FAMILY FARM DIVERSIFICATION FROM THE STRATEGIC POINT OF VIEW

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ABSTRACT

The aim of the study is to examine the diversification of family farms from the strategic point of view. Three data sets were utilized in this paper; a postal survey in 2001, and follow-up surveys in 2006 and 2012. In this descriptive longitudinal study, we use panel data from 173 diversified farms which have responded each survey years (2001, 2006 and 2012). Diversification strategy has been the attempt to some of the farms to respond to the changes, and for some farms diversification has been intentionally chosen long term opportunity driven strategy. Diversified farms have planned resource allocation in the period of medium length. Study shows that choice of the strategy is not dependent only economic factors. This longitudinal study offers good insight to the development of diversified farms that can be useful among entrepreneurs, policy makers and researchers.

Key words: farm diversification, diversification strategy, development of diversified farms

INTRODUCTION

In the environment of the agriculture changes take place. The change is mainly caused by technological change which results in the unit size grown and the structural change of the agriculture. The changes in the environment create challenges for the success of the family farms. Changes in the agricultural production environment and market bring farmers the need to analyze in which business areas they will practice and which extent, farming, dairying, ranching and non-agricultural business areas as adequate solution. McElwee (2006, 187-188) advance ten different development strategies for the farmers. Those alternatives are growth by expansion of land use, growth by expansion of animal production, enlarge capacity add value by vertical integration, external business, cooperation with other farmers, diversification, leave farming, migrate into non-agricultural employment, different use of capacity by specialization, and do nothing.

Many farmers have chosen the diversification strategy. They have non-agricultural business besides farming and forestry. Those farms are called diversified farms. The number of the family farms is decreasing than diversified farms and small rural firms which operate without the farm background is increasing (Rantamäki-Lahtinen et. al 2007). The number and the share of diversified farms have increased in the area of EU (European Commission 2008). It is estimated that development will continue in the future. When the operational environment changes the field of the rural entrepreneurship has also changed fast. Earlier exact delimitation between the family farms and other rural small firms is narrowing. The difference between agriculture entrepreneurship and other entrepreneurship is getting dimmer also on the firm level.

Finnish diversified farms even better competitive ability will be required in the future in which case the need for the management skills of the entrepreneurs becomes more marked further. In order to succeed, the entrepreneurs must be able to identify new possibilities and they must have a skill also to take the offering opportunities. They have to also to be capable of developing and sustain the competitive advantage needed to exploit those opportunities over time. In the literature the strategic

entrepreneurship integrates entrepreneurship and strategic management (e.g. Hitt, Ireland, Camp & Sexton 2001; Ireland, Hitt, Camp & Sexton 2001; Ireland, Hitt & Sirmon 2003).

The strategic management of diversified farms is challenging. Allocation of limited resources is one of the main problems. According to Torkko (2006) and Rantamäki-Lahtinen (2009), the problem of the diversified farms is often over- diversification, in other words the resources are divided into too many business areas. Therefore the strategic management and especially resource allocation between agriculture and non-agricultural business is important in diversified farms.

For practical reasons, the diversification activities in this study have been defined as those that have been compiled on Finnish Farm Structure Survey statistics (Tike 2006a). Passive diversification and external firms located on the farm are excluded. There is one notable exception: forestry is excluded from diversification activities. This contrasts with most studies from other countries, and there are two reasons for this. First, the growing-cycle of trees in the northern latitude setting of the Finnish climate is very long. It takes close to 100 year to grow a tree to maturity for timber. Second, if forestry were taken into account, practically all the Finnish farms would be classified as diversified. This is because 94 per cent of Finnish farmers also own forest (Tike 2006b).

The aim of the study is to examine the diversification of family farms from the strategic point of view. In this study the following questions are answered:

- Which factors have affected the farmer's decision to start and continue to practice the non-agricultural business besides farming and forestry?
- How have she/he allocated resources to agriculture and non-agricultural business?
- How the development of non-agricultural business has affected the development of farming (vice versa)?

