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ABSTRACT

It is evident that strategic alliance route offers Malaysian Farmers' Organisations a reliable and realistic way forward, towards wealth creation and socio-economic development. It has brought about positive financial rewards to the farmers as well as that of the farmers' organisations themselves. Statistical significance on effectiveness of the various types of alliance and important control factors of profitable alliance have also been identified.

Based on 1991-2004 international strategic alliance development models, a three-stage Dynamic Domestic Sustainable Competitiveness Development Model of Strategic Alliance was developed. It consists of Start-up Period, Adaptation Process and Transformation / termination. With the presence of dynamic business entities, strategic alliance projects inevitably face Competitive Challenge from time to time. A Sustainable Competitiveness Cycle, a product of the Adaptation Process, turns saviour in more ways than one, in a lifespan of an alliance.

EXECUTIVE SUMMARY

Strategic alliance is envisaged to have the potential in bringing new business opportunities to farmers' organisations thereby increasing their income as well as improving the standard of living of their members. The validity of this statement has not been tested in Malaysia. Although strategic alliance projects have been in operation for nearly twenty years or more, there has been no meaningful assessment as to whether earlier government policies and those of farmers' organisations themselves are still relevant. Equally, there is no clear information regarding the relationship between participating groups as well as that of parent organisations, which create successful strategic alliances. The question of Sustainable Competitiveness Alliance has also not been addressed.

It is therefore the intention of this research to answer the main research question, that is: "The strategic alliance route offers Malaysian Farmers' Organisations a reliable and realistic way forward, towards wealth creation and socio-economic development".

To enhance the above hypothesis and in an effort to examine the present position and, if feasible to assist the future direction of the farmers' organisations, this research was conducted along the following lines i.e. Reviewing all farmers' organisations strategic alliance business opportunities as at 30th June 1998 and assessing the type and trend of projects implemented, Evaluating the impact of relevant and, where appropriate, related projects on the income generation activities of participating members, establishing factors that describe the Formation, Motivation, Partners Selection Criteria, Management, Environmental and Evolution factors of these strategic alliances and their relationship to alliance effectiveness, Identifying the characteristic of Profitable Strategic Alliance (winning alliances) from the perspective of parent organisations and taking the Umbrella Broiler Scheme as a typical example of the consortium type of strategic alliance, its strength and weaknesses are carefully examined as well as its resilience to be a Sustainable Competitive Alliance.

Extensive literature reviews were done which cover wide range of areas such as the overall theory, early history and experiences of co-operative movement from various countries, as well as international and national factors that prompted the Malaysian Farmers' Organisations to establish strategic alliances. The literature reviews also include the international strategic alliance models from 1991-2004 that examined, amongst others, the comparative study of the models such as Formation, Management and Evolution of international strategic alliances.

The research methodology in Chapter 4 has been organised into seven parts, namely, 1) the choice of multi-method approach, 2) the scope and layout of the statistical approach, 3) questionnaire & interview design, 4) case study, 5) census plan and data collection 6) customer satisfaction and 7) data Analysis. This study has adopted a multi-method approach in order to get a better understanding of what actually took place in the development of farmers' organisations strategic alliance projects. It described the purpose, process and outcome of the research. The purpose of the research is to support the hypothesis through achieving the objectives of the research. This can be accomplished through the Exploratory, Descriptive, Analytical and Predictive type of research.

The process of research however, is based on quantitative (close and open-ended structured mail questionnaire) and qualitative (documentary sources, direct observation and in-depth, open-ended interview) method of data collection as well as through case studies. As a result, the overall outcome of this research can be classified more towards Applied Research that may be used in solving specific problems relating to farmers' organisation strategic alliance activities. Meanwhile, the Umbrella Broiler Scheme has been employed as the main case study to develop Stage 2 and Stage 3 of the dynamic Domestic Sustainable Competitiveness Development Model of Strategic Alliance, which consists of three parts, namely, The Start-up Period, The Adaptation Process and The Transformation/ Termination of Alliance.

