Sticks and stones: decision making by rumour

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Abstract
Purpose – The purpose of this paper is to explore how financial risk is managed and commercial decisions are made within a successful UK livestock market.
Design/methodology/approach – An autoethnographic approach is used, in which the researcher is both active participant and reflective observer.
Findings – In contrast to “best practice” described in management texts, commercial risk management and financial decision making in this community are successfully guided by rumour.
Research limitations/implications – The paper is limited to the extent that one believes in the validity of autoethnography, however, it is argued that these findings are a reflection of the wider nature of the agricultural community, immersed as it is in life and death, and that this culture is significantly different to that commonly addressed by textbooks.
Practical implications – This paper highlights a distinction between the tenets of the western world as addressed in textbooks and the agricultural community that exists alongside, and it suggests that following best practice might not lead to success if that best practice is ignorant of the culture in which it is rooted.
Originality/value – This paper provides empirical evidence that the tenets of the rural community are at odds with those of sanitised western management and that successful management of financial risk is culture specific. It questions why such differences exist and furthers debate about the influence of “our common neglect of death”.

Keywords Risk management, Decision making, Agriculture, Livestock, Organizational culture, United Kingdom

Paper type Research paper

Introduction
As children we used to shout “sticks and stones can break my bones but words they cannot hurt me” as a retaliatory taunt. This paper explores the use of rumour in the management of risk in a UK livestock market. The reality of life and death permeates the Mart, and the way in which rumour is used indicates that the hill farming community has a way of being that is different to, but hidden beneath, the sanitised westernised “norm”.

Manley (2007) suggests that words are momentary signifiers – come and gone. “Language […] is like a living substance. If its meanings were ever to be objective and definitive, then it would die […].” Yet, even in passing, those signifiers trap the moment into a particular time and space – interpret it from particular viewpoints – pin it onto the board for observation and dissection. Story telling, rumour and innuendo offer multiple disparate levels of meanings – meanings that are hidden in the play of words and that are hard to dissect. They are a vehicle for symbolism and metaphor; they can be un-attributable and a powerful force for changing perceptions. I use “rumour” here, however, to indicate those times when a story is, at least initially, hidden from the object – sometimes circulating behind the person’s back in a way that they cannot contradict.
In contrast, the worlds of accounting and financial risk management are commonly partnered with notions of accuracy and the control of data. Pelzer (2007) explores the management of risk in the banking industry by which the "potential excess of the markets is met by an excess of controlling". He presents a fascinating insight into the amount of data processing and rule development that is involved, leading to a hyperreal quality of accounting figures. He points to the need to interpret the data and assess cases individually rather than blindly follow the figures and applying standardised rules - but the need for formula sensitive to individual cases creates further excess of data. He concludes that the dual expansion of risk and regulation links to an unachievable striving for completeness and perfection, but that it is only by hindsight that we can ever know whether the actions that were taken were appropriate.

This paper offers a strong contrast to the practices described by Pelzer through the conclusion is similar. I shall describe the workings of a successful livestock mart that carries severe financial risk which it largely manages through rumour and speculation.

In this, I link myself to Watson's (2000) concept of ethnographic fiction science, in which he demonstrates how ethnographic research accounts can be written in a way that bridges the genres of creative writing and social "science". I do this through autoethnography in which the researcher is both active participant and reflective observer - it builds upon key experiences whilst recognising and including the self in the text. At the same time, it addresses wider issues of interest to others, thus it is a method that places the self within a social context, connecting the personal to the cultural. Thus, my experience and observations of working within the agricultural community and in the livestock mart serve as my "research data" and my analysis of these inform the points I wish to bring out for examination.