LITERATURE REVIEW

All over the world farmers have started non-agricultural business besides farming. The findings of Carter (1996) and Carter and Rosa (1998) suggest that farmers do adjust to changing conditions in similar ways to other small business owner-managers and one way to adjust to a changing economic environment in farming is to diversify. Nickerson, Black & McCool (2001) studied motivations for agritourism among farmers and ranchers in Montana, US. According to them, farmers/ranchers had multiple reasons for the diversification. The economic factors, such as agricultural income fluctuations, tax incentives and meeting the demand of growing recreational markets, were important. According to the study of Rantamäki-Lahtinen (2004) the need for extra income, reduced income for other sources, to balance seasonal fluctuations of the income and work were the important reasons for diversification in Finnish farms. Vik and McElwee (2011) investigated motivations for farm diversification in Norway. They found out that other motives for diversification are more essential than the need for additional income.

Diversification is by no means a novel phenomenon for farmers but they are only a few studies how diversified farms have developed and managed to combine farming and non-agricultural business. According to Pascotto (2006) Italian farmers in remote areas met their objectives that were related to income generation, but had problems in exploiting the full potentials of diversification. Studied diversification activities rely heavily on agricultural resources, especially the agricultural work force. Hence, the needs of agriculture might hinder the development of other sectors. On the other hand, according to the study of Lassila (2005) the role of agriculture had become smaller on the

diversified farms which practice tourism. On the other hand, entrepreneurs of diversified farms were themselves quite satisfied with their diversification strategy (Rantamäki-Lahtinen 2004).

As seen farmers start non-agricultural business for many reasons and motives (e.g. Vik & McElwee 2011) and many diversified farms has more than one non-agricultural business. We can assume that farmers who have started non-agricultural business have quite strong entrepreneurial potential (e.g. Vesala & Peura 2002). According to the Ireland et al. (2003) small companies have been historically relatively skilled in identifying entrepreneurial opportunities but less effective at developing and sustaining the competitive advantage needed to exploit those opportunities over time.

Torkko (2006) and Rantamäki-Lahtinen (2009) found out, the problem of the diversified farms is often over- diversification, in other words the resources are divided into too many business areas. As its consequence the strategic management of diversified farms is challenging. The strategic management and especially resource allocation between agriculture and non-agricultural business is crucial in diversified farms. The strategic entrepreneurship integrates entrepreneurship and strategic management (e.g. Ireland et al. 2001; Ireland, Hitt & Sirmon 2003). Ireland, Hitt, Camp and Sexton (2001) identified six domains in which the integration occurs naturally. Those six domains are innovation, networks, internationalization, organizational learning, top management teams and governance and growth. Successfully integrating entrepreneurial and strategic actions improves the firm's ability to grow and create wealth.

Strategy refers to long-term in order to achieve main objectives of firm (Ansoff 1987). It can be seen also as a link between the firm and its environment (Heene 1999, Forsman 2004). Strategies can be divided into three levels: corporate, business and functional level strategies (e.g. Hofer & Schendel 1978, Bamberger & Bonacker 1994). Corporate strategy is a fundamental strategy that concerns the whole firm, and it determines big issues such as the size of the firm, direction of growth, diversification, mergers and specialisation. The business strategy or competitive strategy of a firm focuses on how to succeed within a certain product and/or market combination. Functional strategies deal with resource deployment and synergy creation between functions. Forsman (2004) proposes that these different strategy levels can be found in and applied to small firms or farms though these are not necessarily consciously planned and implemented. Similarly, Torkko (2006) found that there are no official strategy processes in Finnish diversified farms. In this study, diversification is considered to be intentionally chosen 'corporate level'- strategy.

DATA AND METHODS

Three data sets were utilized in this paper; a postal survey in 2001, and a follow-up surveys in 2006 and 2012. The 2006 and 2012 data sets in turn comprise panel data from the previous survey and an additional sample. The whole data set consisted of three main groups: 1) non-agricultural small-scale businesses (non-farm enterprises), 2) farmers who also had non-agricultural business (diversified farms), and 3) conventional farmers concentrating only on agriculture (conventional farms). In this descriptive longitudinal study we use panel data from 173 diversified farms who have responded each survey years (2001, 2006 and 2012).

Of those 173 farms that were diversified in 2001, total of 102 were still diversified in 2012, total of 21 were operating only in their non-agricultural business (i.e. quit farming), and 20 had focused solely on farming (i.e. quit their non-agricultural business). 30 farms had quit all their activities, many of them because the farmers high age. Defined groups are later in this paper called 'strategy

groups' (Figure 1). The most of the operating farms were on the maturity phase or decline phase in their lifecycle in 2012. This is consequence of the panel data approach. Data do not represent whole population of Finnish diversified farms. Data were analyzed by explorative factor analysis. Variance analysis, Kruskall-Wallis non-parametric test, and χ^2 -test were used to test differences between groups. Descriptive statistics are presented in annex 1.

