

## Doing Business in Tough Times

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Social and economic changes are never neutral in their impact. These changes produce gains for some and losses for others.

## Extent of Financial Hardship

- ▶ 20%–30% have moderate to severe financial stress
- ▶ 6,000 Iowa farms may fail

## Financial Status of Iowa Farmers

<u>Strong</u> –	Excellent liquidity and solvency Expansion feasible	10%
<u>Stable</u> –	Minimal risk of failure Strong equity Tight cash flow	40%

## Financial Status of Iowa Farmers *(continued)*

<u>Weak</u> –	Restructuring is likely Adequate equity, large losses positive earning	30%
<u>Severely Stressed</u> –	Survival unlikely Very limited equity Large losses	20%

## 1999 Iowa Farm and Rural Life Poll

### Perceptions of Risk

- 89% risk has increased in past 5 years
- 87% expect risk to increase in next 5 years
- 67% risk in own farm has increased

### Farm Plans 1999-2004

	<i>% Yes</i>
Attention to marketing	77
Buy crop insurance	63
Reduce short-term debt	56
Reduce long-term debt	54

### What Farmers Aren't Planning 1999-2004

	<i>% No</i>
Sell land	75
Build or remodel home	74
Build grain storage	68
Major equipment purchase	67
Buy land	63
Rent more land	61
Diversify (add new crops)	58
Expand livestock	57

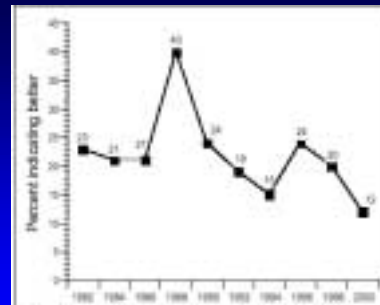


Figure 3. Overall economic prospects for Iowa farmers will improve in the next five years

### Reactions to Financial Hardship and Distress

1. Cut back on living expenses
  - a. Eat out less, reduce entertainment expenses, reduce discretionary spending
  - b. Postpone buying things (belt-tightening)
  - c. Cut back on other types of discretionary spending such as pledge or tithes

## 2. Earn more money, attempt to generate more income

- a. Work more hours, over-time hours
- b. Take on more land, get bigger
- c. Take a second job
- d. Spouse and children have jobs
- e. Engage in illegal activities (rob bank, peddle or manufacture drugs, raise marijuana, bootleg, etc.
- f. Gamble -- "just one big hit," slots, races, cards, lottery, etc.

## 3. Dip into savings

- a. Use emergency reserves
- b. Use funds set aside for children's college fund
- c. Retirement funds or inheritance

## 4. Borrow and use credit

- a. Second mortgages
- b. Use of credit cards
- c. Borrow against cash values of life insurance

## 5. Withdraw from social activities

- a. Can't afford to participate
  - fees, dues, or admission
  - can't afford clothes that look nice
- b. Shame prevents one from participating

## 6. Seeking out assistance

- a. Need for anonymity and confidentiality → shame, guilty, etc.
- b. Availability → financial costs of assistance
  - travel costs
  - professional fees for diagnosis and treatment, consultation fees, lawyers, accountants, social workers, therapists, etc., psychological costs
  - emotional costs associated with guilt, shame, embarrassment, depression, etc.

## c. Stigma associated with seeking out assistance

- Social Services
- Juvenile Court Services
- Food Stamps
- Reduced lunch program
- WIC
- Divorce attorney
- Shelter

### Adjustments in Family Living

	<u>% Yes</u>
Shopping at discount stores	71
Switched to generic drugs	61
Buying more used merchandise	52
Avoiding name brands	51
Cut back social activities	51

### Adjustments in Family Living, *continued*

	<u>% Yes</u>
Postponed household purchase	47
Cut back charitable contributions	45
Family member taken off-farm job	37
Used savings to meet expenses	36

### Adjustments in Family Living, *continued*

	<u>% Yes</u>
Delayed retirement	33
Working more over-time	28
Started home-based business	12
Expanded farm	21
Using more credit	23
Postponed medical care	21

### Satisfaction with Economy

	<u>% Satisfied</u>
Financial conditions in state	51
Financial conditions in community	40
Own farm profitability	30

### What's Ahead?

	<u>% Likely</u>
Farm numbers will decline	98
More reliance on off-farm job	96
Low prices → out of business	95
Gaps will widen	89
Food safety more important	89
Concern about origin of food	83

### Perceptions of Stress

<i>Over last 5 years</i>	<u>% Increase</u>
personal level of stress	57
concern about stress	45
on a day-to-day basis	44
among neighbors	81
within own family	53

## What proportion of your clients are in the following categories?

%

- \_\_\_ Doing OK and things look promising
- \_\_\_ I'm OK, but I'm worried
- \_\_\_ Things are not good and if they continue, I'm going to be in serious trouble
- \_\_\_ I'm in trouble, but hopeful that the situation will turn around
- \_\_\_ I'm finished, the cards are stacked against me... there is nothing to do but wait until the axe falls

Among those customers in each category what can you do to offer social-emotional support?

## Importance of recognizing symptoms of stressed clients/customers

- What emotions can you observe?
- What behavioral traits/actions might tip you off?

How does tough times or financial uncertainty affect you?

## How do customers act when they are under stress?

- Impatient
- Frustrated
- Angry
- Depressed
- Worried
- Anxious

## How do people respond/react to losses?

shock → denial → anger → bargaining → acceptance

When a client walks up to the counter, calls or comes into your office, how do you “get a read” or “size up their attitude?”

## Stressed producers are not “bad” people

- ▶ They are expressing deeply held emotions about loss—either real or anticipated...

Regardless of emotional state, customers want recognition/affirmation that they are valued and their business is appreciated

We remember those who stood by us during adverse times

## Offering hope during difficult times

- ▶ A handshake, a smile
- ▶ A cup of coffee/donut
- ▶ A card—maybe birthday card, season greeting, congratulations
- ▶ Make yourself available to “hear their story”

## Financial hardship among clients should trigger:

- 1) Empathy—understanding/listening
- 2) Premium upon ethics and good business practices
- 3) Searching for ways to help
- 4) Being presence
- 5) Respect the pride/status of our clients
- 6) Stress the fundamentals

## Need to Restore the Practice of Neighboring

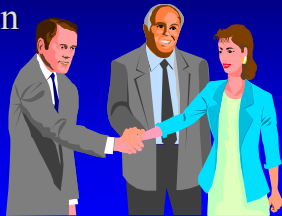
Neighbor as a verb  
versus  
Neighbor as a noun

## The Lack of Neighboring Results in

- Less “knowing”/Less communication
- Less trust
- Less willingness to work together
- Erosion in community

## Building Social Capital

- Communication
- Trust
- Cooperation



# THANK YOU