

Strategic Partnerships in Creating Sustainable Agribusiness

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Abstract

Agribusiness plays a crucial role in fulfilling one of humanity's primary needs, which is food. However, in reality, there are numerous challenges in the field that hinder the agribusiness process, such as weather conditions, climate change, pest and disease infestations, and suboptimal management. Therefore, agribusiness needs to be managed optimally to ensure food stability. Moreover, well-managed agribusiness not only generates financial benefits but also creates a sustainable agribusiness model. One way to achieve optimal management is through strategic partnerships. This study focuses on fruit plantation agribusinesses that partner for supply and distribution, as well as the relationship between agribusiness and the surrounding environment. The research was conducted using a qualitative method, with in-depth interviews with two fruit plantation agribusinesses and one partner agribusiness. The fruit plantation agribusinesses studied are located in Bogor and Semarang, while the partner agribusiness is located in Semarang. The results show that partnerships can provide leverage for fruit plantation agribusinesses by allowing them to focus on production development, helping to overcome challenges through knowledge sharing, and optimizing supply chain management. Additionally, the surrounding environment also has an impact by providing a labor source, ensuring security, and serving as a potential market. Based on the research findings, a framework was developed related to supply chain management, the surrounding environment, performance, competitive advantage, and sustainable business practices.

Keywords: Strategic Partnership, Supply Chain Management, Surrounding Environment, Competitive Advantage, Sustainable Business

INTRODUCTION

Agribusiness is generally defined as an economic sector related to activities connecting agricultural producers, food processors, retail traders, and consumers who provide goods and services worldwide (Ng & Siebert, 2009; Gunderson, Boehlje, Neves, & Sonka, 2014). Agribusiness is an essential industry sector that supports daily human survival, and sustainable agribusiness is one of the keys to maintaining the stability of daily life. However, agribusiness faces many common challenges such as technological changes, shifts in regional economies and climate, new consumer behaviors, and production uncertainties, particularly in the agricultural industry (Leitao, Paiva, & Thome, 2023). Additionally, there are three categories of challenges: environmental, social, and economic. Environmental challenges include water scarcity, pests and diseases, and conflicting interests. Social challenges involve high unemployment, affecting the availability and quality of agribusiness labor. Economic challenges include international competition, drought disasters, duopoly practices, and vegan activism (Amin-Chaudhry, Young, & Afshari, 2022).

Agribusiness industry players can enhance performance by integrating resources and competencies from both internal and external sources. Building partnerships with suppliers

and engaging with the surrounding community are external factors that can be leveraged to improve the performance of the agribusiness. A strong partnership with suppliers facilitates smoother business processes within the industry. However, it is essential to ensure that supplier partners possess financial capability, technical support, product expertise, and quality service (Cho, Bonn, Giunipero, & Jaggi, 2021). Positive engagement with the surrounding community ensures greater security in business operations, although in practice, there may still be parts of the community that are less supportive or even unsupportive. The surrounding community contributes more to intangible assets such as information and practices, access to local networks, and social capital (Hahn & Gold, 2014). These two aspects can then be managed and optimized to create a sustainable agribusiness.

Several previous studies have been considered in identifying the research gap. The study conducted by (Miyagawa, Olver, Otsuka, & Abe, 2023) found that partnerships with multiple parties are necessary to maintain long-term management quality. Additionally, (Ego, 2023) discovered that partnerships are one way for organizations to pursue growth opportunities. Lastly, the research by (Jongwe, Moroz, Gordon, & Anderson, 2020) revealed that aligning knowledge, socialization methods, regulations, and social roles between corporations and local partners is essential to forming strategic partnerships. Based on these three studies, a research gap has been identified, namely, the factors that influence strategic partnerships in the agribusiness industry, which is further explored in this study.

METHOD

The type of research conducted is qualitative research. Qualitative research is an approach used to explore and understand the meaning attributed to a social or human problem by individuals or groups (Creswell & Creswell, 2023). This research process involves asking in-depth questions to participants, where the participants serve as the subjects of the research, and the data collected is the subjective depiction from the research participants. The opinions and responses provided by the participants are unrestricted and free, unlike in quantitative research. After the data is collected, the researcher interprets the meaning of the data. This research focuses on individual meanings and emphasizes the importance of reporting the complexity of a situation.

The sources of data used in this research are primary data and secondary data. Primary data is obtained through direct interviews with participants. Secondary data includes information such as the location of the plantation, the size of the plantation, plant varieties, the number of trees, the number of employees, as well as the income and expenses of the plantation.

The informants in this research are the managers from each agribusiness who are knowledgeable about the entire business process they oversee. There are three informants: one field manager from Agribusiness X in Bogor, one field manager from Agribusiness Y in Semarang, and one manager from Agribusiness Z in Semarang.

Agribusiness X is an agribusiness engaged in fruit plantation, located in Gadog, Bogor Regency. The types of fruit trees planted include Siamese oranges, durian with two main varieties—Musang King and Black Thorn—avocados, and longans. This fruit plantation was established in February 2017.

