Sustaining the family business with minimal financial rewards: How do family farms continue?

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Abstract: We engaged in a multi-case comparative study exploring how family farm businesses continue when economic returns are minimal. We analyzed strategic approaches used by 20 family dairy farms operating in the UK and identified four different strategic behaviors chosen by the family farm businesses – diversifying the business, maximizing debt, sacrificing family needs and compromising. Each strategy allows the firm to survive, but has consequences for the family, the business, or both. Our study contributes to the socioemotional wealth literature by showing how emotional attachment to the business can influence firm decision-making.

Key Words Family farms, strategic approach, business continuation, socioemotional wealth.

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Family farms are an interesting enigma. They illustrate tremendous resiliency because they are consistently transferred from generation to generation. Many family farm businesses have survived beyond the third generation, and almost a third have operated in the same area for over a century, with multiple generations working together (Ballard-Reisch & Weigel, 1991; Lobley, Errington, McGeorge, Millard, & Potter, 2002). However, family farms also tend to generate less than average returns on investment and sometimes continue with negative profits (DEFRA, 2012). How can family farm businesses continue over multiple generations despite minimal economic returns and what are the consequences?

Previous studies show that the survival of small family firms (including family farms) is important not only to the firms themselves, but also to society because they 'can have a profound impact on local economic development and social cohesion' (Howorth, Rose, Hamilton, & Westhead, 2010), especially in geographically remote regions where they are a vital source of employment and community. As argued by Poutziouris, Steier, & Smyrnios (2004), irrespective of scale of operation, legal form, industrial activity, social-political state and market development, family businesses provide a critical infrastructure for economic activity and wealth creation.

Within the family business literature more generally, there has been growing attention to the issue of firm survival. For example, Colli (2012) explained that business historians focus on firm survival as the key performance variable, suggesting that it is critical to know more about effective pathways leading to survival. Miller & Le Breton-Miller (2005a) identified factors enabling large family firms to survive and thrive, and Zellweger, Nason and Nordqvist (2012) identified strategies enabling family firm survival among firms

experiencing growth and success through entrepreneurial activities. However, what is currently missing in the literature is attention to survival among small family businesses where financial returns are persistently poor. It is surprising that firms such as family farms can be successfully transferred from generation to generation, and yet economic profits can consistently be low or even negative.

To investigate this puzzle we focus on one type of family business, the family run dairy farm located in the United Kingdom (UK) (Gasson & Errington, 1993). This is a particularly good research setting because this segment of farming has experienced consistently low financial returns. From 2003 to 2010 total income from farming in the UK has steadily declined by an average of 15% per year (DEFRA, 2012, p. 11-12). This is a particularly important phenomenon in the current economic climate and in light of a recent UK Government report on rural areas, stating that one in five households live in poverty (Smith, Davies, & Hirsch, 2010).

We draw on the socioemotional wealth (SEW) literature to better understand strategic decision-making by employing a multi-case comparative study comprised of semi-structured interviews with owners and other family members of 20 family dairy farms. SEW refers to the non-financial aspects of the firm that meet the family's affective needs through the business (Berrone, Cruz & Gomez-Mejia, 2012; Stockmans, Lybaert & Voordeckers, 2010). As such, it is an important dimension in exploring family firm survival. As Colli (2012) argues, survival is a measure of nonfinancial performance and it is therefore appropriate to use a theoretical tool that allows for exploration of noneconomic dimensions as motivational factors driving strategic behaviors to continue business operations.

Our results show that family dairy farm businesses were able to sustain the business despite minimal economic returns by engaging in four different strategic behaviors (diversifying the business, debt maximizing, sacrificing family needs and compromising).

Each behavior involves consideration of family and business needs to ensure the survival of the business for future generations, thus preserving their SEW. However, each strategy also brings forward significant consequences for the family and the business.

Our work contributes to the relatively small literature on family farm businesses and the growing family business literature on SEW, particularly in relation to the role of emotional attachment to the family business (Berrone, et al., 2012). Family farm businesses, in this case, dairy farms, have a high level of SEW that has been established over a number of generations and its preservation seems to be important in driving behavior.

This paper is organized as follows. Next, we describe the background literature regarding family farm businesses and the importance of socioeconomic wealth (SEW) in family firms. Then we explain our research setting and methodology, followed by our empirical findings. Finally, we present our discussion and conclusions.

Sustainability of Family Businesses

The sustainability of family businesses is an important topic, not only to individual family firms, but also to society more broadly. Business historians view firm survival as the most critical long term indicator for evaluating firms. As Colli (2012) suggests, there are key areas where a historical focus could provide critical information about the durability of family firms; they include success, survival and sustainability. Recent work by Zellweger et al., (2012) also investigates sustainability of family businesses by focusing on how families sustain entrepreneurial approaches over multiple generations; they found that trans-generational sustainability intentions of the family were a key factor. In addition, Miller and Le Breton-Miller (2005b) studied how family firms remain profitable in the long run, and argue that long term investments accrue from governance conditions that allow family firms to create sustainable capabilities.

