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Research paper

Differences in farmers' perception of opportunities for farm development

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ABSTRACT

This paper empirically identifies differences between dairy farmers in their perception of opportunities for farm development. The construct 'perceived Room for Manoeuvre' (pRfM) is used which is defined as: 'the opportunities perceived as viable in order to obtain a (substantial part of) business income'. A unique case study of 79 dairy farmers operating in a highly comparable socio-material context at the level of the case study allows for an empirical analysis of differences in the pRfM using a mix of quantitative and qualitative methods exploratory research, a questionnaire and in-depth interviews with stakeholders in farm development. Differences in the pRfM will likely affect the early phase of strategic decision making and consequently explain heterogeneity in farm development. Data analysis revealed the following three dimensions of pRfM: perception of the opportunity (1) to diversify; (2) to end production; and (3) to maximise production. These dimensions proved useful to explain heterogeneity in farm development and thus showed the importance of a subjective approach towards opportunity identification in farm development. This paper shows the need to view the farmer as entrepreneurial actor in the process of strategic decision making who interacts with the socio-material context of the farm.

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1. Introduction

This paper is an empirical study of the differences in farmers' perception of opportunities for farm development. For this purpose the construct perceived Room for Manoeuvre (pRfM) is introduced which is defined as: 'the opportunities perceived as viable in order to obtain a (substantial part of) business income'. By including in this definition the viability to obtain an income, the focus is placed on the farm as an economic unit that serves the purpose of providing a farm family income. The range of opportunities for farm developments is broad and is not limited as such to either on- or off-farm developments and includes obtaining additional income from work outside the farm. Perception is in the definition of pRfM used

as a noun and in the following definition: 'the way you think about or understand someone or something' (Merriam-Webster, 2015). Or in everyday words: 'perceptions are shaped by what we know, by what we think we know, and what we do not know' (Renko et al., 2012). The perception of a business owner is as well the driver of opportunity recognition (Renko et al., 2012) and is therefore important in the identification of opportunities in the early phase of the strategic decision making process (SDM).

In order to study the differences in perception of opportunities between dairy farmers (as small business owners), it is important to be able to identify differences in the pRfM. However, no studies were found that operationalise the pRfM in an empirical way. The lack (or even absence) of these empirical studies is understandable as the contexts of businesses usually vary in many ways and this complicates a comparative analysis of perceptions of business owners (Sutcliffe and Zaheer, 1998; Yanes-Estévez et al., 2010). For this paper we use a unique case study in dairy farming that does allow for an empirical analysis of differences between business owners with respect to their pRfM, as all 102 family-owned dairy farmers

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operate in a highly comparable socio-material context at the level of the case study area.

This paper aims to answer the question whether the construct pRfM is a useful construct to further study farm development strategies in relation to other characteristics of the farm and the farmer. In rural areas large parts of the land are in use by farmers (Berkhout and van Bruchem, 2006), making farm development of interest for stakeholders in regional development (Lauwere et al., 2006). Policy schemes and development programmes of local governments influence business development, e.g. by supporting the diversification of small business (Lieberman-Yaconi et al., 2010) or in the adaptation to changes in the environment (Feola et al., 2015). However, the final strategic decision for the development of a farm is made by the farmer in the role of owner-manager who has a rather autonomous position in decision making (Culkin and Smith, 2000; Pietola and Lansink, 2001; Jøcumsen, 2004; Hang and Wang, 2012). For policies and programmes to be effective in aiming to influence strategic choices at farm level, it is important to connect to the world of the decision maker (Pietola and Lansink, 2001). This means it is important to understand how the farmer perceives the opportunities for farm development as it likely affects the strategic choices. This paper contributes to this understanding with an empirical study on the differences between farmers in their pRfM and is an answer to the call to study entrepreneurship in the context of the everyday and real life situations of business owners (Bjerke, 2007; Johannisson, 2011; Watson, 2013). This paper answer as well to the call to integrate research on strategic management with research on entrepreneurship (Kor et al., 2007; Short et al., 2010) and is in line with the view that the domain of entrepreneurship research can contribute to the understanding of the changes in agriculture and rural areas (Alsos et al., 2011). The paper will first present the theoretical embedding of the construct pRfM and will answer the following questions:

- (1) How can the construct pRfM be measured?
- (2) Can the construct pRfM differentiate between farmers in a meaningful way?
- (3) Are differences in the pRfM linked to differences in farm development over a longer period of time?
- (4) Are differences in the pRfM related to the farmers' personal preference for farm development?

