, personal character, and social setting. These factors have been identified in the case studies of entrepreneurial farmers and supported by the entrepreneurship literature (Naftziger et al, 1994; Liles, 1974). These four determining factors are discussed below.

Resources
The results in Chapter Five indicate that most entrepreneurial farmers do not make the decision to act entrepreneurially until they have a resource base from which they can launch a business venture. Hence, the level of resources available to the farmer are likely to influence the strategic farm direction and the ‘entrepreneurial decision’.

Environment
The environment has a significant influence on the decision to behave entrepreneurially. This has been found in both general entrepreneurship studies (Morris and Lewis, 1995) and in the results presented in this study. An environment which is dynamic and changing is likely to provide more opportunity for entrepreneurial activity. Studies have shown that an individual is more likely to start an entrepreneurial business when they have been dissatisfied with their previous position (Brockhaus, 1982; Liles, 1974; McClelland, 1966). The results from this study clearly show that many of these farmers have been faced with an uncertain future and this has provided the impetus to become involved in the entrepreneurial part of their farm business.
Personal Character

A most striking feature of the entrepreneurial literature is an emphasis on the personal characteristics of the individual which provides the foundations of the phenomenon of entrepreneurship. The results of this study support other entrepreneurship studies by showing that innovativeness, risk taking, confidence, being proactive, having vision, having an internal locus of control, and goal setting are likely to feature strongly in the entrepreneur’s character. An individual’s experience and background are also likely to influence the decision.

Social Setting

The social setting within which these farmers operate may have more bearing on the decision to act entrepreneurially than previously thought. Liles (1974) suggests that many “would-be entrepreneurs” perceive that leaving a corporatised position in an organisation with security and social standing to start an entrepreneurial business is a backward step. In the New Zealand farming sector, it is likely that changing the direction of the farm business from a successful conventional farming enterprise to a potential entrepreneurial business requires great confidence by the farmer. In most cases, the rural community encourages innovation and creation in processes of production. However, the results of this study suggest that venturing outside this domain may draw negative commentary.

The model in Figure 4 represents three possible scenarios that may occur for innovative New Zealand pastoral farmers. The first scenario, and historically the most popular, depicts a farmer achieving his/her goals through improvements in on-farm physical production. This decision will lead the farm strategic direction in the ‘conventional way’ and return to the original circle. This conventional path is the traditional focus of many New Zealand farmers. The decision to pursue the conventional path is based on a number of factors. The most significant of these are outlined above. Once the individual has pursued this pathway they may adjust their goals and reconsider their position when they reach the circle again. They can then make their strategic decision and choose to continue along the conventional strategy. This strategy can be likened to the progressive management style of Olsson’s (1980) Cautious Strategist.

The second scenario to emerge from the model depicts a farmer who may decide to add value to farm products/services by developing some extra part of the farm business in the
production, processing, and/or marketing capabilities of the farm. Provided the farmer perceives that the four determining factors are desirable, he/she may make the decision to pursue the entrepreneurial path to achieve the goals and objective that he/she has set. This decision may be made at an early stage in the farmer's career if resources are favourable for the pursuit of this farm strategy. This scenario can be likened to the actions taken by some of the entrepreneurial farmers interviewed in this study (E, J, K).

In the third scenario, a farmer may have pursued the production of farm products in a conventional way for number of years. The production processes may involve innovation and is likely to result in the accomplishment of set farm production goals. Once the farmer has reached a point where the farm is producing efficiently, he/she may pursue another area of the product value chain. This change could be for a number of reasons and may simply be a search for more challenges to pursue in a new area of business. The four determining factors, namely resources, environment, personal character, and social setting are likely to influence the development of an entrepreneurial venture. If the farmer perceives the four determining factors to be desirable, he/she may pursue the entrepreneurial way and follow the decision making process back to a re-evaluation of goals and objectives.

If the farmer enjoys success (achievement of goals) by pursuing either conventional or entrepreneurial path then confidence is likely to increase and the pursuit of that strategy is likely to continue. If a strategy becomes less successful and goals become harder to obtain, one may reconsider the farm strategy and make another decision. This is likely for entrepreneurial farmers who have progressed in a way akin to the third scenario; the conventional path has become a less successful strategy and forced them to reconsider the direction of their farm business.

This change in strategic direction of the farm is usually driven by a desire to establish more control over the price of the farm products. After a period of farming in a conventional way the farmer has intimate product knowledge which is essential for effective marketing, as well as a greater resource base with which to launch an entrepreneurial venture. An understanding of the production of the marketable product may also give a farmer more confidence in other areas of the value chain.
This model represents the emerging nature of the majority of entrepreneurial ventures established by farmer respondents in this study. The model represents a dynamic process with a feedback loop. This process has been identified as an emerging one and therefore is likely to occur after the achievement of production based goals. The declining physical capabilities (with age) of the farmer may also lead to emergence of more entrepreneurial behaviour as application of less physical skills may provide opportunities to utilise the creative and managerial resources that farmers possess. Therefore, many New Zealand farmers may possess the qualities to pursue the 'entrepreneurial way' but may not do so until they have achieved production based goals. Since farmers appear to continually reassess their relative competitive position they are likely to make decisions based on a combination of information, confidence, and external resources and environment.

Interpretation of the results show that farmers make the decision for their farm strategy based on the four factors that are listed at the right hand side of the diagram. These findings fit with other entrepreneurship research and shows that the environment can influence entrepreneurial behaviour (Naffziger et al (1994) and Morris and Lewis (1995)).

In the following section, each aspect of the literature is discussed in the order that it appears in the cycle of emerging entrepreneurship. The results of interviews are discussed with reference to literature and the theory of emerging entrepreneurship. Goal setting and farmers’ motivations to innovate are discussed as the entrepreneurial cycle begins with this process. Planning and information are then discussed as these are likely to be important for the entrepreneurial venture and also likely to involve potential new forms of risk to the farm business. The third section discusses the strategic direction decisions for the farm business, as rural entrepreneurship is likely to involve change. Finally, the benefits and problems caused by this process will be evaluated with a final discussion on a redefinition of the entrepreneurial farmer.

6.2.1 Goal Setting and Planning

Goal setting did not distinguish the entrepreneurial farmers from the conventional farmers interviewed in this study. While goal setting is likely to be a feature of successful entrepreneurial ventures, it is likely to be a feature of most successful individuals. Like information gathering and research, goal setting was undertaken in an informal way. This approach was likely to arise from the respondents’ practical rural background. Both groups of
farmers remained flexible in how they were to achieve these goals but devoted a considerable amount of time to planning.

The entrepreneurial farmers’ goals changed as they achieved more of their production based goals. They began to set goals for their entrepreneurial business, but these were harder to define due to their inexperience in business outside the farm. For example, these goals might be ‘growing the new farm venture’ or ‘establishing a reliable client base’. The goals that were established for the production side of the farm were significantly more specific while the entrepreneurial venture goals were vague until the farmers understood more about their new business environment. The refocus of farmers from production goals to business goals supports the theory of emerging entrepreneurship as it is likely to be coupled with a change in perspective and may be the first step in pursuing the entrepreneurial path (Figure 4). The conventional farmers appeared to have more specific goals for the farm as they had a sound understanding of the farm’s limits to production. The entrepreneurial farmers goal setting can be likened to a vision of what they would like achieve for their farm venture.