Some studies have investigated different ways of managing family and business needs in order to understand sustainability. For example, Carlock and Ward (2001) postulate that successful family businesses balance family (emotional) and business (rational) tensions over lengthy periods of time. Donnelley (1964) argues that successful family firms are those where a "rare harmony is achieved between the normally competing values within the individual and organization" (p. 97). Similarly, Gubitta & Gianecchini (2002) proposed that sustainability relies on the successful management of three networks: the familial network (all members of the family); the organizational network (all the people who take part in the business -- family and non-family, at all management levels); and the environmental network of external stakeholders (such as customers, suppliers, banks, and other institutions). However, most studies take for granted what Danes, Stafford, Haynes, & Amarapurkar (2009: 199) make explicit: "the financial bottom line is essential for firm viability." But as Danes et al. (2009) also suggest, focusing on economic success can reduce our ability to understand firm sustainability more generally.

We know that family firms hold both economic and non-economic goals, but the study of these potentially competitive outcome measures has typically been conducted in relatively large firms that make reasonable profits over time (Chrisman, Kellermanns, Chan, & Liano, 2010). There has been little attention to smaller family firms, especially those with minimum or negative profitability. This is in spite of literature showing that the criteria for success in family business involve a blend of economic success with the attainment of non-monetary goals, such as self-determination, pride and personal satisfaction, reputation and technical accomplishments (Weigal & Ballard-Reisch, 1997). These factors can be linked to the non-economic utilities of the SEW model. These non-monetary goals are only beginning to receive much needed attention through the development of the SEW model and other studies showing that family firms tend to place business longevity and the wellbeing of

family members ahead of growth and wealth maximization as business goals (Berrone et al., 2012; Dunn, 1995).

All of these findings regarding the sustainability of family firms have been generated from studies of large and consistently profitably firms. But there has so far been little attention to smaller firms (such as family farms) that survive over multiple generations, seldom (if ever) enjoying even average economic profits. It is in these smaller firms where attention to non-monetary factors is clearly required. This is a critical gap in the literature since sustainability under these conditions is puzzling and important to understand.

Family farms

Family farms are an interesting type of family firm. The diversity, adaptability and persistence of family farms have long been recognized (Gasson & Errington, 1993). Family farms are excellent examples of long term sustainability since they continually re-allocate resources to address the changing needs of the business and maintain operations (Gasson & Errington, 1993). However, family farms have received surprisingly little research attention in the family business literature.

Economically, the small scale farmer is at a disadvantage when trying to compete with large farms and their inherent efficiencies (Jervell, 1999). Studies show that a commitment to farming as a way of life can lead owners to believe that adversity must be accepted with a degree of resignation and fatalism (Newby, Rose, Saunders & Bell, 1981). Many small farmers are confronted with spiraling costs and diminishing returns; debt levels become a major influence on farmers' decision-making capabilities and strategies (Van der Ploeg, 2000). To overcome falling incomes, farmers have been encouraged to diversify their activities as a transition out of farming; but some have used this approach as a way to remain in farming with supplemental income from other sources (Burton, 1998). This has allowed

farmers to re-allocate resources and respond to the changing environment in ways that are increasingly seen as a survival strategy, for example diversification into bed and breakfast (Glover, 2009). This means that non-farm activities are increasingly subsidizing food production (Farmers Weekly, 2003).

In a study exploring farming families' responses to change, conducted across a wide range of economic conditions in different countries, findings show that profit-seeking is not the key driver (Austin, Deary, Gibson, McGreggor, & Dent, 1996). Similarly, Willok et al. (1999) showed that behavior change resulted from complex processes influenced by a range of socio-economic and psychological variables. In addition, studies of satisficing behavior (Simon, 1957) have been utilized to explore farmers' non-economic goals. They suggest that farmers seek to satisfy a number of inconsistent goals, balancing simultaneously the farmer's own scale of values with business goals (Gasson & Errington, 1993).

The primary goal of many family farms is to maintain family control (independence) and pass the business onto the next generation (Gasson & Errington, 1993). Since most farms are successfully transferred generation to generation, the financial and frequently emotional survival of each generation is linked to the farm's success (Johnson & Booth, 1990; Potter & Lobley, 1992). This seems to be particularly evident in studies of the two-generation farm family, where father and mother are actively involved in farming with their adult children (e.g. Brown & Coverley, 1999; Weigel & Weigel, 1990). Stokes and Blackburn (2002) and Anderson and Jack (2000) also highlight the importance of passing the farm onto the next generation as an issue of prestige and keeping the family name on the land. Other studies have explored the importance to farmers of transferring ownership to the next generation (Keating & Munro, 1989), including transfer of work (Kimhi, 1994), expectations (Laband & Lentz, 1983) and strategic decision-making (Kimhi & Lopez, 1999).

Strategic decisions have major resource implications for organizations, with implications for operational decisions (Johnson & Scholes, 2002). For example, if a farmer chooses to expand the dairy herd and install a new milking parlor, this major capital investment will financially affect both the family and the business. Strategic planning thus encompasses major decisions about farm policy, such as what to produce, whether to buy additional land, and also tactical day-to-day management decisions, such as which job shall be done first today (Gasson & Errington, 1993). There are considerable variations in the strategies chosen; individual farmers hold different preferences, interests and environmental assessments that translate into a range of actions, particularly when passing the farm business to the next generation (Gray, 1998; Ondersteijn, Giesen & Huirne, 2003). It is important to note that strategies chosen must meet both the needs of the business and those of the farming family.

Some studies suggest that reducing costs has become the dominant strategy pursued by many family farms (Van der Ploeg, 2000). In fact, the choice may not be to maximize returns but simply to keep the family business going. Cost effective farming strategies provide farming families with a way of countering the increasingly threatening situation of limited production quotas, decreasing prices, the high cost of land, and the obligation to farm in a more environmentally sound way.