Question 3 tests the validity of the construct pRfM using a time perspective. A consistency between pRfM and farm development in the past indicates that pRfM is (relative) stable over a longer period of time. Question 4 tests the validity of the construct in relation to the personal preference of the farmer given a situation without limitations. If pRfM and personal preference mostly overlap, the construct pRfM apparently does not offer added value to measuring mere personal preference of the farmer.

2. Theoretical embedding

First the context of small businesses will be defined followed by the connection of pRfM with recent theory on SDM in small businesses. As the construct pRfM is closely related to the identification of opportunities, the relation with this important topic in entrepreneurship research will be described.

There is no single definition of small businesses available in literature. For this paper the definition of the Bolton Committee (a committee on the role of small businesses in the UK economy) will be used: 'a small firm is an independent business, managed by its owner or part owners and having a small market share' (Culkin and Smith, 2000). Family-owned dairy farms meet this definition. Due to the low number of employees in family-owned dairy farms,

they could even be classified as micro-firms (Lieberman-Yaconi et al., 2010). Family-owned dairy farming is a specific kind of small business, yet shares important characteristics with small businesses as the farm is an independent business, is managed by its owner or part owners and has a small market share (Culkin and Smith, 2000). The farmer needs to fulfil different roles in the business as do small business owners (Chandler and Jansen, 1992) and the farmer personally learns from the experience of running the business (Atherton, 2003). In a literature review Lieberman-Yaconi et al. (Lieberman-Yaconi et al., 2010) describe that owner-managers of small businesses typically cannot delegate (parts of) the SDM to other people in the firm. Owner-managers usually do not have specialised expertise in all aspects related to SDM and need to combine SDM with their managerial tasks. The context in which entrepreneurs operate has been highlighted as very important (Watson, 2013; Shane, 2008). This context is not just the start-up business owner who is looking for opportunities to develop a new venture. Entrepreneurship is also a vital element of the continuous development of an ongoing business (Watson, 2013; Johannisson and Dahlstrand, 2009).

2.1. pRfM and the SDM process

'Strategy' is defined in this study as "a choice out of available routes and means in order to realise a goal" (Encyclo, 2012). In this view continuation of current activities is an opportunity as well, as it can be a route to realise the goal of the business owner. SDM in small business has been modelled by a number of studies, starting with a trigger caused by an internal or external development and up to the actual strategic decision. The personal characteristics of the business owner are known to be an important factor to explain the heterogeneity in small business (Lieberman-Yaconi et al., 2010; Jøcumsen, 2004; Hang and Wang, 2012). The small business owner's perception of opportunities is found to be more decisive for the outcome of SDM than formal analyses (Parnell et al., 2000; García-Pérez et al., 2014). The perception is influenced by dominant paradigms, lock-in effects and path dependencies (Vanloqueren and Baret, 2009; Lamine et al., 2012; Cowan and Gunby, 1996). The opportunities for business development are by definition perceived and therefore impossible to objectify, different business owners will perceive the opportunities in a given situation in different ways. A useful concept to study the perceived opportunities for business development is the 'evoked set of opportunities' (Krueger et al., 2009): 'the full set of possibilities perceived as opportunities by a decision maker'. The evoked set of opportunities is limited to the number of opportunities that are within the perceived reach of the business owner: their perceived room for manoeuvre (pRfM). The evoked set of opportunities implies that there are differences between decision-makers in their pRfM even when they operate in a comparable context. Differences in the capability to analyse the opportunities for business development are likely to affect the pRfM of business owners. This capability is described by Hannon and Atherton (Hannon and Atherton, 1998) as 'strategic awareness capability': 'the process of continuously improving how one identifies and conceptualises one's own world, recognises events in this world, interprets these events and makes decisions on taking appropriate action to achieve positive business outcome'. The perception of the business owner is therefore important for the SDM of small businesses.

A number of recent studies describe models to represent SDM in small businesses (Lieberman-Yaconi et al., 2010; Jøcumsen, 2004; Hang and Wang, 2012). The starting point of these models is a trigger that creates the need for a strategic decision and the end point is the moment when a strategic decision is made. All models imply an interaction between the different steps and depict the process as iterative. This interaction underlines that SDM in small businesses

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