

# Analyzing Inter-Organization Communication between Customer and Supplier of Subsidized Paddy Fertilizer

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## Abstract

Inter-Organization Communication (IOC) is a commonly used communication discipline to communicate between and among organizations. This paper aimed to investigate elements of IOC theories of communication management used between a local farmer union (PPK) and subsidised fertilizer suppliers based on the perspectives of the PPK. This study employed a quantitative method through a survey using questionnaires which were distributed to a total of 192 representatives of 63 PPKs from granary areas. The findings revealed two essential indicators to support inter-organizational communication; communication willingness and communication commitment. This study will be useful for both scholars and practitioners in further understanding the current situation of communication in subsidized fertilizer industry in Malaysia. Further study on another variables in IOC and the relationship between components/variables involved would be beneficial on expanding knowledge of inter-organizational communication.

**Keywords:** customer-supplier relationship, Inter organizational communication, subsidy, fertilizer

## 1. Introduction

Numerous studies have proven that communication is a powerful tool in strengthening the relationship between customers and suppliers. Communications between organizations, generally referred to as inter-organizational communication (IOC), are 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-customer 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) which emphasize on important role of communication in fostering the relationship between organizations. A good relationship between two parties particularly between a supplier and customer ensures stability and advancement in terms of product development, cost reduction and timely and precise delivery process (Ronchi, 2003).

This study was analysing Malaysian paddy fertilizer sectors for their uniqueness. First, it is a subsidized market whereby farmers obtain fertilizer through government assistance. The Malaysian Government has been giving a great emphasis and attention on paddy plantation sector for rice is a staple food in the country. Malaysian government spends about 30 million USD annually on chemical fertilizer. However, farmers are not dealing directly with the suppliers (Malaysian NPK Fertilizer Sdn Bhd) for the procurement process. An organization known as Pertubuhan Peladang Kawasan or Local Farmers Union (PPK) are responsible in handling necessary processes from the procuring procedure up until arrangement for product delivery to farmers (LPP, 2008). Therefore, all the communication processes take place between MNF Sdn Bhd and PPK. The relationship of PPKs, government and MNF Sdn Bhd is shown in a diagram in Figure 1. Furthermore, a reliance on fertilizer usage to increase crop yield requires a good relationship fostered between farmers as customers, generally represented by farmer organizations, and manufacturers or retailers as suppliers (Zainal, 2008).