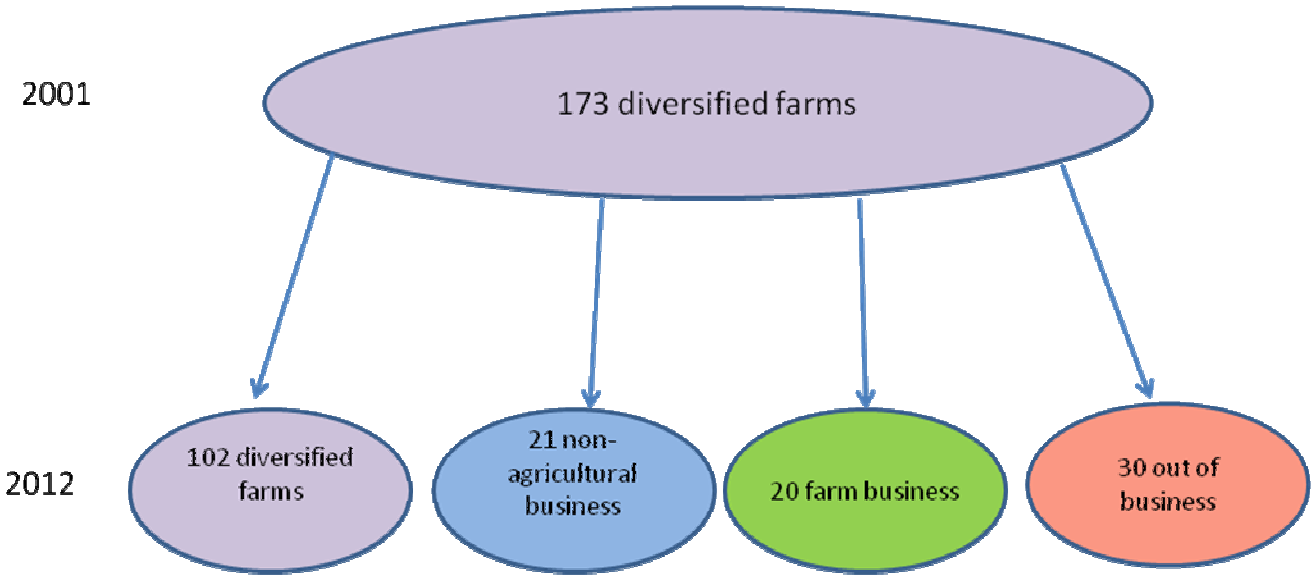

Figure 1. Investigated strategy groups.

FINDINGS

Which factors have affected the farmer's decision to start and continue to practice the non-agricultural business besides farming and forestry?

The first research question was formulated about the motivation, why farmers had started their non-agricultural business in the first place. This research question also investigates farmers' strategic decisions whether to stay diversified or not.

There were two set of questions related to motivation in the 2001. The first set of questions focused on the expectations that they had when they started their non-agricultural business and the second one focused on push- pull factors that have caused farmers to start their non-agricultural business.

In the first set of survey had 7 questions about the expectations what farmers had when they started their non-agricultural businesses. These were asked in the scale 0-2, 0 = no this kind of expectations, 1 = secondary expectations and 2 = primary expectations. The most common expectation was the risk reduction, higher income and less yearly income variation (figure 2). Only the risk management expectation was different between strategic groups, in other measured expectations there were no statistically significant differences.