The farming community
Over the last 20 years, I have become deeply involved in the agricultural community. I am a smallholder and my holding stands alongside two farms in the hills of rural Lancashire, in the northern end of the UK. We are part of a small community, living and working beside other small communities that have been in place since the earliest maps were drawn - my house dates from 1651 and was built on the remains of previous dwellings. When meeting someone for the first time, it is usual to spend hours first talking about which bits of land they came from, where they now farm, and to cross-check family relationships. It is not unusual for this enquiry about family to go back seven generations, and to cover the details of the many distant family members - some of whom are likely to be found to be common to both. The feeling of living in a timeless environment is heightened by the nature of hill farming - which has little changed for several centuries. There are tractors instead of horses, milking by machine instead of by hand, but the vast majority of the farms locally remain tenanted - vestiges of the feudal system in which almost the entire population works on or as part of a large estate.

I have become involved in the community in several different ways (Lee, 1999) and was invited to become a director of the local auction mart (which I shall call M&M) in the late 1990s. This was a rare honour for someone from "off" (not born to the community) and particularly as a woman - I was most definitely entering a man's world. I had previously bought and sold stock through the mart, and am good friends with various families in the community, but it was not until I took up my directorship
that I realised first, quite how alien the rural community is to urban conceptions of existence, or to “best management practice” as preached by the western gurus. Second, quite how hidden this difference is – the modern floats on top of the rural, like oil on water, neither is really aware of the other, nor is able to understand the other.

Each mart is the social nexus of the rural community. Farmers spend a lot of time alone and value meeting others at the marts. Old and young go there – whether they have stock in that day or not – to catch up on the news, make deals, and discuss trade and genealogy. Whilst trade – and thus money (or lack of it) is a major topic of conversation, money is not a metaphor for status as it often is in urban communities. Money lends security, but status does not necessarily follow wealth, qualifications, class, race or religion. Some people are valued more than others, but “status” is the wrong word for this. Precedence, or a (slightly) louder voice, is awarded by others for contribution to the community, from oneself, ones family and second-hand via friends. The rural community is more accepting of strangeness and eccentricity than the urban, yet much less accepting of self-aggrandisement.

That this way of being is alien to many also helps explain some of the tension and rejection felt by non-farming newcomers who bring with them their self-worth measured by achievements and money (especially as it is normally the rich who move to the countryside) – to find that their badges carry little of importance. There are those in the hills with high academic and professional qualifications, high positions and gongs, and/or lots of money, but these achievements are normally not made apparent – though not particularly hidden. Instead, they are generally treated as irrelevant.

News travels from mart to mart and is mulled over thoroughly. Phones, and (reluctantly) information and communication technology do facilitate the economic side of things – but the social still requires the deep consideration of all sides of whatever the issue is – there is much use of silence and reiteration – something that can only be done in person. And, much of the conversation is around relationships – either directly or by implication. Who helped whom, who “borrowed” without returning, who to trust, who to rely on in an emergency, who is having problems, who to visit in hospital and why, and so on. It is said that if you kick one farmer then all the others in the area limp – there is an ethos of support and accepting difference – people are incredibly generous with their time, attention and possessions, but if that generosity is abused the news will travel quickly.

Whilst I am rooted in the hill farming community of Lancashire, what I say is relevant to some degree to farming communities across the UK. Certainly, when I meet farmers from other regions the conversations follow similar patterns, and I have been told (and found it to be true) that one farmer, on meeting another, a stranger from the other side of the country, can probably within about ten minutes find some common relations, joint friends and so on. I have had similar conversations with French and Irish farmers, so although it would be presumptuous to generalise about “the rural community” it seems to me to be probable that there is some commonality of culture or in the “way of being” that spans national boundaries and is associated with working the land and, as I shall explore further on, to the proximity of life and death.

Nearly, all farms are classed as small and medium sized enterprises, and farmers look to care for the land (which requires thinking perhaps 50 years to the future – creating an environment and making plans that they are unlikely to live to see
come to fruition) as well as make a living and running a business with very little profit margin and very long hours. Although the social and economic concerns of the farmer are largely local, the tendrils of the agricultural community are global. Political and climatic conditions on the other side of the world influence trade and the cost of feed and land prices. Martins quite regularly go on fact-finding missions to far flung places. The agricultural community is becoming more vocal and the marts, in conjunction with the National Farmers Union, are increasingly acting as a mouthpiece for this. As seen recently with the news coverage of foot and mouth disease and blue-tongue, the public are starting to become more aware of the profound problems caused by shifts in the export market, in legislation and funding regimes, and in stock movement.

