A REVIEW OF SUPPLY CHAIN MANAGEMENT LITERATURE AND ITS IMPLICATION TO DEVELOP AGRIBUSINESS IN INDONESIA

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ABSTRACT
Supply chain management has been a popular issues and an interesting discussion topic. It can be seen that many research has been done by academia, researcher, practitioners and policy makers through scientific publication, scientific meeting, and professional development program and course development in university. However, within the SCM studies there is a great diversity of concept and definitions of what constitutes a SCM. This paper is based on literature review with highlited the important to build and develop sustainable SCM. This paper discuss the driving forces of SCM, the concepts and theories related to SCM, the framework to develop SCM, the dimension of SCM and its implications to develop agribusiness in Indonesia.

Keywords *: Supply chain management, agribusiness, Indonesia*

INTRODUCTION

Recently, it is realized that agribusiness sectors are being affected by rapid changes in their competitive environment. In order to respond to the business environmental change, it is important for agribusiness actors to adapt to the rapid changes to gain sustainable competitive advantage in the future (Fearne, 2002). In term of creating this advantage, SCM has been an interesting topic that has generated considerable debate among academics and practitioners in all sectors includes agribusiness because of its positive impact for all chain' participants. However, building, developing and managing the supply chain relationships are not easy. So, it is important to understand well the concept of SCM as there is a great diversity of concept and definitions of what constitutes a SCM.

The review of literature related to SCM has the purpose to provide foundation for developing theoretical and conceptual framework of various studies which are related to SCM. Further, this review outlines findings of recent studies which relevant to SCM. The review begins with the driving forces of the requirement of SCM as an alternative current business strategy and the broad concepts of SCM including its definition. Then, the theories, which underpin SCM including economics, strategic management and relationship marketing, are outlined. The next sections discuss the formation and development of SCM, especially in an agribusiness sector. Further, it discusses the dimension of supply chain that needs to be managed and the principles of supply chain. Final section underlies issues which are related to SCM, especially in Indonesia. These concepts present an overall reference frame relevant studies of SCM.

THE DRIVING FORCES OF SUPPLY CHAIN MANAGEMENT

Agribusiness environment has changed rapidly as the rapid change on any aspects of global environment since over a decade. This change is seen as a phenomenon of globalization which is due to a rapid development of technology and changing of people's expectation of what is produced and how it is produced. The driving idea behind globalization is free-market capitalism. Globalization has its own defining technologies: computerization, miniaturization, digitization and satellite communications, fiber optics and the internet which reinforce its defining perspective of integration. Globalization also has its own demographic pattern – a rapid acceleration of the movement of people from rural areas and agricultural lifestyles to urban areas and urban lifestyles more intimately linked with global fashion, food, markets and entertainment trends (Dunne,2001). Meanwhile, Boehlje et.al (1995) state these changes has a dramatic impact on the management of an agribusiness firm because they effect the competitive environment of the firm and influence the way in which the management of the firm will reorganized its internal resources to adapt to the challenges in terms of market access, degree of competition and market power.

There are three main options for agribusiness practitioners to face the rapid business dynamic: moving out of the change which means exit from the industry; being resistant to the change with any consequences; or adapting to the change (Collins & Dunne, 2002). The latest option is the best choice in order to adapt to the change of competitive environment. In today's business competition, cooperating with other chain participants, to compete better is required.. An integrated supply chain has a potential to offer more benefits range from reduced costs, improved processes and customer services to better quality (Spekman, et.al., 2002; Kampstra, et. al., 2006). Thus, closer collaborative relationship is likely to deliver a more competitive advantage for all chain' participants.

SUPPLY CHAIN MANAGEMENT CONCEPT

The concept of SCM has been an interesting discussion topic for both business precisionists and academia since a decade, particularly in developed countries. Boehlje (1999) stated that in today's agribusiness environment, the competition occurs between supply chains, so that according to Speakman; et. al. (1998) argument the success of companies depends on the strength of its weakest supply chain participants. Therefore, supply chain management (SCM) is required (Dunne, 2001). The primary goals of SCM is satisfying end-consumers as well as all supply chain participants by getting the right product, to the right place, at the right time and price and at the right cost.

SCM is usually defined in many ways, but the goals are similar, ensuring effectiveness and efficiency supply chain to achieve competitive advantages. Beers, et. al. (1998) argued that definition of SCM depends on the problem to be address and the disciplinary views of author. Lambert and Cooper (2000) defined SCM as an integration of key business processes from ultimate consumers through original suppliers that offer products, services and information that add values for customers and other stakeholders.