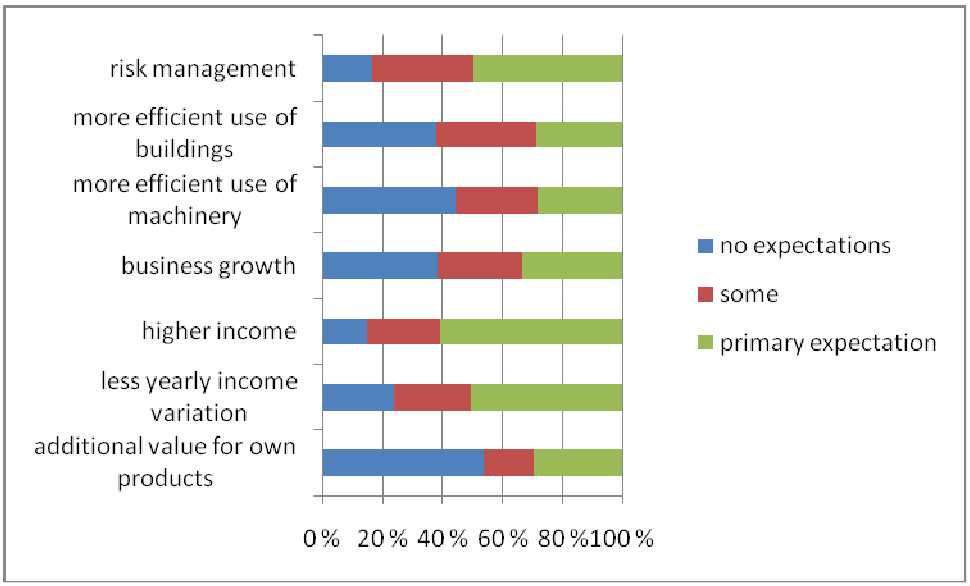

Figure 2. Farmers' expectations before they started their non-agricultural business.

The second set of question there were a total of 6 questions related to necessity driven and opportunity driven reasons to start the non-agricultural business on the farm. Questions were evaluated by Likert scale (scores 1 – 5, 1 = not at all important/achieved and 5 = very important or achieved very well. An explanatory factor analysis was run for the data concerning the objectives, and these factor scores were used as variables at the later stages of the analysis. Before doing the factor analysis, a reliability analysis was conducted. The Cronbachs Alfa (α) for reliability was 0.7, so reliability of 6 variables was sufficient for further analysis. A principal axis factor analysis resulted in a two-factor solution, which accounted for about 45 per cent of the total variance of the original variables (annex 2). The number of factors was defined by using the cut-off point of 1 in Eigen values. An orthogonal Varimax rotation was performed. The rotated factor structure (table 2) is clear, though some variables had moderate loadings of at least two factors. Factor 1 represented necessity driven objectives that were related need for additional income. Factor 2 represents objectives that related opportunity driven objectives such as good business idea. Factor scores were saved and used in the further analysis.

Table 1. Rotated factor matrix.

	F1	F2
	Push	Pull
Reduced income from other sources	**0.799**	-0.069
Need for extra income	**0.647**	0.296
To balance yearly income evenly	**0.632**	0.068
Inventing good business idea	0.133	**0.733**
Existing markets/ demand	0.271	**0.567**
Will to become entrepreneur	-0.077	**0.453**

There is no statistically significant differences between different strategic groups when push and pull motivations were studied. However, push factor was more important to those farms that later had focused solely on farming or had gone out of business. Pull-factor was slightly more important reason to start non-agricultural business to other strategic groups than those that had went out of business later. For them push factor was more important (table 2). Risk reduction expectation was

most important to currently diversified farms and least important for those farms that later focused on farming.

Farm characteristics and structural change can motivate farmers to diversify. Farms that have stick to diversification area and also farms that have focused on their non-agricultural business were more often crop production farms and had larger arable land area. They have also on average started their non-agricultural business earlier than the others. Those diversified farms that have gone out of business had started farming earlier and their non-agricultural business later than the others.

Table 2. Initial motivation to diversify, risk reduction expectation and background information.

	diversified 2012	only non-agricultural business 2012	only farming 2012	out of business	p
Push factor (mean)	-0,42	0,02	0,08	0,39	
Pull factor (mean)	-0,06	0,03	0,11	0,11	
% of farms had risk reduction expectation	77 %	62 %	45 %	64 %	*c
Arable land area 2001 (mean)	40,5	43,1	24	34,4	*
Animal husbandry farms (%) 2001	36 %	25 %	47 %	45 %	
Animal husbandry farms (%) 2012	24 %	-	53 %	-	
Non-agricultural business started (95% confidence interval)	1983 – 1989	1981 -1997	1988 – 1993	1988 - 1994	
Farming started 95% confidence interval)	1984 – 1989	1973 -1981	1985 - 1993	1978 - 1986	**

*= p< 0.05, **= p< 0.01, c = chi-square test

How have entrepreneurs allocated resources to traditional agriculture and non-agricultural business?