Socioemotional wealth (SEW)

SEW refers to the non-financial aspects of the firm that meet the family's affective needs through the business (Stockmans et al., 2010), such as identity, pride, the family name (Kets de Vries, 1993), the ability to exercise family influence (Schulze, Lubatkin, & Dino, 2003), the perpetuation of family values (Handler, 1990) and preservation of the family dynasty (Casson, 1999; Stockmans et al., 2010). In response to observations that family firms

determine strategy with consideration of both financial and non-financial goals, Gómez-Mejia and colleagues (2007; 2010) developed the SEW model to deal with the uniqueness of family firms. More specifically, this model proposes that "gains or losses in SEW represent the pivotal frame of reference that family-controlled firms use to make major strategic choices" (Berrone et al., 2012, p. 259). Previous research shows that SEW can influence strategic decisions made with regard to diversification (Gómez-Mejia, Makri & Larraza-Kintana, 2010), environmental performance (Berrone, Cruz, Gómez-Mejia & Larraza, 2010), alliance formation (Gómez-Mejia et al., 2007), employment relationships (Cruz, Justo & Castro, 2012), and financial management (Stockmans et al., 2010).

By focusing on SEW, scholars have drawn attention to the importance of family ties as observed through a set of non-economic utilities, such as family control, family harmony, independence, identity, and perpetuation of family destiny (Berrone et al., 2010; 2012). Recently, Berrone et al. (2012) called for increased attention to five dimensions of SEW that they view as critical to understanding family firm behavior. These dimensions are: family control and influence, family members' identification with the firm, binding social ties, emotional attachment, and renewal of family bonds to the firm through dynastic succession.

This paper contributes to the SEW literature by investigating family firms where economic returns are minimal. The SEW model suggests that family firms are likely to place a high priority on maintaining family control, accepting an increased risk of poor firm performance, and preventing the firm from failing by acting more conservatively (Gómez-Mejia et al., 2007, p. 106). As Berrone et al. (2010) state: "The value of SEW to the family is more intrinsic, its preservation becomes an end in itself, and it is anchored at a deep psychological level among family members whose identity is inextricably tied to the organization" (p.87). Therefore, reducing SEW implies lost intimacy, reduced status, and failure to meet the family's expectations (Gómez-Mejia et al., 2007, p. 108). Preserving the

SEW of the firm is a key goal in many family firms, and as a result the creation of firm wealth (economic returns) may be sacrificed (Gómez-Mejía et al., 2007). We see that small family farms are businesses where SEW plays a strong role in strategic decision-making, providing us with an excellent research setting to further explore the role of SEW. Thus, this paper aims to answer the research questions: How do family farms continue business operations for minimal financial rewards? And what are the consequences for family and the business?

Research Setting

Our research is based on the analysis of interviews with owners and other family members working in family dairy farms located in the Midlands region of England, an area renowned for dairy farming. This is an excellent location to study family farms that are economically at risk because dairy farming in the UK is currently facing intense financial pressures, with both margins and profits in severe decline. Farmers currently face low prices for milk and high fixed costs of production and transport. The perishable nature of milk requires strict and comprehensive quality regulation. Dairy farmers must sell their product immediately, exacerbating the fact that they must take the daily price offered by large powerful purchasers. Over the past ten years, milk prices for farmers has decreased with the outcome that farmers' incomes have been reduced to the point where they are consistently below the national minimum wage (AHAD, 2010).

Methodology

We conducted a comparative case study of 20 family-owned dairy farms, selected through purposeful sampling (Patton, 1990; Yin, 2003). The first author used personal connections to identify key farm owners, and snowball sampling to increase the number of

farms involved in the study. All family farms were engaged in the dairy industry within our geographic area of interest, and all were faced with reduced income from farm operations. By confining the cases to those within the dairy industry, we maintained similarity of market pressures since all were faced with the same reduction in prices for milk. In all cases, the farm had gone through at least one successful generational transition. We continued to seek out further cases until data saturation was achieved.

Case studies are appropriate for understanding behavior within a particular context; they are holistic rather than isolated, and the data collected generate depth rather than breadth (Yin, 2003). They are also subjective rather than objective. A case study design allowed us to focus on events, relationships, experiences and processes; in this context our design allowed us to examine the decision making processes of farmers and how their goals and motivations affected behavior. Using multiple cases allowed us to increase the level of external validity, based on the diversity of the cases studied (Yin, 2003). Table 1 details each of the cases and provides general information about each business and the family members who were interviewed.

[Table 1 about here]

Data Collection

One-on-one semi-structured interviews were conducted with farm owners and other family members since this is both a common and powerful way to try to understand fellow human beings (Denzin & Lincoln, 1998). The qualitative interview is ideal for gathering information on the respondent's life-world, and allowing the researcher to see life from the respondent's perspective. We structured the interview process so that the interviewer could raise questions about topics that participants saw as relevant and important to talk about, given the research project (Alvesson, 2003). Thus, the interviews were designed to allow

farming families the opportunity to talk in-depth about their knowledge, experiences and perceptions of their businesses, families, and the industry. In particular, we wanted respondents to explore factors that they believed affected their past and future decision-making choices. The interviews covered specific areas: family history, recent business developments, decision-making, the farmer's/family members' objectives and reasons for working, as well as a discussion of the internal and external influences on the business. This approach allowed flexibility in conducting the interview while retaining a focus on the principal areas under consideration. Interviews lasted between 30 and 90 minutes, and in most cases at least one family member (in addition to the owner) was interviewed, for example, spouse, adult children and their spouses (see table 1 for case details). In total 48 interviews were conducted giving 41 hours of narrative.