Both groups of farmers displayed high levels of determination and commitment to their business and the fulfilment of their goals. While the entrepreneurial group had a basic dream or vision and the conventional groups had specific farm based goals, both groups remained flexible as to how they were to achieve them. The results suggest that goal setting is very important for both groups of successful farmers and, therefore, is likely to be an important part of emerging entrepreneurship for New Zealand farmers.

The entrepreneurial farmers in this study liked to have feedback on the progress they were making in achieving their goals. This aspect of entrepreneurship supports the findings of McClelland (1966) and Brockhaus (1982). However, feedback and recognition differed in some ways because these farmers felt it was important to have positive feedback from their customers and clients rather than seeking any special accolades or recognition. The conventional farmers had a similar attitude to this issue although their feedback was considerably more limited because of limited customer involvement. The ‘down to earth’ attitude that these farmers expressed is likely to stem from a rural background and may differ from other general studies of the goal setting behaviour of entrepreneurs.
All farmers interviewed in this study felt that planning was a very important part of how they carried out their business. This supports the findings of Olsson (1984) and Carland et al. (1984). Farmers interviewed in both groups undertook planning in both informal and formal ways by budgeting and planning general day-to-day farm management or by running through plans in their head while they were carrying out farm work. The high level of planning was similar for both groups of farmers and is unlikely to distinguish the entrepreneurial type from the conventional farmer. Because farming is a series of key events during the year, the timing of which have a major influence on performance, the result of this study suggest that planning is likely to be a feature of most successful farmers farming in a conventional way.

6.2.3 Motivation

The main aim of the entrepreneurial farmers was primarily to increase their farm returns. There were also other factors that motivated this group to achieve and these are likely to be linked to the special entrepreneurial character. The entrepreneurial farmers had a desire to increase their involvement with their product closer to the consumer and were also frustrated at existing structures of selling and payment. Some of these farmers also faced financial pressure and an uncertain farming future. Both groups were motivated by a desire to decrease debt levels and some had succession issues to manage.

The finding on the motivation of entrepreneurial farmers is supported by Schumpeter’s (1934) theory of entrepreneurship. He suggested that entrepreneurs place less importance on the result of success than on the process of succeeding itself, in which they gain satisfaction and fulfilment. The ‘joy of creating, of exercising one’s energy and ingenuity or solving a problem’ was also present in the responses from the entrepreneurial farmers. The establishment of an entrepreneurial venture that increases on-farm returns, recognises some particular product or service quality, and results in intangible benefits for others, provides additional motivation.

A ‘push’ factor identified by Shapero, and Cooper (both cited by Brockhaus, 1982) was found in the entrepreneurial farmers to provide the impetus to establish an entrepreneurial venture. There appears to be a frustration found in both groups with the way farmers are rewarded for their products. This is comparable with Marris and Somerset (cited by Wilken, 1979) who cited frustration as a factor for generating entrepreneurship. These farmers may be more highly motivated to avoid returning to the former farm business structure. Schumpeter’s traits of a willingness to fight and conquer are especially evident in this regard, as these farmers felt
powerless to improve their returns through improvements in quality before making the changes to their farm.

6.2.4 Risk

The area of risk has special significance for the study of entrepreneurial farmers because entrepreneurial behaviour may be a response to the risk involved in farming conventionally. Entrepreneurial farmers may be endeavouring to reduce the risk their farm business is exposed to by becoming involved in other farm product/service related activities. Table 3 summarises the results by comparing the risk sources and management of both groups of farmers.

The results show that for conventional farmers, production risks were the main risks that these farmers were concerned about. The conventional farmers had lower levels of financial risk although they had been working to reduce their risk in this area. These farmers also had sources of business risk that were more directly linked to physical production. The results revealed some differences between the entrepreneurial and conventional farmers risk sources and attitude to the risk in their farm business. The conventional farmers in this study expressed a more conservative attitude to total risk levels and managing the risk their farm was exposed to preferring to manage risk with improvements in production efficiency and flexible stock policies.

Entrepreneurial farmers were willing to accept higher levels of risk and also managed their risk in different ways. Production risks still encompassed a large part of their risk sources, as the production of high quality products was often essential for their business and markets (market risk). Some felt that there was significant financial risk tied to their operation, while others felt that market risk posed the most significant risk to their entrepreneurial business. There were a number of changes in the sources of business and financial risk for these farmers coupled with a change in attitude to the level of risk that the farm was exposed to. In general, both the entrepreneurial and conventional farmers sought to reduce their level of total risk. However, there were differences in methods of managing and bearing risk.

The first change was a clearer understanding of how their production risks were intimately linked with their markets and customers through the involvement in their off-farm business. This understanding lead to new methods of managing risk; for example, the inclusion of production partners or extra investment in quality assurance while still preferring to retain
overall strategic control. The second change is a more effective management of the farm's market risk exposure. This was achieved by more direct involvement with customers giving clearer signals for production. Uncertainty in weather and animal health also had implications for their level for their market risk. A new source of risk emerged in the direct involvement with consumers and was managed with regular contact and personal skills. The third change encompassed the risks involved in employing and retaining quality staff and the delegation of important roles. In Cassons's (1982) review of Knight's economic theories he suggested that the role of entrepreneurs can be to accept the risk of employing the right people in their businesses. Confidence in one's judgement of others ability is suggested to be a distinguishing characteristic of entrepreneurs. This finding is also supported by Knight's depiction of entrepreneurs as the recipients of pure profit (residue after meeting the cost of the production) and the risk associated with this position being directly linked to crucial decisions about employment.

These entrepreneurial farmers have reduced their business risk from variation in income by attempting to gain more control of their market by establishing clearer information channels and closer links with customers. While this approach is often coupled with increased levels of financial risk, it can provide them with an improved understanding of their market and a comparatively more certain farming future. This approach has elevated them into a more responsive position to make the necessary changes in the future.

The level of information gathering is likely to influence an individuals risk preference for a single decision (Fleisher, 1990). The findings of this study support literature on management styles (Olsson (1980), Miles and Snow (1978)) that suggest entrepreneurs gather considerable amounts of information for decision making. As these entrepreneurial farmers gather more information, they are likely to have more confidence in decision making, as the forecasted result is likely to be closer to the true outcome. Confident decision making may be more than a personal characteristic of entrepreneurs, but a direct result of the attention to detail they pay in research and information gathering. Using this logic may remove the mystery that surrounds some aspects of entrepreneurship often conceded to as personality. The self
Table 3  Risk observations for Entrepreneurial and Conventional farmers