SCM should not be defined only in term of logistical management, because according to Dunne (2001), achieving efficiency of logistic system is only one aspect of supply chain management besides the essential to create value and competitive advantage achievement. Therefore, Gifford, et. al. (1998) defined SCM as an integrative approach that aims to satisfy the expectations of consumers, through continual improvement of processes and relationships that support the efficient development and flow of products and services from producer to consumer. Meanwhile Collin & Dunne (2002) described SCM as a business strategy with the whole chain is seen as a competitive unit instead of individual firm within it, however this cannot happen until the firm within the chain learn how to work together. Working together, not only builds better relationship between the firms but it also is a way of creating value for others in the chain an also especially for the consumers. This is how SCM leads to improve competitiveness.

THEORETICAL FRAMEWORK OF SUPPLY CHAIN MANAGEMENT

There are three theories could be underpinned as a framework to seek SCM namely economic efficiency, strategy management, and relationship marketing.

1. ECONOMICS THEORY OF EFFICIENCY IMPROVEMENT

Supply chain management deals with the interaction among chain participants from upstream levels to end-users. Each interaction involves transactions and costs in which the economic theory in supply chain management is formerly concerned. Dunne (2001) stated that transaction economics gives a solid theoretical based for the existence of a firm and for establishing the boundaries of its activities.

Transaction costs can be classified in three main characteristics (Hobb, 1996): (1) information costs to search for potential suppliers or buyers including the information of price level; (2) negotiation costs including time, staff is employed and the term of sale; and (3) Monitoring activity costs after negotiating sales including checking the partner's behaviour, monitoring deliveries. The firm will internalize activities up to the point where the internal transaction costs associated with these activities equal to the costs in the open market activities (Coase, 1937 cited in Dunne, 2001).

Then, transaction costs economics was developed through various economics related studies that concern with the existing relationship between firms in a chain, such as agency theory. O'Keeffe (1994) described the alternative forms of relationships that exist between agribusiness firms range from independence, through cooperation, coordination, collaboration and joint ownership to integration that can occur both vertically and horizontally. Further, O'Keeffe (1994) pointed out that agency theory applies the unbalance information flow, the sharing risk between chains participants and outcome uncertainty and incentives to result in the most efficient contract form.

2. MANAGEMENT OF STRATEGIC - COMPETITIVE ADVANTAGE

Supply chain management aims to achieve competitive advantage of an entirely chain. Therefore, each chain participant should contribute to the achievement of chain' competitive advantage. Kennedy et. al. (1997) defined competitive advantage as a firm's ability to create and deliver value through cost management and demand structure, achieving cost leadership and product definition or in term of the ability to sustain and profitability gain market share. Thus value creation capability is the key resource to build competitive advantages.

Porter (1990) used the term of value chain as a 'value stream' and he argued that value stream-creation influenced by: (1) the ability of individual firm to create value for customers; (2) the ability of the firms to coordinate their value creation activities which includes support activities (people management) and primary activities (physical management/ operations). The strategic management view proposed by Porter (1990) claimed that if the firm is able to create values in a coordinating manner of its resources both human and physical, the firm's cumulative competitive advantaged is achieved. However, Grant (1996) added that value creation is not only concerned with resources coordination but also deals with the important of knowledge.

According to Porter (1990) each firm with an internal value chain (individual firm) contributes to the entire of value stream (whole chain). By adding value the firm is able to make a profit. In addition to that, if the firm takes over the operations previously performed by the other firms, the firm should be able to create value at least the same value to be accepted by other members of the value streams.

3. RELATIONSHIP MARKETING

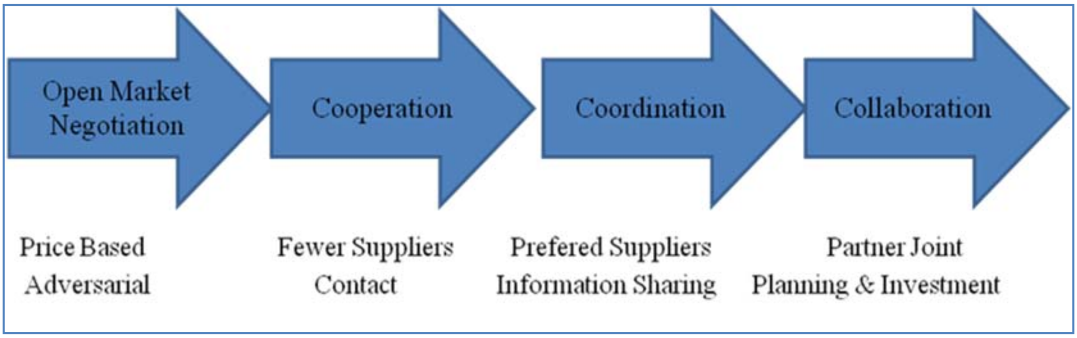
Supply chain performance is not only examined through its cost efficiency and strategic management but also through the relationship that exists between participants within a chain. Thus, economics efficiency and effectiveness as well as social relationship variables including cultures, trust and commitment can be addressed.

