# The Strategy of Partnership Tools for Cost Decreasing of Small-Scale Chicken Farmers at Pengiangan Village of Bangli Regency

I Nyoman Subratha
*Accounting Department*
*Politeknik Negeri Bali*
Denpasar, Indonesia
nyomansubratha@pnb.ac.id

I Nyoman Sutama
*Accounting Department*
*Politeknik Negeri Bali*
Denpasar, Indonesia
nyomansubratha@pnb.ac.id

***Abstract*—The phenomenon of small-scale chicken farmers producing eggs is threatened by rising costs, scarcity of feed, and the entry of eggs from outside competitors. In addition, small-scale chicken breeders have weaknesses including not having a production plan, high labor turnover, and dependence on feed to suppliers. Based on these conditions, the strategic positioning of small-scale chicken farmers is in the cleaning position. 10 small-scale chicken farmers form investment partnerships in feed processing to meet the feed needs of members of investment partners. The purpose of this study is to analyze and uncover positioning after there is a partnership investment, and whether this investment can reduce production costs. This study determined informants of 10 small-scale chicken farmers, data collected by the triangulation method. The data collected was analyzed using the SWOT method and relevant costs. The results showed that strategic investment partnerships can form competitive strategic positioning, and the implementation of strategic partners can reduce production costs.**

***Keywords—the strategic of partnerships, relevant costs, cost reduction, partnership***

## I. INTRODUCTION

At The Pengiangan Village of Bangli Regency, there are 33 small-scale chicken farmers who farm between 2,000 and 4,000 chickens [1]. Small-scale chicken farmers have market reach in Regency areas: Bangli, Gianyar, Klungkung, Karang Asem, and parts of Buleleng (source: preliminary research). Small-scale chicken breeders to meet the needs of chicken food in the form of feed can be obtained by buying feed from suppliers amounting to 3, where this supplier is a large-scale chicken breeders who farm chickens between 80,000 to 300,000 head (source: preliminary research). Small-scale chicken breeders in managing their businesses face the dynamics of competition from large-scale chicken breeders, and chicken breeders from outside the market area. In addition, small-scale chicken breeders in running or managing their businesses face internal constraints or weaknesses in the form of labor turnover, production planning and others [2].

The phenomenon of small-scale chicken breeders in the Pengiangan Village of Bangli Regency in managing their business, besides having some weaknesses also has pressure or threats to increase feed costs, and a tendency to scarcity of feed [2]. This threat creates uncertainty about the sustainability of the small-scale chicken farm business that is being pursued by small-scale chicken farmers. This is because the small-scale chicken farmer is a source of family livelihood and the livelihood of the surrounding community. Uncertainty about the sustainability of the chicken farm business requires small-scale farmers to find solutions to secure their business performance [3], [4] in achieving goals. Thus, the strategic position of small-scale chicken farmers is in a position that must improve to be able to compete in seizing the market.

Not only are small-scale chicken farmers under pressure from rising feed costs and feed scarcity, they are also under pressure from the entry of eggs from outside chicken farmers as competitors [5]. All these pressures or threats have an impact on the sustainability of small-scale local chicken farming [2] The dynamics of competition have begun and competitors must be able to overcome or control competition in the market [6]. In the competition each chicken farmer applies a competitive strategy to achieve the competitive advantage of seizing the market in its goals [7], [8], [9]. There are three strategies that can be done by competitors to gain competitive advantage, namely: cost leadership, differentiation and focus.

Some small-scale chicken farmers in the dynamics of competition take competitive action by forming investment partnerships in feed processing [10],[11]. This partnership investment aims to meet the needs of chicken feed that is farmed by small-scale chicken farmers. Strategic investment partners in feed processing that are built intensively with suppliers, and competitors cause the creation of conducive competition conditions [5] to achieve the targets and objectives set. Investment in feed processing partnerships is carried out by small-scale chicken farmers, bearing in mind that the highest cost component in producing eggs is the cost component of feed which reaches 65%. The act of alienating by forming investment partnerships in feed processing is carried out by an alliance of 10 small-scale chicken farmers [7] to meet the consumption of chicken feed farmed by each member of the alliance. Thus, feed processing investment is expected to reduce costs or achieve performance [12] chicken farming, and release dependence on feed from suppliers. This qualitative phenomenological research aims to analyze and uncover the strategic positioning of small-scale farmers in competition, and whether the investment action in a feed processing partnership can reduce egg production costs.

## II. RESEARCH METHOD

Phenomenological research was carried out at Pengiangan Village of Bangli Regency with the object of small-scale layer chicken farmers. The location of this study is able to map three aspects, namely: place, actor, and activities [13]. This qualitative research approach uses phenomenology as a method. Phenomenology is a qualitative study, in which researchers gather data by the triangulation method [13]. Phenomenology can be interpretive [14].

The data used in this study are primary data in the form of key performance indicators (KPI) associated with internal strategic factor analysis (IFAS), strategic external factor analysis (EFAS) [2], investment partnerships in feed processing, production costs for processing chicken feed [11], and other data relating to competitive action. Therefore, to find out the phenomenon of participants, research instruments are needed.

