

## FORGING STRATEGIC ALLIANCE FOR SMALL HOLDER FARM AMONG THE ASEAN COUNTRIES

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### I. BACKGROUND

- The era of globalization and liberalization which is characterized by the opening up markets to foreign products, lifting out protectionist measures, increasing transitional operations among agriculture and animal husbandry, among other, will affect small holder farm.
- Side by side with the challenges and opportunities that go with globalization are threats to small farm enterprises. Prominent among these are the increased competition for consumer food and the greater competition coming from foreign direct trade. The increase in competition for consumer foods is expected to come from both the large and small holder farms.
- Within the ASEAN countries, some recommendations can be implemented on how small farm enterprises can prepare for facing the era mentioned above. On one side, the government should facilitate small holder farm access to market information, technology, supporting industries project and many other facilities. For the private sector, it should have stronger and viable associations, to unite and establish business linkage.
- Among small holder farm within the ASEAN countries should not be competitive each other, likewise stress on complimentary and form strategic alliances in the country and in the ASEAN region as well.

### II. WHAT IS A STRATEGIC ALLIANCE ?

- Strategic alliances are commonly used to refer to a wide range of interorganizational relationship. This alliance ranging from cooperation governed by simple agreement to highly structured and formalized equity based relationship.
- A strategic alliance can provide access to resources such as capital, information, technology, management expertise, markets, customers, distribution channels, land and labor. Such resources may not be available to an organization acting alone.
- Greater access to resources in one way in which an organization can reduce its level uncertainty in demanding and turbulent environment.
- Strategic alliances enable organizations to speed up the market-entry process and increase their responsiveness to consumer market.
- Strategic alliances (SA) are immensely important to both large and small farm enterprises. SA provide an extension of business entity perhaps by sharing costs, by creating better relations with suppliers or customers, or helping to gain access to resources and markets.

### III. GENERAL CONDITION

The ASEAN economies had for a long time been too dependent on import, even though they had a agroindustries sector and growing service sector, but essentially they were inward looking, concentrating on

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domestic market. The agroindustry sector in particular was protected by high tariffs from import competition. The worst consequence of this my view was that these industries had become complacent and lazy. They did not have to do the things, which the best business round the world had to do. They could take things pretty easily conscious the government would help them out if they got into real difficulties. So they paid less attention than they should have to issues like productivity, R&D, maintenance, quality, breeding, processing and disease. It was a situation, which had to be changed. In general business which rely too heavily on government are unlikely to be good business in the long term. Of course, however, the government has an important role in creating the right environment for animal production to succeed in. The environment to high quality production for example will create the animal production no longer relies on sheltered environment, protected government from the rigorous international competition. Many experts used to say that condition that ASEAN small farm enterprises swim very well in the hotel swimming pool otherwise, they must learn to swim in the Ocean. To swim in the ocean is a process of attitudinal change of getting people in business to do things differently. This sort of change is to succeed, everyone concerned has to be involved in the process. In this case the government play role as an informed trouble shooting advisory service and help the small holder farm with problems as veterinary, high breed, breeding, quality control, new technology and networking or market intelligence information.

Agribusiness in Indonesia is across sector activities which is conducted in integrated system. To achieve the objectives of agribusiness, one of the indicators which is show the successful of the activities is increasing the competitions on agriculture commodities. This competition determines by quality product and efficiency (productivity, business scale, supporting system and supporting institution).

The are six main factors involve in running the agribusiness as system namely technology, software and hardware, finance,

processing, marketing and guiding which are integrated to each others.

