.

UNIVERSITI PUTRA MALAYSIA

WORK CULTURE AMONG AGRO-ENTREPRENEURS

IRA APRIYANTI

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By

IRA APRIYANTI

Thesis Submitted to the School of Graduate Studies, University Putra Malaysia, in Fulfillment of the Requirements for the Degree of Master of Science

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Chairman : Associate Professor Zainal Abidin bin Mohamed, PhD

Faculty : Agriculture

Entrepreneurial culture is an expression of positive social attitudes towards commerce at a business level. It can be described as one in which a positive social attitude towards personal enterprise is prevalent, enabling and supporting entrepreneurial activity. It is important to inculcate an agri-entrepreneurial work culture in order to strengthen entrepreneurial capability among the farmers which can lead to sustainable growth in the agribusiness sector and in food production as development of entrepreneurial culture. The general objective of the study is to determine the underlying characteristic of successful agri-entrepreneurs among Farmers Organizaton Authority (FOA) members.

Seven hundred and ninety-six (796) farmers who are the members of Farmer Organization and Authority (FOA) were interviewed using a structured questionnaire in order to get the information on their social characteristics and attitudes towards the four states in Northern Region (Perlis, Kedah, Perak dan Pulau Pinang), three states in

Eastern Region; (Kelantan, Terengganu and Pahang), two states in Southern Region (Johor and Melaka) and two states in Central Region; (Selangor and Negeri Sembilan). The samples of the study were selected using a purposive sampling technique.

Descriptive analysis, factor analysis and logistic regression were carried out to determine the underlying characteristics of successful agri-entrepreneurs work culture among FO members. The results showed that the majority of the respondents agreed that work culture influenced entrepreneurial behavior in order to be successful as the agri-entrepreneurs. Based on factor analysis, six factors were identified for agri-entrepreneurs to success. These factors are innovative, responsibility and accountability, profit oriented, visionary, work systematic and self confidence.

Logistic analysis revealed six factors that have likelihood in influencing the entrepreneurial work culture. These factors were innovative, visionary, work systematic, high formal education, high education in agriculture and high experience in agriculture. All the findings of the study suggest that efforts should be intensified to encourage agri-entrepreneurs with training to focus not only on modern technologies but also on fundamental changes in attitude towards farming as an agribusiness.

Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk Ijazah Master Sains

BUDAYA KERJA KEUSAHAWANAN DI KALANGAN USAHAWANAN PERTANIAN

Oleh

IRA APRIYANTI

June 2008

Pengerusi **: Professor Madya Zainal Abidin bin Mohamed, PhD**

Fakulti **: Pertanian**

Budaya keusahawanan adalah ekspresi sikap sosial yang positif terhadap perniagaan. Budaya keusahawanan dapat diterangkan juga sebagai salah satu dari sikap sosial yang positif terhadap keberanian dalam berusaha secara umum dan memungkinkan untuk menyokong aktiviti keusahawanan. Adalah sangat penting untuk selalu menyemai budaya keusahawanan pertanian untuk memperkuat proses pembangunan upaya dikalangan petani dan pertumbuhan mapan di sektor perniagaan-tani dan produksi makanan. Adapun objektif kajian ini adalah untuk menentukan ciri-ciri budaya keusahawanan pertanian.

Seramai 796 petani yang mengganggotai Pertumbuhan Peladang telah ditemu bual untuk mendapatkan maklumat tentang budaya kerja dan mengetahui tahap keusahawanan yang mereka miliki. Tinjauan telah dilakukan di empat negeri di Zon Utara (Perlis, Kedah, Perak dan Pulau Pinang), tiga negeri di Zon Timur (Kelantan, Terengganu dan Pahang), dua negeri di Zon Selatan (Johor dan Melaka) dan dua negeri di Zon Tengah (Selangor

dan Negeri Sembilan). Dalam kajian ini teknik pensampelan tertuju telah dilakukan untuk memilih responden.