<table>
<thead>
<tr>
<th>Risk</th>
<th>Farmer</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>Conventional</td>
<td>Have little control over external factors. Internal factors are usually closely monitored and high levels of information gathering and innovation. Precautionary measures are used eg. sprays and drench etc. Production risks have a large impact on profitability of farm business.</td>
</tr>
<tr>
<td></td>
<td>Entrepreneur</td>
<td>Have little control over external factors. Animal health and genetic improvement are managed with high levels of information and innovation (eg. new breeds/cultivars, stock recording). Try to keep operation flexible. Production risks can be increased because decentralisation of role.</td>
</tr>
<tr>
<td>Market</td>
<td>Conventional</td>
<td>Have little influence over marketing or how market perceives product. Heavy reliance on other interested groups to set price of farm products.</td>
</tr>
<tr>
<td></td>
<td>Entrepreneur</td>
<td>More control over how market perceives product, control over supply, direct market signals, complete market information, less distortion of market signals by other interest groups. New sources involved in personal contact with customers.</td>
</tr>
<tr>
<td>Financial</td>
<td>Conventional</td>
<td>Maintain high production and quality to manage debt and conservative capital structure i.e. below debt servicing below 17% of GFI(^3). High debt burden and servicing can have significant impact of farmer performance.</td>
</tr>
<tr>
<td></td>
<td>Entrepreneur</td>
<td>Entrepreneurial ventures can have large capital requirements. Financial risk may be managed by the inclusion of equity partners while likely to retain strategic control.</td>
</tr>
<tr>
<td>Legal/Social</td>
<td>Conventional</td>
<td>Risk is limited to RMA(^4), and OSH(^5) etc.</td>
</tr>
<tr>
<td></td>
<td>Entrepreneur</td>
<td>Legal risk can be a major part of the business risk as marketing usually involves closer association with finished product and consumer.</td>
</tr>
<tr>
<td>Human</td>
<td>Conventional</td>
<td>Farm management is usually dependent of the activities of a key person and farmer's health is very important to farm performance.</td>
</tr>
<tr>
<td></td>
<td>Entrepreneur</td>
<td>Farm performance is not dependent on key person but off farm activities can be very dependent of health of farmer. Employment of competent staff can pose significant risk to entrepreneurial farm business.</td>
</tr>
</tbody>
</table>

\(^3\) Gross Farm Income- represents all income from products and services before direct farm expenses tax or interest payments.

\(^4\) Resource Management Act 1991- principal statute for the management of land, water, subdivision, soils resources, the coast, and air and pollution control, including noise control.

\(^5\) Occupational Health and Safety Act etc
The governing approach that these farmers adopted for risk bearing is supported by Liles (1974), Brockhaus (1982), Casson (1982) and McClelland's (1966) 'need to achieve' theory, who all suggest that entrepreneurs would rather be responsible for their own problem solving and are prepared to bear higher levels of risk.

The entrepreneurial farmers in this study were not risk seekers, yet they were more willing to accept higher levels of risk. They managed new sources of risk such as legal sources and threat of competition with insurance and trademarks utilising superior information. The results and discussion in this study have supported other authors claims that information gathering is important for risk management. Information gathering is also important for other areas of the farm business and will be discussed in the following section.

6.2.5 Information

A number of authors (Olsson, 1988, Fairweather and Keating 1990, McLeay 1996) have suggested that a higher level of information gathering is a distinguishing feature of an entrepreneur's management style. They also suggest that the amount and depth of information gathered by the entrepreneur will have a significant effect on the success of the entrepreneurial venture.

While both groups of farmers interviewed utilised many sources of information, they gathered this information from different sources and used it in different ways. The sources of information used by the entrepreneurial farmers were more focussed on the new expanded part of their farm business. The entrepreneurial group gathered a significant amount of information but only one used a farm management consultant for farm production decisions, preferring to rely on their own knowledge and a “gut feeling”. The entrepreneurial farmers seemed to possess a higher level of confidence about their decision making when seeking information and advice on farm production. In Casson's (1982) review of the economic theories of the entrepreneur, Knight, who suggested that entrepreneurs have higher levels of confidence than the general population, supports this observation. This may indicate that while production is still important to their business, they use experts for innovative technical advice and seek information about their markets. The different sources of information used can be likened to a shift of focus from production to the marketing aspect of their business.
Olsson (1988) suggested that entrepreneurial farmers like to surround themselves in advisers and entrepreneurial literature. The entrepreneurial farmers in this study were less inclined to seek advice from a wide range of people and relied on a small number of key experts that they had established relationships with. Information was gathered in a number ways both in a formalised way through advisers and publications and often informally by consulting partners and friends. The small number of advisors used by both groups of farmers is likely to mean that they prefer to rely on a small number of trusted people for advice.

Travel was an important part of the information gathering process for the entrepreneurial farmers. This group felt that international travel was an invaluable learning experience for them and was essential for the continued growth of their business. The benefits of overseas travel gave them new ideas for farm production and new markets to produce for. It also enhanced their understanding of their relative position in their product chain and provided them with personal contacts with which to strengthen this position. Travel distinguished the entrepreneurial group from the conventional farmers and is likely to be an important part of the emerging entrepreneurial process.

The conventional farmers used farm management consultants primarily as a sounding board for ideas on farm production or management. The conventional farmers, in contrast to the entrepreneurial group, relied heavily on farm discussion groups as an important source of information. The use of farm discussion groups highlights the strong production focus that conventional farmers adopt for information gathering.

The range of business enterprises the entrepreneurial farmers undertook influenced the amount and detail of information gathered for the business. If the venture was relatively similar to their original farm base then they learnt as the business progressed. More involved operations requiring additional resources, a new area of expertise, and higher levels of risk were likely to involve experts for advice. Information gathering was a dynamic process carried out as their farm business progressed and was generally an informal process.

6.2.6 Change

Growth of the farm business involved changes to the management structure of the farm firm and usually resulted in delegation of important roles and entrepreneurial farmers taking a more administrative role. A fear of having to accept a lower standard of production made this
transition problematic for most farmers. However, they realised that this change was essential for the development of other parts of their farm business. Their attitude to delegation was similar to that of the conventional farmers who had to delegate in a less extensive way. The reluctance of the both groups of farmers to delegate key jobs is likely to be a function of an 'internal locus of control' characteristic that is very much a part of both entrepreneurial and conventional farmer groups. Both groups of farmers preferred to have control of their business and were accustomed to being responsible for their own success. This is likely to lead to problems with delegation.

As the entrepreneurial farmers established their farm venture, there was likely to be an initial trade off between physical farm performance and further involvement in their new business. A difficult transition arose when the returns from the entrepreneurial venture were not sufficient to warrant the decrease in farm production. Most farmers exhibited persistence and confidence in their product through this period, and this is likely to be a personal trait of entrepreneurs. This transition period may also act as a test as to whether the entrepreneurial farmer is likely to succeed in the future. Not all the ventures that these farmers pursued have succeeded. It is the confidence to continue to innovate, use information in new ways, and create that may distinguish the entrepreneur from conventional farmers.

6.2.7 Control and Strategy

The entrepreneurial farmers have actively sought to improve their position on the value chain and gained more control by becoming involved in their particular market. The entrepreneurial farmers in this study have gained an enhanced understanding of the relative competitive position of their farm during the establishment of their entrepreneurial business. Some believed that they had changed their position from a price taker to a price maker and shifted their focus from production to marketing in the process. This transition is believed by most farmers to be the key to improving returns from farm products.

These farmers have adopted a strategy formulation similar to the 'resource based approach' advocated by Grant (1991). The hallmark of profitable pastoral farming has traditionally been the most efficient utilisation of available resources. These farmers have based their entrepreneurial venture on their existing resources while acknowledging that their most important resource is likely to be their management and ability to create and innovate. This approach to strategy formation is supported by Schumpeter's economic theory of
entrepreneurship, in which he identifies entrepreneurs as those who profitably reorganise existing resources in new ways. The entrepreneurial farmers’ basic physical resources are similar to the conventional farmers. However, their perceptions of these resources and the higher levels of confidence they exhibit in the reorganisation of them are significantly different.