The second question evaluated the resource use between different lines of businesses (agriculture vs. the other) in respect of the strategy choices. As one of the basic assumptions of this paper is that diversification is corporate strategy - level decision.

According to data diversification, specialization and other strategic decisions are planned when investment decisions are made few years before action. In 2001 there were no differences on investments between groups. In 2006 data investment decisions were clear; those farms that intended to stay diversified in the future invested both farming and non-agricultural activities, and those who were going to specialize, focused on the their chosen direction (table 3).

Table 3. Investments in different strategy groups.

	diversified 2012	only non-agricultural business 2012	only farming 2012	out of business	p
Investments to agriculture 03 and 06, 1000 euros (mean)	35,9	29,9	12,2	15,9	**
Investments to non-agricultural business 03 and 06 1000 euros (mean)	32,9	17,8	4,6	15,8	**
Investments to agriculture 09 and 11 (mean)	40,2	0	60,6	0	**
Investments to non-agricultural business 09 and 11 (mean)	32,2	100,1	0	0	**

*= p< 0.05, **= p< 0.01

Next, the labour (personnel, man years) was investigated. The findings are similar to investment decisions. In 2001 there were no differences on labour use between strategy groups. Those farms that were going to focus on non-agricultural enterprises had on average less labour in farming 2006 and vice versa, those farms that were going to focus on agriculture, had more emphasis on that already 2006 (table 4).

Table 4. Personnel in different strategy groups.

	diversified 2012	only non-agricultural business 2012	only farming 2012	out of business	p
farm personnel 2006 (work years, mean)	1,1	1,3	1,3	1,1	
non-agricultural business 2006 (work years, mean)	1,6	1,5	0,8	0,8	**
farm personnel 2011(work years, mean)	0,7	0,0	1,1	0,0	**
non-agricultural business 2011 (work years, mean)	1,3	2,8	0,0	0,0	**

*= p< 0.05, **= p< 0.01

How the development of additional business lines has affected the development of farming practices (and vice versa)?

The third research question was related to the question of the development of the diversified farms. In addition, this question concerns the success of strategy groups.

It was studied how entrepreneurs planned their strategy 2001 and 2006. The question was 'We are going to practice both agriculture and non-agricultural business in the future', and it was measured by using 1 – 5 likert scale (1= strongly disagree, 5 = strongly agree). According to findings, only few farms were planning re-focusing on 2001 (table 5), majority of the farmers considered to stay diversified on the future. 2006 there were lot more considerations and doubts about the diversification strategy. When one compares farmers' plans 2001 and 2006 to the current situation 2012, it can be seen that in many cases re-focusing or giving up for whole enterprise was already in plans several years before actions take place. On the other side, the long term planning is not come

true, e.g. from those who had quit non-agricultural business between 2001 and 2012, 88 % agreed to stay diversified also in future in 2001.

Table 5. Plans for diversification strategy in 2001 and 2006 in different strategy groups.

	diversified 2012	only non-agricultural business 2012	only farming 2012	out of business 2012
Agrees to stay diversified in the future in 2001 (values 4 and 5) , %	91 %	79 %	88 %	70 %
Agrees to stay diversified in the future in 2006 (values 4 and 5) , %	59 %	60 %	50 %	42 %

There were no statistical differences between strategic groups on how farmers evaluated the effects of the diversification strategy on 2001 and 2006. For instance there were no differences between groups whether farmers felt that they had enough capital or know-how to run both agriculture and the other activity. Still, it was asked in 2006 what areas farmers were going to develop in the future. The answers were dependent on the strategy group 2012, for instance those farmers that were going to develop both agriculture and the other activity were more likely to be diversified 2012. Those farmers that aimed to develop the non-agricultural activities 2006, were more likely to re-focus to non-agricultural activities in 2012 (table 6).