Analisis deskriptif, analisis faktor dan model logit telah digunakan untuk menentukan ciri-ciri budaya kerja keusahawanan seseorang usahawan tani yang berjaya. Didapati sebahagian besar responden yang ditemubual setuju bahawa budaya kerja yang diamalkan mempengaruhi kejayaan dalam bidang keusahawanan yang mereka ceburi. Analisis factor telah mengenal pasti enam factor yang perlu ada pada seseorang untuk menjadi usahawanan tani yang Berjaya. Faktor tersebut ialah: inovatif, bertanggungjawab, berorientasi keuntungan, berwawasan, bekerja secara sitemetik dan berkeyakinan diri.

Analisis logistik mendapati bahawa terdapat enam faktor yang mempengaruhi budaya kerja keusahawanan. Faktor-faktor tersebut ialah: inovasi, wawasan, kerja secara sistemetik, pendidikan formal, pendidikan dalam bidang pertanian dan pengalaman dalam bidang pertanian. Oleh itu, budaya kerja keusahawanan tani merupakan sesuatu yang penting bagi memastikan sector pertanaian berkembang maju dan seterusnya menyumbangkan kepada pertumbuhan ekonomi Negara. Dalam hal ini, usaha perlu ditingkatkan untuk menggalakkan para usahawan tani yang terlatih supaya tidak hanya bergantung dengan teknologi moden tetapi juga perubahan dalam budaya kerja dan menjadikan pertanian sebagai suatu sumber perniagaan.

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This thesis was submitted to the Senate of Universiti Putra Malaysia and has been accepted as fulfillment of the requirement for the degree of Master of Science. The members of the Supervisory Committee were as follows:

Zainal Abidin Mohamed, PhD
Associate Professor
Faculty of Agriculture
Universiti Putra Malaysia
(Chairman)

Amin Mahir Abdullah, PhD
Faculty of Agriculture
Universiti Putra Malaysia
(Member)

Ezhar Tamam, PhD
Associate Professor
Faculty of Modern Language and Communication
Universiti Putra Malaysia
(Member)

_____

AINI IDERIS, PhD
Professor and Dean
School of Graduate Studies
Universiti Putra Malaysia

Date: 14 August 2008

DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or other institutions.

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IRA APRIYANTI

Date: 8 January 2009

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LIST OF ABBREVIATIONS

APEC	Asia Pasific Economic Cooperation
BCIC	Bumiputra Commercial and Industrial Community
CIDA	Canadian International Development Agency
EDII	Entrepreneurship Development Institute of India
FOA	Farmers Organization Authority
FO	Farmers Organization
GDP	Gross Domestic Product
GLCS	Government Linked Companies
GNP	Gross National Product
ICT	Information and Communication Technology
KMO	Kaiser-Meyer-Olkin
LoC	Locus of Control
MEDEC	Ministry of Entrepreneur Development and Cooperative
MOA	Ministry of Agriculture and Agri-based Industry
MPIC	Ministry of Plantation Industries and Commodities
MP	Malaysia Plan
NAP	National Agriculture Policy
NAFAS	National Farmers Associations
NAP3	Third National Agriculture Policy
NAWEM	National Association of Women Entrepreneurs in Malaysia
NEP	New Economic Policy

OLS	Ordinary Least Square
PCA	Principal Component Analysis
RM	Ringgit Malaysia
SERDEF	Small Entreprises Research and Development Foundation
SFO	State Farmers Organizations
SME	Small and Medium-scale Enterprises
SMI	Small and Medium-scale Industries
YDBA	Yayasan Dharma Bhakti Astra

CHAPTER 1

INTRODUCTION

1.1 Overview of the Malaysian Agriculture Sector

The agricultural sector registered a favorable growth during the Eight Malaysia Plan period. The sector continued to provide the raw materials required by domestic agro-based industries and part of the nation's food demand. The production of food commodities recorded a positive growth as a result of the aggressive implementation of programs and project to increase food production and exports. In addition the export of food grew at an average rate of 8.7 per cent per annum to reach RM37.4 billion in 2005 higher than of imports growth at 7.9 per cent. Exports of food commodities are expected to increase to achieve a positive trade food balance, as shown in Table 1.1. Based on this growth, GNP per capita is expected to increase at an average rate of 5.9 percent per annum to reach RM23, 573 by the year 2010. GNP per capita adjusted for purchasing parity is expected to increase to RM52, 736 in 2010.

