

The Integrated Governance Model: A Case Study of HP-Pertubuhan Peladang Kawasan

(Modal Integrasi Tadbir Urus: Kajian Kes di HP-Pertubuhan Peladang Kawasan)

Sue Chern Ooi

(Tunku Puteri Intan Safinaz School of Accountancy, Universiti Utara Malaysia)

ABSTRACT

This study examines the extent of the governance practices in a farmers' organisation known as HP-Pertubuhan Peladang Kawasan (HP-PPK). Conceptually, the research is framed within the governance framework of the Confederation of Finnish Cooperatives that examines the external, internal, and democratic governance structures of a membership organisation. Data of the study are derived from a series of interviews conducted, observation, and documentation analysis. The study found that HP-PPK has good governance practices, and the board and management manage to develop a mutual understanding of their respective roles. HP-PPK continuously campaigns to attract more farmers to join the PPK, and ultimately, it manages to create strong connections, trust, and relationships with its farmer-members. However, HP-PPK was subject to political interference and relied heavily on the general manager appointed by the Registrar in the management and administration of the PPK. Consequently, there is a severe concern about whether democracy in HP-PPK was undermined and HP-PPK would be transformed into an independent and progressive PPK.

Keywords: Organisational governance; farmers' organisation; democracy; Malaysia

ABSTRAK

Kajian ini mengkaji struktur tadbir urus di organisasi petani yang dikenali sebagai HP-Pertubuhan Peladang Kawasan (HP-PPK). Kajian ini berlandaskan kerangka Confederation of Finnish Co-operatives yang mengkaji struktur tadbir urus luaran, dalaman, dan demokratik bagi organisasi keahlian. Data kajian dikumpul daripada wawancara, pemerhatian dan analisis dokumen. Dapatan kajian mendapati bahawa HP-PPK mempunyai amalan tadbir urus yang baik. Lembaga pengarah dan pihak pengurusan berjaya untuk memainkan peranan masing-masing and membina hubungan yang erat dan rapat dengan anggota petani yang juga merupakan ahli HP-PPK. Namun demikian, HP-PPK tertakluk kepada campur tangan politik dan bergantung pada pengurus yang dilantik oleh Pendaftar di dalam pengurusan dan pentadbiran PPK. Ini menimbulkan persoalan sama ada demokrasi di HP-PPK terjejas dan HP-PPK dapat membangun dan menjadi satu PPK yang berdikari dan progresif di masa akan datang.

Kata kunci: Tadbir urus; organisasi petani; pertubuhan peladang kawasan; demokrasi; Malaysia

INTRODUCTION

In Malaysia, farmers' organisations (FOs) play an essential role in promoting agricultural development and enhancing the socioeconomic condition of the farmers (Birchall 2011; Msuta & Urassa 2015). There are 294 FOs and 423 agricultural cooperatives under the Farmers' Organisation Authority (FOA). The 294 FOs comprise National Farmers' Organisation (NAFAS), 14 State Farmers' Organisations, and 279 Area Farmers' Organisations (known as *Pertubuhan Peladang Kawasan*). Out of these 279 PPKs, 27 are under the administrative jurisdiction of the Muda Agricultural Development Authority (MADA), 13 under the Kemubu Agriculture Development Authority (KADA) and 28 under the State of Sarawak (Lembaga Pertubuhan Peladang 2020).

Pertubuhan Peladang Kawasan (hereafter known as PPKs) play a pivotal role in the farming communities. They were established under Akta Pertubuhan Peladang 1973 to serve and represent the interests of the farmers (NAFAS, 10 September 2019). PPKs are owned by and run-on behalf of over 900,000 farmers-cum-members' farmers' voice and rights (Pertev 2014), to create social value for their farmers, improve the farmer-members' socioeconomic conditions, enhance their proficiencies and knowledge, and ultimately be transformed into an autonomous, united, and progressive PPK (Lembaga Pertubuhan Peladang 2018; MADA 2018).

Despite the importance of PPKs, key officers of certain PPKs had been accused of wrongdoings. It has been reported that the funds in some PPKs had been mismanaged and embezzled (see e.g. Abdul Jabar 2017; Alagesh 2015). Failure of governance in some PPKs has raised serious concerns about the ability of the board to oversee

the management, monitor financial management, and ensure accountability to relevant stakeholders. The government has also demanded improved governance in the PPKs (see e.g. Bernama 2019; Md Sharom 2019). Good governance improves the performance of the PPKs (Lakshmi & Manoj 2015), increases the credibility and underlying value of the PPKs (Tripathy et al. 2021), and ensures that management and board of directors work in the best interests of the members (Hakelius & Nilsson 2020). Birchall (2011) also claims that good governance enables the PPKs to have proper checks and balances, to ensure the right decisions had been made and the appropriate risk appetite was being adhered to. Contradictory, poor governance may weaken the performance of the PPKs, which may cause macro-economic crises and adversely impacts the country's economic growth (Iskandar et al. 2017).