The UK mart system
Whilst the buying and selling of livestock, and thus debt, might seem quite simple, there are actually many different factors in play, so I shall explain those briefly before looking more closely at the management of risk in M&M. North-West England mainly supplies sheep and cattle (dairy and meat). Both are sold throughout the year, but the sale of sheep also has a strongly cyclical element. There are three main types of stock. First, for both sheep and cattle there are breeding and society sales which are of great importance for maintaining good quality stock and attract buyers from many countries – but which do not particularly impact upon my story here.

Second, stock is also bred in the hills for fattening in the more lush lowland climes. It is here that the annual sheep breeding cycle impacts, as the stock grows over the summer until it is big enough to move, and as the grass loses its goodness and dies back in winter, so there are only a few weeks in autumn in which the stock can be sold. Farms in the north-west sell many thousands of sheep through the Mart at this time and make the vast majority of their income during these few weeks. Marts generally make a loss in the early parts of the year and rely upon this period for much of their income, which is in the form of commission. Both the farms and the marts are particularly vulnerable to the imposition of movement restrictions at this time.

Finally, stock is also bred to go directly to the slaughter market. It is this area of commerce that I wish to focus upon here, and trade in this is pretty steady throughout the year. About 40 per cent of the stock for slaughter goes “dead weight” – not through the Mart system but directly to the abattoir or buyer (both normally working for supermarket chains and export). The farmers are paid for this in arrears and have to rely on the buyer to both weigh the animal accurately, and to give them a decent rate per kilo. Stock that goes through the ring is weighed as it goes through, the sellers get paid promptly by the mart, and the rate is set by market forces. All the statistics from mart sales are published and the Livestock Auctioneers Association produces an indicative price – which influences dead weight payments. This provides a small incentive for farmers to put some decent stock through the marts, otherwise the indicative price would be depressed.

Some farms are tied into the dead weight system – with long-term agreements with particular abattoirs and buyers, but most decide where to take their stock based upon the condition of their stock at the time and where they think they can get the best price for it. In the Lancashire area, there are several marts within an hour’s drive, so farmers can choose between these as well as whether to go dead-weight or not. Farmers study
the statistics, talk to their neighbours, listen to the rumours and judge – the criteria often coming down to where their friends are going, whether or not they respect the auctioneer, and whether they think there will be a good trade, i.e. lots of buyers eager to buy at a high price.

The problem for the marts is that to get a good trade, and so attract sellers and commission, they need the buyers there and buying – three big buyers round the ring makes for good trade and the buyers know their value. They look for marts that can produce the quantity and quality of beasts that their end customer requires. The buyers’ agents will travel the length of the country, buying as they go, to satisfy their needs – which usually include an attractive deal for the agent, and good financial terms for the buyer. Byers seek reduced commission where they can, but mainly look for extended terms of payment. Marts effectively act as banks, ensuring that the sellers get paid, and carrying the risk of the buyers not paying them promptly, if at all.

Buyers are normally on terms of payment within 14 or 21 days. Competition with other marts, and the need to attract and retain buyers means that renegotiation of terms is difficult. Marts constantly face the risk of bad-debt, and several have been brought down by it in the last few years. Insurance is only available, possibly, on those with decent assets, sound finances and a good track record. Only a few fall into this category, and even if there is insurance it is capped. If buyer X is going under they can start buying heavily at several sales a week, delay payment and sell elsewhere. Within a couple of weeks, if unchecked, they can be well outside their insurance limit and can present a serious bad debt (essarily in the region of £100,000). The mart can stop a buyer trading, and risk not only good trade (and the rumours of bad trade and problems) on that day, but also risk offending the buyer, and thus trade for some while. Similarly, if the buyer would not or cannot pay then the Mart can always initiate the legal route but it is often in the better interests of the Mart to allow the buyer to continue trading and so pay back some of the debt, than lose it all in bankruptcy proceedings.

