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FARM ORGANISATION FOR SUSTAINABILITY IN AGRICULTURE

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ABSTRACT

One of the factors contributing to sustainable farming systems is the way in which human resources are effectively implemented in achieving the goals and objectives of the organisation. In this paper equity sharing is discussed as a means of human development via broadening access to and ownership of land and capital assets in the farming business, as well as a changing perception amongst farm workers of themselves, the business and management.

Some of the positive effects which resulted from equity sharing on a fruit farm in the Western Cape are higher productivity, higher levels of job satisfaction and participation in decision making at both enterprise and task level. The management style is one of the determinants in successfully implementing equity sharing as a means of contributing to sustainability in farming. Equity sharing, like participative management, is not a quick fix for farm businesses experiencing problems in human resource management.

1. Introduction

From a global perspective, food and agricultural production is generally regarded as a success story in the sense that it has to date outpaced the explosive growth in the world population. Although global food production is still growing and is likely to continue to grow in future, the rate of growth is slowing. At the same time about 90 million people are being added to the world's population every year exerting pressure on the world's food production systems (World Resources 1996-97, 1996: 225). In the face of these declining food production growth rates and with fifteen African countries already facing exceptional food emergencies, sustainable development and sustainable agricultural systems are of great importance in Africa, as in the rest of the world.

Agriculture is operating in an ever-changing local and global environment. In South Africa the political, economic and legal conditions for land reform have been created. Change in the current ownership patterns and participation options in agriculture necessary for long term stability and sustainability should be considered. In recent years, a number of farmers have responded to the challenges posed by their decision-making environment and actively embarked on projects and schemes of trust-building and empowerment of their employees. As Hobson (1997: 1) has stated "Development must become the business of business".

In this paper various models of financial participation schemes in farm organisation, with emphasis on equity sharing, will be discussed as one of the possible contributing factors to sustainability in agriculture. The preconditions, advantages and precautions with the implementation of equity sharing will shortly be highlighted.

2. A changing perception

Sustainability, nowadays, is the key word in policies to re-design the future (Stobbelaar & Van Mansvelt, 1997: 84). Agriculture in most modern societies has passed through the following eras: traditional; production; productivity; and sustainability (Bawden & Packham, 1991: 266). Each new era dictates a fundamental shift in the way agriculturists think about the farming system and its goals and objectives. It is extremely difficult to introduce new ways of thinking and acting, no matter how inadequate the conventional approaches appear to be. In this age of sustainability, agriculturists must learn how to deal with both objective and subjective relationships between people, with the systems they invent and between such systems and their environments.

Many of the problems of management of agricultural systems, especially at the level of strategic planning and innovating adjustments to changing circumstances, are less than precise and their solution is more akin to "improving situations" than to "solving problems". The essence of agriculture is its interactivity (Squires, 1991: 7). This background forms the perspective from which various unconventional forms of farm organisation should be viewed. They should thus not be seen as ways to solve labour and/or other problems, but rather as means to adjust to a changing decision making environment and to reach organisational goals.

3. Preconditions for equity sharing schemes

Advocates of both competitive market capitalism and of socialism have agreed upon at least one thing, namely that the objective must be to find a way of bringing together the factors of production in a manner which is both just and efficient (Abel, 1990: 14). Without going into the philosophy of different economic/political systems, the following discussion is built on the premise that property rights are honoured and protected (refer to Crosson & Anderson, 1992: 82-87). The less secure and enforceable the property right, the weaker the incentive to protect and enhance productivity.

In South Africa, apart from social reasons, the slow growth in labour productivity is a major threat to the economic well being and competitiveness of the country. Furthermore, the traditional management-worker apathetic, and even hostile, attitude and paternalist labour relations have undesirable consequences. Some of these consequences may include (Eckert *et al.*, 1996: 694):

- Low levels of job satisfaction and destructive ways of displaying dissatisfaction, including absenteeism, sabotage and theft.
- Low levels of responsibility and self-esteem.
- No participation in work organisation and job design.
- Low incomes, resulting in low levels of consumption of manufactured goods, and limited savings strategies or no savings strategies at all among worker families.
- Unnecessary labour turnover, resulting in lower returns for expenditure on training.

Perhaps one of the most important arguments in favour of a change in the management philosophy is the increasing level and standard of education in society. The workforce is educationally very different to that of a mere ten years ago. The new employees have developed expectations that they will be able to use the knowledge and education that they have gained (Mostert, 1993: 36). A vast amount of research has been carried out in the United States of America on how participation affects the five major areas of organisational effectiveness: motivation, satisfaction, acceptance of change, problem solving and communication.

Various schemes are employed to increase the participation of employees in management (decision making). Perhaps the most far-reaching participative schemes are the financial participation. There are four main approaches to financial participation, namely profit sharing, employee share ownership schemes (referred to as equity sharing in this paper), group-bonus incentive schemes and individual performance-incentive payment schemes (Mostert, 1993: 59-62). "Equity sharing" refers to situations in which employees purchase or obtain ownership of part of the equity of the farm on which they work (Eckert *et al.*, 1996: 694).

