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Inter-organization communication management between organizations in a subsidized fertilizer market in Malaysia

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Abstract

Inter-Organization Communication (IOC) is one of the used communication disciplines to communicate between two or more organizations. It is proven vital to sustain relationship between organizations particularly between consumers and suppliers. However, there is still lack of empirical research and findings in the subsidized market. Malaysian paddy farmers have been receiving fertilizers subsidy since 1971 making the environment of subsidized market stand more than 40 years long. The relation between Area Farmer Organization known as Pertubuhan Peladang Kawasan (PPK) and the subsidized fertilizer supplier has now extended to 30 years. PPKs are responsible on the procurement process of the subsidized fertilizer from the supplier. This paper presents a preliminary findings based on IOC theories of communication management between PPKs and the supplier based on the perspectives of the PPK. It will critically discuss the elements of IOC and communication commitments based on the perspectives of PPKs. Thirteen PPKs from Kemubu Agriculture Development Authority (KADA) granary area were involved in this study. The results indicate organization communication willingness, behaviour, and quality as communication commitment of the PPKs.

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1. Introduction

Numerous studies have proven that communication is a powerful tool in strengthening the relationship between consumers and suppliers. Communications between organizations is generally referred to as inter-organizational communication (IOC), is essentially an important factor in providing support to strengthen the relationship between two organizations (Paulraj, 2008). IOC stresses on information-sharing between the two parties which is beneficial for improvement in the supplier-consumer relationship (Mohr & Navin, 1990; Ronchi, 2003). Paulraj's argument is consistent with findings by different scholars in management and marketing (e.g., Mohr & Nevin, 1990; Mohr et al., 1996; Schultz & Evans, 2002) emphasizing on the important role of communication as vital in fostering the relationship between organizations involved. A good relationship between two parties ensures stability and advancement in terms of product development, cost reduction and delivery process to be timely and precise (Ronchi, 2003), which is especially essential in a supplier-consumer relationship.

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In the context of Malaysian paddy industry, reliance on fertilizer usage to increase yield requires a good relationship fostered between the farmers as consumers, generally represented by farmer organizations, and manufacturers or retailers as suppliers (Zainal, 2008). The relationship does not merely involve purchasing and selling products as it also requires professional advice to the farmers. For instance, in the case of introductions to new technology or products would require feedback from the consumers. The government's effort to strengthen the paddy and rice industry continues to be one of the main agenda. The Ninth Malaysia Plan saw 70% of RM 2.5 billion, and later RM 3 million during the mid-review, allocated to national food security. The paddy sector in Malaysia is a heavily subsidized industry which the summary of the input and fertilizer subsidies is as follows:

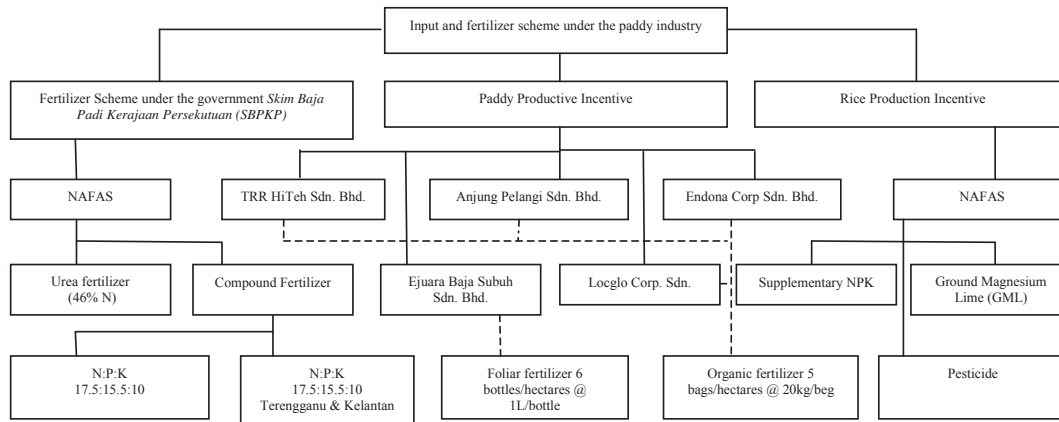


Figure 1: Input and fertilizer subsidy in paddy agriculture
Source: Berita Transformasi Pertanian: Lahir Peladang Progresif, 2012

Despite the rigorous efforts and initiatives by the Government, Fahmi *et al.* (2013) mentioned that Malaysia's rice production is considered inefficient in terms of cost and production. It has also been noted that there are also issues and challenges specifically on the supply of fertilizer that has an impact on the yield of paddy. Some of the challenges in fertilizer supply revolve around the following issues (reported in Berita Transformasi Pertanian: Lahir Peladang Progresif, 2012): Ensuring that fertilizer is supplied only to eligible farmers, more frequent visits to meet the farmers for monitoring, timely distribution of fertilizer to farmers. Malaysian government spent about 30 million USD annually on chemical fertilizer. As illustrated in Figure 1, National Farmer Association (NAFAS) has been the sole distributor of the subsidized fertilizer to the paddy farmers nationwide (Ammar *et al.*, 2012).

There is hence a need to ensure that the subsidized fertilizer is supplied to and received only by eligible farmers which require efficient communication management, specifically between the suppliers and consumers. The selection of eligible farmers is commonly done by the state Farmers Organization Authority Malaysia (*Lembaga Pertubuhan Peladang*) / Area Farmers Organization (*Pertubuhan Peladang Kawasan*). More frequent field visit is crucial for acceptance verification and monitoring. Shahrina *et al.* (2013) on a similar ground reported that farmers are generally hindered from receiving the latest information which requires more frequent site visits by the relevant bodies including the suppliers.

The late supply of fertilizer could result in farmers' decision to sell off the subsidized fertilizer which could result in a loss to the government. Local newspapers have reported a number of late delivery cases of fertilizer to farmers and had caused a problem (see Zainal, 2008). In ensuring a timely delivery, the Ministry of Agriculture has recently issued a warning that in the cases where the products are not delivered within a specific period of time (Noh, 2012). Otieno *et al.* (2012) asserts that failure in delivering on time could be due to several causes which one of them may be lack of information-sharing. Harvesting information is done by providing good communication process. Lack of communication or bad communication process contributes to poor information sharing between two parties (Paulraj, 2008; Craig, 1999). Hence efficient communications management between the suppliers and the consumers is essential to help address the issues mentioned above. In the context of this study the suppliers are referred to MNF (Malaysian NPK Fertilizer) Sdn Bhd who responsible on supplying subsidized chemical fertilizer to the paddy farmers. The consumers are the PPKs that consist of farmers as representatives. Hence, the inter-organizational communication in this study is the communication between MNF Sdn Bhd as supplier and PPKs as consumers.

2. Literature review

1.1 Inter-organizational Communication (IOC)

Communication entails information sharing between two parties which could be interpersonal, intra-organization, inter-organizations or a public communication. Scholars have done numerous studies in the different disciplines of communication.

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