Table1.1. Export and Imports of Food 2000-2010

Commodity	RM Million			Average Annual Growth Rate	
	2000	2005	2010*	8MP Achieve	9MP Target
Export	**5,268.6**	**7,986.8**	**15,501.0**	**8.7**	**14.2**
Live Animal	357.4	425.1	467	3.5	1.9
Meat Preparation	64.6	85.9	2,895.00	5.9	102.1
Dairy Products	410.2	413.2	520	0.1	4.7
Vegetables	278.4	491.6	614	12.0	4.5
Fruits	512.4	471.9	2,153.20	-1.6	35.5
Sugar Preparation	353.7	479.2	476.6	6.3	-0.2
Cereal Preparation	610.8	916.6	576.5	8.5	-8.9
Fish, Crustacean	1,263.30	2,265.90	4,624.70	12.4	15.3
Feeding Stuff	375.3	547.1	531	7.8	-0.6
Other	1,042.50	1,890.30	2,645.00	12.6	6.9
Import	**10,543.5**	**15,435.0**	**14,276.9**	**7.9**	**-1.5**
Live Animal	154.6	177.4	127.0	2.8	-6.5
Meat Preparation	771.4	1,054.6	1,262.0	6.5	3.7
Dairy Products	1,176.5	1,745.1	1,533.0	8.2	-2.6
Vegetables	1,023.6	1,620.2	670.0	9.6	-16.2
Fruits	561.6	694.9	812.1	4.4	3.2
Sugar Preparation	1,085.8	1,406.0	1,216.0	5.3	-2.9
Cereal Preparation	1,839.1	2,267.1	1,464.8	4.3	-8.4
Fish, Crustacean	1,085.8	1,851.9	841.0	11.3	-14.6
Feeding Stuff	1,928.4	2,838.2	4,303.0	8.0	8.7
Other	917.3	1,779.6	2,048.0	14.2	2.8

Source: The Ninth Malaysian Plan
** forecast*

As shown in Table1. 2, although the total exports figure increased every year from RM 3.4 billion in 1990 to RM 6.4 billion in 2000 and reached RM 7.4 billion in 2002, it was not sufficient to meet the domestic demand for food as food import also increased especially throughout the 1999s. Food import bills was RM 4.5 billion in 1990 rose to RM 11.00 billion in 2000 and to RM 12.4 billion in 2002.

Table 1.2: Exports and Imports of Food, 1990-2004 (RM Billion)

Years	Food Exports	Food Imports	Balance of Trade
1990	3.4	4.5	-1.1
1991	3.6	5.1	-1.5
1992	3.7	5.4	-1.7
1993	3.9	5.8	-1.9
1994	4.4	6.6	-2.2
1995	4.5	7.8	-3.3
1996	4.7	9.0	-4.3
1997	5.3	10.0	-4.7
1998	6.1	10.5	-4.4
1999	6.2	10.8	-4.6
2000	6.4	11.3	-4.9
2001	6.5	12.2	-5.7
2002	7.4	12.4	-5.0
2003	8.4	12.8	-4.4
2004	10.0	16.6	-6.6

Source: DOS, MOF (Economic Report, Various Issues)

On the production side, as we can see from table 1.3, agriculture represents less than 10% of GDP. Although this contribution is small, yet is an important sector for rural community and for exports, and as a basis for large and growing agro-based industry sub sectors. Growth in 2006 of 5.2% represented a longer-term supply response to high international prices for crops, such as rubber and palm oil, and better weather than seen in 2005 (8 MP).

Similarity, industrial output rose by 5.3% in 2006, but this masks a combination of strong manufacturing growth (up 7.0%) with continued weaknesses in mining (down 0.2%) and construction (down 0.5%). Mining, at 6-7% of GDP, consists mainly of oil and natural gas production.

Nevertheless its contribution 6-7% to the GDP in 2005, consists mainly of oil and natural gas production.