Data Analysis

All interviews were transcribed prior to analysis. Analysis began with the construction of the cases to provide a detailed historical account of each family business and the reasoning for continuing the business despite minimal economic rewards. After the construction of the case, within-case analysis was conducted by making notes on narratives which stood out as either predictable or unusual. Then data were analyzed using the sections covered in the interview as an analytical framework and the basis for generating themes, for example, family composition and business strategy. These two processes were repeated for each interview transcript in the case. The next stage involved identifying any commonalities and differences between family members. For instance, did father and son share similar views or not? This formed the basis of developing constructs relevant to business continuation in each case. Cross-case analysis allowed the grouping of common responses to interviews as well as identifying any differences in perspectives (Patton, 1990). Patterns for strategy, family

composition and reasons to continue business operations were identified and explored (Yin, 2003).

Findings

We wanted to understand how family farm businesses continue despite minimal economic returns and what the consequences are for the family and the business. In conducting our cross case analyses, we identified four primary strategies used by family dairy farm owners – diversifying the business, maximizing debt, sacrificing family needs, and compromising (accepting less than optimal business performance). Each family farm in our study primarily followed one of these strategic approaches as a way to continue the business and potentially pass it on to the next generation. All farms had been owned by the family for at least 50 years, and all were under financial pressures.

Of the 20 family farms we studied, 2 followed a strategy of diversifying the business, 5 maximizing debt, 6 sacrificing family needs, and 7 compromising. Business diversifiers responded to decreasing farm profits by starting up new related businesses that they then managed as a portfolio of firms. Maximizing debt meant that farm owners took on increasing levels of debt in order to sustain or expand operations with the hope of increasing revenue and securing the business for future generations. Sacrificers opted to give up family needs to pursue a strategy that would continue the business. Compromisers were those farming families that settled for less than maximum farm profits in order to maintain family relationships. These strategies and associated consequences are summarized in Table 2.

[Table 2 about here]

Diversifying the Business

The main characteristic of this strategy is farming families diversifying into other businesses to maximize overall income and hence profits. For example, some farm owners

started up related businesses such as bed and breakfast, commercial property rentals and livery. Diversification is a common business practice and had been recommended to farm families by government and other consultants for over a decade (AHAD, 2010). However, only 2 of our 20 cases followed this as their primary strategy. Interestingly, these were two of the biggest farms in our study, ranked by acreage and dairy herd size. Therefore they held relatively greater collateral to facilitate the associated costs of starting up new ventures. The following quotes illustrate the diversifying strategy:

> "We have diversified into property investment in order to secure income streams as those decline from farming with the decline in milk price. …. Commercial and residential houses bring in the money. The [assets of the] farm helped with the sale of land for development…I am profit orientated. If it wasn't profitable then I wouldn't do it, but I would miss it if I wasn't doing it. I would miss the challenges it gives me. (Farmer 1, case 7).

The farm owners following this strategy were focused on profits and income. By diversifying into a portfolio of businesses the farming families were able to increase overall family income and used this to pay for family expenses.

> "We needed [increased income] to pay for things for the family, and there are two families to support -- mine and my brother's (Farmer 2, case 7).

One of our diversifiers found that income from diversified activities was greater than that from the farm.

> "We make more money out of property than anything else. My brother focuses on that because I've always been involved with the farm. We thought it was best to carry on that way. So my brother does the property side of things, and he is quite shrewd in what he does. So it does work well as we both want to be making money" (Farmer 1, case 17).

The consequences of this strategy are that the farm becomes immersed in a portfolio of businesses, with less emphasis on the farm itself as a source of pride. However, since the diversifications were related to the farm, we heard that the set of businesses tended to support each other.

> It's been 2 years since we [moved into property management] and now the interest rate has gone down so our yields have increased…Also [we're able to] spread the risk of the business by having a portfolio of assets and spread the risk across them (Farmer 2 case 17).

The farm was no longer the main source of employment and income, but interviewees told us that they were running the farm more aggressively with increased attention to profit maximization in the short term rather than potential long-term gains. The farmers who followed this strategy also told us that they changed farming practices in ways that allowed them to generate more income.

> "I'll do whatever I need to do, so if I get money for doing environmental things instead of producing food that's what I'll do" (Farmer 1, case 7).

> "If we need to change something to make more money then we will. If the government stops paying us for environmental schemes I shall stop doing them because they wouldn't make any money otherwise. Also it is worth doing because we have so many acres. If we were on a smaller scale the paperwork involved just wouldn't be worth it" (Farmer 2, case 7).

Overall, we see that this strategy of diversification allowed farm owners to increase income and maintain a higher standard of living.

> "I have people working for me so I try and balance between work and family. The only time it goes slightly wrong is August and September when it gets too busy. Most

of the time, I manage it. I drop the kids off at school and pick them up. So yeah, I try and juggle work and being a dad." (Farmer 2, case 7).

However in diversifying, they moved their focus away from the value of the farm itself and toward managing a portfolio of businesses – the farm being just one of the businesses. We also note that diversifying was not available to all farm owners. Only those with relatively large assets were able to amass the resources needed for starting up related businesses.