Speakman; et. al (1998) stated that there are four types of relationship that can occurs between participants in supply chain range from adversarial relationship to more collaborative relationship. They stated that first type is transactional relationship, which characterized by multiple suppliers and short-term contracts partners are evaluated based on costs. The second one is cooperation, the starting point of supply chain management, in which firms engage with fewer suppliers in long term contracts and share little information. Moving on the coordination in which more essential information flow among partners. They argued that both cooperation and coordination are not sufficient even though quiet necessary. Then, they stated that the most ideal partnership is collaboration wherein the partners share common future vision and engage in joint planning.

All those types of relationship can occur among partners within a chain both vertically and horizontally. Barratt (2004) argued that horizontal relationship is formed between the firms that have similar production processes such as supplier-supplier relationship or buyer-buyer relationship. He then argued, vertical relationship occurs between different levels of chain' member such as supplier-buyer relationship.

The critical points of relationships relates to the assumption that it is cheaper and easier to keep existing costumers than to search for the new ones (Morris, et. al., 1998). From the perspective of buyers, relationship with suppliers enables firms to secure value resources and technologies (Dunne, 2001). While, for suppliers, such relationship enables them to improve customers' satisfaction, loyalty, quality and profitability as a result of better performance (Morris, et. al., 1998).

Those three theoretical backgrounds that underpin SCM are not new concepts. The most important thing is that the integration of the economics, strategic management and relationship marketing into a comprehensive strategic management approach that can offer supply chain competitive advantages in a dynamic change of business environment (Dunne, 2001; Collins & Dunne, 2002).



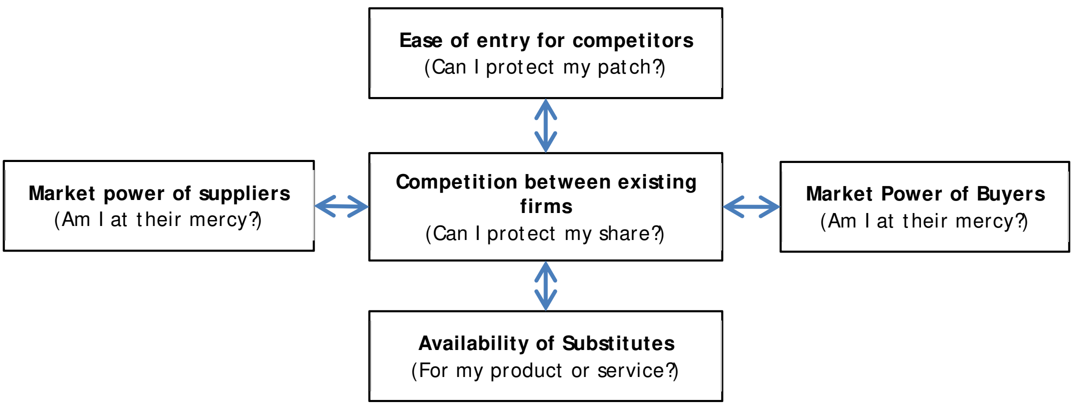
Source: Dunne, 2001

Figure 1. The Evolutionary Stages of a Business Partnerships

Competitive advantage is enhanced through value creation that meets the needs of consumers. To ensure that the firm offers values to the right consumers on the right time and the right supply better than competitors, as Boehlje (1999) states that managing supply chain from up- stream levels to down -stream (retailers) is required. Further, Boehlje (1999) claims that there are five critical dimensions of value chain that need to be managed: (1) the set of processes or activities that create values for customers; (2) the product flow features of the chain; (3) the information flows; (4) the financial flows; and (5) the governance/coordinating system. Based on these backgrounds, we can see that two are three steps to build supply chain which are forming and managing SCM.

FORMING DEVELOPING SUPPLY CHAIN MANAGEMENT

In term of forming developing SCM there are two aspects that should be concerned, namely readiness to build relationship and partner match. There are some variables in each aspect.



Source: adapted from Porter (1990)

Figure 2. The Porter Model of Attractiveness Industry

1. READINESS TO BUILD RELATIONSHIP

Porter uses his 'five forces' model to determine the attractiveness of a particular industry in terms of its competitive environment. The Porter model is used to indicate the competitive environment and as a reference for a firm to decide whether it is ready to part with and with whom it should have such relationship (Collins & Dunne, 2002).

The next questions are when we are ready to partner and whom should we do relationship with. We should consider first the reasons why the other would like to have relationship with us. The firm is ready to partner with if it can offer value to the relationship entire the chain and to their end-consumers. The value can only be created as long as the firm has the right culture and process. There are some variables of culture and process to measure the readiness to partner (Collins & Dunne, 2002).