The livestock mart (M&M)

M&M comprises several agriculture-related companies. It has 18,000 clients on its books, many of these are local, and others come from across Europe. Many clients are also shareholders. As well as seeking profit for the shareholders M&M is also committed to helping the farming community that it emerged from. M&M has grown steadily in the last few years – is now the leading mart in the area, and even managed to pay a dividend last year. The majority of M&M’s income is derived from commission which is normally around 3 per cent. In 2006, the income was in the region of £1.5 million (turnover of about £60 million) yet M&M was very pleased to be able to produce a profit of around £32,000 as most marts consider themselves lucky if they break even. The year 2006 was good, with only £20,000 being lost to bad debt.

The management of risk associated with debt is a key enduring focus for M&M – there are daily and weekly meetings about it, very many phone calls, visits and legal letters chasing it – we have heard every excuse under the sun (the meat trade is not known for its delicacy), and it takes up an inordinate time at board meetings. The challenge is that not only does each account have unique circumstances and the board establish formula sensitive to individual cases as Pelzer discusses, but also the circumstances of each transaction are dependant upon who the other buyers and sellers
that are in the ring, and the contribution that they are making to the trade at that particular moment. The auctioneers need some discretion about when to let someone buy more than they should to keep the trade going. The administrators need to have flexibility to offer reduced commission to keep an agent coming. The managers need to be able to negotiate terms according to people’s circumstances. The directors need a crystal ball.

The actions of many employees can minimise or enhance the risk, and all have to make snap decisions at times—normally under great pressure. Sometimes these decisions take them outside the “rules”, as laid out by the board. That this is accepted (normally) and occurs regularly, is an interesting phenomenon in its own right, and is at odds with the infantilisation of the workforce (Sievers, 1996). Although the actions of the employees influence risk management, the directors hold ultimate responsibility for it and do question actions and data. The board sits there with sheets and sheets of figures in front of them—and consider them deeply, but these figures are rarely used as the criteria for formulaic judgements. Instead—they provide a short-hand route to highlighting which actions and which debtors the board should be most concerned about.

Then comes the long part—in which several hours can be spent sharing rumours and accumulating a common picture. Family circumstances, history, trading patterns and liquidity of the debtor are discussed, as is the reaction of other marts to their trade. Have they been buying heavily elsewhere? Was that because Mr Y lost some stock on the other side of the country and asked the buyer for more—or was the buyer getting desperate? Who did the buyer normally buy for—would they back him? Who are his friends? Will they stop buying? Which of our competitors would they go to? What would be the long-term effect on future trade if the buyer were stopped tomorrow? For how long? Can the board trust him when he says a cheque is in the post?

The board sit with mugs of coffee and cakes from the mart cafeteria and swap speculation and rumour. They pull apart the multiple meanings and implications. They appreciate the cleanliness of making decisions upon neat financial criteria and regularly agree policy and formulate generic debt management regulations—but in practice these are more a statement of aspiration and come to nothing. Each time, the board revert to a case-by-case discussion. These discussions are within the confidentiality of the meeting, so (should) go no further and only the decisions are minuted—which means that there is no way to query a decision—either by a board member or by that person whose business is threatened.

This is most definitely not what would be considered as a good meeting by any MBA student[,] and it came as a great cultural shock to me when I joined the board. To an outsider it looks like a total shambles, and to someone used to weighing up figures and criteria the idea of making such decisions based upon rumour seems (at the least) foolhardy. It is easy to see this process as a problematic legacy from the out-dated way in which the farming community operates, and this is how I saw it at first—particularly as an outsider, lacking the knowledge of the farming community acquired and transmitted across the generations that was displayed by the other board members. Through this process, the board make decisions that can close abattoirs, put farms out of business, could force the closure of M&M, and could ruin lives.