Maximizing debt

Farm owners who followed this strategy made a choice to maximize debt in order to expand the business or otherwise increase income. However, this did not necessarily translate to maximizing profits. By increasing debt, farm owners expected they could at least partially alleviate decreasing profit margins. Five of our 20 cases primarily followed the maximizing debt strategy. In turn, this strategy pushed the business to maximize milk production because increased income was required to cover debt repayment. As the following example shows, these pressures were sometimes difficult manage:

"It is a bit of a risk borrowing such a lot of money and we also have to get approvals from the tenants as they are the ones who build the sheds etc. that we want. But we pay for it indirectly through increased rents…We have got to maximize our returns and the production levels from each cow so that we can cover costs and debt repayments. We also want to make a profit so that we can reinvest" (Farmer, case 3).

Most of the farm owners following this strategy told us that they sought advice from consultants before deciding on their ultimate course of action. For example,

"I have a large mortgage, which is a worry. It is a huge gamble and only done because my son is so keen to carry on. I employed advisors to see if my plans would work and would pay off. The barns were sold for planning conversion. I would have wanted to do them myself but needed the money and didn't have the time to do them whilst

building the new unit … I have taken a large risk and don't know whether it will pay off or not." (Farmer, case 15).

Farmers took on this extra risk because they believed it was the only way to maintain the businesses for future generations.

"I'm doing all this and taking a huge gamble so that the business will hopefully be in a stronger position for my son…I have had sleepless nights -- you know worrying about whether I made the right decision to expand so quickly. But the problem was when we had the consultants over and we went through the figures for the level of investment that was needed, they suggested that we needed to double cow numbers in a short space of time…I thought that this was the best course of action to secure the future of the business. It wasn't a decision taken lightly and we took a long time thinking about it" (Farmer, case 5).

"Only time will tell [if this was the right strategy]. Milk price will affect us a lot due to the volume we produce and our reliance on it as a form of income ... The investment was done for my son so he can carry on and stand a chance of farming in the future" (Farmer, case 15).

Farmers' sons also saw expansion as a way to secure the future of the business, but described it as a spiraling situation that meant owners could lose control.

"We are under pressure now to deliver volume to make debt repayments each month. Milk price is something that seriously affects our business and we can't control it…I would be devastated if we lost everything, but we had to expand for the business to support me and dad. It's a catch 22 situation, increase debt to expand the herd, but then we need to increase milk production to service debt" (Son, case 15).

The consequences of this strategy are multiple: it reduces resources available for household spending, creates conflict among family members concerning what items to spend

money on, increases business output (not necessarily covering increased costs), changes work practices and requires a level of resilience and energy to cope with added pressures. Overall, interviewees told us that maximizing debt caused significant financial worries for family members, particularly the female members of the family who were also responsible for running the household. Maximizing debt seemed to forfeit the stability of the family for the sake of business continuation.

> "I know that my husband has done this so that we secure the future of the business but sometimes it gets a bit nail-biting when the whole family is relying on my salary plus financing the debt…It's like you are on a wheel if you want to expand and grow your business. You need to borrow large amounts and then you need to expand to pay the debts back. Then you have to keep the wheel going even faster" (Wife, case 5).

> "Sometimes it's difficult. You'll juggle money from one place to another to make sure repayments are met…It does worry me a bit -- the amount of money we owe…I work full-time; I'm a qualified book-keeper. I do the books for the farm and three other businesses....[because] it's additional income for the household" (Wife, case 15).

Maximizing debt was a common strategy used in response to continually decreasing income. Although it was intended as a way to help the business survive through the short run so that the next generation could take over, the consequences for both family and business were significant.

> "It's dad who has taken the risk really for me, which is a bit of a responsibility really. And when I think about the money we have borrowed, it is a little unsettling. I guess I will eventually take on that debt but it does put you under pressure" (Son, case 5).

Farmers following the debt maximizing strategy were worried about the future and reported increased conflict among family members as a result.

Sacrificing family needs

The third strategy we identified is the purposeful decision that the family would make sacrifices for the sake of the business. The sacrifices took somewhat different forms, but the farming families interviewed told us that in response to continually decreasing income, they decided they would have to give something up. They believed it was the only option available to them if they wanted to keep the business going. Out of our 20 cases, we classified 6 as sacrificers. In most of the cases, family harmony was sacrificed to keep the business going.

> "It does feel like you are on a tread mill sometimes as the business and the animals always come first. If you feel unwell you can't have the day off and if you fancy going out for the day as a family, you can't because everyone can't have time off at the same time" (Farmer, case 1).
>
> "I think that we have sacrificed family harmony for the sake of the business …I guess the farm business does affect relationships working within family. [There are] problems of conflict and added pressures especially when you are growing up. … You are never really done from working" (Daughter, case 1).

Pressures of daily work and continually working with family members put a strain on family relationships.

> "Farming can be a very isolating life. Working and living in one spot and probably quite isolated from neighbors can be lonely. The fact that there is never a break in the cycle of work can be very wearing as the average family farmer cannot get away because relief workers would make a holiday just too expensive. …It does put a strain on the family, you do fall out but I think it is inevitable as you are working 7 days a week with your husband and daughter…we can have disagreements over silly little things" (Wife, case 1).