Mission of agribusiness in this case of animal production among other are:

1. To increase the market access for animal production
2. To develop the guidance system for animal production quality
3. To optimalize the agribusiness resources
4. To enforce the financial resources and investment
5. To define the planning and development policy for agribusiness

There are some obstacles facing to materialize those missions above such as:

1. Limited land owner
2. Low quality of human resources
3. Financial restricted
4. Low technology adoption

In order to overcome those obstacles above, one of the ways out is enforcement of human resources development focused on education, training, extension, on job training and partnership. By following on the job training or learning by doing, hopefully occur transfer of knowledge and skill. Unfortunately, these has no regulation concerning on "On the Job Training" in Indonesia as "the Comprehensive Employment and Training Act (CETA)" and "the Job Training Partnership Act (JTPA)" in USA.

Enforcement of human resources through partnership will occur the interchange of information and ability by way of business partnership process, which is conducted by farmers institution with large firm.

#### IV. GLOBAL MARKET

→ In ASEAN, 98% of firms are small business. The face the challenge of the new international market places. They must prepare several issues like:

- a. Look at the strength and weakness of their business and try and see where improvements can be made.

- b. In looking SWOT, involved productivity, supplier link, quality of service and product, cost structure, R & D (how can it improve performance) customer focus, market access and awareness of Best Practice either in country or internationally.

If the business, half of the listed above are right, those business probably on the way to international competitiveness.

- After having good check list than going global they must run a strategic alliances, because SA are ways of extending the capacity of business without a huge investment in the business it self. SA can be with supplier, service providers and customers. They can be provide things such as technology sharing and transfer and market intelligence. SA can be easy means of establishing a global market. SA must provide a win-win situation for both partners in the alliance, because the relationship based on trust, require care in selecting a partner and care nurturing the relationship. Of course SA not the only answer for business facing the global market, they are only one of means of increasing the effectiveness of business networking.

#### V. THE SUCCESS OR FAILURE OF AN ALLIANCE

- Even though there have been so many alliance being formed, many ultimately fail. Some strategic alliances have the potential to provide alliance partners with strength and stability, while others often times lead to disenchantment. Two central factors ultimately determine the success of failure of cooperative relationships i.e.: (1) the performance goals set for the relationship and (2) the behavior of the partner involved in the relationship and (2) the behavior of the partner involved in the relationship.
- The goal of alliance participants may be short-term or long-term in nature. Goals

may focus on expected returns or maximum levels of risk. A partner's goals may be quite specific-such as gaining access to certain technologies, gaining access to financial resources, or gaining support to fend off competitors. Unless the goals of the alliance partner are compatible (not necessarily the same but complimentary) the alliance is most likely doomed from the outset.

- The goals of alliance partners may be compatible and yet the alliance may still fail as a result of incompatible behavior within the relationship. Four specific behaviors have been identified by a number of business researchers as critical in determining the outcomes of cooperative relationships. These behaviors are opportunism, trust, reciprocity and forbearance.

- ↳ Opportunistic behavior is behavior that is motivated by the desire to gain an advantage relative to an alliance partner. The opportunistic alliance partner behaves in such a way as to further its own needs.

- ↳ Trust is one partner's confidence in the other partner's goodness. Trust emerges from a belief that a relationship will result in equitable outcomes.

- ↳ Reciprocity serves as an important balance guaranteeing that the alliance partner will not behave opportunistically.

- ↳ Forbearance is that if an alliance partner refrains from cheating on the relationship or from behaving opportunistically. Forbearance is having the opportunity to behave opportunistically, but refraining from the doing so. Forbearance is possible only when there is a high potential for reciprocal behavior, a strong mutual trust among partners and an absence of opportunistic behavior.

