



XXVII European Society for Rural Sociology congress

On-line Proceedings

24 – 27 July 2017

Kraków, Poland

Published by the Institute of Sociology, Jagiellonian University
in Krakow

Address: ul. Grodzka 52, 31-044 Kraków, Poland

www.sociologia.uj.edu.pl

Kristina Svets (Editor)

321 pages

Proceedings of the XXVII Congress. *Uneven processes of
Rural Change: On Diversity, Knowledge and Justice*

ISBN 978-83-947775-0-0 eBook – PDF



Kraków MAŁOPOLSKA





The XXVII
ESRS Congress
Poland, Krakow
July 24-27 2017

Methodological challenges in analysing farmers' business strategies for more sustainability in farming

S. v. Münchhausen, A. M. Häring¹³³

Abstract – Farmers tend to be businesspersons who develop and implement strategies for their farm businesses. The analysis of ten case studies shows that all farm enterprises have very specific business strategies, but the identification of these strategies is a challenge and therefore requires appropriate approaches. A good knowledge and understanding of these strategies are important because researchers or policy advisors need to base their projections on farmers' expected actions.

INTRODUCTION

"Farmers used to live and work on their farms in a way their ancestors have"; that has been the widespread image of the agricultural sector for a long time. Instead, many farmers are businesspersons who develop and implement strategies for their farm businesses (Hansson and Ferguson, 2011) by e.g. intensifying production, exploring new markets or even buying and selling farms (Achilles, 1993). Farm-level strategies and the resulting activities have significant economic, environmental and social impacts, not only on the farm business, but also on all sustainability dimensions of the agricultural sector. Although farmers take strategy-based decisions, the underlying strategies are usually tacit. Farmers do not deliberately design and formulate them clearly. However, a clear idea of farmers' decision-making is necessary in order to develop scientifically sound policy analyses and recommendations on how to support sustainable farm development.

The literature review shows that understandings of the term *strategy* differ depending on the author's perspective, which refers to e.g. business consultancy, economic research, or regional management. We follow the definition of Rumelt (2011): "The core of strategy work is [...] discovering the critical factors in a situation and designing a way of coordinating and focusing actions to deal with those factors". In fact, there is a variety of strategies, which authors group or structure, taking into account the perspective and the overall aim of the approach.

In this paper, we aim to address the methodological challenge of analysing strategy development and strategic decision-making of farmers and discuss how to address this challenge.

METHODOLOGY

For this paper, we reviewed literature on business strategies and management. Since farms usually represent small or very small enterprises, our review focuses on the specificities of small and medium-size enterprises (SME) that are usually grouped together.

We tested the findings from the literature by analysing ten farms. The selection of cases aimed for multi-branch farm enterprises because they require (due to their complexity) a strategic management approach. Moreover, the objective was to select a variety of farm types from different European countries which cover various market and cultural conditions. Case studies took place in connection with a European ERA-net project, which focused on the growth of high-value food chains¹³⁴. Furthermore, the selection of cases aimed at different production systems, such as arable farming (grain, vegetables, herbs), dairy and meat (beef, pork, lamb). On-farm differentiation with e.g. processing facilities for cleaning and packing, cheese making, meat processing and/or direct marketing was another selection criterion.

Semi-structured interviews were the basis for data collection. During the interviews, the researchers asked farm managers to focus on former challenges and major adjustments made in the past. Strategic planning and the related changes in operational management were of particular interest for this analysis.

RESULTS

Strategic management involves the design and implementation of a planning process. Central to such a process is the business strategy that takes into account resources as well as the internal and external

¹³³ Susanne v. Münchhausen and Anna Häring, Eberswalde University (Susanne.vonmuenchhausen@hnee.de).

¹³⁴ 'HealthyGrowth' - From Niche to Volume with Integrity and Trust. for Sustainable Development CORE www.coreorganic2.org/healthygrowth.



business environments (Doluschitz et al., 2011). Businesses might use a combination of strategies. The definition of the business strategy involves the analysis of (potential) products, customer, values, locations, competitors, available skills and resources, opportunities and risks as well as the growth potential (Hansson and Ferguson 2011). Depending on the field of application, strategies can vary in orientations towards mainly economical, ecological, financial or social goals (Schaltegger et al., 2002). Since the literature highlights that strategic management of large corporations differs from small businesses, scientists consider SME as 'special cases' in business studies (Fueglistaller and Burger 2011). As a result, we connected the analysis of the interviews with the farmers only with studies on business management of SME.