Commitment to the family home (farmhouse) was an important reason for sacrificing family in order to maintain the business; this appeared to strengthen attachment to the business and increase motivations to continue farming.

> "I don't want to be working this hard for little money and my costs are increasing all the time. But the amount I get for my produce doesn't increase with my increased costs, so I get less and less and have to work harder and harder. But I don't want to lose my home…" (Farmer, case 9).

Farming families who followed a sacrificing strategy tended to be under serious financial strain. This was not necessarily from taking on debt to grow the business as is the case for debt maximizers described above, but was because of contextual factors specific to the business. For example, the nature of fixed expenses or variable crop conditions led to particular difficulties as explained below:

> "Once you've paid the bills there's very little left for us, let alone re-investing in the business. I'm a tenant farmer so I have to pay my rent before anything else otherwise I would be evicted and have no home and my animals would have no home" (Farmer, case 11).

In some cases family members took on a full time job away from the farm in order to increase household income. The family members in these instances sacrificed their personal time to take on jobs, as well as still continued to work on the farm. Sometimes this meant that individuals were working over 80 hours a week with severe consequences on their health and well-being.

> "I suppose money is a means to an ends for other goals and other pursuits. I only have a job outside the farm because the income for the farm is getting to such a state that it is so low that we need to bolster the family income." (Wife, Case 9).

Consequences of this strategy are that it allows farm owners to maintain their way of life. Although they sacrifice family time, they report that they gain personal value and emotional attachment to the business assets:

> "To me farming is a way of life and I know no other. I cannot imagine not being involved in farming. I love the animals and enjoy the outdoor life. It also allows us to remain on the family farm where we would not be able to stay if we did not continue to farm" (Farmer, case 1).

When following a strategy of sacrificing, interviewees told us that they worried family members would suffer from exhaustion and stress owing to the high levels of determination and 'battling the odds'. This was compounded by the fact that they had already 'sacrificed something' and therefore business continuation became even more important.

Compromising

The fourth strategy we identified is that of compromising. The farm owners following this strategy were content to accept less than maximum income in return for something else they felt was important. They willingly traded-off one thing for another instead of seeking excellence in any particular area. Typically this meant that they chose to live on a relatively low income so that they could enjoy their family life. These farm owners tended to be satisfied with life, telling us about their enjoyment of farming and family. Out of the 20 cases, we classified 7 within this group. We distinguish these farm owners from others because rather than focusing on family sacrifice or increasing income, these farmers purposefully took a middle road so that they could enjoy both the business and their family.

> "I do think you have to be a little bit optimistic. The job has got its problems but it's not all bad…I enjoy milking cows. I like cows. I love working with the cattle. It's the

> reason I do the job. It's a wet farm -- not the best land in the country you know. But it is where we want to live. I like living here. It is a bit of barrier to increasing profits, and consultants say [we should] move. But I love it around here" (Farmer, Case 2).

They told us that despite problems with the farm or farming in general, this was something that they wanted to do and they were happy with situation. Another farmer explained how he made compromises to get through losing his entire herd of animals, and how he continued the business once he was allowed to re-stock his farm.

> "I'm a farmer. My parents were farmers and were at the farm I'm at now. Your animals and your land are part of you, and you a part of them. It is like your own personal paradise… I lost my herd in the 2001 Foot and Mouth crisis and it was such an emotional time for me and my family. It was heart wrenching and when you love your cows and are proud of them, having to see them shot and then buried on your land is soul destroying… [But I didn't want to have to sell] the farm [even though we do without money]. You will never get it back. (Farmer, case 6).

Passing the family farm business across the generations was important for this group. They wanted to continue the family legacy in farming:

> "I love the life that farming offers me and if that means that I live off a little [income] then so be it because I'm in the countryside doing what I want… To me it is a way of life. I have always lived on a farm and farming is what I was born to do. I am lucky that my father was a farmer and had a farm that I was able to take over." (Farmer, case 19).

The major consequence of this strategy seemed to be contentment. These farm owners were happy with their lifestyle. They did not want to expand their business; they were satisfied with what they had. This sense of satisfaction was also evident in the relationships among family members:

> "I love the lifestyle I have and am able to do things when I want. I like being my own boss and being able to arrange my own life rather than have someone else do it for me… We don't go for extremes such as aggressive expansion. We keep debt under control and live frugally. [This] keeps the business going and reduces conflict (Farmer, case 8).

The farmer's thoughts above were echoed by his wife:

> "Showing the cattle is something that boosts our business but it also provides us with a network of friends and it is our hobby…I enjoy the lifestyle. I enjoy being able to do things around the business and being able to take decisions for my own business alongside my husband… Keeps the family and the business on a level so you don't adversely affect one or the other" (Wife, case 8)

Family harmony was important to compromisers, unlike the sacrificers who were prepared to give up or at least reduce family harmony in their pursuit of business survival. Compromisers tended to see family relationships as critical, resulting in less family stress.

> "You live and breathe farming if you do it properly. And sometimes money doesn't come into it. Sometimes it does get you down but you have to plod on…Working with family becomes a skill in compromise, understanding, forgiveness and empathy. Otherwise life would be forever a battle of hostility, frustration and conflict" (Son, case 14).

> "Life on a family farm is something that I want to be able to provide my children. I know that we need to make enough money to provide them with certain amenities but it's the lifestyle that's important as well." (Wife, case 16).

