

# Portfolio farmers, entrepreneurship, and social sustainability<sup>1</sup>

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## Introduction

According to the Agricultural Census 2000, 27 per cent of Finnish farmers run other business besides farming (TIKE 2001). They are engaged in different industries such as tourism, food processing, wood processing, and machine contracting, for example. Terms such as “industrial pluriactivity” (Eikeland 1999) and “alternative farm enterprises” (Bowler et al. 1996; Damianos & Skuras 1996) have been used to refer to this sector of rural small business. In this regard, Carter (1998) makes a distinction between portfolio entrepreneurship and the diversification of farm business activities, in which the former refers to owning two or more separate firms and the latter to practicing other business as part of the farm enterprise. In the following we will use the term “portfolio farming” to cover both. The essential point is the combination of conventional agriculture with some other business on the farm.

In rural policy programmes it is common to emphasise the important role of entrepreneurship in the sustainable economic development of rural areas (see for example Rural Policy Committee 2000). Encouraging and reinforcing rural small business in general, and also the diversification of business activities on farms, are oft-repeated objectives. One could associate this kind of emphasis with the rhetoric of entrepreneurship that has gained a significant level popularity in the public policy and media discourses over the last decades (Burrows 1991; Ruuskanen 1995), but it seems also to be grounded in a very practical perspective concerning the opportunities for the survival and development of rural economies and societies.

Thinking about the aim of furthering entrepreneurship in rural areas, the portfolio-farming sector is of special interest. In the entrepreneurial and small business research literature this sector has received relative little attention thus far. According to some researchers, however, additional businesses owned by farmers indicate important entrepreneurial potential in the agriculture sector. For example, Carter (1998) in a pilot survey in Britain compared a group of portfolio

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owners to other farmers who focus on the primary production. According to her results the portfolio owners are – among other things – more willing to identify themselves as entrepreneurs, more market oriented, and they employ more complex managerial strategies than do other farmers. If one assumes that conventional small-scale family farming represent a “yeoman style” non-entrepreneurial form of activity (Silvasti 2001), business portfolios on farms seem to represent, in a very literal sense, a step towards entrepreneurship (see Carter 1998; 1999). However, sceptical comments about this kind of development have also been forwarded, in particular, pointing out for example that such developments are not necessary desirable from the perspective of yeoman culture and values. The situation of portfolio farmers has also been described as “forced entrepreneurship”, implying a lack of inner motivation towards entrepreneurship from the farmers’ side (Katila 2000).

Sustainable development includes economic, ecological and social dimensions. Social sustainability is widely accepted as an essential element of sustainable development, though there are various ways of understanding the concept (Scott et al. 2000). Some authors emphasise the community aspect, some the social relations and social capital aspects, while others emphasise the well being of citizens. In any case, one formulation of the social dimension states that social sustainability requires “development that reinforces the individuals’ control over their own lives” (Rannikko 1999, 397-398). Control can be understood – for example – as the possibility for rural inhabitants to participate in the decision-making process concerning the use of the environment and local natural sources or other matters relevant to peoples’ livelihood and well being (Rannikko 1999; see also Scott et al. 2000). The point is consistent with the widely accepted aim of increasing and utilising employee participation in the development of work organisations for example.

In the case of entrepreneurship it is often thought that an entrepreneur – i.e. an owner-manager of a small business firm – has a relatively large amount of control over his/her life, because he/she has the power to make decisions concerning the firm and can affect the functioning and success of the firm through his own work. Thinking this way, the furthering of entrepreneurship in rural areas would seem to be in line, not only with economic but also with social sustainability. On the other hand, this kind of reasoning has not been without its critics. For example, in the massive programme of enterprise culture proposed by the British conservative government in the late 1980’s it was the entrepreneur that was perhaps the most basic model for the desirable position of the individual in the society. Autonomy and the control of ones own life were emphasised as positive attributes of entrepreneurship. Criticism of this programme has however been extensive. In addition to doubting the economic efficacy of the enterprise culture policy, the critics have pointed out that entrepreneurship is a part of a market led economy based on competition. The

struggle for survival is a natural aspect of this kind of a system. Everybody cannot be successful; some firms will be put at a disadvantage. All entrepreneurs cannot equally control their own lives. The struggle for survival is also said to lead to the hardening of social attitudes and values (Heelas & Morris 1992). So then we can see that it is not self-evident that a step towards entrepreneurship would support the development of social sustainability *per se*.