From Table 1.3, show the contribution of construction sector contracted for three year in a row, although it appeared to be stabilizing during 2006, perhaps in response to the startup of Ninth Plan projects. Manufacturing makes up a third of the economy and has been growing rapidly, supported by export-oriented sectors including electrical and electronic products. Services account for more than half the economy and grew by 6.6% in 2006, paced by finance-and trade-related businesses (http://www.adb.org/Document/Books/ADO/2007part010600.asp).

Table1. 3. Malaysia: GDP Growth (%) by Sector

% Growth	2001	2002	2003	2004	2005	2006
Agriculture, Forestry and Fishing	-0.2	2.9	6.0	4.7	2.6	5.2
Mining and Quarrying	-1.7	4.4	6.1	4.1	-1.3	-0.4
Manufacturing	-4.3	4.1	9.2	9.6	5.3	7.1
Construction	3.3	2.3	1.8	-0.9	-1.8	-0.5
Services	4.1	5.8	4.2	6.4	6.7	7.2

Source: Department of Statistic, Malaysia

However, during the economic crisis in 1997, food trade had experienced a negative balance of RM4.74 billion representing 49 percent of the current account deficit in goods and services. The situation had become more severe with the depreciation of Ringgit, which resulted significant increases in the prices of agricultural inputs and food items. Thus, the government has highlighted towards the need to pursue more aggressive policies to enhance food security through the expansion of domestic food production and lesser dependence on imports. It is also in the long-term interest of the country to be increasingly not dependent on external sourcing for food, as there is uncertainty in its long-term international food supply. However, economic and

comparative advantage factors limit Malaysia's capabilities in enhancing domestic supply to fully meet her total food requirements.

The Ninth Malaysian Plan (9 MP) period (2006-2010), the agricultural sector will be revitalized to emerge as the third pillar of economic growth. A "new agriculture" program will be undertaken, which will include greater orientation towards more modern and commercial scale production; the production of high value added primary and agro-based products, wider application of information and communication technology (ICT) as an enabler and biotechnology for wealth creation; use of better marketing approaches emphasizing products standards and firm accreditation; and the introduction of a higher level of professionalism and the participation of entrepreneurial farmers and skilled force. Thus, under the Ninth Malaysian Plan (9 MP) emphasis is given toward professionalism among farmers in order to contribute to the growth of agricultural sector. Thus farmer has to be an entrepreneur and develop entrepreneurial culture that can enhance their productivity and the agricultural sector productivity as a whole.

1.2 Role of Entrepreneurship in Economic Development

Entrepreneurship will be playing a central role in the global economy in the future. The importance of entrepreneurship is the process of recognizing opportunity and addressing it through an organization to foster economic growth has been emphasized for many years. Leibenstein (1978) discussed the role of entrepreneurship in the economic development process. He explained that, in the presence of market imperfections, entrepreneurs were needed to search, discover, and

evaluate opportunities, marshal the financial resources necessary for the enterprise, make time-binding arrangements, take ultimate responsibility for management, (and) be the ultimate uncertainty and/or risk bearer. Entrepreneurship plays an indispensable role in improving productivity and promoting economic growth (Covin and Slevin, 1991; Zahra, 1991; Yu, 1998). In less developed countries, the encouragement of entrepreneurial activities is recommended as a way to stimulate economic growth (Harper 1991). Consequently, national incentive and education programs designed to stimulate new venture development have been instituted by the governments of a large number of Asian and Latin American countries as well as in the transition economies of Central and Eastern Europe (Audretsch 1991).

In Asia, entrepreneurship through small and medium-scale enterprises (SME) is a major economic phenomenon. According to an Asia Pacific Economic Cooperation (APEC) Survey in 1994, SMEs play a major economic role in all of its member economies. They make up well over 90% of all enterprises and cover 32% to 84% of the employment in individual APEC economies. According to the Organization of Economic Cooperation and Development (OECD), SMEs account for more than 90 % of all firms outside the agricultural sector and constitute a major source of employment in Asia. This looks surprisingly similar to the United States where small businesses:

a) Represent 99.7 percent of all employer firms.
b) Employ half of all private sector employees.
c) Pay 44.3 percent of total U.S. private payroll.
d) Generated 60 to 80 percent of net new jobs annually over the past decade.