There are two ways in which the readiness to partner check list (Table 1) can be used: (1) each firm can assess their own readiness to partner and then they compare their profile with that of their potential partner; (2) the simple comparisons of profiles can be improved by each of the firms evaluating their potential partner's readiness to part profile and comparing these to the self-developed profiles.

Tabel 1. Readiness to Partner Profile

	LOW				HIGH
1. Culture					
As a management team					
We promote cooperation	1	2	3	4	5
We have pride in our reliability	1	2	3	4	5
We value our integrity	1	2	3	4	5
We are proactive	1	2	3	4	5
We are flexible	1	2	3	4	5
We communicate	1	2	3	4	5
We encourage initiative	1	2	3	4	5
We tolerate mistakes	1	2	3	4	5
We recognize and reward performance	1	2	3	4	5
2. Process					
Our firms					
Has clearly articulated our vision and goals	1	2	3	4	5
Has analysed our competitors	1	2	3	4	5
Understands our key suppliers and customers	1	2	3	4	5
Has an effective communication system with our key suppliers & customers	1	2	3	4	5
Has an effective internal communication system	1	2	3	4	5
Has an effective quality management system	1	2	3	4	5
Understands our cost drivers	1	2	3	4	5
Understands our revenue generators	1	2	3	4	5
Has the ability to create value for our customers	1	2	3	4	5

Source: Collins & Dunne, 2002

Table 2. Partner Selection Checklist for Key Suppliers

	LOW				HIGH
1. Culture Compatibility, with respect to:					
Ability to cooperate	1	2	3	4	5
Business Ethics	1	2	3	4	5
Transparency	1	2	3	4	5
Flexibility	1	2	3	4	5
Innovation	1	2	3	4	5
Reliability	1	2	3	4	5
Fairness	1	2	3	4	5
Recognition of contribution	1	2	3	4	5
2. Strategic Compatibility, with respect to:					
Shared vision and goals	1	2	3	4	5
Ability to create value	1	2	3	4	5
Ability to create competitive advantage	1	2	3	4	5
Ability to define mutual expectations	1	2	3	4	5
Ability to establish clear lines of responsibility	1	2	3	4	5
3. Process Compatibility, with respect to:					
Ability to share accurate information in a timely and efficient manner	1	2	3	4	5
Ability to establish effective monitoring and control systems	1	2	3	4	5
Ability to establish an equitable rewards system	1	2	3	4	5
Our ability to establish an effective dispute resolution system	1	2	3	4	5

Source: Collins & Dunne, 2002

2. PARTNER MATCH

The firm which is ready to partner, should consider the next step which is partner selection. The selection of partner should be based on the similar culture, vision or strategies and process (Collins & Dunne, 2002). There are some cultural, strategies and process compatibility variables which can be considered in selecting preferred partners.