Even so, governance research in FOs and PPKs remains relatively low. Previous studies on governance focus on agricultural cooperatives (Bijman et al. 2014; Hakelius & Nilsson 2020; Huhtala et al. 2020; Tripathy et al. 2021), with a limited of research focusing on the functions of FOs in South Korea and Taiwan (Lin 2006; Ranis et al. 2001). Studies recommend the importance of studying governance issues in different institutional settings (Gray et al. 2014; Vakkuri et al. 2021), as other settings shed light on a variety of governance issues that remains unsatisfactorily explored (Gray et al. 2014; Solomon 2020; Uddin et al. 2017). In addressing the gap, this study examines the roles of the board of directors, management, farmers-members, regulators, and registrar in making the FOs accountable. More specifically, the paper posits the questions like: What are the roles of the board of directors and management of the PPK? How are the interests of the farmer-members being protected? And to what extent the PPK complies with the rules and regulations?

The paper is structured as follows. First, the paper will begin with a literature review on the definition of governance and the plausible governance structures to evaluate the governance practices in FOs. Subsequently, the paper presents the background of the case organisation, followed by a discussion on research methods and data analysis. Then, the state of the governance practices in HP-PPKs is discussed in the finding section. The final section discusses and concludes the research with recommendations for future research.

LITERATURE REVIEW

THE INTEGRATED GOVERNANCE MODEL

Governance is variedly defined based on different perspectives. Originally, the term governance derives from the Latin word “gubernare”, which is rooted in the Greek term “kybernan”, which means to rule, direct, or steer (Hyndman & McDonnell 2009). From a traditional finance perspective, corporate governance is related to corporate financing, whereby companies are seen as a governance mechanism for a set of contracts with providers of funds. Corporate governance deals with how capital providers or shareholders control managers and ensure that managers maximise their wealth (Cain et al. 2015).

The definitions may not be relevant to FOs with different ownership structures, philosophies, social objectives, and management manners (Birchall 2011; Ebrahim et al. 2014). FOs are established by and for the farmers. They aim to fulfil a social mission to benefit the farmers, who are the dominant stakeholders (Pertev 2014). A FO does not maximise the farmers' wealth as it pursues an optimal profit to sustain its operations. Profit in FOs is distributed to the members as patronage dividends or reinvested into the organisation to increase the organisation's reserve for future development (Birchall 2011). Thus, FOs profess unique social values with open membership, and are democratic and based on a one-member-one-vote basis (Ebrahim et al. 2014).

Governance in FOs should recognise the importance of the values and principles of the FOs and the supremacy of farmer-members' rights and responsibilities, which constitutes the intrinsic principles of FOs. Governance is the system by which the FO is managed and controlled and where obligations are established between the different individuals in the FO, such as farmer-members, board members, managers, and employees, to ensure that those responsible for the FO have the competence, skill, knowledge, and experience to perform the tasks, to offer an accountability framework, and to steer the FO to success.

The integrated governance model proposed by the Confederation of Finnish Co-operatives in 2000 and subsequently modified by Ketilson and Brown (2011) serves as an appropriate governance framework for FOs. The model outlines a full range of governance structures, such as the external, internal, and democratic governance structures, for membership organisations like FOs to achieve their accountabilities (Birchall 2011; Cornforth & Brown 2013; Ketilson & Brown 2011). It also serves as the conceptual framework for this study to facilitate the researcher to evaluate the holistic governance structures in the PPK.

External Governance Structure It refers to the external parameters within which FOs operate, such as the industry-specific legislation, national and international regulations, and external audits (Ketilson & Brown 2011). The government establishes, implements, and enhances the mechanisms that support external governance (Banks 2004). In FOs, external governance is executed through the Ministry of Agriculture and Food Industry (MAFI) and the departments responsible for agriculture activities and policies, such as the local government and land and

rural development department. It is beyond the scope of this study to make an in-depth review of the legislation and regulations for FOs. Instead, this study concentrates on the interviewees' perspectives on the question: "What do they perceive in the state of regulations regulating the PPK and rice industry?"

Internal Governance Structure It represents the mechanisms and processes of decision-making within organisations (Bijman et al. 2014). The structure fosters the board to monitor management to act in the interests of the organisation's shareholders and stakeholders and assist the board in discharging their accountabilities. The internal governance structure discussed in this study includes the board roles, board and management relationship, and board dynamics.