Overall, a compromising strategy meant that farmers and their families were able to enjoy the lifestyle of farming and be content with a somewhat lower income. Family conflict seemed to be low, with personal happiness and job enjoyment clearly evident.

> "You need to have a balance between work and home, you have to switch off at some point and relax even if it is just for half an hour" (Farmer, case 8).
>
> "Sometimes you are better making sure what you are doing is at the top of your game before expanding. Being satisfied with a reasonable income and having a few top quality animals is better than having a lot of mediocre ones" (Farmer, case 16).

Financial goals were important only to a certain extent because people in this category were not willing to sacrifice family relationships in order to increase income. They seemed to have found a happy medium that satisfied both the family and business. However, they risked their businesses standing still in an ever changing competitive environment

Discussion and Conclusions

We wanted to understand how family farm businesses continue operations despite minimal economic returns, and what consequences arise from the strategies they employ. Interestingly, we found that not all farm owners took the same path. We identified four different strategies used to sustain the business – diversifying, maximizing debt, sacrificing family needs, and compromising. Each of these allowed farmers to continue operating their business, at least in the short run. However, each strategy was associated with different consequences for the family and the business. These strategies and consequences are summarized in Table 2.

It is of particular note that diversifying or debt maximizing, which are commonly used in non-family owned businesses held potentially negative consequences for the family. For example, increased levels of debt were stressful for family members because they feared 'losing everything' if debt repayment became impossible. Similarly, diversifying away from farming led to reduced attachment by family members and some loss of identity. On the other hand, when farm owners sacrificed family needs to support the business, especially when

family members subsidized farm income by working long hours off the farm, the associated physical and emotional stress often led to family conflict. Only the strategy of compromising seemed to lead to relatively happy families, even though business profits were lower than possible.

These findings provide a very important addition to the family business literature because they reveal information about a type of firm that typically receives little attention. As suggested by Gómez-Mejía and colleagues (2007; 2010), we found that owners of these small, privately held businesses were clearly driven to protect their socioeconomic wealth (SEW). However, going beyond the quantitative findings of previous research, our interviewees provided rich descriptions of their motivations to preserve farm assets, even when it meant incurring person financial loss or hardship. Where previous studies have assumed motivations for protecting SEW, our qualitative approach allowed us to observe and better understand the heartfelt attachment that farm owners had for their land and animals. The richness of our data helps to highlight the critical importance of SEW in making decisions about the business. Farmers (and their families) developed strategies with recognition of their emotional attachment to the land, animals and farmhouse. Our findings add depth to the previous literature (e.g. Berrone et al., 2012; Gómez-Mejía et al., 2007; 2012) by illustrating the power of SEW as a clear and meaningful reference point for decision-making in family firms.

Emotional attachment is one of the five SEW dimensions proposed by Berrone et al. (2012). Consistent with their suggestions, our study shows the importance of understanding how emotions play a role in decision-making. There is growing attention to emotions in organizational studies more generally (e.g. Voronov & Vince, 2012), and our findings suggest that further research in family businesses may be an excellent way to improve our knowledge about the impact of emotions. Berrone et al. recently pointed out that in spite of

the importance, the "current family business literature is unable to explain how feelings and emotions affect the formation of SEW and how they affect the functioning of the family and the firm" (2012, p. 269). Our findings show a critical role for both positive and negative emotions in developing strategy to guide family firms. The farmers in our study told us about their strong positive emotions concerning their connections with the land and the importance they place on preserving the business for future generation. In addition, they explained how potentially difficult negative emotions could emerge among family members as a result of following particular SEW preserving strategies. All of these rich descriptions help to begin filling this significant gap in the literature about the nature and importance of emotional attachment as part of SEW and strategic decision-making. We hope that future studies will investigate the topic in even more depth and help to extend our findings.

Few studies have considered the implications of following particular strategies in family firms. Each of the four strategies we identified involved significant consequences to either the family or the business, or both. We see that when owners hold strong emotional attachments to the business, the selection of a particular strategy can lead to increased levels of stress that sometimes turn into conflict. Debt maximizers and sacrificers, in particular, were likely to give up family harmony in order to secure the long-term survival of the business. Although the SEW literature has so far given little empirical attention to the connection between emotional attachment and conflict, other family business literature points to this potential (McKee et al., forthcoming). Some time ago, Dyer (1994) highlighted potential discord arising from the complexity of relationships in family firms. In contrast, our study showed that the compromising strategy seemed to reduce family stress and conflict. Further study is needed to understand the conditions under which SEW protecting strategies lead to more or less family conflict.

We also saw that the choice of strategies had consequences for the business. When compromisers chose to settle for less than maximum income in order to preserve SEW, there was less attention to business profitability which could potentially threaten sustainability in the longer term. Similarly, debt maximization was seen as a way to pass the business on to the next generation, but the financial viability of the business beyond the transfer may have been threatened as a result. We note that there was no perfect solution to the steadily decreasing economic returns for the farmers we studied. All of them were trying to do their best in a very difficult situation, but their actions and the consequences of their actions serve as an important window into understanding the very real pressures faced by small family business owners. Their intense attachment to the business pushes them to take extraordinary measures to maintain ownership, and it also holds potential to challenge family relationships.