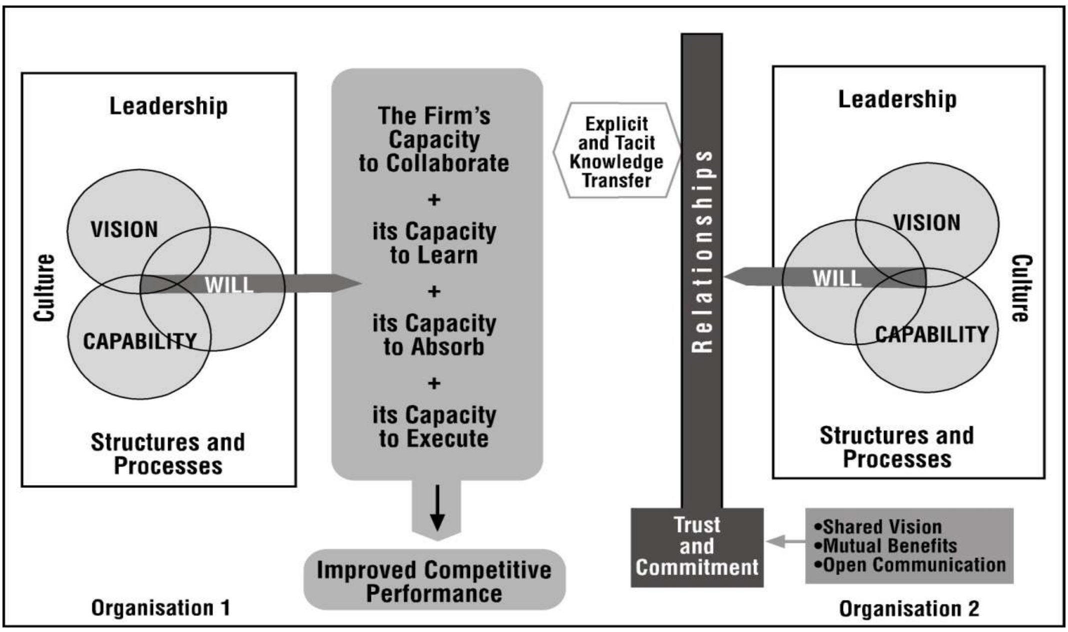
MANAGING SUPPLY CHAIN THROUGH RELATIONAL DEVELOPMENT

In order to have a longer term-relationship, it is important for the firms to ensure that they are ready to build relationship with other partners before going further to establish the relationship. Cann (1998) gave some insights into the importance of individual firm being ready to have relationship with others. Cann (1998) suggested that there are eight steps to build business to-business relationship, which are divided into internal firm activities and external term activities. The first view steps (internal activities) are: (1) Marketing goal setting; (2) defining marketing strategy; (3) determining current culture; (4) determining the congruence between culture and strategy; (4) adjusting culture to customers services oriented. While the second few steps (external activities) are: (1) implementing marketing strategy; (2) social bonding with customers; (3) adding value to the relationship. Moreover Cann (1998) argued that all these steps results in two main relationship outcomes (customer satisfaction and commitment/ long term relationship).

The relationships within supply chain participants is dynamic and can change overtime or develop to be closer relationship, which involves a set of processes and stages (Dunne, 2001; Dwyer et al 1987; and Whipple & Frankel, 1998). According and Dwyer et al (1987), the processes of relational development are: (1) awareness (2) exploration (3) expansion (4) commitment; (5) dissolution. Meanwhile Whipple & Frankel (1998) proposed that alliance development involves several stages of processes with adjustment the strategic in each stage with the operational activities. These stages are: (1) conceptualization- need awareness; (2) alliance pursuance- finalize the decision to form an alliance; (3) Alliance confirmation- focusing on partner selection and confirmation; (4) Alliance implementation; (5) assessment on current alliance- determining to sustain, modified or terminate alliance.

In the earlier development stage, partner match of partner selection is critically important to ensure the sustainability of the relationship. There are six variables that are essential to choose appropriate partners: (1) reputation; (2) performance satisfaction; (3) power; (4) social bonds; (5) mutual goal; (6) strengths of alternatives (Wilson, 1995). Dunne (2001) claimed that selecting chain's partners should be based on cultural fit, strategic fit and process fit. While Collins and Dunne (2002) suggested that it is important to select the chain's partners who have shared vision, leadership and capability do innovation that can add to chain's value creation.

How to manage there are three key points that should be considered namely relationship determinant, horizontal and vertical relationship, and measuring the performance of relationship.



Source: Dunne 2001

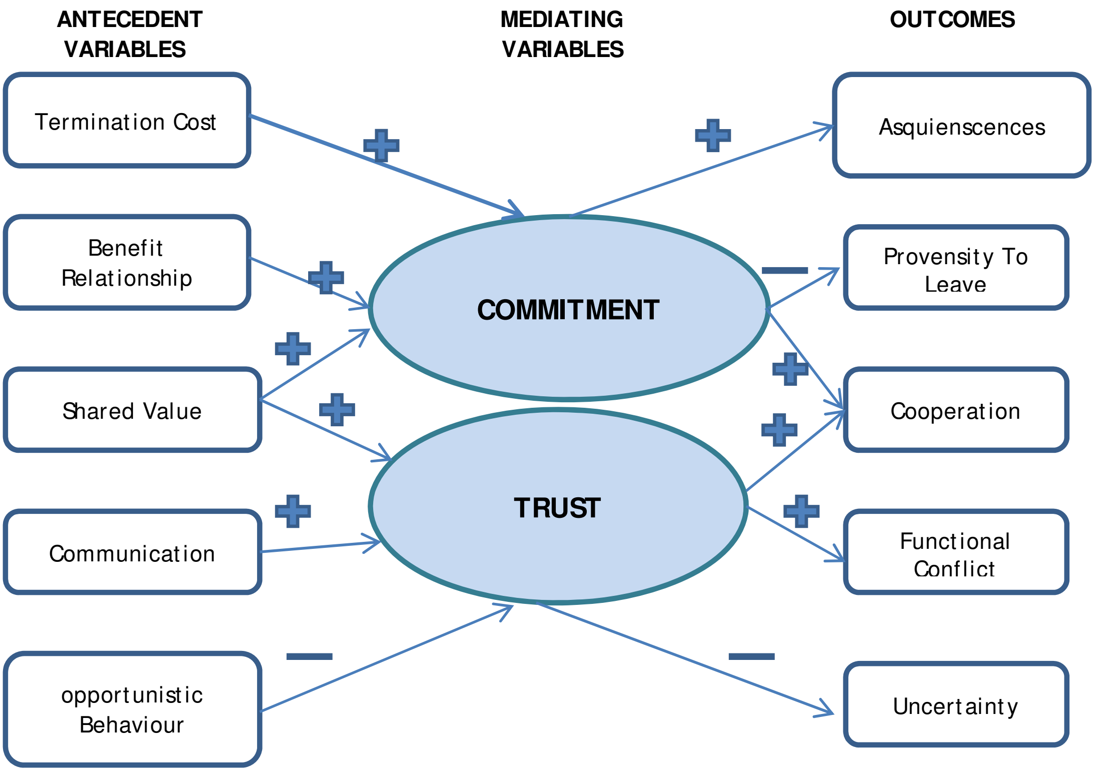
Figure 3: A model of an adaptive organization