The board of directors is regarded as the "heart" of organisational governance. They are appointed to safeguard the interests of their owners, who are the farmers in the FOs, rather than their self-interests (Solomon 2020). The board's role is to achieve the organisation's mission, social values, and strategic priorities and ensure that resources are appropriately allocated and used (Denny 2015). The board appoints a manager to manage the organisation in achieving its mission. The board monitors the manager's performance according to the organisation's policies (Carver 2001).

On the other hand, board dynamics relate to the processes the board members cooperate and interact with each other in performing their duties, including the board and management interaction, to generate value for the organisation. A dynamics board is characterised to possess openness, team spirit, and cooperative behaviour (Pastra 2017). Board dynamics can be affected by the selection of directors, the qualities and contributions of the directors, and the quality of debate on governance issues in the boardroom (Van der Walt & Ingley 2003).

To achieve board dynamics, the board needs to come together as a team to cooperate, collaborate, and work together to provide a vital governance function for the organisation (Pastra 2017). It is achieved via open and vigorous yet respectful debate in the decision-making process, and in inclusive and transparent debates with various stakeholders. Inclusive and transparent decision-making requires board members to regard board decisions as group decisions, regardless of any prior disputes (Daley & Angulo 1994; Ketilson & Brown 2011).

Democratic Governance Structure The democratic governance structure is the structure to facilitate farmer-owner-members' participation in the governance system. FOs, by their nature, are created and owned by their farmers. Thus, the democratic governance structure is a mechanism established for a democratically owned organisation like the FO to promote democracy among its farmer-members. The structure also aims to ensure that members can exercise control rights over the organisation and facilitate farmer-member engagement and involvement in the organisation (Jones & Kalmi 2012; Ketilson & Brown 2011).

Guo (2019) claims that the representation and participatory structures usually exist under the democratic governance structure. A representative structure is established to represent the concerns and interests of the larger community by those who are elected. Meanwhile, participatory structure calls upon the members to make decisions or to express their perspectives and opinions. These structures assume that members wish to participate in the management and operation of the organisation. The structures also facilitate collaboration and cooperation and promote ongoing public dialogue within the organisation. Both representation and participatory structures exist side by side in practice. They are equally important in creating meaningful opportunities for members to participate in the governance and decision-making process of FOs (Ketilson & Brown 2011). Figure 1 summarises the governance structures of the integrated governance model.

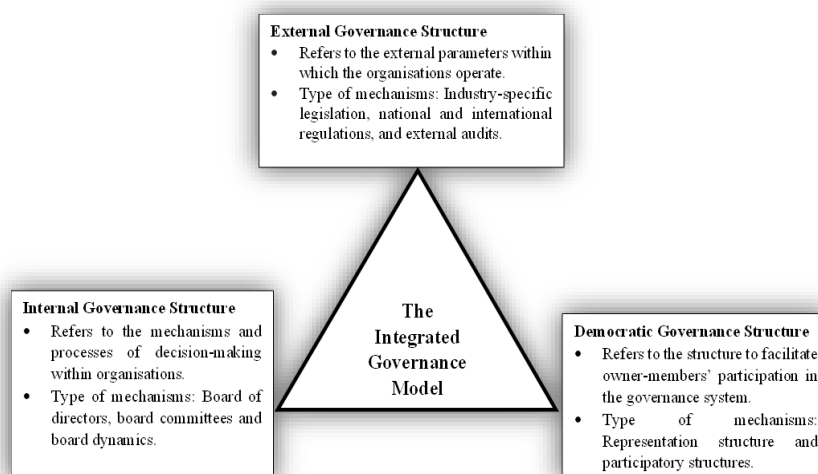


FIGURE 1. The Integrated Governance Model
(Source: Adapted from Ketilson and Brown (2011) and analysis by author)

BACKGROUND OF THE CASE STUDY

HP-Pertubuhan Peladang Kawasan (HP-PPK)¹ is a paddy farmers' organisation under the jurisdiction of MADA. The PPK was founded by paddy farmers and had a paid-up capital of over RM1.26 million, contributed by over 1,934 members. The farmers manage around 2,648 hectares of paddy fields within the territory of HP-PPK. The mission of HP-PPK is to ensure sustainability in rice production, improve farmers' skills, knowledge, and socioeconomic position, and to enhance their involvement in the rice industry. The PPK involves multiple projects such as the National Key Economic Area (NKEA) Rice Estate Project, contract and leasing projects, livestock farming, and agribusinesses (HP-PPK 2018).

HP-PPK is accountable to the Ministry of Agriculture and Food Industry (MAFI) and FOA at a higher level. MAFI is responsible for planning, developing, and supervising the execution of the agriculture policies and programmes. FOA serves as a statutory body responsible for advising MAFI on matters related to the development of the PPKs, encouraging the economic and social progress of PPKs, and coordinates and supervises the economic development activities of all PPKs (Fredericks et al. 1980; NAFAS 10 September 2019).