From the psychological perspective an important condition – and also an indicator – of an individual's control over his/her own life is the experience of being able to affect events. Experience of personal control – or perceived control – has been emphasised in many psychological theories of motivation and well being, and also in the study of entrepreneurship and small business. It has even been suggested that the experience of personal control is an attribute characteristic to those individuals who succeed as entrepreneurs (Brockhaus & Horwitz 1986; Cromie 2000). An alternative to this kind of dispositional view is to consider the experience of personal control as a requirement or an expectation inherent in the role of an entrepreneur. To act successfully as an entrepreneur one must believe that one has control over the course of events, and vice versa: success in business enhances the experience of control. From this kind of viewpoint the situation and the individual are interacting with each other (see Chell 2000), and the experience of personal control reflects this interaction.

Several studies in Finland suggest that one of the problems faced by conventional farmers is their perceived lack of personal control, presumably reflecting their actual situation in which they see themselves as “helpless entrepreneurs” (Vesala & Rantanen 1999; see also Kallio 1997). Is the situation any different when dealing with portfolio farmers? They are farmers as well, but they are also running other business. Do they experience personal control in their work more than do other farmers? Moreover, what are the factors that potentially contribute to this experience?

In the following we will present some empirical results concerning the experience of personal control among portfolio farmers, conventional farmers and rural non-farm small business entrepreneurs in Finland. Our data suggests that portfolio farmers experience more personal control over the success of their business than do conventional farmers, and that this experience is connected to the competitiveness and profitability of the firm as well as to the particular arrangement of social relations in the entrepreneurs work. In particular the customer relations factor seems to be crucial in this respect. Further, we will view the question of personal control from the perspective of social sustainability. Since the experience of personal control seems to be associated with entrepreneurs' relations to other human actors, it is reasonable to consider the nature of these relations. For example, among conventional farmers – and in the literature on rural sociology as well – it is not uncommon to assume that

entrepreneurial social relations are based, not only on fair exchange and competition, but also on attempts to manipulate others and take advantage of them. Personal control has different meanings depending on how one interprets or views these social relations and interactions. Therefore personal control is problematic as a criterion for social sustainability. We thus end up with a question: How do portfolio farmers view the social relations in entrepreneurship?

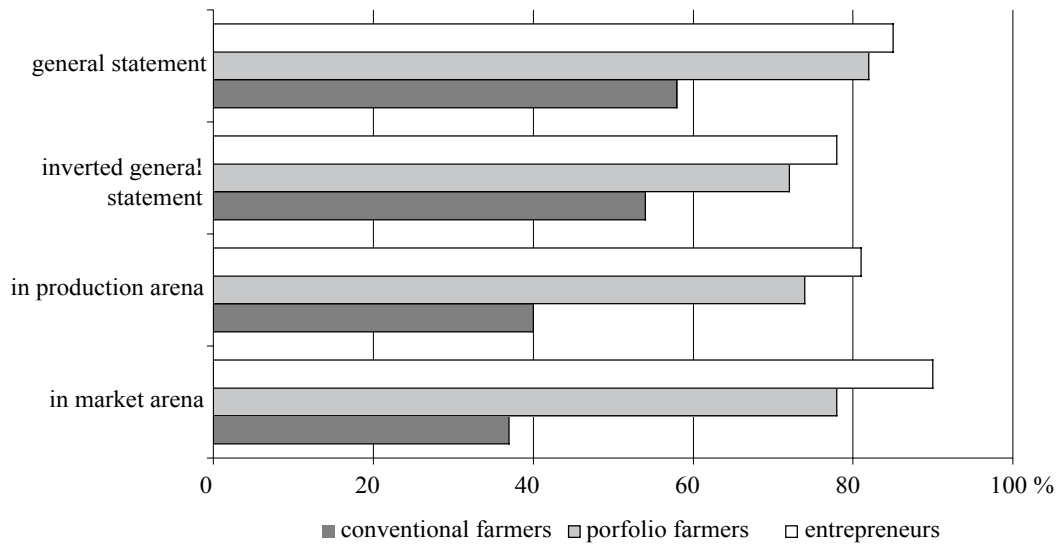
### Entrepreneurship makes a difference: portfolio farmers experience more personal control than conventional farmers

The subjects of the study<sup>2</sup> were conventional farmers, portfolio farmers and non-farm rural small business entrepreneurs. Three nationwide random samples were generated, each representing a broad cross-section of industries. The total number of questionnaires mailed was 3,390, with a total of 1,238 valid responses received, for a 37 per cent response rate. The response rate for the conventional farmers was 41 per cent (n=243), for the portfolio farmers 36 (n=799), and for the non-farm entrepreneurs 33 (n=196). The sample of conventional farmers included grain, milk, and meat producers functioning only in primary production. The sample of portfolio farmers was constructed from eleven different industries: tourism, food processing, handicrafts, wood processing, energy production, machine contracting, fur farming, production of metal ware, health services, transportation, and retail trade in farm products. The sample of the non-farm entrepreneurs was delimited to small-scale enterprises from the trade, industry and service sectors with a maximum of 20 personnel, and turnover of more than FIM 49,000. The enterprises included had been started at least two years before sampling occurred. The rural area was defined by a population density less than 50 persons/km<sup>2</sup> within a certain postal code. The data was collected in March-June 2001.

