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Entrepreneurial Strategic Alliances and Partnership of Marketing and Retailing in Small and Medium Enterprises in Agro Sapling Supply Chain

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Abstract

Purpose – This research is attempted to examine the local Malaysian agro sapling suppliers SMEs in entrepreneurial strategic alliances and partnership collaboration in the supply chain of agro saplings as there are high demand in rubber and oil palm saplings from small holders and monoculture estates. The strategic alliances and partnership of marketing and retailing strategy definitely will enable the sector's growth and profits by supplying agro monoculture saplings like rubber and oil palm which are needed in the agriculture plantation sector. Entrepreneurs and SMEs in these particular trades could collaborate and establish a long lasting partnership in producing and logistical perspective of the trade.

Design/ methodology/ approach – Four dimensions of entrepreneurial strategic alliances and partnership collaboration (business proprietors, logistic, managerial strategy, business culture and practice,) were examined to determine the entrepreneurial strategic alliances and partnership collaboration between the parties in marketing and retailing of agro saplings.

Finding - In general, there are significant differences among factors stated above with entrepreneurial strategic alliances and partnership collaboration among agro sapling SMEs in supply chain of agro monoculture agro saplings. The business environment and climate of the sectors is also closely related to the business leadership skills and success in gaining profits among businesses of the like.

Research limitations/ implications – This study represents an addition to the extant literature on entrepreneurial strategic alliances and partnership collaboration among Malaysian agro saplings SMEs in supply chain business.

Practical implications – The entrepreneurial strategic alliances and partnership collaboration among Malaysian agro sapling SMEs in supply chain is tantamount to other business ventures as well towards the contribution of supplying other plant sapling in Malaysia. Furthermore, the government's policy of making agriculture as the country's third engine of economic growth will post as guaranteed in earning profits and market shares by agro sapling SMEs.

Originality/ value – This study provides further groundwork to assist existing and would be entrepreneurs of agro saplings supply chain and logistic further strengthen business ties and further entrepreneurial strategic alliances and partnership collaboration

Keywords: Entrepreneurial strategic alliances, agro saplings, supply chain.

Paper type: Agronomic, Marketing and Logistic studies

Introduction

Transport is a key link in the food and agricultural supply chain as almost all the agricultural land are located far from the dense residential town and cities. The only means to transfer agro food products from producers of the upstream unprocessed or middleman's' downstream processed to the consumers who dwelt in cities are the agro logistic organizations. However, at the same time, it is a major contributor to the negative environmental effects of goods transport as a whole, and this necessitates efforts to generate economy for the tripartite of producers from rural regions, processors or middlemen either in suburban or urban and the ever lasting demand from the cities dwellers as well as contributed to the environmental efficiency. It was assumed that a detailed study of the most important material flows and transport operations, from a regional viewpoint, with the application of appropriate tools of logistics and supply chain management, could promote the sector on national and at the international levels.

The entrepreneurial strategic alliances and partnership between the local Malaysian agro sapling suppliers and the supply chains SMEs in the supply of agro saplings definitely will reap in profits as there are high demands in rubber, oil palm, fruits tree and various floral saplings for the small holders and monoculture estates. This sector has not really been tap into and the profit derive will be tremendous as well as to generate certain percentage of our national economic. The strategic alliances and partnership of marketing and retailing strategy of agro saplings definitely will enable the agriculture and horticulture sector's growth and profits by supplying agro monoculture saplings like rubber and oil palm which are needed in the agriculture plantation sector either smallholders or big estates. Entrepreneurs and SMEs in these particular trades could collaborate and establish a long lasting strategic alliances and partnership in producing and logistical perspective of the trade.

There are many SMEs in agro sapling in every district of the states providing services like rubber and oil palm saplings not only to smallholders or mini estates but also some of this entrepreneurs provide logistic services as supply chains to the estates and even supply to the government agencies like RISDA, FELDA, FELCRA and Peladang as demands are there as well as cater for the shortages. Some even had gone further to supply private estates like Guthrie, Tabung Haji Plantation, IOI etc. even though they themselves have their own sapling nursery.

Some times, if there are high and sudden demand from the various government link or private estates in other states, which needed thousands of saplings of rubber or oil palm saplings, but then, the problem with the local agro saplings suppliers could not facilitate the demand due to lack of logistic facilities. The objectives is to look into this problem and ways that could be solve through the forming of entrepreneurial strategic alliances and smart partnership of marketing and retailing in SMEs in agro sapling supply chain to reap in the profits together.