The federal government established MADA (hereafter the Registrar), a northern regional authority, to plan and implement rural development projects in all PPKs located in Kedah and Perlis. MADA is responsible to MAFI, and MADA officers are stationed at HP-PPK to manage and administer the operations of the PPK. The roles of MADA officers include guiding the board of directors and preparing the members in managing the PPK themselves, with the intention that the PPK will become an independent PPK with little support from the government (Fredericks et al. 1980; MADA 2018).

At the organisational level, HP-PPK consists of twenty small agricultural units and is governed by twelve directors. Seven directors were elected from among and by the members during the AGM (hereafter existing directors), and five were selected by representatives connected to the minister (hereafter new directors) (Lembaga Pertubuhan Peladang 2019). The five directors were appointed to contribute their agricultural or professional experience to the PPK (Bernama 25 July 2019). The board is legally responsible for the governance of HP-PPK. The roles of the agricultural unit heads and representatives are to convey information to the farmer-members at their locality and to gather input from farmers for the board.

HP-PPK has been selected as a case study due to its social and economic significance in the rice industry. It has won many awards and is regarded as one of the best PPKs under the jurisdiction of MADA. Despite its importance, HP-PPK has received limited attention from researchers, especially on the state of its governance structures. Thus, research conducted in HP-PPK will be of great value to researchers who seek to understand the governance structure in an FO setting, like HP-PPK.

RESEARCH METHODS

To achieve the research objective, this study conducted a qualitative case study on HP-PPK. A case study is an appropriate research method for exploratory research to understand a particular phenomenon (Yin 2018). Qualitative research methods, such as semi-structured interviews, non-participatory observation, and documentary analysis, have been mobilised to collect and analyse the data. The triangulation method gives a rich and in-depth picture of the matters under study (Patton 2002).

A total of ten semi-structured interviews were carried out with two MADA officers from the head office (MO), one general manager (GM), three board of directors (DIR), one employee (EMP), and three farmer-members (MEM) on the premises of HP-PPK². The interviewees were selected based on their key positions in HP-PPK and MADA. They were also chosen upon discussion with the GM and MADA officers. Interviewees were given full anonymity. The interviews ranged from thirty to ninety minutes and were guided by predefined questions revolving around governance matters in the PPK.

Furthermore, the researcher attended the AGM convened by HP-PPK to observe and understand how meetings are conducted and issues are discussed, to identify possible topics to be discussed with the interviewees, and to validate the interviewees' accounts (Fusch et al. 2018). During the observation, notes were taken, and issues that required clarification were noted to enable the researcher to seek further explanation from interviewees on the matters under observation during the interviews (Alvesson 2010; Silverman 2016).

At the same time, newspaper articles, industry reports, PPKs' annual reports, related governmental policies, information leaflets, and web-based information were also referred to and analysed. These documents provided an essential source of information for the researcher to understand the PPK and develop the interview questions. The evidence from the analysis of the documents has also been used to support and corroborate with the interview and non-participatory observation data as a means of data and method triangulation (Fusch et al. 2018; Patton 2002).

DATA ANALYSIS

In analysing the qualitative data, the researcher followed the iterative coding process promulgated by O'Dwyer (2004) and Miles et al. (2014), which embraces three linked subprocesses: data reduction, data reduction display, and data interpretation. The data reduction process includes reducing the data obtained from the fieldwork into appropriate data. The method of reducing the enormous data to relevant data includes reading the interview transcripts, observation data, and documents, and identifying and classifying those data following the key themes, subthemes, and open codes in an Excel file (Miles et al. 2014).

All illustrative quotations were read during the data display, and those quotations that were yet to be classified were reviewed again. If relevant, they were categorised into the identified themes (O'Dwyer 2004). The researcher also revisited all the illustrative quotations, themes, and summaries of initial findings at this stage to acquire a holistic understanding of the data.

Once the researcher understood the current state of the governance practices in HP-PPK, the researcher tried to write a "thick description" of the findings by going back and forth between the data, field notes, and articles. The description is subsequently summarised according to the conceptual framework (e.g. external, internal, and democratic governance structures) to enable the researcher to obtain a wider of the governance issues in the PPK. The findings were presented to the Registrar, academics, and professionals in multiple settings to reduce any misrepresentation, improve the explanations, and enhance the validity of the research (Miles et al. 2014).

FINDINGS

The following subsections provide the interviewees' perspectives regarding the existing governance structures in HP-PPK: the external, internal, and democratic structures.