Finally, discussing success and failure of SA, we should mention their risks and cost. Among those are:

- Loss of power to one's partner
  - Time and resources required for developing and maintaining the alliance
  - Potential loss of competitive position
  - For small organizations aligning with large organizations, the potential loss of power can be greater than for partners of equal size
  - The risk and cost of an alliance can be controlled and reduced if on organization is aware of them and take them into account in the search of partner
  - In the absence of trust, potential risk and cost are increased.
- d. Joint manufacturing
  - e. Joint marketing
  - f. Shared Distribution/service
  - g. Standards setting/Research consortia
  - h. Fifty-fifty joint venture
  - i. Sub-contracting
  - j. Nucleus-plasma
  - k. Others

## VI. POSSIBLE ALLIANCES IN ASEAN

Alliances can be formed based on the common interest of the members or intercorporate agreements covers a wide gamut of functions, ranging from component sourcing through research and development to production and marketing. An alliance can take variety, of firms ranging from an arm's length contract to joint venture. More specific, strategic alliance is possibly possessed simultaneously the following three necessary and sufficient characteristic:

- The two/more firms that unite to pursue a set of a greed upon goals remain independent subsequent to the formation of the alliance.
- The partner firms share the benefit of the alliance and control over the performance of assigned tasks—perhaps the most distinctive characteristic of alliances and the one that makes them do difficult to manage.
- The partner firm contributes on a continuing basis in one/more key strategic areas, e. G. Technology, product and so forth.

Based on the above characteristics, the following is a list of the possible strategic alliances.

- a. Joint Research and Development (R&D)
- b. Joint Product Development
- c. Long-term sourcing agreements

Taking in to consideration, Indonesia has some experiences in conducting business partnership. Business partnership has naturally developed between small enterprises (SEs) and medium or large enterprises. However, some problems are still arisen in its implementation. Therefore, the Government of Indonesia wants to find the best solution in implementing business partnership becoming take consideration and puts business partnership in the Law of Small Business No. 9 of the year 1995 as a particular part namely "Partnership" for empowering SEs including small holder farmers, therefore, on May 15, 1996, The President of the Republic of Indonesia declared "the Movement of the Nation Program for Business Partnership". Through this movement, it is hoped that there will grow a commitment among large firms/state-owned companies to build partnership and become strategic alliances in strengthening small holder animal husbandry in Indonesia.

In the framework of ASEAN, especially for development of agricultural cooperatives, ASEAN Center for devolving of Agricultural Cooperatives (ACEDAC) developing a framework of action programs. In the framework, it was found some strategic alliances between cooperative and government, cooperative and private sectors and inter cooperatives either urban or rural cooperatives. In addition, to strengthen the ASEAN cooperative, particularly agricultural cooperative, strategic alliance should be explored both domestic and across orders. In this regard, potential areas for effective strategic alliances have been proposed by each member ASEAN countries. Malaysia, for instance, proposed agro-tourism, resource-based industries, agribusiness networking, agricultural information, training and consultancy, agro-product R&D and agricultural management service. Indonesia

in addition, proposed horticulture products, coconut-by products, agro-tourism, dairy products, insurance, skill worker, cooperative education, training, and information networking. Starting from 1997, there will be 4 project on strategic alliance among ASEAN agricultural cooperative to be devolved in the ASEAN region. These projects are:

1. Strategic alliance on vegetable production, conducted by Indonesia, Brunei Darussalam, Thailand, the Philippines and Malaysia;
2. Strategic alliance on dairy breeding farm, conducted by Indonesia as lead country;
3. Strategic alliance on orange fruit production, conducted by Brunei Darussalam as lead country;
4. Strategic alliance on coconut by-Product Industry, conducted by Indonesia, Thailand, Malaysia and the Philippines. This project will also supported by devolved countries such as USA, Canada, Europe, Japan and Chinese Taipei.

## VII. CONCLUSION

- ↳ Facing the era of globalization and liberalization, small farm enterprises need to be strengthened in order to be more competitive either domestically or internationally. To do so one approach can be developed is strategic alliances for small holder farms, particularly among the ASEAN countries.
- ↳ The success of failure of an alliance is determined by two central factors, namely: (1) the performance goals set for relationship, and (2) the behavior of the partners involved in the relationship.
- ↳ Within the ASEAN, ACEDAC will develop strategic alliances among agricultural cooperative in the region, particularly on vegetable production, dairy breeding farm, orange fruit production and coconut by product industry.