

The Business Governance Integration Model of Fruit Farmers and Fruit Sellers

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Keywords : Business governance, integration, business performance.

Abstract : Business governance of local fruit farmers and fruit sellers have not been well-integrated in Jambi Province. It can be led the asymmetry of information between them, and it can be led to inefficient marketing and price distortion. The purpose of this study to analyze the influence of business governance and Integration to the business performance. The research used a mix method which is the first step researcher using the qualitative method and the second step researcher using the quantitative method. Respondents of this study are 240 respondents including fruit farmers and fruit sellers in Jambi Province, who were taken by using quota sampling. The result of this study indicated that business governance variables have significant effect on integration variables. Furthermore, integration variables have significant effect on business performance variables. On the other side, business governance has no significant effect on business performance, both on fruit farmers and fruit sellers in Jambi Province.

1 INTRODUCTION

Indonesia has been known as a country which has a wealth of fruits, particularly tropical fruit. Indonesia fruits production has been increased every year (BPS, 2013). However, the level of consumption of Indonesia fruit community is far from the standard recommended by the Food Agricultural Organization (FAO) of 65.75 kilograms per capita per year (Ditjen horticulture, 2012). Increasing production of local fruits are not able to meet the fruit consumption of community in Indonesia, so it is causing an increase in fruit import in this country. As a result, the fruit import more dominated in the Indonesian market (Agro Media, 2009). Furthermore, an effort to increase competition for local fruits against the imported fruit by marketing the local fruit itself. The presence of less adequate price information between farmers and retailers would lead to the existence of asymmetry information. According to Anindita (2004) this asymmetry information is a cause of the market failure, because the information between the two sides is not complete.

Integrated market indicates an efficient marketing system (Fadhla, 2008), where a positive correlation will occur from time to time between

prices in different market locations (Heytens, 1986). So transmission and information among the various markets lead prices to move simultaneously in different markets. On the other hand, an integrated Market is part of the implementation of efficient business governance. Instead, the markets are not integrated both spatial as well as intertemporal can indicate that efficiency occurs resulting in the existence of a marketing game prices and the onset of price distortions in the market (Barrett, 2005). This is in line with the opinion of Anindita (2004) that the weak market structure is a consequence of the weak integration of markets, the flow of information, and the difficulty of trading in the interbank markets.

Around regency or city of Jambi province also has a local fruit, including commodities duku, durian, mangosteen, rambutan, jackfruit, pineapple, jackfruit, banana, and others that are processed into the craft, but it is used as the pre-eminent creative craft products is still limited. For example, the pineapple became one of the leading commodity in Muaro Jambi Regency. Pineapple-producing area in Muaro Jambi Regency this is Tangkit. On the other hand, a very rich pineapple in Muaro Jambi Regency made the fruit market could not afford them. It resulted in a lot of pineapple fruit rotten and wasted. Therefore, the craftsmen local fruit pineapple

processing into food products such as dodol and chips.

Previous research on the business governance on the object of research of fruit growers and traders of fruit among them, on the research of Nurhuda (2017) concluded that the main problem facing farmers in the village of Malang Ngadas was not the relative amount of supply, the limited access to information, unclearly financial flow, lack of product transformation activities into other processed products, as well as the weak coordination between the existing institutions, involved in the supply chain fruit in Ngadas ranging from farmers, local penebas, wholesalers to the retailers level. Next on research of Andreastika (2017) it can be concluded that the fruits of the businessman in the city of Malang to improve business competitiveness of fruit needed basic actions such as improving the ability of business management and encouragement from the Government in order to can give you an advantage in the business of local fruits. Research of Sudiarmaka (2016) concluded that the loss of the fruit traders in Klungkung Regency due to lack of skills to market the business relationships in the lack of plus to develop its business, as well as managing the business in terms of administration of business transactions. Furthermore, Enjolras research (2018) of traditional fruit growers in France, it can be concluded that the farmers are having problems managing their business. French Fruit growers have difficulty in integrating the management of production and marketing

Jambi province also has a local fruit, including commodities duku, durian, mangosteen, rambutan, jackfruit, pineapple, jackfruit, bananas and so on. The local fruit market in Jambi province also has an asymmetry of information between the local fruit growers and traders, local fruit, so that led to inefficient marketing and price distortions. This is shown with a selling price of local fruit purchased from local fruit traders consumers much more expensive compared to the selling price of the fruit offered local fruit farmers to local fruit traders.

Remembering the potential fruit resources in Indonesia is wealth. Based on the phenomenon and research gap research then this study becomes interesting and important research.

2 LITERATURE REVIEW

2.1 Business Governance

Business governance generally according to the Organisation for Economic Co-operation and Development (OECD) is a set of integrated relationship management of business entities. Tshipa (2017) expressed business corporate governance as a process of adaptation of a business to be able to articulate requests in action, the courage to take risks, learn from mistakes, and are able to make changes. Llewellyn (2014) stated that the governance of business as in showing the adaptability in the face of the challenges of business is considered important particularly in the face of changes in the external environment. Klein (2012) also suggests that good business entities are those who can afford to responsive and responsible.