EXTERNAL GOVERNANCE STRUCTURE

Compliance with Rules and Regulations External governance structure refers to the industry's legislation and regulations (Ketilson & Brown 2011). HP-PPK abides by the main rules and regulations such as Akta Pertubuhan Peladang 1973 (Akta 109), Perlembagaan Pertubuhan Peladang, and Arahan Pendaftar. The manager and directors interviewed agreed that HP-PPK could comply with the sector's regulations as MADA often organises training and seminars for them. They may also consult the legal team at MADA in the interpretation and application of regulations and legislation.

However, one interviewee emphasised that some board members are "elected due to their importance in their locality, but they lack good educational background. These directors have a hard time reading through and understanding the regulations" [DIR-1]. The chairman and manager needed to explain the content in its simplest form to the directors. Even so, the board collectively makes decisions, and MADA officers often monitor HP-PPK compliance level.

The comments show that some directors lack a good educational background and have to depend on the chairman and manager to explain the content of the legislation to the board. Still, HP-PPK has no difficulty complying with rules and regulations under the guidance of MADA.

Reliance on Subsidies Under *Skim Baja Padi Kerajaan Persekutuan* (SBPKP) and *Insentif Pengeluaran Beras (IPB)*, the paddy farmers receive fertiliser and weed killer subsidies from the government to increase their rice production. HP-PPK acts as an agent to distribute the fertiliser and weed killer to the farmers. The PPK receives income and commission from the distribution of the fertiliser and weed killer. The interviewees emphasised the importance of these subsidies to the PPK and farmers:

The commission we obtained from this project is more than RM100,000. We use this income to pay the salary. If the government withdraws such subsidy one day, the PPK must have other projects to generate profit [GM].

For HP-PPK, we have various projects. Other PPKs may generate their revenue primarily from the SBPKP project...If the government removes these subsidies, it may significantly affect them and their farmers [DIR-1].

The comments reflect that while the farmers depend on government subsidies to increase their rice yield, PPKs generate income to sustain their businesses through the SBPKP and IPB projects. Should the government abolish the subsidies, both farmers and PPKs will be adversely affected.

INTERNAL GOVERNANCE STRUCTURE

The internal governance structures assist the board in fulfilling its roles and achieving board effectiveness. The internal governance structure evaluated and presented below includes the board's roles, board dynamics, and the board and management relationship of HP-PPK.

The Roles of the Board of Directors The board members of HP-PPK stated that the board's role is to "make a decision collectively for the benefits of the PPK and MADA" [DIR-2]. Another board member added that the role of the board of directors is to "assist the low-income group and attract more entrepreneurs to join the PPK" [DIR-3] and to "disseminate information about pesticides, soil, subsidies, and facilities given by the government to the members" [DIR-2]. The directors were also aware that they are responsible for listening to what the members voice in order "to represent them in interacting with governmental bodies" [DIR-1].

Although none of the board members interviewed explicitly stated that the board function is to form policy and guide management, the board members clearly understood that management's functions are to manage the PPK and not interfere with management duties. However, one interviewee highlighted that:

not all of the board of directors understand governance in PPK because some of them are appointed due to their importance in their locality. They have limited exposure to governance and administrative matters [DIR-1].

Furthermore, the new directors are perceived to have little understanding of the PPK operations and "their appointment does not add value to the PPK" [DIR-2]. They were also criticised for being "less committed and absent from board meetings" [GM]. Thus, the board of directors cannot properly discharge their accountabilities.

The comments implicitly show that the board of directors of HP-PPK perceived that their roles are to make decisions, to engage and disseminate information to the members, to engage and liaise with government officials, to attract more farmers to join the PPK, and to form and approve policies at the PPK. The management team is responsible for managing and steering the PPK in achieving the organisations' objectives, and the board of directors supports them.

Board Dynamics "Board dynamics" refers to how the board members interact during meetings (Daley & Angulo 1994). The relationship among the board members was regarded as "open", "cooperative", and "inclusive". A director provided an example that "all issues were deliberated among the board members and collective decision are taken" [DIR-3]. Another director expressed that "we have an excellent board because we discussed all issues, and we figured out the decision collectively" [DIR-1]. "No one member is superior over the others on our board, including the chairman himself" [DIR-3]. Furthermore, another director commented on the positive impression she had of the board members by stating:

We could all work together, and there is no constraint or fight among us. The board is very open and cooperative, and I have no problem working with the chairman, manager, and other board members [DIR-3].

The chairman is regarded as a key individual in ensuring that meetings are run smoothly and orderly. He goes through the meeting agenda before each board meeting. During the actual meetings, the chairman ensures that all issues are appropriately considered and deliberated "by asking each director to share their views on the issues put forward" [GM]. Board members are encouraged to speak at the meetings, and "no one is reprimanded for speaking the wrong things" [DIR 2]. After the board meetings, the chairman and general manager will often meet to discuss any (unresolved) issues raised in the meeting.