Table 6. Relationship between strategy group 2012 and development plans 2006.

strategy group/plans 2006	we are focusing mainly to development of farming	we are going to develop both farming and the other activity	we are focusing mainly to non-agricultural activities	Total
quit	33,30 %	33,30 %	33,30 %	100,00 %
diversified 2012	6,10 %	51,20 %	42,70 %	100,00 %
only non-agricultural business 2012	7,10 %	28,60 %	64,30 %	100,00 %
only farming 2012	10,00 %	80,00 %	10,00 %	100,00 %
total	9,90 %	48,80 %	41,30 %	100,00 %

The findings reveal that diversified farms had a little bit smaller turnover both in agriculture and non-agricultural activity, when compared their re-focused counterparts. However, total turnover of the whole business was larger in diversified farms (table 7). On average, the turnover of non-agricultural business did grow 2.7% between 2006 and 2011 on those farms that had re-focused on non-agricultural business. At the same time, the turnover of the non-agricultural activities of diversified farms decreased on average -2.5%. Similarly the turnover of agriculture increased on average 44% between 2006 and 2011 on those farms that had decided to re-focus to farming and 13 % on diversified farms.

Table 7. Turnover 2006 and 2011.

turnover, 1000 euros	diversified 2012	only non-agricultural business 2012	only farming 2012	quit	p
agriculture 2006	66,41	128,6	48,8	33,5	
agriculture 2011	79,7	7,8	93,2	0	**
non-agricultural business 2006	120,5	139,7	77,1	54,2	*
non-agricultural business 2011	117,9	142,4	0	0	**

*= p< 0.05, **= p< 0.01

Finally, it was examined does made strategy choice and the success of the firm relate to each other. There were several measures for firm success, in this paper we focus on economic success and related measures. As many of the farms were in quite mature stage, majority of them did not have any depths or the total dept was less than one third. Only a few cases size of the dept was higher than annual turnover. In 2006 data 65% those farms were diversified 2012 loans/turnover rate was higher than 1/3, but in 2012 data 60 % of the rate was less than 1/3 Especially those farms that had quit or focused solely on non-agricultural business had low loans/turnover rate in 2006 and the latter was 80 % of non-agricultural business free of loan (figure 3).