1. RELATIONSHIP DETERMINANTS IN SUPPLY CHAIN MANAGEMENT

SCM seeks to develop closer relationship among partners. Developing and discontinuing relationship depends on certain variables such as (1) trust and commitment, (2) power dependency, and (3) culture. A set of relationship variables commanded by the perception supply chain participants, can also affect relationship.

1. Trust and Commitment

Successful supply chain performance is supported by the high level of trust and commitment among supply chain' participants. Trust and commitment are key foundations in relationship (Morgan & Hunt, 1994). Whipple & Frankel (1998) stated that trust is developed overtime as a form of integrity, openness and reliability and performance (competency). While, commitment is described as a measurable criteria of being inputs, durability and consistency (Dwyer et.al., 1987). Stanko, et.al. (2006) defined commitment as the buying firm's degree of effort and intention to develop and maintain a stable and long term relationship.



Source: Morgan & Hunt (1994)

Figure 2. The Morgan-Hunt Model of Relationship Marketing

Morgan & Hunt (1994) argued that trust and commitment are central for maintaining closer relationship between parties in the chain. Morgan & Hunt (1994) formulated that the force to build trust and commitment among firms is the need to share values or vision. Moreover, Morgan & Hunt (1994) argued that good communication leads to increasing trust while an opportunistic behavior results in decreasing trust. They stated that trust and benefits of relationship as well as termination costs lead to a developing commitment. Moreover, they argued that the level of trust and commitment results in the level of outcomes, such as acquiescence, cooperation, functional conflict, propensity to leave and uncertainty. Gannesan (1994) claimed that in buyer-supplier relationship trust can reduce the perception of risk associated with opportunistic behaviour and increase chain partner' confidence that short term inequities will be resolved over time and reduce transaction costs.

Cann (1998) argued that commitment is also influenced by the degree of social bond among partners. The stronger the social bond between buyer and seller, the greater the possibility that the relationship and the bonding process will go on. Social bonding is the bond that holds buyer and seller closely together in a personal sense, including personal interactivity and feeling of personal closeness (Gounaris, 2005; Rodriguez & Wilson, 2002). In addition to that, Wilson (1995) constructed the relationship variables as follows: (1) reputations, (2) power-dependence; (3) performance satisfaction; (4) social bonds; (5) mutual goals and (6) strengths of alternatives. Meanwhile O'Keefe (1998) claimed four key variables which affect to relationship: (1) History; (2) value creation; (3) alignment of goals; (4) alternatives.

2. Power and Dependency

This is natural that each firms is motivated by its interest to derive as many as values for its self (Cox, 1999), so if it is possible it will use power to do so. However, an imbalance power cannot be blamed as a barrier of workable relationships as long as both parties communicate openly and have something to offer to the chain. Hingley (2005) argued that power is ever present in any relationship either it is activated or not. Further, He argued that power performance and the development of relationships co-exist a long side one another. There is a variety of power configuration within different type of supply chain for different objectives (Cox, 1999). According to Cox (2004), the firms can develop more collaborative relationships, not only in the interdependence power situation but also in buyer dominance power situation as well as supplier dominant.

Table 3. A Comparison of Relationship Variables in The Partner Selection Phase

Morgant & Hunt (1994)	Wilson (1995)	O'Keefe (1998)
Opportunistic Behavior	Reputation Power/ dependence	History
Relationship Benefits	Performance Satisfaction	Value Creation
Communication	Social Bonds	Alignment of Goals
Share Values	Mutual Goals	
Termination costs	Strengths of alternatives	Alternatives

Kumar (1996) cited in Hingley (2005) contended that trusting partnership could be built between unequal powers, but only that the more powerful party enable to treat the weaker party fairly. In fact, weaker participant in asymmetric relationship have a certain degree of tolerance to imbalance of power and accept the existence of channel leader (Hingley, 2005). For example, in my observation there are many small-scale agribusiness enterprises in Indonesia who enjoy their relationship with many national retailers.