Research on farm strategy by Kaine et al. (1994) found that Rotter’s ‘internal locus of control’ trait was most representative of farmers fitting the Prospector management style. In addition, they suggested that farmers adopting this approach to strategy selection are likely to use higher levels of planning than those following other strategies (e.g. Analyser, Defender). Kaine et al. (1994) suggested that planning is a function of ‘internal locus of control’ because an individual feels that they have more control over their future and therefore, planning is a worthwhile use of resources. The results presented in this report suggest that it is not only those individuals following a Prospector strategy that utilise formal planning methods. The conventional farmers investigated in this study exhibited an ‘internal locus of control’ trait and utilised formal planning methods while farming in a manner more akin to the Defender strategy.

Most of the entrepreneurial farmers still preferred to think of themselves as primarily farmers. This may also shed light on their motivation to establish the entrepreneurial business and continue to enjoy their farming lifestyle. While they preferred to think of themselves as farmers, most thought that they were farmers with a better vision or outlook on their farm business. The changes that these farmers had made had generally resulted in the specialisation of a farm product and marketing of some distinguishable feature to differentiate their product and earn a premium. Although the entrepreneurial farmers’ outlook on farming had changed they still enjoyed the physical parts of farming. They realised that they had the opportunity to develop other skills and could have a role in the marketing of their products.

Both groups of farmers expressed a desire to remain on the farm and each farmer continued to run the business from the farm. The entrepreneurial farmers still retained an interest in the production side of their operation, be it either physically or in a more supervisory role.
6.2.7.1 Leibenstein’s X Efficiency

Leibenstein’s X-efficiency theory (reviewed by Casson, 1982) appears to have particular significance to the activities of the New Zealand entrepreneurial farmer. Leibenstein depicts an economy as a net made up of nodes and pathways. The nodes represent industries and households that receive inputs (consumer goods) from other nodes (industries and households) along the pathways and send outputs (final goods and commodities). In perfect competition, each node is clearly defined, pathways are well marked, competition for inputs is on an equal footing, and the net is complete. However, in a more realistic economy, nodes are not always defined and pathways can be unmarked leaving holes and gaps in the net. Leibenstein suggests that entrepreneurs can adopt the role of ‘gap filling’. ‘Gap filling’ involves the entrepreneur facilitating and creating new pathways resulting in a competitive advantage for inputs and more profitable pathways for outputs.

Figure 5. Application of Leibenstein’s X-Efficiency theory to Entrepreneurial Activity
Most entrepreneurial farmers in this study have re-defined their own value chain and pathways to enhance the profitability of their farm business. Farmer D is an excellent example of an individual fulfilling the 'gap filling' role described by Leibenstein's X-efficiency. Before establishing his entrepreneurial business, Farmer D received market signals through a long line of downstream actors and felt that the true market signals were being distorted. By approaching the end user of his product, Farmer D received more direct signals and was able to fit his production to the needs of buyers. Farmer D was also able to guarantee exclusive supply of his product to buyers and established a valuable product brand in the process. Fig 5 visually represents the 'gap filling' role enacted by Farmer D and other entrepreneurial farmers.

6.2.8 Resources

In general, the entrepreneurial farmers in this study had a basic level of resources that gave them the confidence and security base to start a new venture. Most of these entrepreneurial farmers decided to expand their farm business in an entrepreneurial way after they had achieved their production based goals. This provided an established farm that could support the start-up phase of a new business. While there are exceptions within the group, most of these farmers have been able to sustain start-up problems or uncertain cashflows with the support of an established farm business. This issue should not be seen to impose a limitation on rural entrepreneurship, although it may limit the initial size and scale of the entrepreneurial business. Furthermore, if an emerging entrepreneur faces a limited resource base, this may result in a reduced level of confidence, perceived to be essential in establishing a new farm based enterprise.

While confidence and risk taking are personal attributes that distinguish the entrepreneur, other factors provide a catalyst to their expression. A level of resources that has provided opportunities for entrepreneurial farmers to travel has given them a broader outlook on the position of their farm. The understanding of markets provides incentives for these farmers to try entrepreneurial activities. Many researchers in the area of entrepreneurship debate the circumstance (resources) or personality issue. The results of this study suggest that it is likely to be a combination of both. Many of these farmers have been faced with an uncertain farming future and entrepreneurial behaviour has been perceived as the best option to improve
this future. Once these individuals start to succeed, they are likely to continue to pursue the entrepreneurial path which is consistent with work by Liles (1974) and Brockhaus (1982).

6.2.9 Entrepreneurship

The work by Hornaday and Aboud (cited by Brockhaus, 1982) found that entrepreneurs scored significantly higher on McClelland's 'need for achievement', independence, and effectiveness of leadership than the general population. They concluded that entrepreneurs are highly creative, recruit key people, and set clear business goals and objectives. Both entrepreneurial and conventional farmers interviewed in this study were found to have characteristics similar to the entrepreneurs in the above study. One reason for this finding is that New Zealand farmers are typically owner operators of the farm firm. They are accustomed to making important management decisions and are therefore more likely to already possess some the entrepreneurial traits identified by other authors. In addition, if the entrepreneurial traits outlined above are already present in New Zealand farmers then the initial 'entrepreneurial decision' should not be as difficult as some may assume. This conclusion again draws attention to the important personal trait of confidence. If one can overcome this barrier, then entrepreneurship is more likely to be a more familiar part of rural New Zealand.

While the internal locus of control trait was similar for both groups, the entrepreneurial farmers displayed high levels of determination and persistence in the start-up phase of their businesses. Once these farmers began to investigate the prospect of a new business, or part of a business, they became more committed. The establishment of a viable farming operation led to increased levels of self-confidence for the conventional farmers. The 'internal locus of control' trait had also become stronger with age. For the entrepreneurial farmers, the experience of successfully operating an expanded farm business is likely to give them a better understanding of their influence on their product and overall farm performance. This understanding may also strengthen the control trait. The phenomenon of a growing 'internal locus of control' can be supported by the emerging entrepreneurship theory (Figure 4) and is likely to be a part of the emergence of farm level entrepreneurship.

A positive personal attitude was also a strong feature of the entrepreneurial farmers. The entrepreneurial farmers felt more positive, in general, about the future of farming in New Zealand, although the conventional farmers were positive about their own farm businesses.
The entrepreneurs' positive attitude is likely to be a combination of opportunities they have seen while operating their entrepreneurial business and the success that they have enjoyed from this business. A positive attitude is also likely to contribute to the high level of confidence they exhibit. This confidence was not always present and some had to overcome personal fears in the start-up phase of their entrepreneurial business. The entrepreneurial farmers felt that keeping positive and developing personal skills were essential for their business and building trust in people was a rewarding aspect of their business.

Both groups of farmers exhibited high levels of innovation and openness to new ideas and concepts. The conventional farmers were innovative in the production part of their farm and felt that their willingness to investigate new technology or production techniques had helped them to farm profitably. While these farmers were confident, most would rather be involved in their own field of knowledge and hire experts for specific specialised projects.