Yet, I have come to see that this is not a failure of the management process, but a different way of working. Unlike in the sanitised environment of quantification, such
potentially life changing decisions are not taken lightly – or from a distance. This method of working seems to balance best the needs of buyers and sellers – people continue to trade and the mart benefits. As a “plc”, M&M should look to shareholder profit as the driver in making such decisions, yet the majority of shareholders are also farmers and M&M has not shrugged-off its benevolent conception and remains rooted in support for the farming community that formed it many years ago. If we take Sievers’s (2005) description of unconscious dynamics as socially induced then I do not think this method of decision making would work in a different sort of community – the long and detailed tendrils of knowledge and speculation about others that are part of the farming community are an essential part of this process. Though time consuming and largely unmanageable, decision making by rumour seems to suit the needs of the community as well as the business.

Rumour and ways of being
I want to be clear here that I am not referring to the sorts of rumour or idle gossip that seem to pervade most communities – the chit-chat and speculation that people share to foster friendship and alliances. Nor am I talking of the sort of exchange in which we can say so much without saying anything at all, and pass it on in a deniable but knowing way. The multiple meanings and weasel words of innuendo. The betrayal and sacrifice of others on the altar of one-up-manship, accompanied by the handmaidens of suspicion, contempt and assertion of power (Sievers, 2005). This form of rumour permeates the halls of the aspiring upwardly mobile – and can be associated with power play, self-aggrandisment and status seeking (the biggest gold card/smarest car/most expensive design) with its roots in covert competition.

The use of rumour in risk management at the mart is different. Constructive, despite the occasionally destructive results. This difference is in part due to the reason behind the use of rumour – invoking confidentiality and clarity, unpicking the multiple meanings, rather than aggression or status seeking. I do see potential ethical problems with making decisions that can influence someone’s future in a way that is not open to external scrutiny. Indeed, the title of this paper is a reflection of the personal dilemmas faced by each board member as we make such decisions based upon rumour and “words” – in this case words can hurt. The words are not intended to hurt, however, they are used to discuss every single bit of information we can get in order to build as complete a picture as possible, though such a picture can never be fully complete. Much of what is classed as rumour behind the closed doors of the board meeting would be openly told as stories within the community, thus most tales would be open to inspection and challenge. There are few secrets in such a community.

Constructive rumour is also rooted in different ways of being. Each farm is a small community in its own right – and even the young children are given responsibility – for example, to collect the eggs each morning. Children grow up with a sense of responsibility, knowing their family history and their place within it, knowing how to manage machinery, stock, and themselves in what the normal urban parent would consider to be relatively dangerous situations. People within the community often work alone, but also drop everything and help each other when necessary. They also know all about life and death. Even as a small-holder I spend most of April birthing and caring for lambs – and yet, by September I am examining them to decide which ones should be kept and which killed. Farmers make life and death decisions
daily, working towards a future that they actively think of, and talk of, extending beyond their own lifespan – moulding the farm, the environment and the bloodlines of the stock for generations to come. They are aware of, and embrace, their own mortality, discussing their own life and death and that of others around them in a matter-of-fact way that rarely occurs in discussions between healthy urbanites.

Indeed, the closeness of the rural community (and the livestock mart) to the imminence of birth, the messiness and chaos of life and finalities of death, are rarely accounted for in our literature. For example, in much of the literature death and the death instinct are seen as destructive and to be avoided:

Burkard Sievers is a notable exception. He makes the simple observation that it “is obvious that through our common neglect of death and mortality our life is losing our frame” (Sievers, 1990, p. 321). The idea that life and death are intertwined in the living, appears largely to be a foreign concept. Similarly neglected is how this intertwined relationship gets played out and manifests itself in our working lives and in the manner in which we regard our organisations (Carr, 2005).

Yet for farmers death is another aspect of life – one they deal in on a daily basis. As a hub of the farming community a mart has a similar way of being – its activities are directly and inevitably about life and death.