One of the most important factors influencing the success or otherwise of a participative scheme involving joint ventures between farmers and employees is the industrial relations history of the farm. This not only influences the probability of successful implementation, but also the strategy to achieve that.

Hamman (1997: 8) to explain the relationship between trust and conflict ("formalisation") modified the model of industrial relations by Purcell (1984: 61) in labour relations. In Figure 1, position A represents high conflictual labour relations, position B a situation of apathy and position C extreme paternalism. True participative management is to be found in position D, where employees are intent on furthering their interests, but do so in a relationship of trust. The transformation of industrial relations from positions of high conflict or high trust but no participation requires completely different strategies, either a trust-building exercise (x) or a process of empowerment (y).

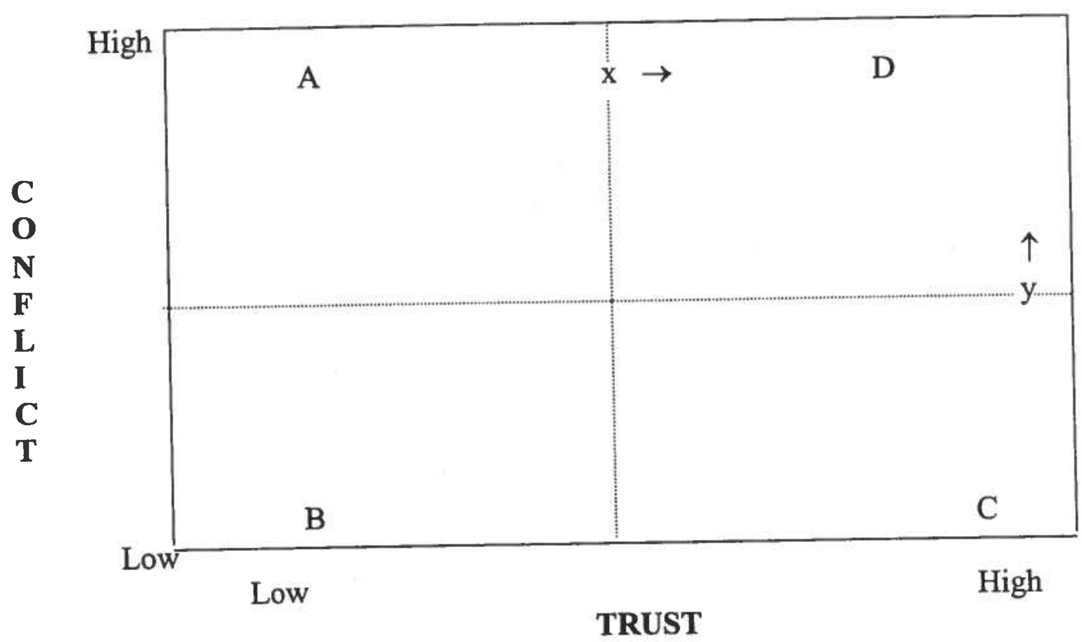

FIGURE 1: Relationship between trust and conflict in labour relations
Source: Hamman, J. 1997. Private sector land reform initiatives. Paper presented at the Conference on Forestry and Land Reform, Durban. p. 8.

Another precondition for equity sharing is that the workforce should be trained, in other words investment in human capital is necessary for developing technical, social, management and financial skills. Furthermore, the extension of labour legislation has opened up the way for trade unions to (further) penetrate the agricultural sector and they could play an important role in the implementation of a project. Similarly, paternalist interventions such as the programmes presented by the Rural Foundation can create a relationship of trust on which can be built (Hamman, 1997: 9).

4. Motives for and benefits of equity sharing

Financial involvement and participation extend from management determined monetary supplements to employee income, which involve no or minimal shifts in capital ownership or organisational control, to full economic democracy offering opportunities for plural ownership and social control of enterprises or industry. Nevertheless, very different ideologies inform financial involvement and financial participation and these raise highly contentious issues in current debates over the extent and application of employee influence (Hyman & Mason, 1995: 96).

Equity sharing distributed broadly over the workforce of a farm encourages self-independence among employees, distancing them especially from collective influences by establishing a nominal status equality between employees and their superiors on the platform that all work together as co-owners. The same ownership appeal is also assumed to serve as an incentive to work harder/wiser (increase productivity), lower labour turnover and less absenteeism. These businesses compete more strongly on the labour market, while the spirit and relationship in the workplace are generally on a sound basis. The traditional owner (farmer) gains access to capital that can be invested elsewhere.

The employees, as co-owners, obtain entitlement to property and property income in the form of dividends and capital appreciation. Because of the potential returns from property ownership, equity sharing can help to overcome rural poverty and income inequality. To the extent that partial ownership increases the participation of employees in decision-making in farm management, equity sharing may be regarded as a form of empowerment. Equity sharing provides exposure to the participants that they would not have as traditional employees and thus enriches them in aspects of management as well. Via equity sharing the risk of initial entrance to commercial farming is lowered due to the fact that present expertise of (usually) competent entrepreneurs/managers and the infrastructure of the farm organisation are shared.