Our study holds important implications for advisors and family business owners themselves. Although there are multiple responses that can sustain a family firm when economic returns are minimal, it is important to consider the consequences of each strategic approach since there is likely to be significant impact on the family unit. Our results demonstrate the importance of SEW in family farm businesses and the importance of understanding the values and goals of farmers. Business advisors may see growth in sales and profits as the route to ensure business continuation; however, this approach could conflict with the values and goals of the client. One size does not fit all. Business owners who prefer a strategy of compromising, could be willing to accept the risks of lower income, for example. Overall, we see that our findings highlight the fact that advisors must be knowledgeable about potential strategies and consequences, and also respect their clients' values and choices.

Policy makers should consider the effect of policy changes and how they impact farmers' ability to preserve SEW. By gaining an appreciation of the factors that affect family business success and the strategies available to farmers, policy-makers could be better

positioned to make informed decisions that lead to appropriate long term goals for particular geographic locations. Understanding the different strategies small farmers might employ -- diversifier, debt maximizer, sacrificer and compromiser, in the context of the SEW model could help in the development of effective policies that take account of local economic, environmental and social factors.

Our study comes with the usual limitations of qualitative research conducted with small samples. There are limitations to the extent of the generalizability of the study because we do not know how broadly our findings will apply beyond the family farm dairy sector in the UK. However, owing to the nature of family farm businesses, their size (often micro enterprises) and their place in the market, we suggest that key findings from this study could be applied to a broader (perhaps even global) agricultural sector. It would be interesting to compare our findings with similar studies conducted in the US, Canada and in the developing world. Further research could lead to a deeper understanding of how farmers' emotional attachment to their business influences business decisions and also help to shed light on the consequences of SEW based strategic decisions. In addition, we encourage other researchers to investigate similar issues in other privately held family firms. Similar emotional attachments to the business or components of the business may provide equally strong motivations to engage in SEW preserving strategies that hold important consequences for the family and the business. More research is clearly warranted.

We saw that the overarching reason farmers in our study wanted to continue their business was the SEW dimension of passing on a legacy to the next generation. This was deeply rooted in the families' emotional attachment to the farm, even if the current farming generation did not have an identified successor. We see that it is important to understand the ways in which family farms survive over time because they are excellent examples of

businesses where SEW is highlighted. We hope that the insights from this study will help to inform both research and practice in this important area of economic life.

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Table 1: The Farms

* FT - Full-time, PT - Part-time

Farm Case #	***Milk Produced liters in 000s***	***Workers – Family/non family***	***Current Generation***	***Years Farmed at premises***	***Interviewees***
Business Diversifier					
7	3,300	2 FT / 7 FT	3rd	70	2 brothers in partnership and their wives
17	3,700	4 FT / 7 FT	3rd	80	Two brothers and their sons
Debt Maximizer					
3	1,400	3 FT / 2 PT 1 relief	4th	4	Farmer, wife and son
5	1,750	3 FT / 3 1 PT, 2 relief	4th	63	Farmer, wife and son
10	1,800	2 FT / 4 FT	4th	80	Farmer
15	2,200	3 FT / 2 relief	5th	70	Farmer, wife and son
18	2,000	2 FT / 1FT	3rd	5	Farmer and wife
Sacrificer					
1	950	3 FT / 2 PT	3rd	69	Farmer, wife and daughter
4	1,250	3 FT	4th	90	Farmer, wife, and son
9	500	1 FT, 1 PT / 3 FT	3rd	22	Farmer, wife, son and daughter
11	600	1 FT / 2 PT	2nd	69	Farmer
12	910	4 FT	2nd	50	Farmer
20	1,800	4 FT / 1FT	5th	80	Farmer and wife
Compromiser					
2	910	3FT / 1 relief	3rd	45	Farmer and wife
6	850	2 FT / 1 FT	2nd	60	Farmer and wife
8	1,250	2 FT / 1 FT	3rd	15	Farmer and wife
13	1,000	2 FT / 1 FT and 1 relief	4th	4	Farmer, wife and son
14	1,300	2 FT / 1 FT	4th	90	Farmer and son
16	800	2 FT / 1 FT	2nd	60	Farmer and wife
19	750	1 FT, 1PT / 2 PT	3rd	22	Farmer

Table 2: Summary of findings

Strategy	**Description of Strategy**	**No. of Farms**	**Family Consequences**	**Business Consequences**
Business diversifiers	The family farm diversifies or changes operations to maximize income and hence profits	2	A diversified business portfolio reduces risk of any one business, and increases income for the family. Entrepreneurship viewed as a positive characteristic.	Farm becomes immersed in a portfolio of businesses and ceases to be main source of employment and income for family. Farm is run more aggressively focusing on short-term profits rather than potential long-term gains.
Debt Maximizers	The farming family maximizes their levels of debt in order to expand the business to increase income.	5	Reduces family income, creates conflict over what items to spend money on. Debt levels cause stress and anxiety for family.	Short-term business stability is compromised for perceived long-term success. Business activity increases if business expanded but increased costs of production may not be covered.
Sacrificers	The farming family gives up family time or family activities in order to work harder in the business or engage in off-farm work to increase family income.	6	Family members give up family harmony in attempts to ensure the business survives. Family members worry about exhaustion and stress owing to high levels of determination to 'battle the odds'.	Business is under increased pressure to generate income. Business survival becomes even more critical since family members have sacrificed for the sake of the business.
Compromisers	The farming family choses a middle ground, trading off some income in order to maintain family relationships.	7	Family conflict is reduced as individuals seek to blend job enjoyment with living frugally.	Business profits are compromised.