The comments suggest that the board collectively takes collective responsibility in the decision-making process. All directors had no problems working together, and the chairman's willingness to listen to divergent views and to contemplate all issues help in creating a friendly environment for board members to express their opinions.

Cooperative and Collaborative Relationship Both the board and management could work cooperatively and collaboratively with one another. One director emphasised that they have no problem "working cooperatively and collaboratively with one another" [DIR-3]. This is further supported by a staff member who stated that the board works collectively and cooperatively well with the management. There is continuous effort to develop a relationship between the board and management based on "trust", "respect", "strong family bonding", and "open communication" [DIR-2, DIR-3].

For instance, the general manager expressed that the board of HP-PPK does not infringe on her domain:

They understand my job and their responsibilities, what projects can be done and can't be done... You need to have specific skills to convince your board [about your capabilities] and advise accordingly. Over time, they have confidence in the management and the projects we undertake [GM].

Board members were also credited for showing commitment to and interest in the projects undertaken by the PPK. They are also considerate and respectful towards the staff and have always noted the issues raised by them. However, one interviewee was sceptical about the roles of the new directors. She highlighted that the staff knew only four out of the five new directors. "They were just appointed, and we have not directly liaised with them" [EMP-1]. Even so, a new director claimed that the board, management, and staff provide the necessary support to them:

The chairman, manager, and [existing] directors are supportive and whatever resolutions that [the new directors] proposed, the board listened to and considered [them]... we don't fight [like what happened in other PPKs] [DIR-3].

Therefore, the comments suggest that the staff was initially skeptical about the appointment of the new directors. However, it does not hinder the board, management, and staff from working cooperatively and collaboratively. Each party understands its respective roles and responsibilities.

Over-reliance on a General Manager The interviewees agreed that the general manager is a credible leader who is "fit, active, and organise[s] diversified programs and projects for the PPK" [MEM-1, MO-1, MO-2]. She emphasises good governance practices and has brought innovation to the PPK by "introducing and managing new projects that were never managed by the PPK" [MEM-1].

The accomplishments of HP-PPK were attributed to the leadership of the general manager. The members and directors praised the general manager as a "good leader" with the great intention of improving the farmers' income [MEM-1, DIR-2, DIR-3]. For instance, farmers are urged to sell their rice to the PPK sales centre, providing a "fairer and more equitable credit scheme and grading process of paddy" than other sales centres [MEM-1].

However, the board and members rely heavily on the general manager in the management and administration of the PPK. Members and board members were not ready to let the general manager be transferred elsewhere as they claimed that the PPK "is not independent enough" to operate without her [DIR-2, MEM-2]. For instance, one member expressed that the management of MADA "might transfer the general manager to another PPK as HP-PPK has been doing well under her leadership" [MEM 3].

Additionally, the interviewees unanimously agreed that there is no succession plan to train a new general manager to assume the existing general manager's roles. Young farmers were also not interested in managing the PPK nor paddy farming. The population of farmers continued to decrease in the village and those who remain are "veteran farmers" who sought foreign labourers to help with their paddy farming [MO-1, MO-2]. Therefore, the interviewees asked "who will take over the paddy farming?" as younger adults have moved to urban centres to seek better job opportunities. The interviewees were concerned about the question, "what is the long-[term] prospect of the PPK?" [MO-1, MO-2]

The comments reflect that the general manager brought innovation to HP-PPK and steered the PPK towards success. Nonetheless, there was no succession plan to groom younger members or directors to independently run and manage the PPK. There was also a lack of an adequate young labour force, which led to increased recruitment of foreign workers to manage the paddy fields. In effect, there is a concern among the interviewees about the future of paddy farming.

DEMOCRATIC GOVERNANCE STRUCTURE

The democratic governance structure in HP-PPK helps the board of directors be accountable to the members, understand the needs of members, and provide members with the opportunity to be involved in the governance matters of the PPK. This section presents the findings concerning the board-member relationship and the participatory structure of HP-PPK.

Mutual Respect between the Board and Members The interviewees were consistent in their views of the relationship between the board of directors and the wider membership, characterising the board members as open, inclusive, and supportive. They unanimously agreed that the board regularly engages with and obtains inputs from the members. One member explained how resolutions are received and discussed at the board level: "we [propose] our resolutions. Even if they are not relevant, the board will discuss them" [MEM-2]. The manager supported the comment by expressing that:

The chair and some board members often contemplate the issues raised by the members. They put forward the issues for discussion at the board meeting to generate ideas or solutions [GM].