The entrepreneurial farmers had learnt many skills and lessons in the process of operating their new business. Being able to deal confidently and honestly with people was an important part of this learning process. Creating ‘rapport’ with business people was an essential step in marketing a product. These farmers felt that having a sound product knowledge was also essential for effective marketing. Both groups of farmers were unconcerned with what others in their district thought of their operation and exhibited a self-governing attitude.

These farmers were easy to communicate with and found it easy to establish rapport with important contacts. The results suggest that New Zealand farmers already have many of the skills required in creating new businesses through their established reputation as innovative farm managers.

6.2.10 Benefits and Problems

The entrepreneurial farmers in this study received many benefits for their expanded farm businesses including significant intangible rewards. The establishment of a successful business and the fulfilment of an entrepreneurial vision were benefits that they perceived as very important. The benefits that these farmers receive are likely to be wide ranging, as they have been motivated by new challenges or goals as much as potential pecuniary benefits. This result is supported by Schumpeter's description of the entrepreneur of individuals who enjoy
challenges and achievement and is encompassed in the theory of emerging entrepreneurship in Figure 4.

The entrepreneurial farm ventures created benefits and opportunities for other farmers to improve their farm profitability and were considered a rewarding part of the entrepreneurial business. While these farmers enjoyed this aspect of their operation it can also be likened to non-economic factors that generate entrepreneurship suggested by Wilken (1979). He suggested that entrepreneurs could be motivated by a desire to improve one’s social position and ‘create a dynasty and security for their family’. The results of this study support this phenomenon because creating opportunities for other farmers and family succession issues were important goals/benefits expressed by the entrepreneurial farmers in this study.

Some of the entrepreneurial farmers had problems with existing selling structures and bureaucracy when they were establishing their businesses. These problems were overcome in general with persistence and industry contacts. These farmers also considered a decrease in the amount of time they could spend with their family, friends, and the physical part of farming to be problem encountered in their business. A decrease in their production was an initial problem that they encountered while establishing the business but was overcome with effective delegation.

6.3 **Entrepreneurial Scorecard**

While the personal characteristics of the entrepreneur are likely to be present in an individual for a period before the entrepreneurial action, there is likely to be an impetus or series of antecedents that lead to their expression. If the initial actions of the emerging entrepreneur are successful, the individual gains confidence and this is likely to give the entrepreneurial process more momentum. The results clearly illustrate a phenomenon whereby an individual’s decision making becomes more effective during or after a period of successful business activity. These results support the early economic literature of Knight, Leibenstein and Schumpeter (cited in Casson, 1982) that suggests confidence in decision making and judgement is likely to distinguish the entrepreneur.
The Entrepreneurial Scorecard presented in Table 4 attempts to quantify a sample of key attributes present in the entrepreneurial and conventional farmers. While this method of analysis has limitations, this subjective type of analysis can yield some valuable insights. The Table presents a summary of observations of the two groups and reveals some interesting observations.

Analysis of the Entrepreneurial Scorecard reveals that goal setting, level of information gathering, innovation, and high levels of personal motivation do not effectively and clearly distinguish the entrepreneurial farmers from the successful conventional farmers. What does distinguish the entrepreneurial group are levels of risk, type of information gathering, involvement in off farm activities, and travel.

Bygrave and Petty (1991) suggested that a small business could be considered an extension of an owner’s personality. During the establishment of the entrepreneurial farm businesses investigated in this study, the unique personal traits of entrepreneurs were essential for their success. This special character includes a desire to embrace change, an awareness of opportunities, a propensity to bear risk, information gathering, personal skills and determination. McClelland’s ‘need for achievement’ characteristic was also a strong feature of the entrepreneurial farmers interviewed in this study.

As noted in Section 6.3, the entrepreneurial farmers in this study are not significantly different from the conventional farmers in the areas of goal setting, innovation or significantly higher levels of information gathering. However, there are some important differences. The types and use of advice and information were significantly different. The entrepreneurial farmers used information specific to their farm business markets and technology issues and considered that accepting advice of farm management consultants may have prevented them from initially pursuing their entrepreneurial business. The limited use of farm management consultants for information and advice is likely to stem from a high level of confidence in their ability to manage their farm. While still placing importance on the production side of their business, they did not see this as the limit of their involvement and control.
Table 4  Entrepreneurial Scorecard

<table>
<thead>
<tr>
<th>Farmer</th>
<th>Entrepreneurial</th>
<th>Conventional</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>Farm production performance/focus</td>
<td>n/a</td>
<td>4</td>
</tr>
<tr>
<td>Involvement in other activities</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Use of Farm Consultants</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Marketing Involvement</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Production Involvement</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Travel</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Innovation</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Risk Level</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Time off farm</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Change in role</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Change in income</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Goal oriented</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

**Scale**

- Very high levels exhibited: 5
- High levels exhibited: 4
- Medium levels exhibited: 3
- Low levels exhibited: 2
- Very Low levels exhibited: 1

The values given in the Entrepreneurial Scorecard are based on an overall assessment of the important entrepreneurial characteristics identified in the literature. The scores for each attribute are a comparative weighting. The breakdown of important characteristics has aided in the analysis and comparison of entrepreneurial and conventional farmers.

Farms are depicted as letters, for example Farmer A.
One can interpret these findings by concluding that these entrepreneurial farmers have seen opportunities outside traditional boundaries of the farming sector giving them a clearer understanding of the farm business's relative position. It is this understanding combined with some external factors (farm resources) and confidence to pursue these opportunities that have led the entrepreneurs to be easily identified at the farm level. From this we can infer that it is likely that a combination of risk taking, off-farm involvement, information sources, resources and a higher level of confidence that distinguishes the entrepreneurs from conventional farmers.

There is likely to be potential for significantly more entrepreneurial activity at the farm level. Dissatisfied conventional farmers wishing to become more entrepreneurial may need to gather different sources of information, look for new opportunities and be prepared to accept more risk, providing they have adequate levels of resources. The accomplishment of goals, both production and other, is likely to build confidence and may lead to more effective decision making.

Liles (1974) suggested that entrepreneurs are likely to emerge from undesirable previous experiences and Wilken (1979) suggested that entrepreneurship is not always generated by favourable circumstances. This phenomenon was also observed in the entrepreneurial farmers who began to explore alternative ways of increasing their farm performance when faced with an uncertain farming future.

The results of this study indicate some key factors that encourage entrepreneurship in New Zealand farmers. The initial steps for emerging entrepreneurs are likely to be a 'push' or a better understanding of their relative competitive position. This position is summarised in Figure 6.
Figure 6. Circumstances likely to foster emerging entrepreneurship in New Zealand farmers

- Achievement of most/all production based farm goals
- Looking for new challenges and/or facing increasingly poor returns
- Becoming frustrated with current system of selling or rewarding for farm products
- Awareness of opportunities for their farm and gained an understanding of farm’s relative competitive position (may involve overseas travel)
- Have resources that can withstand transition period of uncertain income
- Have confidence in ability to manage a business outside traditional farm sector

6.4 Redefining the Entrepreneurial Farmer

During the course of the research period, the term ‘entrepreneurial farmer’ was gradually redefined to include a wider group of farmers. The preliminary observations of entrepreneurial farmers focussed on those farmers who had endeavoured to gain more control of their product price by shifting their focus from production activities to marketing. The primary motivation behind this transition was a frustration with the lack of price control and a general desire to improve the farm’s competitive position.

