



Risk and Resilience in Agriculture

The Influence of Personality on Risk Management Decisions

By: Randy R. Weigel
University of Wyoming

Is maximizing profits the most important goal in ranching or farming? Do producers approach risk management the same? How do personality characteristics affect producer decision-making?

Certainly economic decision making is key to operating a ranch or farm operation, but it is the individual decision-maker who guides the business and is responsible for whether the operation succeeds. How the decision-maker reacts in a given situation, and how he/she thinks is at the core of economic decision-making (Howard, Brinkman, & Lambert, 1997). Other factors such as goals and management style, attitude and personality impact a producer's approach to risk management decisions.

Goals and Management Style

A principal assumption behind much farm management research and education is that the producer's primary goal is to maximize the difference between costs and returns—in

essence, maximize profits. But studies have shown that profits may not always be the prime goal for the operation. Kliebenstein et al., (1981) surveyed 29 Missouri grain farmers and asked them to assign value to a list of benefits they received from farming. They found that “doing something worthwhile,” and “being my own boss” were viewed by the farmers as more important than “producing a good income.”

It is important not to overlook the personal goals of producers in an assessment of farm management. Since ranches and farms combine business and way of life goals in complex and personal ways, understanding management styles helps explain different approaches to farm management. To understand the goals of farmers, Fairweather and Keating (1994) conducted face-to-face interviews with 50 New Zealand farmers. The farmers ranked farm management goal statements that allowed for a description of three distinctive management styles—dedicated producer, flexible strategist, and resource steward.¹

Dedicated Producer—has a strong desire to achieve the best quality product. This producer thrives on farm work and wants to be the best producer possible. The dedicated producer realizes that financial sacrifices are necessary, but the possibility of financial gain is tempered by the fear of losing the ranch or farm. Therefore, the dedicated producer is most likely to take only moderate risks.

Flexible Strategist—favors marketing strategies as an element in the success of the operation, and management decisions are made with this in mind. The flexible strategist seeks to reduce workload and diversify assets. It is important to run the operation well since a profitable operation allows for more choices in a desired lifestyle. Flexible strategists are more willing to take greater risks.

Resource Steward—emphasizes environmental awareness and conserving the land he or she operates. Working close to nature is rewarding and the preferred lifestyle. Making money is not an indicator of success. Money is a means to an end—having a good quality of life. The resource steward accepts moderate risk.

All three management styles realize the importance of a business approach to their operation and they all value profit. The dedicated producer looks to the operation and production to produce profits; while the flexible strategist looks for marketing and financial management strategies. The resource steward knows that profit is important in order to maintain a preferred lifestyle. The resource steward's approach to nature conservation may become a valuable business strategy.

Although producers desire to achieve all valued goals, when this is not possible the management style of the producer will influence the importance of the goal and decision making related to that goal. For example, dedicated producers value producing a high-quality

product and use financial and business management practices to achieve production goals and success. This is not to say that the flexible strategist and resource steward do not value high quality and success. But the definition of success may be different. For the flexible strategist, success is marketing the product well. For the resource steward, success is enjoying a quality lifestyle and preserving natural resources.

Attitude Toward Farm Debt

Some producers can maintain an objective view in the face of farm debt; but for others, farm debt (especially when excessive) becomes a very personal experience. For those producers who view farm debt as a personal issue, confidence and self-esteem are adversely impacted. With lowered self-esteem, these producers may be less likely to be risk takers and may not be willing to make tough decisions.

Reeve and Curthoys (1999) used focus groups to investigate the relationship between debt and viability of Australian agriculture producers and businesses. They determined that debt impacts farm families in a personal manner, “service providers see debt conditions as a business issue, while families see it as a personal issue” (p. 1). Excessive debt placed a great deal of mental strain on individual farmers, contributed to farm family conflict, and had a negative impact on entire communities.

In addition to a personal view of farm debt, the attitude of the farm or ranch family impacts decisions related to farm debt. McCubbin and McCubbin (1987) developed a family adaptation model that describes the family's capacity to meet obstacles. A factor in the model is the family's definition of, or attitude toward a problem. If the family views the situation as a challenge or opportunity for growth instead of a threat or crisis, they are more likely to cope and adapt. A farm or ranch

family, therefore, that perceives farm debt as necessary for sustainability is more likely to take a positive view of debt management.

Thinking Styles

Individuals employ different cognitive or thinking styles in making decisions. Some individuals use a linear, or systematic, approach; others utilize a non-linear, or intuitive, approach to decision making.