2.2 Integration

Ozdan, Mondragon, and Harindranath (2016) stated that integration is the degree to which a business strategically collaborates with its business supply partners, and collaboratively manages inside and outside organisational processes, in order to achieve effective and efficient flows of products and services, information, money and decisions, to provide maximum value to the business customer. From the study of Ozdan *et al.* (2016) can be concluded that integration is synchronized processes. Another point of view from Ibeh dan Makhmadshoev (2016) concluded that integration is resources exchange, synergy, dan value/knowledge.

2.3 Business Performance

Business performance is the business entity against the understanding of the processes that are needed to achieve strategic goals and then measure the effectiveness of those processes to achieve desired results. The core of the process of business performance includes financial and operational planning, consolidation and reporting, business modeling, analysis, and monitoring of key performance indicators related to the strategy. Business performance is a series of processes that help business entities in the business to optimize performance guarantee the achievement of business objectives (Enjolras, 2018). Cruz, Jover, Gras (2018) study have been identified business performance indicators are sales growth and profit growth. Further, Another study by Li, Shao, Zhang (2017)

has been founded that business performance indicator is business income and growth asset.

3 METHODS

The method of this study is the mixing method which the first step researcher using the qualitative method and the second step researcher using the quantitative method. The qualitative method of this study consists of four steps, such as, finding the cases and the potential objects of this study, using phenomenology approach on theoretical studies, collecting and analyzing data with an in-depth interview, observation, and documentation, hypothesis finding. The data analysis used data reduction and conclusion, domain verification, and reflection. The quantitative methods determined quantitative samples of the population from the research object. This study examines 240 samples of local fruit farmer and seller which are located in Jambi Province. This sample of this study using quota sampling. The data have been collected by using a questionnaire. The questionnaire was done by using a *Likert scale* with the range of assessment 1-5. The second step managed primary and secondary data. Furthermore, the third step does descriptive analysis and inferential.

4 RESULTS

The result of this study consisted of 240 respondents. All of the respondents are fruit farmer and fruit seller in Jambi Province that selected by quota sampling. Furthermore, characteristics of these samples are the age of fruit farmers and fruit sellers, ownership type of business, the age of business, number of employees, involved business on the business association, accepted business assistance of capital, workshop, and marketing. The details of these characteristics and the percentage of this study will be shown in table 1 below.

Table 1: Characteristics and Percentage of Fruit Farmer Samples.

| Characteristics | Fruit Farmer Percentage (%) | Fruit Seller Percentage (%) |
|---------------------|-----------------------------|-----------------------------|
| Age: | | |
| a. <31 years old | 0% | 20% |
| b. 31-40 years old | 30% | 50% |
| c. 41-50 years old | 50% | 30% |
| d. >50 years old | 20% | 0% |
| Ownership type: | | |
| a. Self-ownership | 100% | 65% |
| b. Cooperating | 0% | 20% |
| c. Family ownership | 0% | 15% |
| Age of business: | | |
| a. >10 years | 70% | 10% |
| b. 5-10 years | 20% | 50% |
| c. 2-5 years | 10% | 30% |
| d. < 2 years | 0% | 10% |
| Number of Employee: | | |
| a. >4 persons | 10% | 10% |
| b. 3 persons | 20% | 20% |
| c. 2 persons | 40% | 30% |
| d. a person | 30% | 40% |

(Reference: Data by author)

The result of qualitative phase findings variable and indicators on the table below, such as:

Table 2: Variables and Indicators of Study.

| Variables | Indicators |
|---------------------------------------|--------------------------------------------------------------------------------------------------|
| Business Governance (X ₁) | (1) Transparency (2) Accountability (3) Responsibility (4) Independence (5) Fairness |
| Integration (X ₂) | (1) Resources exchange (2) Synchronized processes (3) Synergy (4) Value or knowledge |
| Business Performance (Y) | (1) Growth sales (2) Growth profit (3) Growth asset |

(Reference: Data by author)

On the next phase of the quantitative using *component-based structural modeling*, as the result of this research calculate model can be seen as follows:

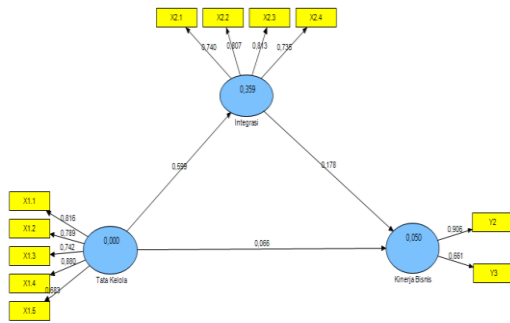


Figure 1: The result of Calculating Research Model (Reference: PLS output)

Figure 1 below, showed that researcher propose model which business governance has the effect to integration and business performance, and also integration has the effect to business performance. Model of Figure 1 is a result of dropping out an indicator from a variable, which has value under point 0,6. The dropping out indicator is growth sales (Y) from a business performance variable.