The research instrument for the laying hens is the researcher himself [13]. The presence of researchers is absolutely necessary in the process of data collection, considering that information can be developed in greater depth and clarification [13]. Ideal information can be obtained through a minimum of three informants [15] up to ten informants [16], while interpretive phenomenological research can be assigned 8 informants [13]. The data used in this study were obtained by the triangulation method, namely applying interviews and participatory observation simultaneously [13]. This study revealed the phenomenon faced by 33 small-scale chicken breeders. For research purposes in collecting data, 10 small-scale chicken farmers were identified as informants [16], [13]. The collected data were analyzed by SWOT [2], [18], interpretive [14], and relevant costs for decision marking [19].

## III. RESULT AND DISCUSSION

### *A. Research Results*

The results showed two different things, namely positioning Small-scale chicken farmers before and after the partnership investment action. Research data collected by the triangulation method can reveal several facts before competitive action, namely:

*1)* Key performance indicator data (KPI) analysis of internal strategic factors (IFAS) as shown in Table I.

TABLE I. IFAS OF FIRST POSITIONING

| No. | IFAS | Weight | Rating | Score |
|---|---|---|---|---|
| 1 | Egg production went smoothly | 0.10 | 3 | 0.3 |
| 2 | Health and hygiene care | 0.08 | 3.1 | 0.26 |
| 3 | Controlled chicken feed | 0.09 | 3.2 | 0.29 |
| 4 | Current feed purchases | 0.08 | 2.9 | 0.24 |
| 5 | Production planning | 0.10 | 2.7 | 0.27 |
| 6 | Economical age chicken | 0.09 | 2.9 | 0.27 |
| 7 | High employee turnover | 0.09 | 2.5 | 0.24 |
| 8 | Financial condition of farmers | 0.08 | 2.6 | 0.22 |
| 9 | Production administration system | 0.09 | 2.6 | 0.23 |
| 10 | Sales and financial | 0.08 | 2.9 | 0.23 |
| 11 | Cash receipt and storage system | 0.10 | 2.9 | 0.29 |
| | | 1.00 | | 2.84 |

*2)* Key performance indicator data (KPI) analysis of external strategic factors (EFAS); EFAS information presented in Table II.

TABLE II. EFAS OF FIRST POSITIONING

| No. | EFAS | Weight | Rating | Score |
|---|---|---|---|---|
| 1 | Egg consumption | 0.10 | 3.9 | 0.39 |
| 2 | Eggs as a cake | 0.09 | 3.7 | 0.32 |
| 3 | Religious activities | 0.09 | 3.2 | 0.29 |
| 4 | Social activities | 0.09 | 3.2 | 0.28 |
| 5 | Egg marketing | 0.09 | 2.6 | 0.23 |
| 6 | High cost of feed | 0.09 | 1.2 | 0.11 |
| 7 | Scarcity will feed | 0.09 | 1.3 | 0.12 |
| 8 | Entry of | 0.09 | 2 | 0.17 |
| 9 | Financing with a | 0.09 | 1.9 | 0.18 |
| 10 | Changes in | 0.10 | 2 | 0.2 |
| 11 | Rainy season | 0.09 | 2.4 | 0.2 |
| | | 1.00 | | 2.48 |

IFAS and EFAS after partnering can be presented in the Table III and Table IV:

TABLE III. IFAS OF PARTNERSHIP POSITIONING

| No. | IFAS of Partnership | Weight | Rating | Score |
|---|---|---|---|---|
| 1 | Egg production went smoothly | 0.10 | 4.3 | 0.43 |
| 2 | Health and hygiene care | 0.09 | 4 | 0.34 |
| 3 | Controlled chicken feed | 0.09 | 4 | 0.36 |
| 4 | Current feed purchases | 0.09 | 4 | 0.35 |
| 5 | Production planning | 0.09 | 3.9 | 0.34 |
| 6 | Economical age chicken replacement | 0.09 | 3.5 | 0.33 |
| 7 | High employee turnover | 0.09 | 2.3 | 0.21 |
| 8 | Financial condition of farmers | 0.09 | 3 | 0.26 |
| 9 | Production administration system | 0.09 | 3.3 | 0.31 |
| 10 | Sales and financial administration | 0.10 | 3.5 | 0.35 |
| 11 | Cash receipt and storage system | 0.09 | 3.5 | 0.3 |
| | | 1.00 | | 3.57 |