Related Literature

The main aspects that need to be addressed here are especially the supply chain of agro saplings need logistic. For example, oil palm saplings are considered bulky and as for the smallholders who placed orders are normally 60 sapling of between 8 to 12 months old and each sapling will weigh around 8 kilograms. Normally, stallholders needs around 140 saplings to plant per hectare of their holding. The supply of oil palm saplings to the smallholders still could be managed by the agro sapling suppliers with their own one to three ton lorry. But not the estates where trailers

from logistic companies need to call in to facilitate the transportation of the bulky thousands of oil saplings.

Leenders *et al*. (1994) have discussed the evolution of purchasing function from the traditional procurement service image that becoming integrated into the supply chain through improving both internal and external interfaces. The benefits and problems of the service perspective were briefly mentioned. It further elaborated that the purchasing function will have to shed its service and operational perspective and take on the challenge of effective contribution to organizational goals and strategies. Therefore it really suited the strategic alliances and smart partnership of marketing and retailing in SMEs in agro saplings supply chain between the agro sapling suppliers and their logistic counterparts.

Fung (1999) presented the development of purchasing from a material acquisition function to supply chain management. He discussed the fact that the paradigm had shifted to recognizing every purchase as a sale and that purchasing is more than buying. The two aspect of marketing and retailing of agro saplings and supply chain management are actually interdependence, this is due to the nature of the product and the distance that suppliers need to send the saplings to the buyers namely smallholders and medium size estate.

The issue of who pays for the additional charge from a single transaction if it is not inclusive to the suppliers list of charges. The development of environment costs usually includes additional charge for the services provided. Logistics management refers to the concept of an organization achieving greater goods-related efficiency, whether those goods are raw materials for manufacturing, getting finished product to distribution centers, or forecasting with greater accuracy. Nearly all aspects of business from design through delivering as being contained within the supply chain (Anon, 1999). This also implies to the entrepreneurial strategic alliances and partnership of marketing and retailing in SMEs in agro sapling supply chain business in Malaysia.

The ultimate goal of supply chain management is to integrate many of the aspects of total quality management (TQM) that contribute to increased manufacturing efficiency and quality while reducing costs and maintaining the customer as the ending station of the production line (Deming, 1981). It incorporates the goals of just-in-time (JIT) manufacturing in which producers maintain just enough raw materials to produce only those goods that will be needed right away. JIT depends on accurate forecasting and close cooperation with suppliers to achieve success, but pays off in less capital tied up in raw materials, finished goods that may or may not sell, and the expense of storage. Therefore as for the agro saplings supply chain marketing and retailing business, it is some time necessary to calculate this perspective, otherwise it may loose out to their competitors. Normally an oil palm sapling will have to sell after a year in the nursery or the sapling is going to spoilt, it is the same as rubber saplings. After it grows into the second level, it must be quickly sold or otherwise it has to be thrown. All this will add up to the cost to maintain it. After all, the longer and the bigger the saplings grows, it will also burden the logistic company in term of extra fuel to transport it to the buyers. Therefore properly planning and calculation need to be done.

As far as marketing and retailing are concern, the suppliers must understand that to conduct and survive alone will be a very difficult task. One need to collaborate with other quarters to formed alliances and create a win-win situation especially the supply chain of agro saplings which is consider to be upstream business. Even they alone could provide logistic facilities but to what extend? Certainly the various task in the supply chain of agro sapling would not be able to accomplish unless with some other quarter's assistance. Therefore to create a strategic

entrepreneurial alliance is important to fulfill the demand in marketing and retailing of agro sapling. As Roekel *et al* (2002) has illustrated the three main important market driving forces urge supply chain partners to collaborate, namely market segmentation, consumers' demand and low cost strategy. Especially for chain partners in developing countries who wish to participate on the global market (far away markets), supply chain collaboration is of utmost importance for the connection with profitable markets and consumer's demands, the flow of information, goods, technology and capital and to limit transaction costs.

Supply chain system is defined as "planning, coordination and control to all business process in the supply chain system to provide the highest value to the consumer at the lowest cost and at the same time to give the highest return to the stakeholder" (Vorst, 2000). Therefore the bulky task to managing the nursery and at least between two to three times of changing of poly-beg of the agro saplings such as oil palm need to have a good supply chain system. What's more of transfer or loading, transportation and reloading on the cleared land in the rural areas?