Linear thinkers tend to approach a problem in a logical, scientific way by structuring the problem and employing a systematic, step by step approach moving through an increasing refinement of analysis. They conduct an ordered search in their analysis. Non-linear thinkers, on the other hand, focus on relationships, interactions, alternatives and options simultaneously. They jump from one step of analysis to another and back again, relying on intuition and hunches.

Linear and non-linear thinkers address problems in different manners and often with different interpretations of the conclusion. For example, linear thinking producers are typically concerned with gathering facts, analyzing the advantages and disadvantages of alternative risk management strategies, and reaching a decision that is easily explained. Non-linear thinking producers typically look at the relationship of risk management options, the assumptions and possibilities of what this might be for the overall future and decide a course of action that may be hard to explain. "It just feels like the right decision." It is not uncommon for a non-linear thinker to make a decision that does not seem logical or correct to a linear thinker.

Personality Type

Psychological characteristics of ranch and farm operators influence business decisions and the ability of the business to respond effectively to changes in the operating environment (Jose & Crumly, 1993). There are various models that

describe these psychological characteristics and predict human behavior. The Myers-Briggs typology is one of the most widely used models. It is based on Carl Jung's theory of personality types. Katherine Briggs was attracted to the typology and along with her daughter Isabel Briggs-Meyer, created the Myers-Briggs Type Indicator (MBTI).

The essence of the theoretical model is that we all have certain fundamental options regarding our functioning. These are:

1. Whether we prefer the outer world of things and people (**E**xtrovert) or the inner world of thoughts and ideas (**I**ntrovert);
2. Whether we typically perceive our environment in a literal, factual way (**S**ensing) or typically in an intuitive way using creativity and imagination (**I**ntuitive);
3. Whether we reach our decisions mostly in a logical, rational, objective way (**T**hinker) or in a value based, subjective way (**F**eelers);
4. Whether we take action in an orderly and planned manner with deadlines and schedules (**J**udging) or in a spontaneous, changing and adaptable manner with options and possibilities (**P**erceiving).

The MBTI has been used with ranch and farm families to enhance the understanding of producer personality and decision making. In one study of 500 Nebraska farm couples attending farm management programs, Horner and Barrett, (1987) reported the largest percentage of farm men (25.3%) had an ISTJ personality type while the largest percentage of farm women (17.8%) had an ISFJ personality type. An additional 20.5% of the farm men were categorized as ESTJ and 14.2% of the farm women were categorized as ISTJ. Based on psychological type theory, it may be predicted that ISTJ and ISFJ producers' strength lies in being hard working, realistic, conservative, and traditionally oriented. Their weaknesses lie in their resistance to change,

dislike of risk, pessimism, and strong ties to tradition.

Agriculture is undergoing tremendous change in production, global competition, business structure, technology, and risk management strategies. These changing events and conditions present a real challenge to ISTJ and ISFJ producers, because their most effective way of operating comes from their careful accumulation of solid experience. Situations in which they have no experience (as in new or non-traditional risk management strategies) can seem confusing and out of control to them. They need time and opportunity to use their knowledge and expertise to understand the changes.

In another study of Nebraska farmers and ranchers, Jose and Crumly (1993) showed how differences in personality types influenced financial decision-making. In their study, 134 males and 109 females who attended Cooperative Extension education programs completed the MBTI. The researchers found that 65% of the participants were sensing thinking types (SJs); while only 6% of the sample were intuitive thinking types (NTs). They indicated that intuitive thinking types (NTs) are more proficient in making the necessary financial adjustments in their operations. The sensing thinking types (SJs) are also successful but have a business style that is quite different than the less traditional NTs. The SJs prefer a systematic approach to business decisions. The SJs may reach the same conclusion as the NTs in terms of the adoption of management techniques or practices, but will take a less risky approach than the less traditional NTs. Producers are different in how they analyze similar farm/ranch management situations and the decisions they make with the same information.

Conclusion

This article was not intended to assume that economic decision-making and profits are not important in ranch or farm operations. Rather, it points out the complexity of producer decision making. Producers are different in how they approach and analyze situations, as well as how they act on information. Those who work with producers must realize that based on individual personality factors, the producer may make risk management decisions that are different than we proposed or expected. They must also be aware that for some farm and ranch families, doing something worthwhile, being one's own boss, having a good quality of life, and taking care of nature are more important to them than maximizing profits.

Think about how you approach risk management decisions:

- I see myself more as a:
 - _____ dedicated producer
 - _____ flexible strategist
 - _____ resource steward
- I see farm/ranch debt as:
 - _____ a business issue
 - _____ a personal issue
- I prefer to make decisions:
 - _____ in a systematic, logical way
 - _____ in a creative, free-flowing way