The second phase of the study included some farmers who had improved their returns from activities outside the farm gate while still maintaining the production focus of their farming business. The definition of an entrepreneurial farmer altered to become a more subtle description of a farmer’s overall business activities conducted with an entrepreneurial type attitude. Some of the respondents developed their business based on the production of high quality products and a general desire to expand their farm business. They were willing to try new things, adopt new technology and concepts, manage people and staff, and have high levels of enthusiasm and persistence while managing their entrepreneurial farm business.

Farmer H for example, endeavoured to grow the best quality product that his resources allowed. He understood that this was the foundation upon which every other aspect of his international business was built. The quality of his product (the result of technology adoption, years of experience, and exceptional staff management) opened opportunities for the
expansion of the farm business. The main motivating factor behind Farmer H’s success was the desire to establish a sound business and an overall pursuit of excellence, while regarding the pecuniary rewards as secondary but essential for continued expansion.

The confidence to become involved in new areas of business is most likely to distinguish entrepreneurial farmers. Once involved, the entrepreneur exhibits the traits of the successful manager (like the conventional farmer) in seeking information, using contacts, delegation, and goal setting. It is the involvement in non-conventional areas or shift in focus, combined with risk-taking, confidence and resources, travel, and new types and uses for information that push the entrepreneur to look further into the unknown. Innovative businesses tend to be more prominent and therefore, entrepreneurs appear to outsiders, to be more goal oriented, and utilise more information than the conventional farmer group. However, the successful conventional farmers in this study possess most of these management qualities but express them within the well-defined boundaries of the farm. It is while pursuing the ‘entrepreneurial way’ depicted in Figure 4 that the successful business traits (goal setting, innovation, new information gathering etc) are most obvious to the outside observer.

6.5 Conclusion

The results and discussion of this study have identified key common traits that can be used to define entrepreneurial farmers’ attributes and how these farmers were motivated to establish their entrepreneurial farm businesses.

It appears that the motivations for improving the performance of the farm business for both the entrepreneurial and conventional farmers are very similar. There are, however, fundamental differences in their approach to achieving these goals. One can interpret from the results that, like motivation, the differences in the level of information gathering, goal setting, and innovation for the entrepreneurial and conventional farmers were insignificant. There are, however, significant differences in the area of business that entrepreneurial farmers are willing to become involved in and the confidence and willingness they have when investigating these opportunities. From this difference in personality stems the other significant difference distinguishing the entrepreneur from others including types and uses of information, resources, and risk. Becoming involved in business outside of the farm sector involves inherently more risk than conventional farmers have been prepared to accept in the past.
The theory of emerging entrepreneurship depicted in Figure 4 encapsulates these main differences in the decision to choose entrepreneurship as a viable option for farm success. The achievement of farm based goals is likely to lead to new levels of confidence and the opportunity to pursue other farm or product related goals. The achievement of farm based goals is also likely to give farmers more resources from which to launch new entrepreneurial ventures and will necessitate new sources of information. The pursuit of a new farm venture is likely to encounter initial problems and higher levels of risk drawing on a strong personal character. The cycle then returns to goal setting and the decision whether to continue to pursue the chosen strategy. The implications of the theory of emerging entrepreneurship and discussion that surrounds it are presented in the final Chapter.
CHAPTER SEVEN: CONCLUSION

7.1 Summary of Study

Key management studies identified an entrepreneurial type of manager alongside other successful and unsuccessful management styles. This person is prepared to take large risks, gather significant amounts of information from a wide range of sources, set goals and think in strategic terms, and utilise advanced planning methods.

Integration of the various management typologies also revealed a production type. The production type views him/herself as primarily a producer and farming as a way of life rather than a profession, they rarely venture outside their own field of knowledge built up by experience. They manage the farm progressively but conservatively and achieve above average net farm returns through production efficiency. Strategy formation was investigated and a resource-based approach to strategy formation was selected as the approach to be most like farmers' approach to strategy formulation.

The literature revealed that entrepreneurs are likely to accept higher levels of risk than other managers are. There are a number of sources of risk for the farm manager and there are also a number of methods of managing the risks in farming. Review of the literature suggested that it was likely that entrepreneurial farmers would have a unique approach to managing the risk involved with farming. It was also expected that entrepreneurial farmers might encounter different sources of risk with new entrepreneurial ventures.

A review of studies on entrepreneurship revealed two basic approaches. One approach looks at the personal characteristics of the entrepreneur and how they influence the activities of an entrepreneurial business. The second approach discusses the role of the entrepreneur in an economic sense and describes the actual process of entrepreneurship. While there is a lack of definitional agreement of the entrepreneur, most authors note that innovation, risk taking, confidence, and superior foresight and judgement are qualities which distinguish the entrepreneur. Other studies examine specific personal traits such as, 'the need for achievement', 'internal locus of control', and goal setting which are major parts of the entrepreneurial character. Previous experiences were also found to effect the emergence of entrepreneurship and a negative push or driver may spark budding entrepreneurs into action.
Economic theories of the entrepreneur suggest that the role of the entrepreneur is to use superior foresight and judgement to capitalise on opportunities where inefficiencies exist. These include price disequilibrium, inhibited flow of information and goods, or a lack of general confidence within a society. These theories suggest that entrepreneurs are the 'prime movers' in economic development and their actions are characterised by innovation, risk taking, confidence, and a drive for achievement that surpasses others in a society. Other studies show that entrepreneurship is encouraged in dynamic and changing environments. Naffziger et al.'s (1994) model of entrepreneurial motivation integrated all of these aspects of entrepreneurship to describe how an individual makes the entrepreneurial decision and how the external and personal factors influence this decision.

In-depth interviewing was seen as the most appropriate approach for this study as this research is attempting to gain an understanding of rural entrepreneurship and develop theories rather than test them. Fifteen case studies of South Island mostly pastoral farmers were undertaken using a qualitative method of in-depth interviewing. Eleven entrepreneurial farmers were selected. These farmers had displayed some form of innovation in production, processing and/or marketing, or had some off-farm involvement with their farm products or services. The four conventional farmers were identified as those sheep and beef farmers who were successfully managing their farm maintaining a tight on-farm production focus.

Some interesting differences and similarities between the entrepreneurial and conventional farmers emerged. While both groups of farmers exhibited a high level of information gathering for their farm business, there were differences in the type of information and who they gathered it from. In contrast to the conventional farmers, who all sought advice from farm management consultants, only one of the entrepreneurial farmers used a consultant, and this was done sparingly. The entrepreneurial farmers felt that overseas travel was a valuable source of information and were more inclined to pursue a “gut feeling” than accept negative advice. The higher level of information gathering corresponded with a general higher level of risk involved in their farm business. The entrepreneurial farmers had taken steps to reduce their market risk but had increased their financial risk and encountered a new risk associated with employing capable employees in the process. Production risks were still very important
for the entrepreneurial farmers although the new parts of their business had given them more control of their farm income making them very positive about their farming future.