The experience of personal control was measured with four statements: “To a great extent I can personally control the success of my firm”, and “My personal chances to influence the successfulness of my business are practically rather low” (inverted), “I am able to affect the success of my firm through decisions concerning products and through production”, and “I am able to affect the success of my firm through marketing and customer connections”. All items had a 5-point scale for responses ranging from “strongly disagree” to “strongly agree”.

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<sup>2</sup> The survey data was generated in co-operation with Mikkeli Institute of Rural Research and Training/University of Helsinki, the Department of Social Psychology/University of Helsinki, and Agrifood Research Finland. The study was funded by the Ministry of Agriculture and Forestry.



**Figure 1.** Experience of personal control among the sample groups. The proportion of respondents who partly, or strongly, agree with the statements. Inverted statement: The proportion of partly or strongly disagreeing respondents.

Conclusion: Portfolio farmers experience more personal control than do conventional farmers. They are engaged in other business activities besides conventional farming. Our results seem to conform to the idea that entrepreneurship enhances the experience of personal control and, in this respect, is in line with social sustainability.

### Economic strength and social relations as determinants of the control experience

In the survey several individual- and farm/enterprise-related factors were studied. Which of those factors were associated with the experience of personal control? To study this, the four statements presented above were aggregated into a sum variable with Cronbach's alpha .76. The strongest associations as well as a few other examples are presented in table 1. First of all we find rather weak associations between personal control and individual background (age, sex, education). The size of the firm (estimated by the revenue in the year 2000) was positively associated with the sense of personal control. However, the correlation was rather low (.137). A somewhat higher correlation was found to exist with the number of non-family employees (.198). The number of employees not only reflects the size of the business, but also tells us whether this kind of social relation is included in the immediate situation of the actor.

**Table 1.** Correlations (Spearman) between personal control and some other variables.

Variable	Correlation
Age	-.080**
Sex	ns.
Education	.080*
Revenue year 2000	.137***
Non-family employees	.198***
Competitiveness	.435***
Profitability	.363***
Subsidies received	-.103***
Customer activeness	.465***

Note. Based on the whole data, all three samples combined.

\*  $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$ , ns.=non-significant.

Whether a respondent had received subsidies or not had only a moderate (negative) correlation with the control experience. On the other hand, competitiveness (.435) and the profitability (.363) of the enterprise were strongly associated with the sense of personal control. The highest correlation (.465) was found with customer activeness, which is a sum variable including the number of customers, marketing activity, conversation with customers and the time spent in sales and marketing. All in all, competitiveness, profitability and customer activeness were the best predictors for the experience of personal control in the data. This result was also confirmed by linear regression analysis (see Table 2). The best regression model was achieved with customer activeness, competitiveness and profitability as predictors. The model, in which customer activeness was the best individual predictor (beta .41), explained 31 per cent of the variance in personal control.

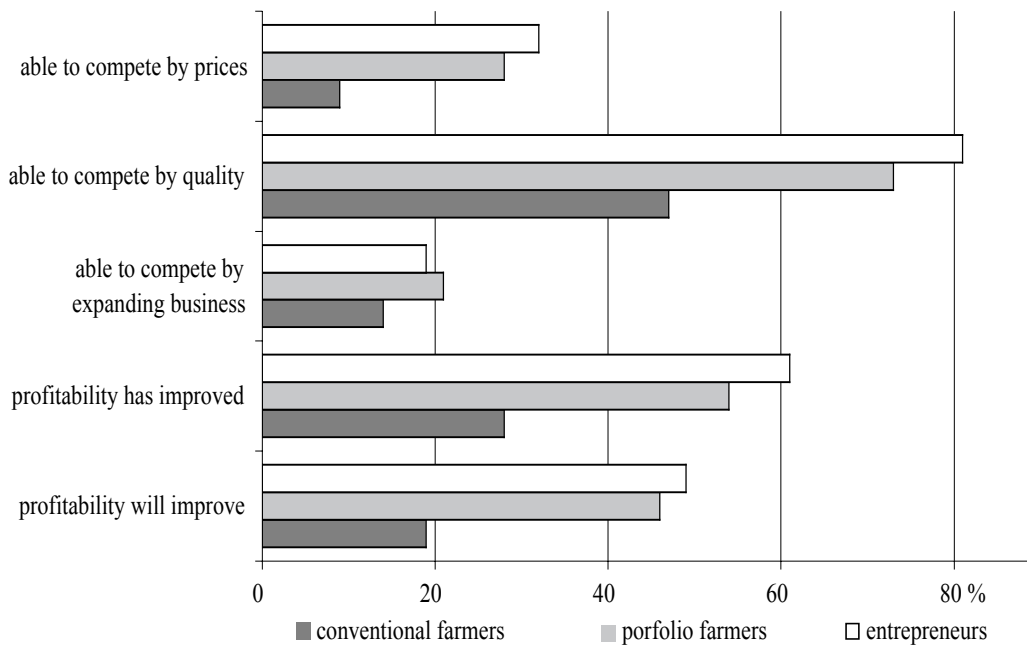
**Table 2.** Best predictors of the personal control experience. Linear regression analysis.