Members felt at ease to consult the chairman when they encountered problems, and the chairman was considered “approachable and available at any time” [MEM 2]. Other directors were also considered reachable should the members require assistance or advice from them. The directors interviewed also stated that the directors were highly aware of their accountability to the membership with one director emphasised that:

My accountability is to the farming community and members. We have mutual respect...We put aside our self-interests, political sentiment, positions and prioritise the members’ interests above all [DIR-1].

This suggests that the board of directors is highly aware of their accountabilities to the membership and the farming community. Members are satisfied with the board’s willingness to receive their feedback openly, and there is mutual respect between both parties.

Loyal and Committed Members HP-PPK continuously develops its member loyalty and raises awareness among potential farmers of the benefits of the PPK through various modes of communication and member engagement activities. For example, the manager stated that she goes to *kampung* (villages), unit meetings, and all the programs organised by HP-PPK to ensure that farmer-members understand the benefits of the membership and their rights as members. Members are also made to realise that their support, involvement, and participation in the PPK programs and projects, such as purchasing the PPK’s products, will bring long-term and sustainable benefits to all members and the PPK.

Members were “satisfied” with how information is communicated to them [MEM-2]. They had no problem approaching the board members, staff, and MADA officers, except the new directors. One member commented that the chairman is always willing to listen, and if someone has a concern, “he is always there to listen and discuss it” [MEM-2]. The members were confident that the board members, including all the key personnel and staff of the PPK, would address their concerns, and they felt comfortable approaching them. According to most members, their problems are often related to agriculture-related matters such as farming and irrigation scheduling, government subsidies, fertiliser, weed killer, and rice seeds.

HP-PPK continuous engagement with its members reap benefits with a member highlighted that:

We support the PPK’s project by selling our rice to our sales centre rather than the Chinese tauke who might be offering better credit schemes ...We know that [this] PPK is run and managed for [the benefits of] us [MEM-1].

The comments show that HP-PPK continuously develops strong member engagement and communication with its members. Members are satisfied with the initiatives taken by the PPK to include them in the programmes and activities of the PPK. Over time, members have a sense of loyalty and commitment towards the PPK.

Undermining Democracy through Political Interference Democracy is enshrined in HP-PPK in which that the governing body was elected by and represented the membership. Every farmer-member has an equal voice in the PPK, and the elected board of directors was regarded as representing the interests of members and ran the PPK on the members’ behalf. Members attend the AGM at the unit level, voice their concerns, and elect the unit heads, secretary, and unit representatives to attend the PPK AGM. The unit head, secretary and unit representatives were eligible to stand for election as directors at the PPK AGM. They were also entitled to elect directors to the board and vote on other resolutions. Regardless of the members’ background and experience, most of the members had an equal opportunity to elect the board of directors.

However, Arahan Pendaftar Bil 1/2019 required seven directors to be appointed from among the members, and five new directors were appointed by representatives connected to the minister. The appointment of the new directors raised was questioned by the interviewees:

The appointment of new directors is acceptable. We can accept it. But most of them [e.g., four out of the five directors] do not have a paddy farming background, and they were not chosen from among the farmers...We can accept it if they have professional experience. They can contribute to our day-to-day activities. But until today [e.g., 3 months after their appointment], we can’t see their contributions yet [DIR-2]

The comments illustrate that democracy is enshrined in HP-PPK. HP-PPK continuously encourages its members to participate and involve in the governance matters of the PPK. Nonetheless, HP-PPK was subject to political interference through appointments of directors connected to the minister’s representatives. The appointment of these directors led to the concern as to whether democracy was undermined³.

MANAGERIAL IMPLICATIONS

This study sought the perspectives of various key players about the governance practices in HP-PPK. It has been found that the younger generation was not interested in pursuing paddy farming. They prefer to migrate to and seek employment in urban areas. Consequently, a significant number of veteran farmers had outsourced foreign workers to assist in paddy farming. Indeed, increasing the younger generation's involvement in the agricultural sector is crucial as they play an essential role in ensuring a food-secure future for themselves and future generations. Hence, government, policymakers, and practitioners need to promote the modern agriculture approaches, the social benefits of the agriculture industry, and foster youth participation in agriculture. Historical accounts and promoting materials have often focused on the tears and sweat of the paddy farmers. To change such misconceptions about agriculture, there is a need for the government and policymakers to promote technologies and social benefits in agriculture. It is also crucial that youth and their parents are provided with the right information about modern agriculture. MADA and FOA should also organise specific agriculture programmes and training to provide youth with the extra push to join the agricultural industry.

Moreover, HP-PPK should be democratically owned and controlled by its farmer-members. Nonetheless, HP-PPK was subject to political interference that caused a serious doubt as to whether democracy in the PPK was undermined. It is proposed that the governance matters of PPK should be free from political influences so that democracy and member rights could be preserved and protected (Cornforth 2004). Indeed, the Taiwanese FOs governance model should serve as a frame of reference for government and policymakers, whereby government officials could not be appointed as the board members, and the farmers are given full autonomy to manage the FOs (Lin 2006).