Both groups of farmers felt that goal setting and planning were important to their business. However, the entrepreneurial farmers set goals for their entrepreneurial business that were less specific. The entrepreneurial vision that drove these farmers could not be defined as clearly as farm production goals because they had less understanding of the constraints or opportunities that their entrepreneurial business involved. The entrepreneurial farmers enjoyed feedback about the achievement of their goals. The changes that these farmers had made to their farm business had caused them to adopt a more administrative role on the farm. While the entrepreneurial farmers enjoyed the challenges of their new areas of business some missed the “hands on” side of their farm. They also enjoyed being able to improve their farm profitability and provide new opportunities for other farmers through their entrepreneurial business.

The strong personal characteristics of the entrepreneurial farmers in this study were possibly their most distinguishing feature. They were not constrained by convention and had been very determined and persistent while establishing their entrepreneurial farm venture. They had become frustrated with their situation and had actively taken steps to improve it. The entrepreneurial farmers had confidence in their own ability and only used advice for specialised technical parts of their new business. While both groups displayed high levels of innovation, the entrepreneurial farmers had the confidence to exhibit this innovation outside the farm boundary. Both groups of farmers were motivated by a variety of similar reasons including succession issues, debt reduction, improvement of profitability, and a desire to establish closer links with their customers.

The entrepreneurial farmers were not bound by convention but perceived change as exciting and often necessary to enhance their farm business. The major change the entrepreneurial farmer has made to the farm business was an increase in control over their farm income. These farmers made changes and increased their returns, which often involved an increased level of financial risk.
The results of this study revealed a phenomenon of emerging entrepreneurship among New Zealand farmers. A conceptual model was developed which described a process whereby farmers can make the decision to become entrepreneurs. The ‘entrepreneurial decision’ may be made at any stage in a farmer’s career and is likely to be influenced by four main factors. These are resources, environment, personal character, and social setting. Farmers who had achieved most or all of their production based farm goals and were seeking new challenges were typical entrepreneurial types and represented a familiar theme of the entrepreneurial farmers in this study. These farmers expressed a desire to become involved in farm product/service related activities outside the farm gate. The model also accounts for successful farmers who will not pursue the entrepreneurial path and continue along the conventional path in the model.

An Entrepreneurship Scorecard enabled aspects of management to be compared and indicated that there are some remarkable similarities between the entrepreneurial and conventional farmer types. The results of this study have shown that while personal traits such as goal setting, innovation, internal locus of control, personal conviction, and information gathering skills are a part of the entrepreneurial character, they are also present in other successful managers. What did distinguish the entrepreneurs however, was a higher level of confidence, risk taking, and sources and uses of information. Confidence was exhibited in their willingness to become involved in business outside the farm gate, which in many cases involved higher levels of risk.

7.2 Limitations of the Study

The qualitative method of data sampling used in this study may be a limitation. The personalised in-depth interview approach may lead to subjective interpretation of results and influence the research process. While a quantitative method may have significantly increased the sample size, a qualitative method of data sampling was established as the most appropriate method for investigating entrepreneurial behaviour and attitude.

Resource and time restraints limited the number of case studies and restricted the sample area. While the research process included eleven entrepreneurial farmers and four conventional farmers, the analytic induction approach began to reveal a recurrence of major themes and behaviour. The sample number was therefore considered sufficient for an exploratory study of this type.
Chapter Five presented farmers' responses divided into aspects of entrepreneurship and management style and identified common themes between individual farmers and farmer type. This approach, while highlighting distinct themes from the interviews, may have reduced the 'richness' of each case study. Presenting results on a case by case basis is likely to give a more interesting set of 'stories' in entrepreneurship although this would have compromised the confidentiality of the farmers' identity. The respondents were assured their identity would not be disclosed and this was given higher priority.

Among the limitations of the study is the restriction of respondents to the Canterbury and Southland regions. This limitation may provide a regional bias of farmers' views and interpretations. Sheep and beef farmers in these regions may have unique personal characteristics or operate in a socio-economic environment distinct from other farming regions. While the findings in this study have assumed these farmers to be representative of a larger group, it cannot be determined whether their behaviour is significantly different from other areas of New Zealand.

The final limitation is the sample restriction to only successful entrepreneurs. While the literature suggests that successful entrepreneurs are more likely to exhibit the special entrepreneurial traits, it is still unknown whether unsuccessful entrepreneurial farmers share similar characteristics.

### 7.3 Further Research

The results of this study have clearly shown that confidence is essential for farmers to become involved in off-farm business activities. Research could be undertaken determining what factors contribute to farmers' general levels of confidence and subsequently research into how confidence could be improved. Similarities also appeared between the two successful groups of farmers on how they achieved their goals.

Further research could also include investigation of more average performing conventional farmers and a larger conventional farmer sample size. This may highlight other distinguishing features of entrepreneurial farmers by providing a more direct comparison and could even show that successful conventional farmers have more in common with entrepreneurial farmers.
than average conventional farmers. Research of this type could also include the inspection of unsuccessful entrepreneurial farmers.

This study has concluded that entrepreneurship in New Zealand farmers is desirable and may hold potential for significantly increasing the profitability of some New Zealand sheep and beef farmers. In this regard, further research could include procedures on how to facilitate and encourage farm level entrepreneurship in New Zealand.

7.4 Implications

This study has revealed some important management practices common to both entrepreneurial and conventional farmers. Research into how management skills such as information gathering, goal setting, risk management, and planning could be incorporated into rural extension programmes.

This study has revealed significant similarities between entrepreneurial and successful conventional farmers. An implication of this result is that the transition from the conventional to 'entrepreneurial way' may not be as problematic as some may have envisaged. Previous entrepreneurship studies have focused on individuals who are unlikely to have come from a position of business ownership and management. They are therefore unlikely to be making their own management decisions before becoming entrepreneurs. Conversely, New Zealand farmers are traditionally owner-operators of their farms and as such become accustomed to making their own management decisions. The transition from conventional to entrepreneurial farmer may therefore be less difficult than previously envisaged.

A possible first step for any farmer wishing to pursue the entrepreneurial path outlined in this study is to adopt the management practices (e.g. goal setting, information gathering, planning) that the successful conventional farmers adhere to. The successful management (achievement of goals) of a farm in a conventional way is likely to build confidence and may prompt some farmers to look at alternative methods of improving their farm profitability. The implications of this study suggest that it may be desirable for average conventional farmers to adopt practices used by successful good conventional farmers first, and then encouraged to be entrepreneurial.
If farmers can understand that the adoption of an entrepreneurial approach is likely to benefit their farm business, they may focus on higher levels of confidence and initiative. As a consequence, more farmers may have sufficient confidence to utilise (in new ways), their ability to create and innovate. Rural entrepreneurship, while unlikely to be a viable option for all farmers, may hold considerable potential for those farmers looking for new challenges with the confidence to become involved in a growing feature of rural New Zealand.
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APPENDICES

Appendix 1.
Case Study Interview Guide: Entrepreneurial Farmers

1. Can you please outline your present operation, what did your operation used to look like and when did the changes take place?

INFORMATION

2. a) How much information do you gather before embarking on an new venture?
b) Who gathers it? Do you use a lot of contacts?
c) How much professional advice do you seek?
   - Of the advice that you receive or the information that you gather are you inclined to accept prudent advice or rather accept a project on a gut feeling relying on your enthusiasm and will to make it succeed?
   - Entrepreneurial literature?

