

*Participant
Packet
D*

Risk Tolerance Evaluation

RISK TOLERANCE EVALUATION

Part I

Which of the following words or terms fit you the best? Circle all of the words or phrases below that fit you.

A

conservative
cautious
careful
skeptical
concerned about the future
protect what we have
why change?
what will someone think?
they already tried it
there's a lot we don't know
let someone else try it

B

quick decisions
risk is great
willing to try anything
go for broke
might be fun
big profits
spontaneous
what are we waiting for?
if it sounds good - try it
push the envelope
do it and pick up the pieces later

C

study things first
consider the odds
be the first
make informed decisions
innovator
no need to wait
this will be a trip!
why wait to start?
don't need all the answers
willing to take a chance
rewards of risk are worth the price

D

get all the answers
know all the facts
good decisions follow knowing the facts
let's not go overboard
keep things stable
conservative, but realistic
keep things in balance
is this good for family and community?
is this the right thing to do?
how will this affect my kids future?
let's plan this well

Part II

Please select one answer to each of the following questions:

- ___ 1. Which of the following statements would best describe how you feel about investments?
- A. My investments should be completely safe. I do not want to run the risk of losing any principle at any time.
 - B. I want the highest possible return from my investments, no matter what the risk.
 - C. Getting high returns from my investments is like a never-ending game.
 - D. I like to thoroughly study prospective investments so that I can balance return with risk.
- ___ 2. Which of the following statements best describes how you feel about market volatility (big price swings)?
- A. I wish prices would just stay the same.
 - B. I love the challenge of going for broke with prices that change often and fast.
 - C. If you play your cards right, you can come out the winner when prices change a lot.
 - D. If you study all the angles, you can do OK even when prices change a lot.
- ___ 3. There is a 50 percent chance that the price of supplies you definitely need in your business will go up in the future; along with a 50 percent chance that the price of those supplies will go down. How would you react?
- A. Buy the supplies now when you know what the price is.
 - B. Wait the market out. You want to be the lowest cost producer out there.
 - C. It will be fun to see how this will all turn out.
 - D. Study what is happening in the market and make a decision when I have all the facts.
- ___ 4. Your family is exploring the need to expand their operation and is considering tripling the size of the business. Which fits the way you feel?
- A. We're debt-free now and doing well. Why change anything?
 - B. There's big money to be made if you have the brains and brawn to make it fly. Let's do it!
 - C. This will be the adventure of a lifetime!
 - D. We need time to talk to other operations that have expanded and plan more thoroughly.
- ___ 5. Your family is considering the amount of labor needed to run a proposed expansion of your business. How do you approach the subject?
- A. Let's not make the move until we're positive we have the labor lined up.
 - B. We will find the workers somewhere, don't worry about it.
 - C. We're really going to have some big changes around here. It may be a trip!
 - D. If we do an analysis of what the labor supply is in our area, we should be able to expand with confidence.

Scoring

Add up the number from each column in Part I and place the totals next to the matching letter. From Part II, add up the number of responses for each letter, multiply by 2 and place the number in the line under Part II.

	Part I		Part II		
A	_____	+	_____	=	_____
B	_____	+	_____	=	_____
C	_____	+	_____	=	_____
D	_____	+	_____	=	_____

RISK STYLES

A - AVOIDERS

This style is extremely cautious about anything new. They tend to be very suspect of anything that isn't proven and in practice for many years. They will give many comments about new practices or procedures that indicate their refusal to try it. Comments such as "don't fix it if it ain't broke," somebody tried that 20 years ago and it didn't work, lot of people lost money trying that, I'm not risking my farm, and why change?

Avoiders will seem to come across as pessimistic and negative with their comments. Actually, they are probably asking questions to give them more information in their decision making process. It is important that they have much information and time to think things through, and then ask more questions.

