

## DETERMINANT BUSINESS PARTNERSHIP (Study at The Centre of Bag and Suitcase Tanggulangin - Sidoarjo Regency)

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### Abstract

This study aims to identify important factors in partnership decision making with special consideration given to the specific situation of small and medium enterprises (SMEs) and how the partnership model (alliance) at the Center of Bag and Suitcase Tanggulangin in Sidoarjo Regency. The sample of this research is Small and Medium Enterprises (SMEs) that have conducted partnerships and are still continuing (sustainable) at the Center of Bag and Suitcase Craft in Tanggulangin Sidoarjo Regency. Data is collected in three ways: 1) interview with the respondent (In-depth Interview), 2) documentation and 3) observation. The target sample of this study is the owner or decision maker of 76 SME. The results of study concluded that: (1) Competence in each business chain and the growth of the environment and the same business atmosphere lead to mutual need, strengthen, and benefit to be the basis in partnerships between SMEs, (2) Six pillars consisting of shared vision, trust, professionalism, specialization, social capital and energy have influenced SMEs in the center of bag and suitcase Tanggulangin to build partnerships. and (3) the sustainability of partnerships over a long period of time, therefore business ethics as a foundation for developing partnerships, as well as the pattern of role distribution and conflict resolution and business disputes are carried out through dialogue and deliberation.

**Keywords:** Business Partnership and Small and Medium Enterprises

### INTRODUCTION

In recent years, competition has been characterized by the increasing diversity of companies that lead to a particular specialization. The company no longer manages all issues to produce a product, but the company focuses more on the particular expertise it has. As a consequence the company becomes more specialized. The existence of this specialization resulted in the emergence of the need for companies to collaborate with other companies, one of which is partnership (alliance). The pattern of partnership in general can be interpreted as a form of mutually beneficial cooperation between two or more parties to achieve a common goal.

The company cannot rely solely on the resources it has in achieving its competitive advantage. The company must conduct business partnerships with various parties, both with suppliers, distributors and even with consumers. By conducting partnerships the company gets several important benefits, namely access to markets, technology and capital (this is especially if the company partners with partners who have large capital). In addition, by conducting partnerships, companies can improve organizational capabilities and human resources. (Widjajanti, 2015). Some partnership patterns that are usually used by companies are through strategic alliances and joint ventures. Strategic alliances are business partnerships that involve companies with partners in order to improve competitiveness.

Competitive advantage is the ability to overcome existing challenges and take advantage of business opportunities that arise, including opportunities to develop themselves to become greater. (Susanto, 2004). One strategy in increasing competitive advantage is to form alliances (partnerships) between SMEs, competitors or with State-Owned Enterprises (SOEs). This strategic partnership is a way for SMEs to break through market barriers at the domestic level, namely to collaborate with other SMEs or certain local companies. (Rivai, 2012). While Hidayat (2013) states that partnerships are the right way to balance themselves, especially when SMEs look for unique and superior resources.

Maintaining business units in order to survive, in conditions that tend to be uncertain, SMEs must be adaptive and keep abreast of changes that occur by implementing strategic alliances to gain competitive advantage in the market. (Hidayat, 2013). According to the results of a survey conducted on a total of more than 20,000 SME alliances formed around the world in the past two years, the number of alliance business units in the United States has grown by 25% every year since 1987. The drive towards alliances has become stronger, even more so after a number of survey results that show a significant increase in the growth of some SME industries. (Emulti et al., 2001). This shows that many SMEs have used strategic alliances as solutions to face existing competition.

Hidayat (2013) conducted a study on strategic alliances in building competitive advantages of small and medium businesses in Indonesia, concluding that the strategic alliance of SMEs would be able to encourage increased SME

competitive advantage when the main priority of the alliance model was emphasized in the interests of cooperation in improving skills and technology application. Furthermore, the development of the SME strategic alliance model developed is more prioritized on increasing the superiority of transaction processing costs compared to the advantages of transaction processing speed or excellence on consumer focus as a manifestation of the competitive advantage of SMEs in Indonesia.

Many researchers, especially in developed countries have studied partnerships (alliances) with special emphasis on large companies and focused as a way of internationalization (Díaz et al., 2011), but there is still little reference to understand how partnership decisions (alliances) are taken from the perspective view of small and medium enterprises (SMEs). However, recent studies have shown that the tendency of SMEs to work together (in partnership) has increased significantly, especially in developing countries (Díaz et al., 2011).

The partnership will in turn have an impact on both parties, both positively and negatively. Positively, the company and its partners can access knowledge and opportunities for innovation, increase the capabilities of its member organizations and can access capital and markets for the expansion of product and service marketing. Negatively, partnerships can make a company dependent on its partners. In some cases, the partnership provides more benefits for the company. involved (Jane, 2011). This study aims to identify important factors in making alliance decisions with special consideration given to the specific situation of small and medium enterprises (SMEs) and how the partnership model (alliance) at the Tas Tanggulangin handicraft center in Sidoarjo Regency.