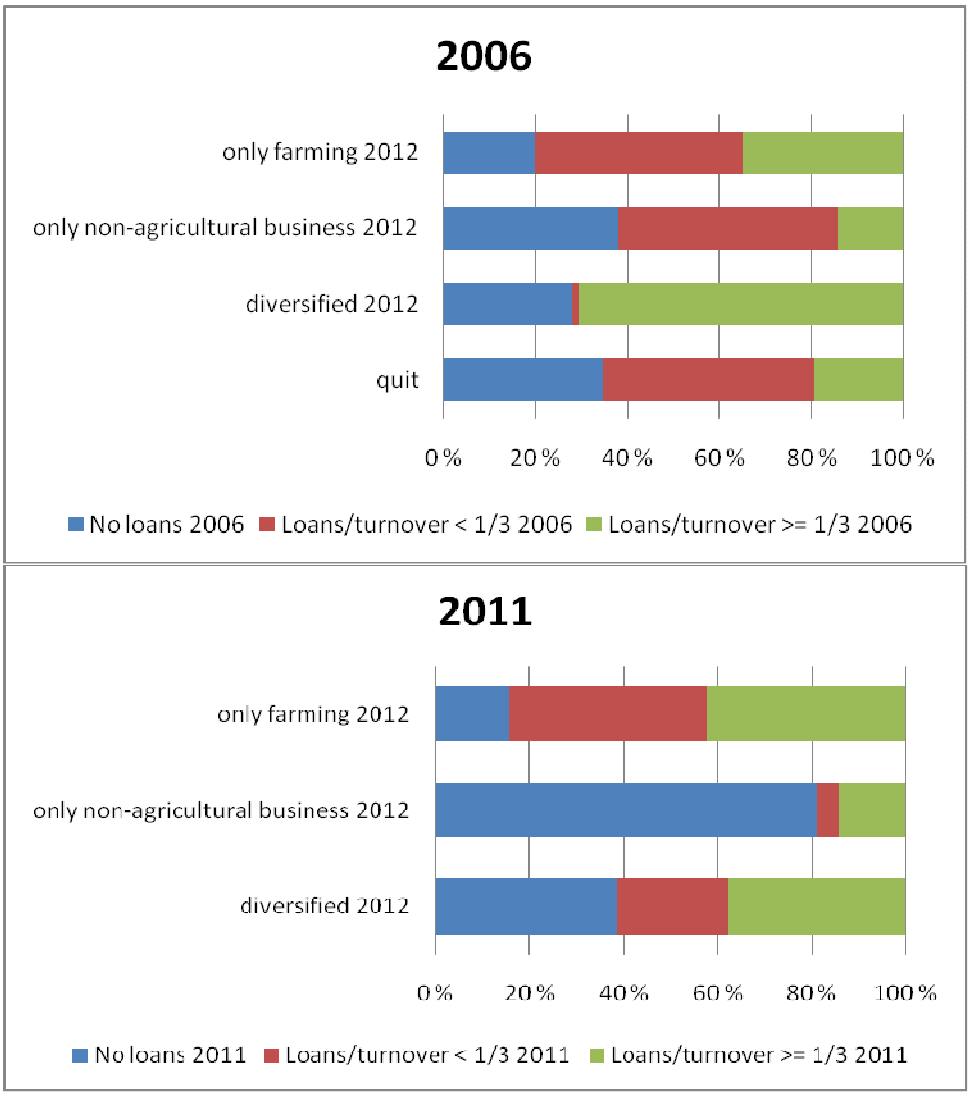

Figure 3. Loans/turnover in different strategy groups.

Asking financial indicators in postal survey is challenging, as direct numbers are difficult to get. Net profit was asked in scale 1 to 5 (1= very negative, 3 = +-0, 5 = positive and I am satisfied with it). Net profit of the whole enterprise did not differ between groups 2006, most of the respondents had positive net profit (4 or 5). According to this data, reasons for closing down all activities are not primarily economic ones. In 2012 data those farms that had focused solely only to non-agricultural activities had the highest mean and those who had focused on agriculture had the lowest (table 8). The differences are statistically significant ($p<0.05$).

Table 8. Net profit 2011.

Net profit 2011	diversified 2012	only non-agricultural business 2012	only farming 2012
Mean	4,16	4,7	4,05
Median	4	5	4
Mode	4	5	5

In addition, economic success of 2006 and 2012 was analyzed by using subjective measurement. Respondents were asked how successful their business had been in certain items in scale 1-5 (1 = not at all successful, 5 = very successful). Three variables – profit maximization, better standard of living and profitability – were used in the analysis. The differences are not statistically significant, but in almost all measured variables those farms that 2012 focused to non-agricultural business had the highest scores and means.

Table 9. Respondents' opinion about success.

	diversified 2012	only non-agricultural business 2012	only farming 2012	quit
profit maximation 2006, mean	2,7	2,9	2,9	2,9
profit maximation 2012, mean	2,8	3,1	2,8	-
better standard of living 2006, mean	3,4	3,5	3,6	3,4
better standard of living 2012, mean	3,5	3,7	3,5	-
profitability 2006, mean	3,4	3,7	3,6	3,4
profitability 2012, mean	3,5	3,9	3,5	-

CONCLUSIONS

This paper investigated diversified farms as corporate level strategy. Findings are based on three postal surveys which were conducted in 2001, 2006 and 2012. In this study 173 farms, which were diversified in 2001 is studied. Those 173 diversified farms have responded each survey years (2001, 2006 and 2012). Of those 173 farms that were diversified in 2001, total of 102 were still diversified in 2012, total of 21 were operating only in their non-agricultural business (i.e. quit farming), and 20 had focused solely on farming (i.e. quit their non-agricultural business). 30 farms had quit all their activities, many of them because the farmers high age.

Findings show that motivations to start non-agricultural business varied in different strategy groups. Those farms that had gone out of business later were more necessity driven than the others. For the other groups pull factor was more important than push factor. The most common expectations that farmers had when they started their non-agricultural businesses, were risk reduction, higher income and less yearly income variation. Joining the European Union 1995 and changes brought by it has brought farmers the need to analyze in which business areas they will practice and which extent. Diversification strategy has been the attempt to some of the farms (especially those farms which were necessity driven objective) to respond to the changes. On the other hand, for some farms diversification has been intentionally chosen long term opportunity driven strategy. Many of those farms that were diversified 2012 (or have later focused on their non-agricultural business) have started their non-agricultural businesses during 80's.

Diversified farms have planned resource allocation in the period of medium length. The investments and the labour are allocated according to the plan. Those farms that have continued diversified have invested both farming and non-agricultural activities, and those who have specialized, have focused on their chosen direction. On the other hand, the long term planning has not come true in many cases. In 2001, majority of non-agricultural business group and farming- group agreed to stay diversified also in the future. There can be several reasons why they have re-focused their strategy.