Therefore in the entrepreneurial strategic alliances and partnership of marketing and retailing of agro sapling need to have a good supply chain maximization management. Supply chain can also be defined as a series of physical activities and decision making is united with good flows, information, rights on goods throughout all levels and the participant of the organization. The supply chain combines various mediator and entities for example factories and its suppliers, logistics, warehouse, wholesaler, processor and consumer. Thus the supply chain can be defined from the perspective of "network" that connects various participant (or agent or entity) in the industry. Supply chain can also be defined as "a network between business entity that is responsible of procurement activity, production and distribution of output of various related output" (Billington, 1994).

Every entity in the chain has different objective and limitations, but they need and depends on each other to make sure the supply chain reached its objective, such as on time delivery, quality and minimizing cost. Thus the performance of every entity in the supply chain depends on the performance of other entity and their willingness and ability to coordinate the activities in the supply chain (Swamintahan et al., 1998).Therefore, as for the agro saplings suppliers, they need to be precision in accomplishing their task of delivery. Planning is very important in this perspectives because to prepare the nursery, types of cloning, determining the clones that customers will choose, time frame for the saplings to grow and suitable to transplant into the prepared lots as well as the logistic. All this task need precision synchronizing, otherwise it will be too early or too late to supply to the customers and loose out to other sapling supply competitors. Therefore, the management of the performance in the supply chain is important at both level of individual and organizational. The management of the performance of supply chain system can be defined as a cycle covering problem identification, understanding main problem, taking decision to overcome the problem, validating the data and process (Kuei et al., 2002).

The calculation of cost to market and retail the much sort after sapling, among the important management aspects are delivery cost, efficiency, fast response, high quality services and quality of goods. The management of performance has to be done by all parties in various levels in an organization. In reality, for an entity to maximize profit in business it has to take a strategy that will bring benefit to their own entity without disrupting the supply chain system performance. Based on the supply chain system definition in the literature, studies have identified six main elements that have been main indicators that determine the system. These elements are individual, supplier, governance, quality system, technology and logistics.

A good supply chain of agro saplings will also bring additional benefit to business operation. Hovelaque et al. (2009) supports this by saying that supply chain models allow emphasis on operational information, especially in material, information and financial flows in a marketing cooperative. It is also equally important to determine variables used for determining performance. Beamon (1999) did a study on supply chain design and analysis to determine appropriate performance measures to determine efficiency of existing system. Performance measures are also use to design proposed system by placing importance on decision variable that yield highest desirable level of performance. Among performance measure that can be used are to minimize cost, minimize average inventory level and to maximize profit.

On the other hand, this study is most interested to know on what variables that determine or contribute to performance. Aramyan et al. (2007) has developed a conceptual framework for measuring the performance of agriculture supply chain, which indicators are grouped in 4 main categories which are efficiency, flexibility, responsiveness and food quality. These are also viewed as key performance indicators to as each supply chain member are also evaluated using these four categories.

Objective

The objectives of this study are to investigate the amount of profit made by local Malaysian agro sapling suppliers SMEs in Johore. This study also seeks to create ways on how farmers could market their product themselves using the minimum cost to the consumer. It is hope that through this study, it will increase the number of successful entrepreneurs.

This study also seeks to determine and convince that agricultural sector is profitable and should be continued. Agro sapling operators or farmers are able to solve the problem of a fluctuation of sapling price and gluts of product. It is hope to provide a long term strategy to help their livelihood and generate economy as well as to create more opportunities for agro entrepreneurs.