Dependent variable	Predictors	Beta-value	Std. Beta	t-value
Personal control				
	Customer activeness	.41	.29	9.67***
	Competitiveness	.35	.24	7.58***
	Profitability	.22	.22	6.98***
	Model $R^2=.31$ ; adjusted $R^2=.30$			

\*\*\* $p < .001$ .

Furthermore, regarding the factors strongly associated with personal control, we found clear differences between the conventional and portfolio farmers. In other words, these factors seem to explain why the portfolio farmers experience more personal control than do the conventional farmers. We will describe these factors as well as the group differences briefly in the following.

Regarding competitiveness, we asked the respondents to evaluate, whether they are able to compete on price, on quality and by expanding the business. As we can see from Figure 2, only nine per cent of conventional farmers found themselves well able to compete on price. The corresponding proposition of the portfolio farmers was 28 per cent. The group differences were also clear-cut regarding the issues of competition through quality and through expansion of the business. Forty seven per cent of the conventional farmers and 73 per cent of the portfolio farmers found themselves to be well able to compete on quality.

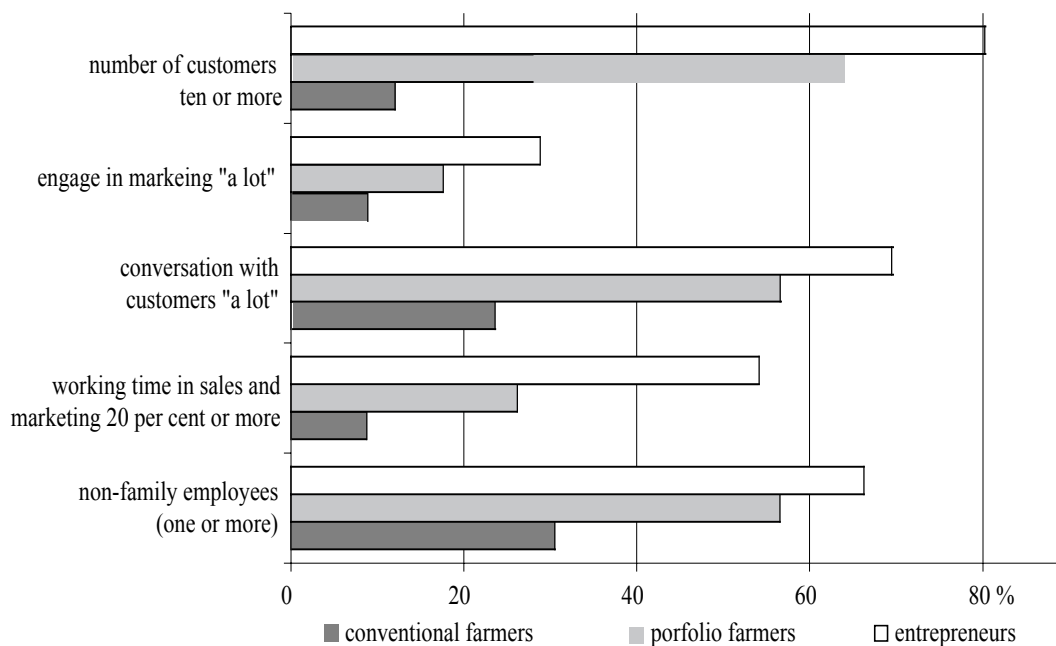


**Figure 2.** Competitiveness and profitability among three sample groups. Proportionate distributions.

The differences in perceived profitability between the groups were also clear. Twenty eight percent of the conventional farmers and 54 per cent of the portfolio farmers found that the profitability of their firm had improved during the previous three years. Nearly half of the portfolio farmers, but only a fifth of the conventional farmers, however believed that profitability would improve in three following years. All of the group differences described here were statistically highly significant according to Chi Square-tests ( $p < .001$ ).