The level of dependency allows one member in a relationship to have a greater degree of power. The level of dependency is associated with the availability of alternatives. The more alternatives available the less dependent a business will be. Thus, the source of power is related to the acquisition of resources such as information, technology, experiences, capitals, economics of size and knowledge. The perception of one member of supply chain about power are held and used will result in the environment in which the relationship operates as well as government regulations and historical relationship (Dwyer, et. al., 1987).

2. Culture

Every organization including a firm has its culture that is expressed from the structure and strategy. In supply chain management point of view a company culture that should be developed is the culture that supports the value creation in order to achieve competitive advantage. Webster (1992) pointed out an appropriate culture is essential for a firm to be successful at providing good service and supply information. The value creation results from the ability of a firm to innovate as well as good leadership and clear vision (Collins & Dunne, 2002). Further, Collins & Dunne (2002) added that the capability to innovate results from a firm's culture, structure and strategy. Cann (1998) claimed that it is important to maintain the congruence between strategy and culture. The greater the level of congruence between strategy and culture, the longer term of buyer-seller relationship could be maintained.

2. HORIZONTAL AND VERTICAL RELATIONSHIP

In supply chains, relationship among participants can occur horizontally or vertically. Horizontal relationship occurs between parties in the same level of supply chain (Gifford, et.al., 1998). They pointed out that horizontal relationship are commonly occurs in small-scale businesses such as rural producers. For example, a processing cooperative in sugar and dairy industries in Australia (Dunne, 2001) and farmer groups in Indonesia (Krisnamurthi & Fauzia, 2004).

Horizontal relationship among small-scale producers are developed for many reasons related to overcoming imbalance powers, fulfilling the needs of customers more effective and efficient in term of time, quality and supply at a reasonable price. Through combining their resources and skills, the participants involve in horizontal alliances seek to build value creation. Therefore, Gifford et.al. (1998) argued that through this relationship it is possible for producers to deliver consistent quality to new markets at a competitive price.

Horizontal relationship in agriculture occurs in several forms, such as (Gifford et. al.,1998 and Murray-Prior, et. al., 1998):

a. Cooperatives, which are member oriented-organizations generally built to offer economic benefits and specific services to members. Cooperative provides Services that might ease the costs, increase income, improve quality and develop the best uses for member resources.

b. Partnerships are businesses jointly owned by two or more individuals. They are relatively less formal that cooperatives or corporations and usually revolve around an existing relationship. Partnership's members share their assets as well as risks and by doing so they increase the financial resources and skills and knowledge available for the business venture (Febo, 1987 cited in Murray-Prior, et. al., 1998).

c. Corporations are investor oriented companies and therefore operate with the primary objective of making a profit for their shareholders.

d. Collaborative marketing groups. These relationships enable firms at the same level of supply chain to apply modern marketing skills to their product and increase their profit margins through adding value activities such as improved packaging (Murray-Prior, et.al., 1998).

3. MEASURING THE PERFORMANCE OF RELATIONSHIP

Firms enter a strategic partnership because they believe that they will be better off by working more closely with selected members of their supply chains. In this paper, we highlighted six key principles of supply chain management as the soul to measure the performance of relationship.

In order to result in adaptive, agile and aligned supply chain as well as efficient, the dimension of supply chain should be managed (Boehlje, 1998 and Lee, 2004). An effective of managing supply chain that expressed through relationship (either horizontal or vertical) between supply chain participants can be analyzed based on principles of supply chain management. According to Collins and Dunne (2002), there are six key principles of supply chain management: (1) Develop a customer focus; (2) Create and share consumer value; (3) Implement an effective quality management system; (4) Develop an open communication system; (5) Implement an effective and efficient logistics system, and (6) Manage the relationships between chain members.

1. Developing A Customers and Consumers focus

SCM aims at satisfying end consumers as well as all participants entire supply chain effectively and efficienly. The successful of a supply chain to perform well in delighting its consumers will lead to an increase of its competitiveness. According to Collins and Dune (2002) and Liker and Choi (2004), understanding the costumer's needs and how the suppliers work are very essential in managing supply chain. Having a focus on customers and consumers and maintaining trust between chain participants are essential determinants for successful supply chain (Newton, 2000). Through horizontal relationships, for example through farmer groups, producers have the opportunity to supply their produce, which meet end-consumers requirement. The focus on end-user directed the attention of all supply chain partners to the demand side of the supply chain equation and made them rethink their roles in the supply chain. Unlike I the traditional supply chain, through SCM, the product are developed based on consumer research (Flintoff, 2008). Flintoff (2008) argued that there are several ways to focus on consumers needs: (1) gathering and analyzing information about consumers, their problems and their needs; (2) identifying and choosing the right channel partners; (3) developing a system for information sharing among chains partners; (4) developing products and services which are capable on solving customers problems; and (5) choosing the most optimal transportation and distribution methods.