As a method of land reform, equity sharing thus can maintain, and even increase, production levels on existing farms while allowing employees to receive a share of land rents. It effectively redistributes land ownership without the necessity of subdividing existing businesses into potentially sub-economic units. The present state grant of R15 000 for new entrants represents a relative small payment (investment) to gain access to the land and agriculture. No recurrent cost for the state is necessary in the form of technical and management support to the new entrants. In this way the limited state funds can be utilised optimally in giving access to more people than would be the case where a higher cost per entrant would be incurred for resettlement in the traditional way(s).

5 Successful implementation of equity sharing in South Africa

Various forms or models of "equity sharing" are being implemented in agriculture at present. The schemes range from participation in only a specific sector (enterprise) of the farm to a varying percentage of shares by employees in the total farm business (e.g. Whitehall, Grabouw). Nel *et al.*, (1995: 184) referred to two models; namely the equity participation schemes and the share block schemes. Apart from commercial banks, other institutions that are involved in financing equity sharing schemes include the Development Bank of Southern Africa, Newfarmers Development Company, the Industrial Development Corporation, and hopefully soon the Landbank too.

The unitised equity sharing model as developed at Whitehall (a deciduous fruit farm in Grabouw/Elgin district) has been widely reported (refer to Eckert *et al.*, 1996: 693-712). The employees bought 50 percent of the shares in the farm from the former owner. The participating employees formed the Whitehall Workers Trust, which manages their interest in the farm. The Workers Trust and the Hall Family Trust (former owners) each hold half the shares in the Whitehall Landholding Company (which owns the immovable assets) and the Whitehall Farming Trust (which owns the movable assets).

Participating employees therefore share equally in profits and capital growth, and each group has the same number of directors and trustees. In the case of a dispute between the parties, the matter will be referred to mediation, and if this fails to resolve the dispute, the deadlock is broken through arbitration. Employees are therefore truly co-owners and co-managers.

The equity sharing scheme at Whitehall has a number of advantages. Firstly, much higher incomes and increased savings can be projected. The capital growth, in which employees will share, has opened new opportunities to many of them and their dreams of owning their own business or own house can now become reality.

Secondly, the education processes that preceded and accompanied the introduction of the scheme, such as financial, management and technical skills training, resulted in a more educated and more skilled workforce. Since the introduction of the scheme, labour productivity has increased by 30 percent. Employees seem more committed to their jobs and the individual tasks required, while absenteeism and days lost to illness are down, annual resignations have declined and dismissals dropped to zero in 1995. Employees explicitly related increases in productivity to the scheme.

Thirdly, the equity sharing scheme seems to have led to a reduction in the numbers of both permanent and seasonal employees needed to run the farm. Cost savings have occurred as a result, and these should make it possible to increase the remuneration of those employees retained. Internalising certain repairs that were previously done commercially saved costs. Compared to their expectations when they were first employed at Whitehall, the length of time that employees plan to stay on at the farm has increased significantly. Training costs are therefore much more likely to be recaptured.

Fourthly, the equity sharing scheme has raised the self-esteem of employees. They report much higher levels of job satisfaction and participation in decision making at both enterprise and task level, indicating a growth in personal confidence that could only have positive spin-offs for the individuals and the farm.

However, some reservations must be noted (Eckert *et al.,* 1996: 711). Firstly, although members understand the basic principles of the scheme and the benefits they can expect, there is little sense of "owning" the farm and their financial vigilance is therefore low. Secondly, the participation of employees in managerial decisions is low at present. More time should be invested in explaining the advantages of deferred payment to employees (who are shareholders). This will become important when employees begin to participate in choices between dividend payments and reinvestment. These are procedural issues, which will probably be rectified at Whitehall, and they can serve as lessons for other initiatives.

6. Conclusions

Agriculture is operating in an ever-changing environment. There will be more stress on natural resources due to an increase in the demand for food and fibre. Farm management should thus be prepared to adjust to changing conditions. Farms should be organised in such a manner as to best utilise their opportunities and be sustainable.

Participative management and sound industrial relations seem to be preconditions for successfully implementing equity sharing schemes. Equity sharing, like participative management, is definitely not a "quick fix" for problems in human resource management and should not be implemented if employees are not educated and trained in technical, management and financial skills. The success of equity sharing lies partly in the negotiations about the structure of the scheme, the benefits for the employees, the introduction of the scheme and its subsequent administration, and who is to oversee control of the whole process. Trust forms a cornerstone in these negotiations.

There are definite benefits for the employees, the farmers and the community in equity sharing. Higher productivity, lower costs, better motivation and commitment to the job, reduced absenteeism and resignations, as well as lower labour turnover were some of the benefits experienced at Whitehall. The co-owners have the prospect of higher income and participation in the scheme raised their self-esteem.

Equity sharing is still a relatively new venture in the South African agriculture, but it has definite potential as a means of land reform, as well as a sound practice in human resource management. The employees should have a choice to participate or not and there should be no discrimination against those employees who prefer not to join the scheme. It should always be born in mind that there is also a risk involved as co-owners of an equity sharing scheme.

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