These results are not surprising given that the whole farm sector in Finland has been under significant pressures during the last few years; the number of farms has decreased considerably, and survival strategies have been actively sought. It is no wonder then that the conventional farmers estimate the economic strength or the potential for success of their business to be, on average, lower than the other sample groups. In any case, our results confirm the idea that portfolio farming is a real alternative as an economic survival strategy.

Regarding the importance of customer relations, the differences between the conventional and portfolio farmers were remarkable. As we can see from figure 3, only 11% of the conventional farmers and 66% of the portfolio farmers had more than 10 customers. 6% of the conventional farmers and 18% of the portfolio farmers reported that they practiced marketing to a great extent. Twenty three percent of the conventional and 57% of the portfolio farmers reported that they had numerous conversations with their customers. Corresponding group differences were found regarding the working time spent in sales and marketing. Considering employee relations, about a third (31%) of the conventional farmers and more than a half (55%) of the portfolio farmers reported having full-time or part-time non-family employees.



**Figure 3.** Customer relationships and non-family employees among three sample groups. Proportionate distributions.

Activeness in terms of customer relations was the best predictor of the personal control experience, and it also highlighted a clear difference between the conventional farmers and the portfolio farmers. In other words, portfolio farmers experience more personal control because they have more customers and more communication and interaction with their customers. This conclusion is also in line with the results of a qualitative study on conventional farmers by Vesala and Rantanen (1999). Although the importance of customer relations is most prominent in our data, the relation to non-family employees also seems to play a similar role. All in all, our results support the emphasis on the importance of social relations – or the social network in general – made by social network theorists (Aldrich & Zimmer 1986; Johannisson & Mønsted 1998) and social



psychological researchers (Carsrud & Johnson 1989; Vesala 1994) in the study of entrepreneurship.

## The ambivalence of social relations in entrepreneurship

According to our data, the experience of personal control is mainly determined by the economic strength of the enterprise and by the entrepreneurs' particular set of social relations, in particular their relation to customers and to non-family employees. These results remind us that the experience of personal control over one's success does not evolve in a vacuum, but always in relation to something – or somebody. In our case it evolves in relation to the economic success or strength of the firm, indicated by size, competitiveness and profitability. The better the success is in economic terms, the stronger is the feeling of personal control. Although the personal control felt by portfolio farmers is, on average, stronger than that of the conventional farmers, it ought not to be forgotten that the step towards entrepreneurship also has another side. Everybody does not succeed uniformly well, and price that one potentially pays for this – if one is less successful – is a feeling of a lack of personal control.

In the various formulations of social sustainability the equal distribution of benefits is emphasised, in addition to individuals' control over their own lives. Questions of fairness and justice go hand in hand with this emphasis (Rannikko 1999; Scott et al. 2000). Our results on the association between the control experience and the economic success in business, confirm that this point is quite relevant also with regard to entrepreneurship. The very idea of business competition implies that some parties may gain more than others. Equality in benefits and fairness in conduct is by no means self-evident in the context of entrepreneurship. An entrepreneur must defend his/her own interests but on the other hand he/she must keep an eye on the ideas of fair competition and exchange in order to achieve and maintain trust in the crucial area of business relations (Carsrud & Johnson 1989; Vesala 1996). It seems then reasonable to ask, for example: what is it in terms of customer relations that enhances or enables the control experience of portfolio farmers? Is the answer simply that more customers and more interaction with them enables the portfolio farmers to gain increased financial benefit to themselves?

In some discourses entrepreneurship is associated with devoting solely to economic values and aiming to maximize one's own gain, even at the expense of other people (see Katila 2000). In the stories and essays written by conventional farmers<sup>3</sup> the social attitude of an entrepreneur – and of the actors in the market economy in general – is often portrayed as one of manipulation, flattering and bluffing. How do the portfolio farmers view the nature of social

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<sup>3</sup> This observation is based on the archives of the Finnish Literature Society.

relations in entrepreneurship? According to the results that we have presented in this paper, portfolio farmers experience more personal control than do conventional farmers, and this experience is closely related to social communication and interaction. In our next study we aim to attain a deeper understanding of how portfolio farmers describe their own social situation as entrepreneurs – including their relationship to customers and employees, as well as to other partners relevant to entrepreneurship – as well as asking how they themselves interpret and evaluate their business relations with regard to their own control and benefit.

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