The effectiveness of the Farmers' Organisations Strategic Alliance was examined through dependent variables such as single culture development, reputation among themselves as well as within the industry, achieving the intended result of alliance objectives, and adaptive to change. For the association analysis, "One-way ANOVA" and "Correlation" tests have been applied to determine the strength and direction (nature) of the relationship between the independent and dependent variables. "One-way ANOVA" has been used to identify the association between Effectiveness and Type of alliance while the "Correlation" test was undertaken to establish the association between Effectiveness and Motivation, Partner Selection Criteria, Management, Environmental and Evolution factors. As a result, 69 control factors of Overall Statistical Significant to Farmers' Organisations Strategic Alliance's Projects have been identified.

As organisations that operate on co-operative principles, Malaysian Farmers' Organisations are responsible to serve and unite their members in an effort to improve their economic and social well-being. Malaysian Farmers' Organisations availed themselves in various types of business activities like food production, small and medium industries, development of farmer entrepreneurs in various sectors of economic activities such as agriculture, manufacturing and services sectors, amongst others. As a result, nearly RM80 million of share capital in farmers' organisations, as at 31 December 2000, belong to the farmers themselves with total volume traded reaching nearly RM1.8 billion in that year and strategic alliance projects were part of it.

Entering into strategic alliance projects would pave the way for farmers' organisations and their members to get complementary resources that they need to further enhance their economic activities. As stated in Chapter 5, for the period 1975 to 1998 (as at 30th June 1998), around RM300 million worth of 45 strategic alliance projects have already been on stream throughout the country. It includes 18 (40%) projects in production, 7 (15.5%) related to trading, 4 (8.9%) in investment, 5 (11.1%) involved in processing, 4 (8.9%) providing services, 4 (8.9%) in property development and 3 (6.6%) engaged in marketing projects.

From the analysis on the trend of strategic alliance projects, it can be seen that production project values have significantly decreased from 93.1% during 1975-90 to 57.7% for the period of 1995-98. Even though the percentage of trading project fell from 26.7% during 1975-90 to 16.67% in 1995-98, the projects' value has increased from 2.8% to 35.7%. Processing project values have also increased from 0.1% (1975-90) to 11.98% (1995-98). The same pattern goes for the property development project, with the value touching 38.6% during 1991-94 as compared to zero percent during 1975-90. However, the marketing projects' values have decreased from 3.81% (1975-90) to 0.4% (1995-98) even though the project percentage has increased from 6.7% to 11.1% during the same periods.

As they gain experience, the direction of strategic alliance saw a switch on project concentration from food to non-food sector such as property development and industrial crops. The type of projects implemented also change from that which favours equity distribution during 1975-90 i.e. Syarikat Perniagaan Peladang MADA (to invest on behalf of the MADA's farmers in commercial, trade and industry projects) and Umbrella Broiler and Egg Schemes (to develop small Bumiputra entrepreneur in poultry industry) to that of growth driven and commercially oriented during the period 1994-1998 i.e. managing oil palm estates, investment, property development and wholesale market.

It is also evident that environmental factors such as Government policies and international events have strongly influenced the emergence of innovation culture on Malaysian Farmers' Organisations strategic alliance projects. Government policies have influenced the present structure of the alliance i.e. New Economic Policy on wealth distribution strategy, while Government involvement in AFTA (ASEAN Free Trade Area) has promoted regional business expansion. National Farmers' Organisation is already moving into regional alliances with Indonesia and planning to do so with other Asian countries

As far as impact on income generation of participating members is concerned, the Umbrella Broiler Scheme and Pasaraya Peladang projects have brought positive results to the participating members as well as related farmers' organisations as proved by information gathered during the fieldwork. As far as per capita income is concerned, the farmers' income under the Umbrella Broiler Scheme has increased between 3.5% to nearly 270%. The big variation in percentage is due to the different level of income before project that earned by farmers. Besides that, related farmers' organisations also make a lot of side income from the same projects. In more ways than one, strategic alliance route offers Malaysian Farmers' Organisations a reliable and realistic way towards wealth creation and socio-economic development.