Agribusiness Y is an agribusiness engaged in fruit plantation, located in Bergas, Semarang Regency. The types of fruit trees planted include Siamese oranges and avocados with four varieties: Alligator, Pluang, Miki, and Green Oval. This fruit plantation was established in December 2022.

Agribusiness partner Z is an agribusiness that specializes in providing seeds, fertilizers, agricultural equipment, and supplies, as well as offering plantation consulting services. It is located in Gedawang, Semarang City. This agribusiness partner serves as a supplier for agribusinesses X in Bogor and Y in Semarang. All seeds, fertilizers, agricultural equipment, and supplies used by the agribusinesses in Semarang and Bogor are sourced from this partner. The land preparation process, as well as the maintenance and even harvesting at the Semarang and Bogor agribusinesses, are also supervised and advised by this partner.

RESULTS AND DISCUSSION

The phenomenon of businesses operating in the agribusiness sector can be illustrated through several interviews conducted with Agribusiness X, Agribusiness Y, and Agribusiness Partner Z. First, regarding the future prospects of agribusiness according to the perspectives of these agribusinesses and their partners. According to the operational manager of Agribusiness X, the future prospects for agribusiness are promising, particularly for fruits, as the demand for fruits still exceeds the supply. This is evident from the following interview quote:

"When we review the prospects during our quarterly marketing meetings, I believe the outlook is positive, especially for fruits. The demand is still higher than the supply, so the challenge is how to meet that demand. With perennial plants, for example, they only bear fruit once a year."

In addition, during the COVID-19 pandemic, Agribusiness X's sales actually increased and continue to rise, although the target market has shifted. This is evident from the following interview quote:

"We believe that during the COVID-19 pandemic, fortunately, the business didn't decline; instead, it grew even more. However, we had to adjust our sales approach. For example, during the pandemic, retail sales were higher than bulk sales. But now, bulk sales have become more dominant than retail sales. We're just grateful that the business has continued to grow."

Another reason for the increase in sales could be due to the public's growing awareness of health and the availability of a special type of fruit, namely the Musang King durian, which is quite popular. To obtain fresh Musang King durians, people usually have to look outside the country. This is reflected in the following interview quotes:

"Might it be because of the public's awareness, people are becoming more health-conscious, so they consume more fruits." "It could be, and maybe it's also because of certain fruits, like durian. They tend to compare it with what they usually consume, for example, in Malaysia. The Musang King there tastes the same, and sometimes the ones here taste even better because they are fresh. So, instead of traveling all the way to Malaysia, it's more convenient and cost-effective to buy it domestically."

Then, the field manager of Agribusiness Y expressed the opinion that the future prospects for agribusiness are promising due to the continuously increasing market demand and the growing population. This is reflected in the following interview quote:

"As for the future prospects, we hope they will always be good because market demand is constantly rising, and our population is also increasing. I believe the prospects for agribusiness in the future are positive."

Meanwhile, the marketing manager of Agribusiness Z believes that the future prospects for agribusiness are promising because it involves the food industry, which people consume daily. Additionally, the high public interest in and need for fruit, as well as the health benefits of consuming fruit, contribute to this positive outlook. This is evident from the following interview quote:

"The future prospects for agribusiness are very promising because it's a food business, and food is something everyone consumes daily. Agribusiness, especially when it comes to fruits and vegetables—though more specifically fruits in this case—has a high level of public interest. It's not just about interest; it's a necessity. Moreover, eating fruit is closely linked to health, so the potential for this sector is enormous in the future, as it directly impacts public health."

Secondly, regarding the effects of partnerships on both the performance of agribusinesses and their partners. According to the operational manager of Agribusiness X,

the effect of partnerships has been the ease in the marketing department, allowing them to focus on production and expansion. This is reflected in the following interview quote:

"It has an impact because, in the marketing area, we don't need to invest too much, allowing us to focus on production. We also want to expand, so partnering is necessary for us."

Additionally, Agribusiness X has benefited from increased production knowledge through partnerships, as highlighted in the following interview quote:

"Yes, because our partners also sell fertilizers and various nutrients. There were some issues we couldn't solve on our own, and they helped us resolve them."

According to the field manager of Agribusiness Y, partnerships have provided benefits in plant care knowledge, helping to minimize the risk of failure. This is evident from the following interview quote:

"With this partnership, we hope for the best for our crops. We continuously gain experience and learn. So, with this partnership, we learn while being guided. If we encounter issues like pests or other disturbances, we can address them with the help of our partner. This allows us to monitor our crops effectively."