Study shows that choice of the strategy is not dependent only economic factors. According to research, among those farms that have quit farming business are also large farms. We can assume that those farms had had possibility to success also in farming business. On the other side small-sized farms have specialized in the agriculture. Maybe because their non-agricultural businesses have not developed as they assumed. There are differences in success of strategy groups. Those who have only non agricultural-business are more successful than other groups. Those who have only farming are less successful.

As literature of strategic entrepreneurship bring forward, successfully integrating entrepreneurial and strategic actions improves the firm's ability to grow and create wealth. Even some of the diversified farms re-focused their strategy between 2001- 2012, we can assume that diversification strategy has been workable among investigated farms. Majority of investigated farms are still diversified and many of them have been diversified for long time. Diversified farms have bigger turnover than other groups. According to their own assessment of success, they do not succeed worse than other groups. We can conclude that some of investigated diversified farms and some of non-agricultural business which are started besides farming have succeeded to create wealth by integrating entrepreneurial and strategic actions.

This paper is a part of larger project. This paper presented the first descriptive analysis of panel data; the latest data set was collected in January-February 2012. In further research, we are going to analyze data with more sophisticated methods.

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ANNEX 1

Table 1. Descriptive statistics of the different groups.

	diversified 2012	only non-agricultural business 2012	only farming 2012	out of business 2012	p
age 2001	46	49	41	51	**
main business lines 2001 (% of farms)	tourism, 12 handcraft, 8 food processing, 10 energy 5 contracting 6 fur farming 10 metal industry 8 social and healthcare ser. 13 transport 11 trade 10	tourism, 19 food processing, 10 energy 5 fur farming 23 metal industry 10 social and healthcare ser. 19 transport 10 trade 5	tourism, 5 handcraft, 15 food processing, 5 wood processing, 15 contracting 10 fur farming 10 metal industry 5 social and healthcare ser. 5 transport 15 trade 15	handcraft, 15 food processing, 7 wood processing, 23 energy 6 contracting 3 fur farming 10 metal industry 7 social and healthcare ser. 13 transport 13 trade 8	

Table 2. Number of strategy groups in different life stages.

Stage	diversified 2012	only non-agricultural business 2012	only farming 2012
There has been succession during past 3 years	5	1	0
Growth phase	16	2	2
Maturity phase	53	13	9
We are preparing succession or sale of the enterprise	29	6	7
We are preparing to finish some part of the business	18	5	1
We are preparing to close down all activities	7	4	1

ANNEX 2

Factor analysis

Communalities

	Initial	Extraction
33 Inventing good business idea	,303	,555
33 Will to become entrepreneur	,144	,211
33 Need for extra income	,392	,506
33 Reduced income from other sources	,373	,643
33 To balance yearly income evenly	,335	,405
33 Existing markets/ demand	,317	,395

Extraction Method: Principal Axis Factoring.

Total Variance Explained

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2,302	38,371	38,371	1,799	29,989	29,989	1,554	25,897	25,897
2	1,465	24,416	62,787	,916	15,267	45,256	1,162	19,359	45,256
3	,787	13,111	75,898						
4	,610	10,170	86,069						
5	,427	7,109	93,178						
6	,409	6,822	100,000						

Extraction Method: Principal Axis Factoring.

Factor Matrix[a]

	Factor	
	1	2
33 Need for extra income	,705	-,090
33 Reduced income from other sources	,643	-,480
33 To balance yearly income evenly	,573	-,275
33 Existing markets/ demand	,529	,339
33 Inventing good business idea	,500	,553
33 Will to become entrepreneur	,173	,426

Extraction Method: Principal Axis Factoring.

a. 2 factors extracted. 16 iterations required.

Rotated Factor Matrix[a]

	Factor	
	1	2
33 Reduced income from other sources	,799	-,069
33 Need for extra income	,647	,296
33 To balance yearly income evenly	,632	,068
33 Inventing good business idea	,133	,733
33 Existing markets/ demand	,271	,567
33 Will to become entrepreneur	-,077	,453

Extraction Method: Principal Axis Factoring.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Factor Transformation Matrix

Factor	1	2
1	,850	,527
2	-,527	,850

Extraction Method: Principal Axis Factoring.

Rotation Method: Varimax with Kaiser Normalization.