RISK

3. What are your main sources of risk?
   - As the business grew legal, social and human sources?

4. Has your attitude to risk changed with the development of your new operation?

5. How do you cope with risk? (strategies)
   - Information gathering?
   - Management strategies?
   - As risk of a new venture increases do you handle things differently?
   - Defence and rescue mechanisms?
   - Adequate liquidity?
6. a) Are you the main bearer of risk?
   b) Would you rather spread the risk with partners or accept risk and potential higher profits?
- As the business grew did your attitude to risk change?
- Decision rules or criteria?

GOALS

7. a) Is goal setting an integral part of how you go about your business?
- Overall farm firm objective?
- As the business developed did your strategies change, did the goals change?

b) Do you have a clear framework in your mind on how to achieve your goals?
- Do you like to have continual feedback on how you are position in achieving these goals?

c) How much time do you devote to planning?
- What is the most important part of your decision making criteria?
- Did your confidence in decision making grow with the success of your company?

d) Do your goals change as your business confidence changes?
- Motivation of employees to believe in these goals?
- Is the strategy, goals and objectives widely known to your employees?

e) Do your personal and farm/business goals ever clash?

CHANGE

8. As the size of your operation grew was their any part that you could see was going to suffer due to the delegation of management?
   a) Did your business suffer because you couldn’t do everything yourself and had to delegate?
   -Have you found decentralisation hard?
b) What did you delegate?
c) Is it done as well as you could do it?
d) What do you see as the limit to your operation?
   - Optimum size? Is growth always a good thing?
   - As the business has grown has there been any major structural changes or the way you do business?
   - What advantages do you see by being small scale?

9. How do you make your decisions?
   a) What/who influences can your decision-making? If at all?

10. Has your role changed with the changes in your business? How?
    - Farm: it's position on the value chain, price taker or maker
    - Does the farm have competitive strategies? Is it aware of competition how does it deal with it?

11. a) Where do you see the main benefits of your diversification?
b) What are the main limitations or problems created from your diversification?
   - In unfavourable circumstances (weather) what changes; strategy or goals?
   - How do you handle major changes in the industry?

12. What problems did you encounter when you first took on the latest part of your operation?

13. a) What was your main aim? eg to retain your current farming lifestyle but with increased profits. Was it to involve yourself in agribusiness business further down the processing chain?
b) What is it something else?
   - Were you “pushed”, dissatisfaction with previous position?
14. a) Do you view the farm as a business where you see yourself having some sort of influence in the market?

b) How do you gain a competitive advantage in the market?

c) Do you see yourself having more control in the market than you did before you diversified?

- Has your position changed in the value chain changed since you started your new business. Is this the key to capturing more value from farm products?

- Has your outlook to farming changed?

- Price taker or maker? Has it changed?

PERSONAL

15. What do you think sets you apart from other farmers?

- What distinguishes you from unsuccessful entrepreneurs?

- Emphasis on creativity? As the business expands does this emphasis change?

- Do you try and stick to your own field of knowledge?

- Locus of control?

- Skills uncovered that you were unaware of?

16. What has been the most valuable skill that you have learnt in your new operation?

- How do you go about acquiring the skills you don’t have but need?

- Are you inclined to hire key people for specific hard tasks out of your expertise?

17. What do you think you have to be good at to succeed in this type of operation?
Appendix 2.
Case Study Interview Guide: Conventional Farmers

1. Can you please outline your farming operation?

INFORMATION

2. How much outside information do you use?
   a) Do you use many contacts to get ideas for your farm?
   b) Do you get any professional advice?
      - Of the advice that you receive or the information that you gather are you inclined
        to accept others advice or rather go with your gut feeling relying on your
        enthusiasm and will to make it succeed?
      - Farming literature? Subscriptions?

RISK

3. What are your main sources of risk?
   - As the business grew legal, social and human sources?

4. Has your attitude to risk changed as your farming career has progressed?

5. How do you cope with risk? (strategies)
   - Information gathering?
   - Management strategies?
   - As risk of a new venture increases do you handle things differently?
   - Defence and rescue mechanisms?
   - Adequate liquidity?

6. a) Are you the main bearer of risk?
   b) Would you rather spread your risk? If so how would go about it? Are you prepared to
      accept more risk and potential higher profits? Or do you prefer to keep your risk down?
      - As the business grew did your attitude to risk change?
      - Decision rules or criteria?
GOALS

7. a) Do you set goals?

How important is goal setting to your farming?

- Overall farm firm objective?
- As the business developed did your strategies change, did the goals change?

b) Do you have a clear framework in your mind on how to achieve your goals?

- Do you like to have continual feedback on how you are position in achieving these goals?

c) How much time do you devote to planning?

- What is the most important part of your decision making criteria?
- Did your confidence in decision making grow with the success of your company?

d) Do your goals change as your business confidence changes?

- Motivation of employees to believe in these goals?
- Is the strategy, goals and objectives widely known to your employees?

e) Do your personal and farm business goals ever clash?

CHANGE

8. As the size of your operation grew was their any part that you could see was going to suffer due to the delegation of management?

a) Did your business suffer because you couldn’t do everything yourself and had to delegate?

- Have you found decentralisation hard?

b) What is your attitude to delegation?

c) What did you delegate?

d) Is it done as well as you could do it?

e) What do you see as the limit to your operation?

- Optimum size? Is growth always a good thing?
- As the business has grown has there been any major structural changes or the way you do business?

- What advantages do you see by being small scale?

9. Has your role changed as your farming career has progressed? How?
- Farm: it's position on the value chain, price taker or maker
- Does the farm have competitive strategies? Is it aware of competition how does it deal with it?

10. a) What do you see as the main benefits of growth?
What do enjoy most about farming?

b) What are the main limits or constraints to performance on this property?
- In unfavourable circumstances (weather) what changes; strategy or goals?
- How do you handle major changes in the industry?
Physical, climate, soil type, topography, financial, management style, stock type?

What is your main resource that you see as the key to your farm’s performance?

11. What problems do you see with making changes to your farming operation? What stops you from changing your current operation?

12. a) When making a change to your farming system what is the main aim behind that change? How did you do it?

Have you ever looked outside the farm gate to increase the profitability of your farm business?
- Were you “pushed”, dissatisfaction with previous position?

13. a) Where do you see the limit of your business, in terms of overall influence on product price and farm profitability?
Have you ever considered involving the farm in any off farm business to increase overall profitability?
- Has your position changed in the value chain changed since you started your new business.
  Is this the key to capturing more value from farm products?
- Has your outlook to farming changed?
- Price taker or maker? Has it changed?

PERSONAL

14. Is there anything that sets you apart from other farmers?
- What distinguishes you from unsuccessful entrepreneurs?
- Emphasis on creativity? As the business expands does this emphasis change?
- Do you try and stick to your own field of knowledge?
- Locus of control?
- Skills uncovered that you were unaware of?

15. What has been the most valuable skill that you have learnt from your farming career?
- How do you go about acquiring the skills you don’t have but need?
- Are you inclined to hire key people for specific hard tasks out of your expertise?

16. What do you think you need to be good at to succeed in farming?
Appendix 3.

Sample Distribution by Region

South Island