Framework

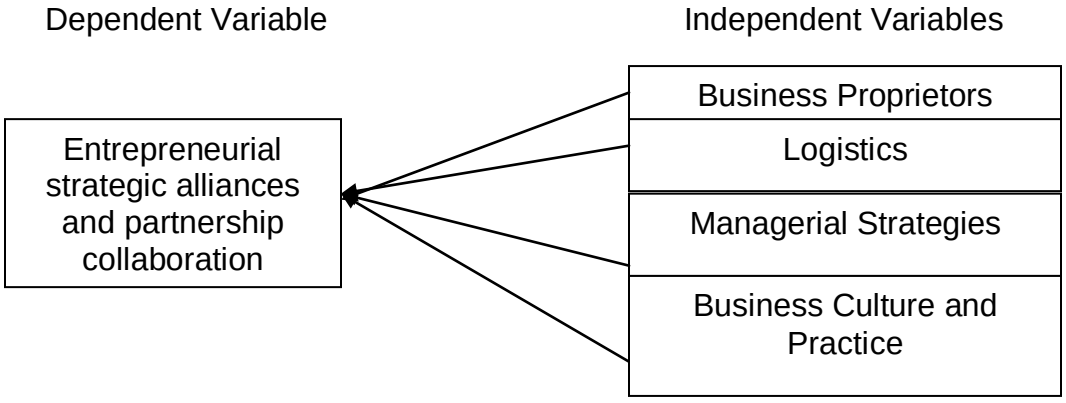

Figure 1: Research Framework

Research Methodology

This study uses survey methodology as researchers are able to gather data straight from the respondent, namely local Malaysian agro sapling suppliers in the district of Segamat, Ledang and

Muar in the state of Johor. In order to find out more about the profits in supplying the agro saplings, a set of questionnaires has been designed and at the same time sessions of face to face interview the agro saplings suppliers to gather better insight of the whole agro sapling supply chain scenario.

Data from this study was collected between the months of January 2012 to March 2012 in the selected districts of the sates of Johor. A set of questionnaires comprised 4 parts were design, which is demographic of the SMEs local Malaysian agro sapling suppliers, working experiences, business instinct and managerial quality.

The local Malaysian agro sapling suppliers were selected on the basis of their consistent presence in the market, their having been in business for at least a year and cooperation. The original intention is to randomly select 20 agro sapling suppliers, 30 suppliers were interviewed in this study, representing 20% of all the suppliers in Johor.

Information was obtained using the survey questionnaire. Section A of the questionnaire comprise of the respondents' demographic characteristics .whereas section B of the questionnaire was concerned about the transactions involving agro saplings, price, source of the saplings, point of marketing and the various costs.

RESULTS

Reliability of instruments - Cronbach Alpha statistic is found to be 0.827; therefore the reliability of the questionnaire is acceptable.

Data Analysis

Descriptive Statistics

Table 1: Summary of the respondents' demographic characteristics.

	Frequency	Percentile
Gender		
Lelaki	8	57.1
Perempuan	6	42.9
Race		
Malay	9	64.3
Chinese	5	35.7
Age		
18 – 24	1	7.1
32 – 38	7	59
>39	6	42.9
Educational Level		
PMR	4	28.6
SPM/STPM	5	35.7
Marital Status		
Single	3	21.4
Marriage	11	78.6
Annual Income		

< RM10 000	5	35.7
RM10 001 – RM15 000	3	21.4
RM15 001 – RM25 000	1	7.1
RM 25 001	2	14.3
		78.6
Experience in other sector		
Yes	6	42.9
No	6	42.9

Discussion and Finding

Table 2: Estimated Yearly Return

	Frequency	Percent	Valid Percent	Cumulative Percent
< RM10000	1	12.5	12.5	12.5
RM10000 - RM20000	3	37.5	37.5	50.0
RM20001 - RM30000	1	12.5	12.5	62.5
RM30001 - RM40000	1	12.5	12.5	75.0
> RM40000	2	25.0	25.0	100.0
Total	8	100.0	100.0	

Based on Table 2 above, it shows there are three agro saplings suppliers received between RM10 000 to RM20 000. There were two agro sapling suppliers earning more than RM40 000. On average, these suppliers were generally earn between average of RM20 000 to RM30 000 per year from selling and supplying of the saplings.

Table 3: Monthly Maintenance Budget /Acre

	Frequency	Percent	Valid Percent	Cumulative Percent
< RM1000	2	25.0	25.0	25.0
RM1001 - RM5000	4	50.0	50.0	75.0
RM5001 - RM10000	1	12.5	12.5	87.5
RM10001 - RM15000	1	12.5	12.5	100.0
Total	8	100.0	100.0	

Table 3 above shows half of the number of respondents have to bear maintenance cost of between RM1 001 to RM5 000 for their agro sapling nursery. There are two suppliers with less than RM1 000, and one each of RM5 001 – RM10 000 and RM10 001 – RM15 000 respectively. The cost of maintenance is a must because to produce the best quality of agro saplings will double the demand from the consumers.

Tale 4: Type of Agro Sapling Clone and Species

	Frequency	Percent	Valid Percent	Cumulative Percent

D X P GUTHRIE	6	75.0	75.0	75.0
Rubber	2	25.0	25.0	100.0
Total	8	100.0	100.0	

Table 4 above shows all the respondents who cultured oil palm saplings used D x P Guthrie, the species for oil palm sapling which will give highest yield per hectare. The other clones normally used are DxP IOI and DxP Socfin. There are other clones too whereas the rubber saplings clones are more example series of RRI 600; RRI 2000; RRI 300 etc. which also posted high yield. All these high yielding clones are in high demand by farmers and estate operators.