According to the Agribusiness Z, partnerships also significantly impact them because if the fruit production schedule is delayed, it results in losses for both the agribusiness and its partners. This is illustrated in the following interview quote:

"It has a very significant impact. For instance, if we work with a reliable partner who follows our SOPs, we can ensure that 80-90% of the results are nearly optimal. We can't say 100% due to factors like weather, but if we encounter a difficult customer who skips necessary steps like fertilization due to cost concerns, it hinders plant growth. When plants don't grow optimally, several issues arise: first, their resistance to pests and diseases decreases; second, if they don't grow properly, they won't produce fruit as scheduled, delaying the harvest. A delayed harvest means prolonged labor costs for the agribusiness owner, who expected to harvest in three years but now has to wait four years because the plants aren't ready. For us, it also means we have to wait an extra year to sell the product, from the third year to the fourth. This delay is essentially a loss for both parties."

Thirdly, the impact of the surrounding environment on the performance of both agribusinesses and their partners is significant. According to the operational manager of Agribusiness X, their business operations actually benefit the surrounding environment by creating job opportunities. This is highlighted in the following interview quote:

"I believe it has a significant impact because 90% of our workforce comes from the local community. So, local residents have employment opportunities, and jobs in the agricultural sector are not decreasing. Currently, there's concern about the declining number of farmers, but with the use of technology, younger people are willing and eager to work."

Additionally, a positive effect of this is improved security and strong support from the local community for Agribusiness X, as reflected in the following interview quote:

"Exactly, because they feel a sense of ownership, which leads them to help protect the business—a mutualistic symbiosis."

Furthermore, according to the field manager of Agribusiness Y, their business operations have a positive economic impact by creating job opportunities and encouraging local residents to start planting as well. This is evident from the following interview quote:

"The impact on the surrounding environment is significant. Economically, we employ local people, and on the positive side, when we establish a plantation, others see it and eventually start planting the same crops. So, the local community is very supportive of having plantations here."

As for the impact on Agribusiness Y, the support from the local community motivates them to carry out their daily business operations with even more enthusiasm. This is reflected in the following interview quote:

"Yes, definitely. It makes us more motivated to run this agribusiness because, from a positive perspective, the environment is very supportive of this agribusiness."

Additionally, the establishment of a secure environment around Agribusiness Y is another positive outcome, as highlighted in the following interview quote:

"In terms of security, the local residents are supportive of this agribusiness. As a result, our plants have been thriving, and we haven't had any issues with people damaging the crops here."

Furthermore, according to the marketing manager of Agribusiness Z, their business operations positively impact the environment by revitalizing neglected land, which becomes well-maintained and serves as a form of reforestation. Economically, it opens job opportunities, motivates the local community to plant crops in their fields and gardens, and turns the surrounding environment into potential buyers of their products, as highlighted in the following interview quote:

"So far, in terms of the environment, because we are in the agribusiness field, we are engaged in planting. For the environment, we generally have a positive impact. Why? Because when we plant, the land becomes clean, and it adds beauty. Previously neglected

land, when planted, turns into something beautiful. For example, when we plant durians, oranges, or avocados, it automatically adds beauty and greenery to the area. So, in terms of the environment, we usually have a positive impact. In addition, the plantations provide job opportunities for the local community. Naturally, we create employment opportunities for those around us who can work here. After working, they might observe that the plants are growing well, and they might be encouraged to plant in their gardens at home, and so on. It automatically brings positive impacts. Furthermore, if we have difficulty selling the fruits we grow, they can also be sold to the local community. So, in my opinion, the impact on the environment is very positive.”

Additionally, the surrounding environment provides security for the business operations of Agribusiness Z, as noted in the following interview quote:

“So far, the impact of the local community on us isn’t that significant because we employ them, so naturally, they also help protect our environment. Indirectly, our environment is safeguarded by them. So, they provide good protection for our place.”

Based on the interviews conducted, it can be concluded that the prospects of agribusiness are promising for the future. Partnerships impact both the agribusiness and its partners positively and negatively, and the surrounding environment also affects both the agribusiness and its partners.

CONCLUSION

Based on the interviews conducted with agribusinesses X, Y, and partner agribusiness Z, the following are general conclusions related to the research gap concerning factors influencing strategic partnerships in agribusiness.

First, regarding the promising prospects of agribusiness, all interviewees agreed that the future prospects of agribusiness are very promising. Supporting factors include the increasing demand for fruit, growing public awareness of health, and changes in consumption behavior during the pandemic.

Second, regarding the effects of partnerships on agribusiness performance, partnerships have a significant impact on the performance of agribusinesses and their partners. Positive effects include increased operational efficiency, focus on production, expansion, and the transfer of knowledge related to plant production and care. On the other hand, partnerships can also have negative impacts, such as inconsistencies in the application of operational standards, which affect production outcomes.

Third, concerning the impact on the surrounding environment, the local environment plays an important role in supporting agribusiness operations through the provision of labor

and increased security. Additionally, agribusiness also provides positive impacts on the community by creating job opportunities and stimulating greening efforts.

SUGGESTIONS

The research is still lacking in exploring the integration of partnership strategies with the ever-changing market dynamics, the management of inter-partner relationships to minimize the negative effects of partnerships, and the development of closer collaboration with the surrounding community to create sustainable added value. This opens up research opportunities to gain a deeper understanding of adaptive and sustainable partnership strategies in agribusiness.

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