Management and decision making are emergent. The relative lack of infantilisation of the workforce is due at least as much to the nature of the employees as to the actions of management. The employees are committed to the workplace and the community it serves. There is a strong sense of collaboration, but employees are rarely subservient. In contrast, they have a sense of responsibility and self-reliance that can make leadership of the workforce problematic. Employees are generally aware of the financial risks that are taken by the mart, and certainly the more senior staff are aware of the effect their actions can have on these. They are freely asked, or give their opinions, about potential risk, and seek to coordinate their “on-the-spot” decisions in a way that supports the community aims. Their relative autonomy, however, carries its own risk, both to the more immediate financial health and control of the company and to the nature of the company itself.

As indicated earlier – a single bad decision, made under pressure at the point of sales can put the company seriously in debt. How that debt is collected is a problem that can settle at board level – so, to some extent, the management and the board are playing catch-up with the actions of the employees. Whatever rules are established – they are really only guidelines, and however much the board might think it is setting policy, it is only doing so in collaboration with the community. Decisions cannot be imposed upon employees without removing the value of their relatively autonomous contribution. Similarly, as marts are derived from and serve the rural community they cannot impose policy changes without the engagement and support of that community. The board are not entirely led by external factors – they do make decisions and expect these to be implemented. At times these decisions can be very hard, but the discussion is extensive and is around what would be in the best long-term interest of the farming community (this presupposes that the longevity of the mart would advantageous to the community) not just about how profit can be maximised.

This way of being necessitates frequent, open, and opportunistic flows of information. It parallels the interconnectedness of life and death evident in the rural community with the interconnectedness of knowledge and information about that
community: with rumour. The mart uses rumour as a part of its decision-making resources because that is part of its way of being.

Two worlds
The vast majority of literature and research around organisations focuses upon those organisations and communities that are part of the usual western academic remit. Rural communities represent a hidden way of being that is largely unacknowledged by research and is not understood by the westernised world of “best management practice”, “competitive advantage”, and the search for status, riches and power. Similarly, that the rural way of being permeates many farming businesses explains the difficulties that some business experts have in attempting to address the apparent needs of the farmer through the blind application of free market principles.

On one side, as described by Pelzer, we have a highly sophisticated hyper-real system by which to manage financial risk; sets of algorithms tailored to smaller and smaller sets of circumstances; overseen, controlled and applied with little need to brush against the messy reality of people. On the other side, we have a system that is only too deep in that reality; one which is on the concrete level of very real trades, buyers and sellers. Both face the same type of financial loss based upon lack of knowledge. Both try and gather as much information as possible to minimise that potential loss. The first world relies upon figures for that information, the second upon discussion.

In the first world, the decision making has become distant from the problem, the workers infantilised and the hierarchy emphasised. Employees are concerned with power structures and thus social climbing, and the tendency is to misbehave subversively. In the second, the decision making is directly related to the circumstances and agonised over, the workers can be difficult to manage and misbehaviour tends to show as direct disagreement.

The difference between the two worlds, therefore, is not just about the mechanisms of decision making – it is about different approaches to organisation and life (and death). It is also about size – the figures involved in the management of the mart are of a very different order to those of the financial industry.

The size and reach of the financial industry has become more evident since I first drafted this paper. The global financial crisis – spearheaded by bad risk management in the sub-prime market has made concrete the effects of hyper-real financial decision making. Pelzer warned of the effects of the dual expansion of risk and regulation – and hindsight supports his concerns.

To date, decision making by rumour seems to work for the marts. It is problematic and alien to western notions of good business practice, but it serves the marts and the rural community. Indeed, as a reviewer of this paper pointed out, the case of M&M holds out a valuable hint for the general development of risk management in relation to the infantilisation of the workforce.

This paper also suggests that there is a place for apparently out-dated systems of financial risk management and decision making. Perhaps, there is something to be gained by bringing back the responsibility of deciding about the risks a company faces to concrete people rather than relying overmuch on the seductive apparent objectivity of figures. Perhaps, there is something to be gained by these people sitting for hours on end with coffee and cakes discussing rumours.
References


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