Table 5: Who Work For The Nursery?

	Frequency	Percent	Valid Percent	Cumulative Percent
Self	3	37.5	37.5	37.5
Family	2	25.0	25.0	62.5
Hire workers	3	37.5	37.5	100.0
Total	8	100.0	100.0	

Table 5 above shows the majority of respondents employed workers as well as they work together in the nursery. Two respondents received help from their family members and three respondents hired workers to help them, normally Indonesian. The other three respondents work on their nurseries themselves without anyone helping them. The tedious job in the nurseries are filling the poly-begs, watered the sapling as well as loading and reloading of mature saplings to the planting sites.

Table 6: How Many Times Saplings Transferred?

		Frequency	Percent	Valid Percent	Cumulative Percent
	Once	1	12.5	14.3	14.3
	Twice	2	25.0	28.6	42.9
	3 times	3	37.5	42.9	85.7
	> 3 times	1	12.5	14.3	100.0
	Total	7	87.5	100.0	
Missing	System	1	12.5		
Total		8	100.0		

Table 6 above shows basically, in a year, most suppliers will have to take at least between six months to a year to get ready for the sales of their saplings. Therefore normally they have to transfer their saplings from their nurseries to the plantation sites of between 2 to 3 times depending on the orders. There are specially catered or orders that the suppliers have to consider if orders come from big estates or government agro agencies.

Table 7: Who Delivery of the Saplings

	Frequency	Percent	Valid Percent	Cumulative Percent
Self	8	100.0	100.0	100.0

Table 7 above shows all the eight respondents from this study, all of them send their saplings on their own using their own transportation, namely a one tons lorry. If the orders come from big estate involving few thousand saplings and using trailers, the suppliers will followed too. That is to complete the sales there and then in the estate. This is because, no matter how small or big the order is, the customers will have to pay either cash or check then and then when the agro saplings were delivered.

Table 8: The Cost of Delivery Each Trip

	Frequency	Percent	Valid Percent	Cumulative Percent
RM200 - RM500	4	50.0	50.0	50.0
RM500 - RM800	2	25.0	25.0	75.0
RM800 - RM1000	1	12.5	12.5	87.5
> RM1000	1	12.5	12.5	100.0
Total	8	100.0	100.0	

Table 8 above shows on average, the cost to deliver the saplings within the districts is between RM200 – RM800 per trip. Only one respondent incurred delivery cost between RM800 – RM1 000 and another one with more than RM1 000 per trip. These shows there are demand from places out of the district, probably other states in Peninsula Malaysia, and the northern states.

Table 9: The Qty of Saplings Every Delivery

		Frequency	Valid Percent
	200 - 500 units	5	71.4
	500 - 800 units	1	14.3
	800 -1000 units	1	14.3
	Total	7	100.0
Missing	System	1	
Total		8	

Table 9 above shows majority (5) of these respondents delivered between 200 to 500 units of saplings each trip. Only two respondents delivered between 500 – 1 000 units of saplings on each delivery. Normally, if one to three tons lorry, it could fetch up till 300 oil palm saplings each trip. If the destination is near, then two to three trips are normal otherwise, a trailer could hire to deliver amount that more than 1000 saplings to a far destinations.

Table 10: Number of Trip In A Year

	Frequency	Valid Percent
2 - 5	4	50.0
5 - 8	1	12.5
8 - 10	2	25.0
> 10	1	12.5
Total	8	100.0

Table 10 above shows most agro sapling suppliers have to deliver their saplings between 2 to 8 trips in a year. Three of them delivered more than 8 times a year. This shows that the demand for agro saplings of various variety and agriculture crops are in great demand and it is very feasible to involve in this supply chain venture.

It is in fact that the entrepreneurial strategic alliances and partnership of marketing and retailing in small and medium enterprises in agro sapling supply chain would be most advantages and beneficial if the various agro saplings suppliers could participate together and form a cartel that enable the flow of transactions with the consumers and logistic providers. Most of the consumer wants the suppliers of agro saplings to provide quality and guaranteed sapling. As Stanton and Burkink (2008) quoted that most importer are not uniformly pessimistic about the ability of small farmers to meet their demand and almost one third agreed that they would work with small farmers because importers are interested in transactions in which the product meets consumer and government expectations and is grown on the buyer's term, the grower is reliable over time, the transaction is simplified and the grower handles transportation.