CONCLUSION

This study has examined the roles of the board of directors, management, farmers-members, regulators, and registrar in making HP-PPK accountable. Drawing on the governance framework of the Confederation of Finnish Cooperatives that examines the external, internal, and democratic governance structures of a membership organisation, this study has specifically examined the functions of the board and management, how the interests of the farmer-members are protected, and the compliance of rules and regulations by the PPK.

Like most non-profit organisations, the study found that most of HP-PPK's board members lack an excellent educational background (Cornforth & Brown 2013; Spear 2004). This does not impede the board from carrying out their responsibilities, discharging accountabilities to the membership, and providing support to the management in the administration of the PPK. The board and management have developed a mutual understanding of their respective roles, and both parties manage to work collaboratively and cooperatively.

Moreover, HP-PPK is aware that exemplary member commitment will motivate members to invest in the PPK since members provide the equity capital. Good member engagement will also encourage members to exchange information with PPKs, stimulating optimal processing and marketing of PPKs' products and services (Bijman et al. 2014; Birchall & Simmons 2004). Hence, the PPK continuously engages with its members and includes them in the governance matters of the PPK. Members are satisfied with the engagement activities of the PPK, and over time, they have a sense of loyalty and commitment to the PPK.

Despite practising good governance, HP-PPK relied on MADA officers and the general manager in the management and administration of the PPK. There was no succession plan to groom youth and the younger generation to succeed in paddy farming and manage the PPK. At the same time, there was a serious concern about the appointment of directors connected to the minister. The appointment of such directors was seen as political interference in the administration of the PPK and infringed the ownership and control rights of the farmer-members. The political appointment is inappropriate in the PPKs as it may lead to conflicts of interest between the directors' political obligations and their fiduciary duty to act in the best interest of the farmer-members (Gomez et al. 2017). Therefore, if the government wishes the board of PPK to play a more significant role in developing strategies and be accountable to members, then it may need to ensure that it does not undermine the democratic process in the PPK.

This study contributes to the literature in several ways. Previous studies have used agency theory, stewardship theory, and democratic theory to explain the governance structures in agriculture cooperatives (Bijman et al. 2014; Cornforth 2012). However, these theories are impartial and examine only one dimension of the governance structure, such as the board of directors' roles. They do not facilitate scholars to explore the holistic governance structures in the agriculture cooperatives or FOs (Bijman et al. 2014; Cornforth 2012; Cornforth & Brown 2013). The integrated governance model adopted in this study foster the examination of the full range of governance structures of HP-PPK. The study has drawn attention to the board members' understanding of their roles, board dynamics, and the relationship between the board, management, members, and the registrar in achieving good governance and the key challenges that the PPK experienced, such as political interference in the

appointment of the directors and over-reliance of the manager. Hence, the integrated governance model has helped examine a full range of governance issues in the PPK.

Furthermore, the study extends the works of numerous authors (Cornforth 2012; Cornforth & Brown 2013; Ketilson & Brown 2011) by explicitly reflecting how the board of directors discharge their accountabilities, protect the farmer-members interests and comply with rules and regulations in a Malaysian FO. Although Ketilson and Brown (2011) have conducted similar research in a Canadian credit union, the findings of this study reflect different governance issues of FO. The study has provided a deeper understanding of the governance and agricultural challenges faced by a FO and its farmers and calls for the government to take appropriate actions in promoting paddy farming and attracting more youth to join the agriculture industry in ensuring a food-secure future.

Nonetheless, the scope of this study is confined to one specific PPK, the HP-PPK. Future research may consider using the same governance model to examine governance matters in other democratic member-based organisations or FOs. Alternatively, future research may also widen the scope to cover other PPKs or include more than one PPK to compare and contrast the governance practices among the different PPKs. It is contended that such a focus has the potential to extend the academic literature, especially in the areas that remain under-explored in FOs.

ENDNOTES

- ¹ The actual name of HP-PPK has been disguised to protect the confidentiality of the organisation.
- ² In total, ten interviews were carried out with nine interviewees between August 2019 and Jan 2020.
- ³ On 24 April 2020, the five politically appointed directors in HP-PPK were terminated. Under Arahan Pendaftar Pertubuhan Peladang Bilangan 2 Tahun 2020 (Arahan Pendaftar Bil 2/2020), eleven directors are appointed from among the members.

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Sue Chern Ooi
Tunku Puteri Intan Safinaz School of Accountancy
Universiti Utara Malaysia
06010 UUM Sintok, Kedah, MALAYSIA.
E-Mail: suechern@uum.edu.my