In this research, the partnership (alliance) of SMEs must be understood as an agreement of cooperation between SMEs and / or with third parties (such as large companies, universities, organizations, etc.) based on business contracts (formal or informal) to achieve benefits medium or long term which can hardly be obtained under economic activity independently. (Diaz et al., 2011). While Wittman et al (2009), business alliances as "collaborative efforts between two or more firms in which the firms pool their resources in an effort to achieve mutually compatible goals that they could not achieve easily alone. Wahyuni (2003) in formulating the definition of strategic alliance refers to three important characteristics as stated by several academics namely that the strategic alliance is a union of two or more companies to achieve the goals that have been legally agreed upon; each party shares the benefits of the alliance and wishes for the performance achieved; contributing partners are based on one or more strategic aspects that are considered important, such as technology or products.

### **METHODOLOGY**

Exploratory research was used in this study, the characteristics of this research sample are Micro, Small and Medium Enterprises (MSMEs) that have conducted partnerships and are still continuing (sustainable) at the Tanggulangin Bag Craft Center in Sidoarjo Regency. Measurements and Procedures to be able to access empirical data and by considering research objectives. The structured questionnaire was designed for this study. Data were collected in three ways: 1) interview with respondents 2) review documentation, and 3) observation of activities

In-depth Interviews are more sought because they provide the opportunity for researchers to enter deeply and have comprehensive information. The questionnaire asks respondents to indicate the extent to which the proposed factors influence the decision to engage in partnerships (alliances). The target sample of this study is the owners or decision makers of SME managers totaling 76 SME owners. Because the main objective of this research is to develop a framework of the main factors that influence the decision making of partnerships (alliances), owners and decision makers are the most appropriate source of information.

### **RESULT AND DISCUSSION**

Meanwhile, the reasons underlying SMEs in the Tanggulangin handicraft center in conducting business partnerships are (1) Communication between SMEs businesses will be easier for reasons of similarity in the business atmosphere, good communication links between SMEs encourage a common view of business, which must be built in together, (2) Specialization in the business chain, will facilitate partnerships. This condition gave rise to the concept of mutual need, strengthen, and benefit as the basis for partnerships built on Tanggulangin and (3) Business actors have grown in the same environment, so that there was a thought contact in developing business

These reasons are in line with supporting theories, namely Transactions Cost Economy (Williamson, 1979) According to this theory, companies partner to minimize costs and risks. Through partnerships built by the company hopes to be able to continue to achieve competitive advantage with minimal costs and risks. Meanwhile, Resource Dependency theory (Glaister, 1996), companies have limited resources, therefore they must partner to access key resources. By establishing partnerships, companies basically not only get access to key resources but also gain knowledge and capabilities that are important resources for companies in their efforts to excel in the industry. Theory of Organizational Learning. The partnership will stimulate the learning process and learning media. Knowledge becomes a tool to maintain and gain competence (Kogut, 1988) in Jane (2011).

Building a partnership between SMEs in the Tanggulangin bag craft center requires a long decision making process, the stages are (1) Building personal communication, (2) Building a shared vision and testing the values held in

running a business, (3) Trial business, (4) Evaluation of partnerships, (5) Build trust, (6) Conduct partnerships and (7) Always renew partnership patterns that benefit both parties.

In this study, six pillars or factors that influence decision making to build partnerships between SMEs in the Tanggulangin bag craft center were obtained as shown in the figure below.