Local agro sapling supply chain need to gain the trust from the consumers whom consist of land owner, smallholder, estate operator and contractor as well as the government agencies like RISDA, Felda and Felcra that place large amount of orders from time to time since their land areas cover thousands of hectares and planting and replanting from stages to stages. According to Fawcett, Magnan and McCarter (2008), they found that customer satisfaction and service is perceived as more enduring than cost savings. All managers recognize technology information and measurement system as major barriers to successful supply chain collaboration. However, the people issues such as culture, trust, aversion to change, and willingness to collaborate are more intractable. People are the key bridge to successful collaboration innovation and should therefore not be overlooked as companies invest in supply chain enables such as technology, information and measurement systems.

There is another issue pertaining to the strategic alliances between the tripartite of agro sapling suppliers – logistic – farm owners in the supply chain of agro saplings, namely social exchange and goal interdependence. As Yang (2009) has quoted that the importance of relationship stability, trust of supplier, relational capital and commitment exert significant effects on the performance of supply chain alliances. Collaboration from the perspective of social exchange and goal interdependency will yield perfect combination among the various quarters. Wang et.al (2007) also found that the antecedents of relational stability in supply chain alliances and if the

stability affects alliance performance in supply chain. Then both the relational commitment and trust of supplier have positive effects on relational stability in supply chain alliance which in turn positively affects the alliance performance

Due to competitions, the agro saplings suppliers not only need to collaborate among themselves but also with the logistic providers. Companies nowadays will try to find ways to conduct their business and transactions in order to cope with the said increasing competitions more efficiently and effectively. Buyukozkan et al (2007) has conveyed that companies are increasingly aware that they need to work together with their logistics partners in order to best serve their customers and achieve business excellence. However, the selection of a suitable partner for strategic alliance in a logistics value chain is not an easy decision and is associated with uncertainty and complexity.

All in all, the entrepreneurial strategic alliances and partnerships of marketing and retailing in small and medium enterprises in Agro Sapling Supply Chain in Malaysia definitely will enable the sector's growth and profits by supplying agro monoculture saplings like rubber and oil palm which are needed in the agriculture plantation sector. Entrepreneurs and SMEs in these particular trades could collaborate and establish a long lasting partnership in producing and logistical perspective of the trade.

Conclusion and Recommendations

The Malaysian government's national economic plan has chart the growth of agriculture sector as the third engine of national economic growth, the expectation of more individual and groups to involve in this sector has increase. This includes the up-line and down-line entrepreneurial ventures. Education is the most important tool to push forward the ideals. With education, the individual who involve could also utilize the know-how from the digital technologies especially ICT to constantly improve the sector.

Government intervention is necessary because the logistic provider always fall prey to the unscrupulous traffic enforcers if they carried or overloaded the lorry with agro sapling especially oil palm from the nursery to the estates. There must be some form of standard procedure set by the transport ministry to enable the small logistic companies to earn a living by collaborate with the agro saplings supplier to form a supply chain platform in providing services for this sector. Another way is to grant more licenses and reduce road tax of the logistic to make the supply chain business more competitive.

A nation-wide agro sapling and logistic supply chain cooperative should be set up to facilitate the business competitiveness in supplying agro sapling throughout the country. This could bring sustainability and growth in this sector.

Collaboration between agro sapling suppliers-logistic to form a national supply chain systematic platform and create entrepreneurs in this sector would be another option to boost the trade of agro sapling supply chain in Malaysia.

A high impact logistic agro supply chain – RRIM – MARDI – MPOB – PORIM strategic alliances should be form at the national level and supervise by the collaborations of the Ministry of Agriculture and Ministry of Transport. This would spur further the growth of agro sapling supply chain in Malaysia.

The Malaysian government may consider granting subsidies to individual or groups of agro sapling suppliers and logistic companies for them to be competitive and further encourage the communal support especially from the smallholders and rural farmers' community. This would enable the realization and prosper of entrepreneurial strategic alliances and partnership of marketing and retailing in small and medium enterprises in agro sapling supply chain

Limitation of Study

The sample size for this study is small and only concentrates in three districts in Johor concentrate on the marketing and retailing of agro saplings suppliers. However, it will be increased in the future study.

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