In achieving their objectives, Malaysian Farmers' Organisations have performed dual economic functions, firstly, the wealth distribution function, through profits earned by farmers as equity holders of the organisations concerned. Secondly, the growth development function, through various business ventures including strategic alliance projects. It cannot be denied that engaging in strategic alliance is one of the ways to accelerate wealth distribution and achieve growth development so that co-operative organisations like Malaysian Farmers' Organisations, will be able to participate actively in Malaysia's economic development and at the same time contribute to poverty eradication and reducing income disparity in Malaysia.

In Chapter 6, the Farmers' Organisations strategic alliance's effectiveness is defined as any positive result produced by the strategic alliance activities for their benefit, their partners (including the organisations, managers and workers), their members as well as the environment (including customers). This includes the intended result, impressive and striking movements, and the ability to adapt to their environment. Alliances are also considered to have achieved their effectiveness when they have developed a single culture with strong bonding factors, which make them capable of working together, competent and constantly adjusting to change. Additionally, alliance effectiveness is considered accomplished when they fulfil the objectives to a degree acceptable to them in direct quantifiable and in more indirect spin-off

terms. Besides that, good alliance's reputation and being well accepted by the industry are also effective output factors that determine their effectiveness. All factors for Start-up Period (right partners, accurate situation analysis, sensible strategy analysis as well as suitable style and type of management), environmental and evolution variables have been tested for their effectiveness.

As far as joint venture type of alliances is concerned, from the 61 control factors that have been tested, 90% of them are contributing to its effectiveness. These comprise of all External and most of the Internal Motivation Factors as well as all control factors under the Partner Selection Criteria. However, Partial Integrative Strategic Management is not significantly associated with joint venture effectiveness as opposed to almost all variables under Integrative Strategic Management. Even though environmental factor is not a criterion for Start-up Period of domestic alliance model, several of those factors are influential components to the effectiveness and business performance of this joint venture type of alliance.

Consortium type of alliance has fewer control variables to alliance effectiveness as compared to that of joint venture. Whilst its effectiveness is drawn from some of the Internal Motivation Factors, the same could not be said of External Factors. In as far as Partner Selection Criteria is concerned, only certain variables are accountable to the success of the consortium type of alliance. Unlike Partial Integrative Strategic Management, which is not closely associated to the effectiveness of consortium type of alliance, most of the variables under the Integrative Strategic Management are. Based on the findings of this study, it is evident that only certain factors are significantly associated to the effectiveness of the consortium type of alliance. On this premise, different types of policies, incentives and rewards are therefore needed to promote and sustain the consortium and joint venture types of alliance projects.

There are instances when consortium type of alliance was set up to tackle growth-wealth distribution conflict while joint venture is more geared to

accelerate growth for Bumiputra entrepreneurs in economic development programmes. Forming alliances with a view to help correct economic imbalance is a unique characteristic of domestic strategic alliances for a country like Malaysia. Be that as it may, strategic alliances alone cannot assure success since it is imperative to have efficient management to transform quality input (economic factors) to effective out-put (such as factors that represent the strategic alliance effectiveness) of any agreed policy.

Consequently, based on the "Correlation" test, which was used to identify association between Effectiveness and Motivation, Partner Selection Criteria, Management and Environmental factors (including External Motivation Factors), a group of important control variables for Start-up Period (right partners, accurate Situation Analysis (including Environmental Factors), sensible strategy analysis as well as suitable style and type of management, has been identified. This Start-up Period is the **first part** of the dynamic Domestic Sustainable Competitiveness Development Model of Strategic Alliance.

In Chapter 7, the study also manages to establish certain characteristics of Profitable (Project-based and Non-project Based), Non-indicated and Lost Alliances from the perspective of their parent organisations. It is noted that both Profitable Alliances have very low debt to capitalisation ratio i.e. 0.10:1.00 and 0.11:100 whilst both the Non-indicated and Lost Alliances have higher debt to capitalisation ratio i.e. 1.9:1:0 and 15.0:1.00 respectively.