Change is very difficult for this style to implement. They tend to become very comfortable in doing things that are proven and have demonstrated low risk. Risk averse is another term that fits this style. In addition, there is a general fear of any change. This fear is because they do not want to lose their identity, their farm, their family, and community. Anything new could cause it all to be lost. Anything that might threaten their equity position is suspect in their minds.

Given enough sound information and others who have successfully experienced risk, these styles will cautiously try new things. It is important to help them understand that to try and stay the same may cause very risky and negative things to happen to their farm. It will take time and patience to convince this group to try new things.

Often this group of avoiders are also very quiet and reserved. Much probing and simple questions are needed to determine how they feel about a situation. Often others might misinterpret what they are thinking because they do not show emotions or gestures on the outside. Their comments are often only one or two words and can again be misinterpreted to be negative when they only want more information. It is also important that this group have time to think things through and have the opportunity to ask more questions.

B - DAREDEVILS

The daredevil style is a master at making quick decisions. If something even hints that it might have a chance of being successful--they will give it a try. This style particularly likes to have fun with their risk taking. They do things quite spontaneously and can change direction in the wink of an eye. They may not want to keep doing things the "same old way" because it becomes somewhat boring.

The daredevil tends to do more gambling in the area of risk and will "go for broke" in their risk taking. In fact, they may even take unnecessary illogical risk simply to be different. They have an unending optimism that they can accomplish much in a short period of time. One of their favorite sayings might be that the difficult may take time, but the impossible only takes a day more.

This risk style does have a great ability to figure things out and to solve crisis situations. Thus, their propensity for risk is higher than any of the other styles. However, their ability to get out of the problems caused by excessive risk taking might cause them to fail. By combining their unusual capacity for risk taking with their ability to solve crisis and then helping them to keep a practical, realistic goal, this group can modify their risk successfully.

This style might be termed the early adopter of practices and procedures and does serve a very useful function in agriculture. Even though they may have many unfinished projects present on their farm, they are still willing to try practical and realistic new things. Their ability to endure hardship to make success happen means they will not give up in trying to be successful. With proper information and some structure, they can be very successful in implementing new things into agriculture.

C - ADVENTURERS

This style does enjoy taking risks, but they like to have all the answers or at least most of them up front. They might be termed the innovators in agriculture because they have a great ability to visualize the future. Because they are visionaries, they study, collect information, and then plunge into the new endeavor or practice. They become totally convinced that the direction they are going is the right way.

The adventurer style is one that has a natural ability to conceptualize and then put the concepts in a practical realistic situation. They too, like the daredevil, enjoy the fun of risk. The difference is that this style takes the time to study the situation very carefully before plunging into something new. In fact, they may even develop an entirely new risk management procedure or try something that has never been tried before.

Adventurers like to be the first in trying something new. It gives them a real sense of accomplishment to successfully implement something different. They may even do it with a "style" which sets them apart from the rest. We may call this group our intellectual risk takers because they will plan and strategize before plunging full bore into the new area.

D - CALCULATORS

Calculator styles are the risk takers that are somewhat conservative but willing to learn. They recognize that risk is necessary and it is important to change in a calculated way to keep risk low. This style tries to find out all the answers before they jump into something new or different. Their decisions always take into consideration their family and the community. They also have a great desire to sustain and maintain agriculture in their community.

Calculators are very good at making decisions and do it with a great deal of structure. They value the equity developed in their farm but also want to improve their position. This group does not "gamble" much, preferring to develop and work a plan. In their planning process, they are willing to build in some risk and may even view risk as a positive part of their management.

Procedures for handling risk are important to the calculator style of risk manager. They also have a duty to help others in their neighborhood understand the value of risk management and new ways to improve. Calculators are industrious and busy in their quest to improve their situation, while at the same time conserving resources. This group might be called stabilizers in the risk management arena. They are both socially and business responsible in their actions.

Calculators tend to be structured, organized, and timely in getting things done. Following a routine is not difficult. Recognizing practical and realistic solutions to risk management is an important strength in this style. They know how to make systems work and know how to make change happen when they are convinced that change is good.