Table 3: AVE dan Communalitiy

| Variable | AVE | COMMUNALITY |
|----------------------|----------|-------------|
| Integration | 0,600276 | 0,600276 |
| Business Performance | 0,628309 | 0,628309 |
| Business Governance | 0,615873 | 0,615873 |

(Reference: PLS Output)

Table 3 shows the value of AVE and communalitiy above point 0.5 for all variables. It means that all variables have the value of the discriminant validity. Reliability in research as well as the consistency of the research instrument is as follows:

Table 4: Reliability Coefficient Cronbach Alpha and Composite Reliability

| Variable | Cronbach's Alpha | Composite Reliability |
|----------------------|------------------|-----------------------|
| Integration | 0,777984 | 0,857015 |
| Business Performance | 0,437501 | 0,767439 |
| Business Governance | 0,841589 | 0,888373 |

(Reference: PLS Output)

Table 4 indicated that the average value of Cronbach's alpha and composite reliability for all variables of this study above point 0.70, or it could

be said that all reliability instruments (questionnaire) on this research revealed the "reliability" and tested the establishment, so that it can be used in further research.

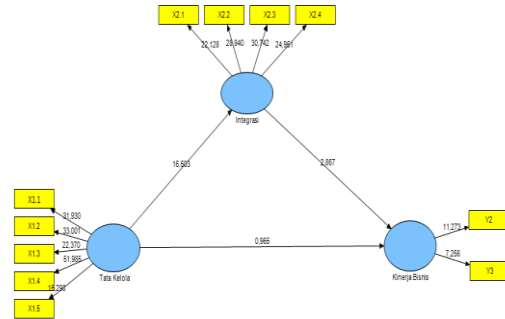


Figure 2: Bootstrapping Result to Research Model

(Reference: PLS Output)

Figure 2 shows that the highest indicator values on the variable of integration are X2.3 (synergy), and the smallest is X2.4 (value/knowledge). As for the variable, the value of the highest governance indicator is X1.4 (independence), and the value of the indicator is the lowest X1.5 (fairness). On the business performance of the variable, the value of the highest indicators is Y2 (Growth profit), while the lowest indicator value is Y3 (Growth asset). The following table shows the influence between the variables in this study:

The influence of significance variable can be seen from the statistic t value on the upper point of 1.96. Table 5 shows the influence of integration variable to business performance shows the number on point 0.18 and significant, and business governance to integration shows the number on point 0.60 and significant, While the influence of the business governance to business performance are not significant.

Table 5: Path Coefficients (Mean, STDEV, t-Values)

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | Standard Error (STERR) | T Statistics (O/STERR) |
|---------------------------------------------|---------------------|-----------------|----------------------------|------------------------|--------------------------|
| Integration -> Business Performance | 0,178346 | 0,184556 | 0,062198 | 0,062198 | 2,867395 |
| Business Governance -> Integration | 0,598845 | 0,602613 | 0,036288 | 0,036288 | 16,502674 |
| Business Governance -> Business Performance | 0,065808 | 0,066831 | 0,068228 | 0,068228 | 0,964531 |

(Reference: PLS Output)

5 DISCUSSION

The result of this study indicated that business governance variables have significant effect on integration variables. Furthermore, integration variables have significant effect on business performance variables. On the other side, business governance has no significant effect on business performance, both on fruit farmers and fruit sellers in Jambi Province. It means that integration between fruit farmer and fruit seller will rise up the business performance of them. Integration variable which is reflected by synergy indicator, means those actors of the business should have clear business relation to each other. This study is in line with Barret (2005) study about integration of business will increase the business performance. This study also clarifies Ibeh and Makhmadshoev (2016) study about integrating will rise the business performance in growth profit and growth asset. Then, this study also clarified that growth asset has been used to be indicator from business performance, and this study is in line with Li, Shao, Zhang (2017) research.

Well-integrated business governance between fruit farmers and fruit sellers occur when fruit farmers get information about fruit price on the market and fruit craftsman to get information about the frequency of fruit farmers production, seasonal production of fruit farmers, and accurate time information about the production. The good process that integrates and collaborate across two functions of fruit farmers and seller in a business entity referred to as an enterprise to improve productivity, improve data accessibility, robust growth, and maximize the financial value of each other. Well-integrated business governance between fruit farmers and seller will give impact to business

competition because a well-integrated system has become vital for every business to succeed in today competitive.

Based on the result of this study, fruit farmer and fruit seller are expected to improve their technical ability in order for gaining rapidly information about market and price. Fruit farmer and fruit seller should be able for sharing about market and business information to each other. The government should also make good business relationship with local business or farmer association, cooperation, and fruit farmer and seller. The government is expected to make regulation in order for supporting business integration between fruit farmer and seller. Finally, recommendation is made to any further researcher who wants to make study in the field of business integration, particularly in local fruit farmer and seller, the further researcher should be able to make a study in different market and place in Indonesia.

6 CONCLUSION

At the end of this research concluded that business governance variables have significant effect on integration variables. Furthermore, integration variables have significant effect on business performance variables. Business governance has no significant effect on business performance, both on fruit farmers and fruit sellers in Jambi Province.

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