(Anderson, 2002).

The government of Malaysia leads a strong initiative in promoting entrepreneurship but it nurtures a particular race (the ethnic Malays or Bumiputras) to address the social and economic inequities resulting from a centuries-old colonial policy that assigned a race to an economic activity. Positioning the middle-class Malays as the main agents of economic growth, the government now adopts a variety of supporting mechanisms and policies for the Malay entrepreneurs, including funding, physical infrastructure and business advisory services. Beginning in 1983, the government began to reverse its earlier promotion of public enterprises and began to encourage privatization. It also adopted a series of policies ranging from privatization to the encouragement of small and medium-scale industries (SMI) development, which helped to create the conditions and opportunities for entrepreneurship to flourish (GEM 2000).

In 1995, the government established a special ministry, the Ministry of Entrepreneur Development, to serve as the lead agency for the development of Bumiputra entrepreneurs and to coordinate entrepreneurship activities in general. Nearly all of SME investments were focused on encouraging Bumiputra entrepreneurs. As a result, the number of new Bumiputra-owned firms doubled between 1995 and 1999. Eventually, the government created a Bumiputra Commercial and Industrial Community (BCIC) to foster Bumiputra entrepreneurs and professionals, and to create a Bumiputra middle class. This has become the backbone of Malaysia's strategy for strengthening national entrepreneurship and is very explicit in its programs (Economic Planning Unit 2005).

1.3 Agricultural Entrepreneurship in Malaysia

When the former British colony of Malaya received its independence in 1957 (and subsequently became Malaysia) the ethnic Malay population was more or less economically disenfranchised. The uneven distribution of wealth in Malaysia was mostly a legacy of British colonial policy, which created and reinforced a dual economy. Because Malay society was feudal, with all the iniquities that such a system brings, the British believed the Malays were particularly ill suited for modern economic activity. Traditional agriculture, where the majority of Malaysian was consider irrelevant to the promotion of colonial rule and left largely unaffected. The Malay aristocratic elite, co-opted as they were in an effort to legitimize colonial rule, was favored by the British to staff the low- to mid-level civil service bureaucracy. The disproportionate distribution of wealth among the races and the identification of economic activity with race distinguished the Malaya economy at that time.

After independence, the Malaysian Government implemented a series of affirmative action programs designed to readdress the economic imbalances fostered during the colonial period. The New Economic Policy (NEP), adopted in 1971, was drawn mainly along ethnic lines. The NEP advanced policies to redirect investment and the ownership of share capital in an effort to increase the Malay share of ownership and management in the commercial and industrial sectors. Over 900 enterprises were established in an effort to create job and training opportunities for the Malays, and training programs were set up in the ministries and various other institutions to increase the number of Malay managers and professionals.

The Malaysian government established a ministry for the entrepreneurs in 1995, called The Ministry of Entrepreneur Development. This clearly demonstrated that the Malaysian government valued the importance of entrepreneurship and entrepreneur development (Ariff and Abubakar, 2003). The role of institutions will become very important towards restructuring and repositioning the agriculture sector in Malaysia. Under the NAP3, agriculture sector will focus on its reorientation towards greater commercialization and the creation of high income farmers as well as promotion of greater private sector investment including foreign investment. In this regard, the policy thrusts will be as follow: increasing agricultural production including by venturing into new sources of growth with greater private sector participation; expanding agro-based processing activities and product diversification; strengthening marketing and global netting; enhancing income of smallholders, farmers and fisherman and improving the service delivery system.

The Third National Agriculture Policy is built upon the strengths of the product-based and agro forestry strategic approaches to overcome the issues and challenges that constrained the progress of the agricultural sector. The products-based approach will enable a more effective formulation of policy thrusts to meet the challenges of increasing competitiveness and enhancing profitability in agriculture. In implementing this, the agro forestry approach will enable policy formulation to focus on resource constraints such as land and labor as well as addressing the sustainability agenda in agricultural development. With this approach, the NAP3 will focus agricultural development through the above mentioned strategic policy thrusts that will provide the enabling environment to sustain and enhance the growth of the agricultural sector to meet national needs and become globally competitive.