The study confirms that most of the alliances established before 1990s' tend to have higher percentage of their sales to government market outlets i.e. Project-based Profitable Alliance (nearly 50%) and Lost Alliance (around 75%). As for alliances formed after 1990s' i.e. their market direction have shifted in that the Non Project-based Profitable Alliances and Non-indicated Alliances sell 100% and 56% of their products into the open market respectively. The policy to develop a viable, competitive and resilient Bumiputra Commercial and Industrial Community seems to have been effective in encouraging more alliances that formed after 1990's ventured into

open market outlets and less depending on government help.

From **59** effectiveness factors that were tested, **33** factors (56%) were recognised as having the characteristic of a Profitable Alliance whilst **14** factors (24%) were identified to be characteristically related to that of a Lost Alliance. The three factors under Partner Selection Criteria i.e. Reason for Partner Selection, Positive Attitude, and Strategic Plan are deemed to be important characteristics of Profitable Alliances. Most of the Integrative Strategic Management factors are found to be contributory to the success of a winning alliance. Role of Environmental Factors (including External Factors) are prime factors responsible to the positive performance and business conduct of Profitable Alliances. The Profitable Strategic Alliance are also convinced that they have developed strong bonding factors, adopt a stronger philosophy of constant learning that enable the partners to successfully overcome external challenges. As it is indeed a very general guideline, the characteristics of Profitable Alliance need to be carefully studied and adopting them should only be on a case-by-case basis.

When inquiring the operational system of strategic alliances as prescribed in Chapter 8, close attention was afforded to consortium and joint venture types of alliances. Based on a study conducted at Syarikat Perniagaan Peladang MADA (SPPM), it can be deduced that joint venture companies are free of operational problems. With consortium type of alliance however, a close study on the Umbrella Broiler Scheme reveals that as the business expanded, the system not only face issues from the internal operating system but also from the success of the scheme as well as from environmental factors. These factors create Competitive Challenge (as well as prevailing Opportunity) to the project.

Following continued Assessments done throughout the contract period, Competitive Challenge came to light and duly identified. The partners had then made known their desire and commitment to expand the objectives of the contract by becoming an efficient poultry integrator. In their pursuit for a better future, a business plan was prepared citing suitable Competitive

Corporate Strategies needed. With the resultant inter-play of the above factors, this study has come up with the **second and third parts** of the dynamic Domestic Sustainable Competitiveness Development Model of Strategic Alliance indicating the crucial and effective factors to be considered by the Malaysian Farmers' Organisations for future development of their strategic alliance projects. The dynamic Domestic Sustainable Competitiveness Development Model of Strategic Alliance consist the Start-up Period, the Adaptation Process and the Transformation/Termination of alliance.

The Start-up Period guides the formation process of future strategic alliance projects and notifying the important factors that need to be seriously considered for the new alliance projects to effectively achieve established objectives. The Adaptation Process would assist implementers of strategic alliance projects to consider and take appropriate action in order to be sustainable, reliable and competitive in the era of globalisation. The third part of the model i.e. the Transformation/Termination is a considered decision that has to be made by the policy makers on the continued existence or eventual termination of the alliance. The Malaysian Farmers' Organisations strategic alliances model are indeed domestic in nature when compare to international strategic alliances. The latter are mostly cross border alliances operated by multinational companies, which apparently are more concerned on growth rather than wealth distribution as some domestic strategic alliances do.

Meanwhile, the Sustainable Competitiveness Cycle was derived from the Adaptation Process. It explains Competitive Cycle that can take place in a lifespan of an alliance. As dynamic business entities, strategic alliance projects will face Competitive Challenge from time to time. Through performance Assessments, reassessing of Partners' Capabilities and developing new/modified Competitive Corporate Strategies, Competitive Strength will ensue and elevate the strategic alliance/business entity to a new Sustainable Competitiveness Level. This model may also be modified and prudently applied to other types of business entities in order to be sustainable and competitive.

Hopefully, the findings of this study will help to sustain the present and future strategic alliance projects, so that, strategic alliance could become the effective route offered to Malaysian Farmers' Organisations towards wealth creation and socio-economic development of their members.

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