2. Sharing Value in Supply Chain

The total values is delivered to end users is accumulated from the value that created by each supply chain participant. In managing supply chain, the share value among partners should be proportioned with the value that created or added by each member (Collins and Dunne, 2002).

3. Implement an Effective Quality Management System

To ensure the firm gets the product right, implementing a good quality management system is very important. According to Collins and Dunne (2002) the firms should understand the specification of product needed by end consumers.

4. Develop an Open Communication System

Reliable information is a foundation of effective communication and open communication is a starting point to build health relationship (Collins and Dunne, 2002). Fearne & Hughes (1999) established the importance of having an ability to exploit market information and add value. They argued that supply chain needed to enable to communicate information in both directions along the chain. Effective Information flows effectively among chain' members occur when the degree of connectivity and the willingness are high (Fawcett, et. al., 2007).

5. Ensuring an Effective and Efficient Logistics System

Effective logistics and distribution and getting the product right through the an effective measurement costs control to deliver customer requirement and understanding customers demands are very important variables to successful supply chains (Fearne & Hughes, 1999).

6. Managing the Relationship between Members

As stated earlier in the relationship marketing section, two key factors that determine the sustainability of relationship between chain participants are trust and commitment (Ganessan, 1994; Morgan and Hunt 1994).

MANAGING SUPPLY CHAIN THROUGH RELATIONAL DEVELOPMENT

Although SCM is still a novel concept in Indonesian business sectors including agribusiness, the awareness of business practitioners and researchers in implementing and studying supply chain management concept has been increasing. This can be seen from several studies in evaluation on relationship marketing and supply chain. For example the study in food retailing supply chain conducted by Krisnamurthi and Fauzia (2004). These studies indicate that the coordination in agribusiness supply chain is necessary and the need for preferred suppliers increases.

The structural change (change in product characteristics, production and consumption, technology and agricultural globalization) throughout the world agribusiness sectors since recently has resulted in the need for managing supply chain (Boelhje, 1999). Due to

Indonesian agribusiness sector also experiences structural change although not as rapid as that in developed countries, the concept of SCM is also relevant to be adopted through some adaptation. This adaptation is because most Indonesian agribusiness practitioners are small holders and the culture of relational needed to be considered in using supply chain approach. Moreover, the agribusiness sector also faces its product characteristics such as bulky, voluminous, and perishable. So, it is challenge and opportunity for agribusiness management in Indonesia to develop SCM that integrates all business actors from all segments of the supply chain vertically into joint business (cooperation) based on agreement and standardization of specific process and product for every supply chain (Dunne, 2001; Fearne, 2002). For example, Saung Mirwan, a growing vegetable producer in Bogor, has implemented a similar partnership with farmers to supply supermarkets (such as Carrefour, Giant, Matahari) and food services, in particular KFC (US chicken meals chain) and McDonalds.

Indonesian agribusiness sector is also undergoing an extremely rapid transformation by multinationalization, specialization, differentiation, and organizational and institutional change. It can be seen by the rise of vertical coordination through contracts and market linkage arrangements, and growing issues such as private grades and standards, food safety, traceability, certification etc. Moreover, there is also an increase in the complexity of marketing and production arrangements for smallholders. Most of the farmers in Indonesia are smallholders who have a low bargaining position. This implicates on changes of agribusiness supply chain simultaneously and quickly. It means that the role of institutional organization such as cooperative and farmer groups are needed to deal with the SCM.

SCM is one of alternative business strategies for Indonesian agribusiness actors. Marketing channels of agribusiness in Indonesia are dominated by low efficiency in supply chain. Relating to the emerging of modern market channel, SCM has become increasingly essential in agribusiness supply chains as a way to enhance farmers towards relationships orientation in modern and global marketing. The empiric study of marketing efficiency and banana supply chain in Lampung conducted by Sudaryanto and Purwoto (1994) and the study of Indonesian banana supply chain is done by Singgih (2005). These studies have spotlighted the bargaining power as a common use of power in Indonesian agribusiness supply chain. In addition, these studies also pointed out the important for improvement of banana supply chain performance.

As implications, supply chain competency is necessary for agribusiness actors. It can only be reach though improving their capability to learn, to collaborate with, to absorb knowledge and to execute. Therefore, ideally, each agribusiness enterprise should realize that no certainty in business environment and it needs cooperating closer to compete. Differentiation and value creation are keys this competitive atmosphere, hence, the ability to learn and work together can separate the winner and the looser.

CONCLUSIONS

To sum up, SCM that seeks to build collaborative of whole chain relationships gives an opportunity to improve chains competitive advantages for agribusiness actors. However it is not the best cure in all situations, it depends on the objectives of relationships, the characteristic of market and seems to be more resource intensive that not all firms enable and desire to commit. Although it is hard to be implemented, it does not mean impossible to be developed as long as they can address and understand its prerequisites.

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