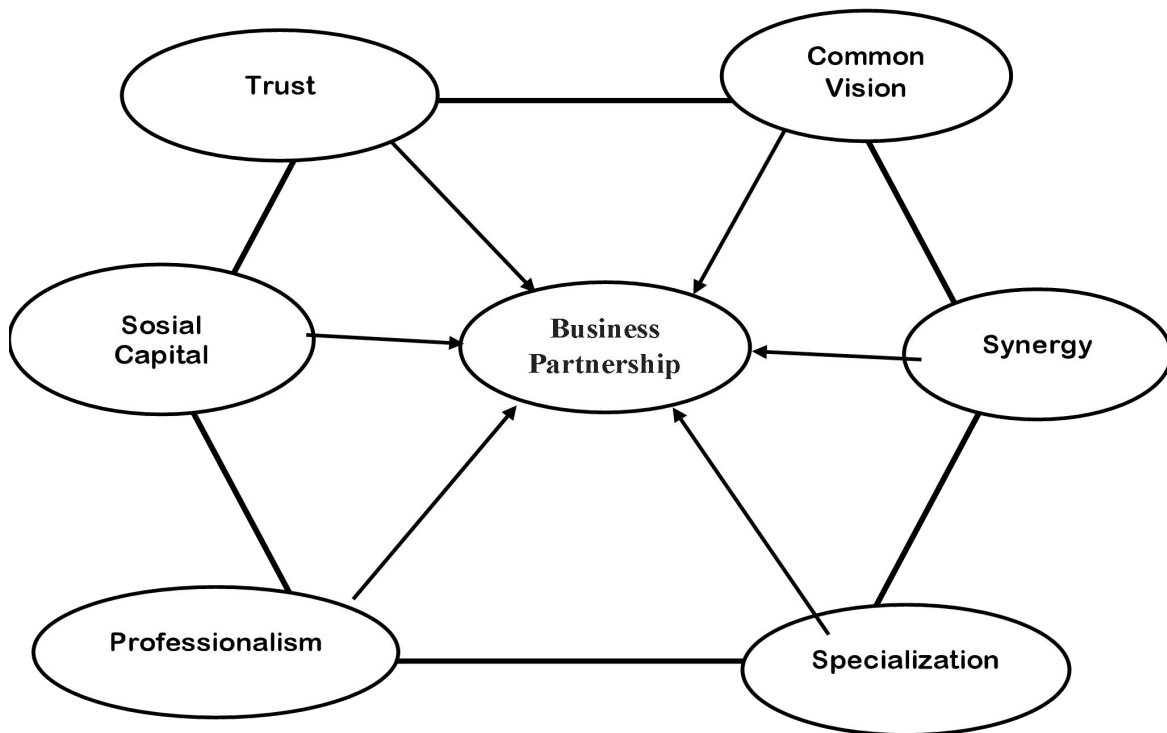


Figure-1. Model of Partnership SMEs

**Similarity in Vision**, SMEs build a common business vision, and tend to be realistic in the form of an increase in business turnover. While on the side of idealism in developing the business vision is to be a host in the Tanggulangin business. The common vision provides opportunities for access to new markets, expanding new distribution so that it can expand the business battle arena, from local to national through partnerships built between SMEs. Small can not fight alone, must collaborate.

**Trust**, Trust is a form of sincerity in being committed to its organizational cooperation relationships. Trust will arise from a belief that a cooperative relationship will provide benefits as expected by both parties as a foundation of partnership. Trust in business will be related to product commitment, quality, delivery of goods, payment. Trust is always tested with time, and it takes time to test. Friendship that has existed for a long time between business actors, shortened the introduction period between SMEs.

**Professionalism**, Professionalism is the actualization of the competencies and capabilities of the organization, both social organizations and business organizations that are business oriented Business transactions between SMEs requires a common view of the quality produced. The business spectrum when discussing prices Ease of communication

**Specialization**, Focus on expertise and competence in the business built so far. The pattern that craftsmen develop when building partnerships is risk sharing on their expertise. If SMEs have competence in leather wallet products, then if they get an imitation women's handbag order, it will cooperate with industries that specialize in these products. Why don't leather wallet craftsmen learn imitation products? The answer is simple, because the skills, business infrastructure and information they have are more focused on leather products (especially leather wallets). It takes time to do product switching. Specialization will reduce processing costs in the business because the trial and error stages have been eliminated when developing products and businesses. Subcontracting is a common element in the Tanggulangin center when building partnerships between SMEs.

According to Wittman et al (2009) competence is the ability to maintain coordination in the use of company assets used to achieve company goals. The competency characteristic is broader than the resource-based view that is tacit, complex, the characteristics of a company, as a source of competitive advantage, is a process learned by doing. A competency is created on the basis of the involvement of complex relationships between individual skills inherent in the organization.

**Social capital**, social capital can be interpreted by the accumulation of transactions and communication between individuals in a structured social environment. Social capital will affect the behavior, attitudes, and thoughts of individuals

who are in it. The partnership developed between SMIs in Tanggulangin is based on the element of social capital, where there is an obligation to help fellow citizens through business cooperation as did their predecessor generation.

**Synergy**, the partnership that has been built between SMEs is based on the spirit of synergy, where each partnership benefits both parties in design. That is, cooperation between SMEs in the form of partnerships is designed to get synergy. Synergy is like a nut and a bolt, where if the two elements are put together it will be a useful item. SMEs who have partnered have calculated that the cooperation they have built has seen and considered the possibility of synergy.

Partnership between SMEs in the Tanggulangin bag craft center processes naturally, so that it has several uniqueness including: Social modality in the form of trust takes precedence over business considerations only when building partnerships, in relation to conflict resolution business disputes, resolving to prioritize dialogue and deliberation, Business ethics becomes priority Supporting the building of a partnership that was developed, a coffee shop, a bale-bale, a sports field as a vehicle to build a partnership basis so that it tends to be informal.

### CONCLUSION

Based on the results of research and specialization, it can be concluded as follows:

1. Competence in each business chain and growing environment and the same business atmosphere cause mutual need, strengthen, and benefit to be the basis in partnerships between SMEs in the Tanggulangin bag craft center in Sidoarjo Regency.
2. The six pillars consisting of shared vision, trustworthiness, professionalism, specialization, social capital and energy have influenced SMEs in the Tanggulangin bag craft center to build partnerships.
3. Continuity of partnerships over a long period of time, because business ethics as a basis for developing partnerships, as well as the pattern of role distribution and conflict resolution and business disputes are carried out through dialogue and deliberation

### Suggestion

1. The government encourages the formation of partnerships based on industrial clusters
2. Business partnerships should be encouraged among SMEs because they depart from competencies that support each other.
3. Partnerships between SMEs are encouraged to complement business chains that lead to productivity and efficiency.

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