TABLE IV. EFAS OF PARTNERSHIP POSITIONING

| No. | EFAS of Partnership | Weight | Rating | Score |
|---|---|---|---|---|
| 1 | Egg consumption in daily life | 0.10 | 3.9 | 0.39 |
| 2 | Eggs as a cake ingredient | 0.09 | 3.7 | 0.32 |
| 3 | Religious activities need eggs | 0.09 | 3.2 | 0.29 |
| 4 | Social activities need eggs | 0.09 | 3.2 | 0.28 |
| 5 | Egg marketing cooperation | 0.09 | 2.6 | 0.23 |
| 6 | High cost of feed | 0.09 | 2.1 | 0.2 |
| 7 | Scarcity will feed | 0.09 | 2.1 | 0.19 |
| 8 | Entry of competing products | 0.09 | 2.1 | 0.18 |
| 9 | Financing with a loan | 0.09 | 2.3 | 0.28 |
| 10 | Changes in consumer loyalty | 0.10 | 2.1 | 0.21 |
| 11 | Rainy season | 0.09 | 2.4 | 0.20 |
| | | 1.00 | | 2.7 |

Based on the key performance indicators of IFAS and EFAS, it can be said that the strategic positioning of small-

scale chicken farmers is in a clean or defensible position. Positioning to improve requires competitive action solutions in order to compete in the market. Therefore, small-scale chicken farmers eliminate or generalize weaknesses in the form of lack of production planning, high labor turnover, and feed dependence on suppliers with an average price per kg of Rp6,054.00. If small-scale chicken farmers cannot reduce their livelihoods, then the sustainability of this livestock business cannot guarantee the livelihood of the family and the livelihood of the local community.

Data collected is based on triangulation after competitive action in the form of feed processing partnership investment, namely: key performance indicator data (KPI) analysis of internal strategic factors; making production planning, recruiting local or family workers, producing feed, conducting partnerships with suppliers (corn-aspirants, bran and concentrates). The value of the partnership investment is grinder worth Rp 54,300,000.00, mixer worth Rp 33,700,000.00, building production area Rp 100,000,000.00 with an area of 300 $m^2$, normal capacity (70%) 4,000 per day, labor serving machines is 2 ppeople with 8 hours of work each day are paid Rp 100,000 per person per day. Feed ingredients consist of corn, bran, concentrates, and vitamins with a composition of 5: 2: 3.5: 0.2. Production cost of feed per kg consisting of raw material costs, labor costs, and overhead costs with various calculations and loading, the full cost of feed costs Rp 5,362.00. However, the cost of making relevant decisions (without calculating and charging fixed period costs), the production cost per kg is Rp 5,350.00.

### *B. Discussion*

Investment in feed processing partnerships formed by an alliance between small-scale chicken farmers has an effect on improving positioning. Changes in strategic positioning to competitive positions. This partnership investment is carried out to eliminate weaknesses in the form of key performance indicators (KPI) by making production plans, recruitment of local or family personnel, and producing their own food needs [17]. The loss of weakness becomes a strength in the production process that ensures the continuity of egg production, because of the guaranteed availability of feed for production. In addition, the threat of rising feed prices and feed scarcity can be overcome. Investment partnerships in feed processing can release small-scale chicken farmers from the oligopolistic market grip. An oligopoly feed market which makes production costs high, because feed and prices can increase at any time regulated by oligopolists.

Small-scale chicken farmers in partnership with suppliers (corn, bran, concentrates) are able to reduce pressure or threats. Likewise, the recruitment of local workers or families can increase loyalty and make the running of small-scale chicken farms conducive. With the conducive efforts of small-scale chicken farming, small-scale chicken farmers can still compete in the market in a sustainable manner to ensure the livelihoods of their families and surrounding communities.

The domino effect of partnership investment [Kim SW, formed by an alliance between small-scale chicken farmers can reduce egg production costs from Rp 6,054.00 – Rp 5,350.00 = Rp 704.00 per kg (note that poultry feeds on feed day for 125 gr). 10 chicken farmers who are members of an investment partnership of 40,000 chickens raising chicken feed (assuming 1 small-scale chicken farmer maintains 4,000 chickens). Thus, the efficiency of production costs from the impact of partnership investment is 125 grams x 40,000 = 5,000,000 gr, equivalent to 625,000 kg per day. This means that the efficiency or reduction in production costs is 625,000 kg x Rp 704.00 = Rp 440,000,000.00 per day for investment forming partnerships in feed processing partnerships. In addition to a decrease in production costs, investment partnerships in feed processing provide employment that helps improve the standard of living of the community.

## IV. CONCLUSION

Based on the problem formulation and research objectives above, regarding the strategic partner of the tool for reducing the cost of small-scale chicken farming in Pengiangan Village, Bangli Regency, the following things can be explained: the strategic positioning of small-scale chicken farmers before the partnership investment action is carried out in a clean up position. This position is caused by the most fundamental weakness in the management of small-scale chicken farming in the form of no production planning, high labor turnover, feed dependence from suppliers (buying). In addition, the high threat in the form of rising feed costs, scarcity of feed, the entry of competitors' eggs. After making improvements in the form of investment partnerships in chicken feed processing, recruitment of local workers, conducting partnerships with suppliers (corn, bran, concentrates), the strategic positioning of small-scale farmers can increase to competitive positioning. The costs of producing small-scale chicken eggs can be reduced by implementing strategic partners.

In accordance with the above conclusion, small-scale chicken farmers who have not been incorporated into an alliance between small-scale chicken farmers can transfer to form investment partnerships in feed processing.

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