A Key finding of our case studies was that nearly all farmers stated initially that they had no strategy at all when the interviewer asked for a definition of their business strategy or strategic management. Instead, farmers usually articulated a specific strategic decision made or a management instrument that helped to implement an underlying strategy by e.g. employing a person with particular skills, reorganising production processes or aiming for new marketing channels. As the interviews continued, however, all farmers explained the background and the ideas they had in mind when they made important decisions during times of change or crisis. The experiences from the case studies showed that the interviewer had to ask more specifically to be able to identify and define the business strategy together with the interviewee. Finally, all case studies highlight a specific strategy or a set of strategies that farmers implemented during e.g. periods of expansion or differentiation when financial investments or new business cooperation took place. It was remarkable that farmers were not able to formulate or document the underlying strategies. Instead, many farmers associated 'business strategies' with marketing strategies or concepts.

Several interview partners confessed they had no training in the field of business management and therefore, were not used to the related terminology. Some of them who cooperated closely with processor or sales companies experienced that they were able to learn from the professional management of their business partner. Looking backwards, some of these experienced farmers stated they would have profited from knowledge in strategic planning or business management in an earlier phase of their career. However, training courses or study modules in the field of strategic management were not part of training courses or study programmes for farmers.

A strategy-oriented concept like Balanced Score Cards could help to translate corporate strategies into

operating parameters and to implement these on the level of the daily work (Schaltegger 2002). However, due to that lack of knowledge and information in the field of business management, none of the interviewees were familiar with such concept (Neumahr 2017).

CONCLUSIONS

A good knowledge and understanding of farmers' strategies is important because researchers or policy advisors need to base their projections on farmers' expected actions. This is particularly important when policies or legislation is about to change. Since farmers are not aware of their own business strategies, it is a methodological challenge to capture, cluster and analyse them in a systematic way.

Business management with strategic approaches is usually not part of the professional training. Hence, farmers are not familiar with the related terminology and concepts. However, it would be false to suggest that they consequently do not have good (or even excellent) management capabilities. In contrast, we found that researchers studying farmers' strategies and management need to adjust their approaches to the interviewees understanding. Due to the methodological adjustments made, they were able to identify and study farmers' business strategies and the related management instruments.

This insight is very important for researchers and/or policy advisors because they have to grasp the strategic decision-making of farmers when conditions change or new policies start. The related analyses depend on a solid knowledge of the spectrum of farmers' strategies.

ACKNOWLEDGEMENT

We acknowledge the funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No. 635577 of the SUFISA project.

REFERENCES

- Achilles, W. (1993). Deutsche Agrargeschichte im Zeitalter der Reformen und der Industrialisierung, Stuttgart, Ulmer.
- Doluschitz, R., Moratz, C. and Pape, J. (2011). Agrarmanagement. Stuttgart, UTB Ulmer.
- Fueglistaller, U. and Burger, D. (2011). Erfolgspotenziale und Differenzierungsmöglichkeiten von Klein- und Mittelunternehmen. *Zeitschrift für Management mit gesundem Menschenverstand*, No 1/2, p.8-13.
- Hansson, H. and Ferguson, R. (2011). Factors influencing the strategic decision to further develop dairy production – A study of farmers in central Sweden. *Livestock Science*. UK, Elsevier. 135 (2-3):110-123.
- Mathur, S. and Kenyon, A. (2011). Creating Valuable Business Strategies. UK, Elsevier Ltd.
- Neumahr, N. (2017). Empirische Untersuchung zur Anwendung von Management-Instrumenten für kleine Fleischerzeuger im Wachstum. Master Thesis, Eberswalde University for Sustainable Development.
- Schaltegger, S., Herzig, Ch., Kleiber, O. and Mueller, J. (2002). Sustainability Management in business enterprises. Concepts and Instruments for Sustainable Organisation Development. Published by the Federal Ministry for the Environment. www.bmu.de