

**A CASE STUDY OF STRATEGIC PARTNERSHIP
PT. ERANDRA SURYA MANUNGGAL
WITH SMALL POTENTIAL CMT**

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ABSTRACT

PT. Erandra Surya Manunggal (PT. ESM) manufactures children's clothing, ranging from 0-1 year old infants to children aged 2-14 years. Clothing market in Indonesia is strongly influenced by holidays and festivals, to accommodate the demand of the market PT. ESM selected several small potential CMTs for cooperative agreement to provide the necessary machines in the production process. PT.ESM made a strategic partnership with small potential CMTs to secure the supply of the products.

In this case study, indepth interviews will be conducted in order to have the insight and achieve the comprehensiveness of the problem and the issue related with the case. Interveiwes were mostly conducted with Mr. Indra as the CEO of PT. ESM to explore the business process, issues, included how the CEO took the decisions, the risks involved in partnership with the CMTs.

This case study is also attempt to discuss the strategy, formulation, determination of the CMTs and the evaluation of partnership with CMTs. It also provides insight on the production process and how the interconnection and how the partnership between PT ESM and CMTs. There are some forms of research design. The field research, library research and based on knowledge and imagination of the author describe the condition and environment.

Keywords: Strategic Partnership, Risks, Executive Decisions.

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INTRODUCTION

Background

The development of clothing industries in Indonesia started in early 2000 after the economic crisis in 1997 – 1999. PT. Erandra Surya Manunggal took this opportunity to begin production of children's clothing, ranging from 0-1 year old infants to children aged 2-14 years. Start from consignment sales at department stores to wholesale and retail sales, from big cities to small towns throughout Indonesia.

PT. ESM has the division of design and production controls that allows PT. ESM to work directly with a garment factory (FOB – Free On Board) and CMT (cut, make, trim) in the garment sub-contract base.

Problems

Indonesia textile and clothing consumption per capita was increasing since 2005 and from Indonesia Textile Association prediction it will be continue increase to 4.5 kg consumption per capita per year. Clothing market in Indonesia is strongly influenced by holidays and festivals, especially during the month of Ramadhan, 30 days before Idul Fitri in which the increase in clothing sales will go up very significantly as compared with other months, especially children's clothes. 3 months before Idul Fitri is the highest demand of the market.

Mr. Indra as President Director of PT.ESM is very aware of this, many problems associated with the delivery of finished products. Mainly because CMT is unable to meet the quantity agreed upon at earlier agreement with PT.ESM, this is caused by; many machine operators moved to CMT or another company, the machine is too old and many technical problems occurs during long hour operation. In addition CMT often also take others company's order where this may lead to more delay to PT. ESM production.

The reason why CMT was also receiving orders from other companies, because the price offered are much higher. In this case, the production line that was originally assigned to PT.ESM transferred to do the production of another company. This happened for many years.

Before 2006, PT.ESM sales made directly through department store outlets. This channel made the volume of sales PT.ESM unstable and heavily influenced by factors of holiday and vacation seasons because many department stores tend to make promotions based on discount products, all the display and type of products depend on the department stores policy. They controlled the gross margin amount and procedures, 15% to 39% will be taken from the price as a commission for department stores.

At that time PT.ESM only had two local brands namely Colours-In and Little Colours-In. Colours-In focus in the segment of children 2 to 12 years and Little Colours-in was more concentrated in baby age of 0 to 24 months.

Starting in 2006 PT.ESM made a breakthrough by taking the partnership licensing with RM the principal license for the Snoopy products in Indonesia. PT.ESM took license for Baby Snoopy, 0-36 month baby clothes and began to open outlet or showroom in the mall, the first showroom of PT.ESM at Royal Plaza Surabaya. Receiving good response and increasing sales volume, Mr. Indra expanded the opening of showrooms to three other malls in 2006.

The first four showrooms located in Royal Plaza Surabaya, Ambarukmo Plaza Yogyakarta, Panakukang Mall Makassar and Mega Mall Pontianak because many textile and clothing company concentrate in Jakarta, Central and West Java region as can be seen in this table than shown the distribution of textile and clothing companies by region in 2005. In pursuant PT.ESM's target to have more stable sales volume, a strategy must be made immediately to secure the supply of finished goods; CMT should choose vendors on these criteria the readiness and commitment. For this, Mr.Indra approached personally the owner of CMT.

According to CMT'S owner, for selection criteria such as the performance, accuracy, product quality and adherence, there are some candidates who potentially will associate a contract with PT.ESM. At that time there were five CMT who PT.ESM agreed to make cooperation agreement, which includes willingness to dedicate line only to products PT.ESM and PT.ESM should full fill the production line with a minimum of 80% capacity per year.

If there are violations, the penalty will be charged to the following conditions: CMT will be charged a penalty for delay with a discount of 3% of the cost of each week and multiplier of forces. For PT.ESM, the CMT will charge for a minimum of 80% of the cost of each line of production that hired exclusively by PT.ESM.

Initially, this system worked well until three months before the holidays, four out of five CMT started not to fulfill the contract agreement. Due to increasing market demand at that time so many other companies that are willing to pay far more expensive for the cost of CMT. The four CMT decided preferably in a penalty of 3% per week in accordance with contract agreements with PT.ESM.

Since this problem, a lot of product articles were late and missed to be in the market at the holiday season. As compensation, PT.ESM off course got a lot of discounts from the CMT. However, that was very disturbing and PT.ESM loose the potential profits that suppose can be obtained on the season before the holiday. If CMT delayed the shipping to PT.ESM's warehouse, then shipping by air should be a better alternative and all costs borne by PT.ESM.

Mr. Indra thinks hard to solve this, because the four CMT eventually fail to meet the requirements of the contract. On the other hand PT.ESM has highly dependency on CMT to be able to meet the target of the sales volume. After making some approaches with the owners of the small CMTs, Mr. Indra decided to undertake stronger cooperation and would like to formalize it into a formal partnership with the CMTs.

Mr. Indra selected several small potential CMTs for cooperative agreement to provide the necessary machines in the production process. PT.ESM would buy the machines from the vendor and gave them to CMT s. All machines purchased through PT.ESM and should be used entirely only for PT.ESM production. PT.ESM should meet at least 80% of production capacity. CMT will make installment payments by deducting the cost of their bill amount to PT.ESM as agreed on the basis of mutual benefit for both parties.

The reason why PT.ESM willing to invest on machinery and implemented them to the CMT partner was that PT.ESM lacked of

human resources, technical knowledge and enough capital investment to build PT.ESM own garment factory. The preparation was not suitable for the company to invest such a large amount of money at that time. The increase of PT.ESM sales, PT.ESM had planned to have its own factory in four to five years in the future.

The Benefit of Case Study

In this case study, indepth interviews will be conducted in order to have the insight and achieve the comprehensiveness of the problem and the issue related with the case. Interveiwes were mostly conducted with Mr. Indra as the CEO of PT. ESM to explore the business process, issues, included how the CEO took the decisions.

This case study is to understand the business process in garment industry and explore the strategies taken by PT.ESM in securing the production and supply. Also understanding the strategic partnership between PT. ESM and CMT

There are many factors need to be considered, such as purchases of raw materials, material support, such as yarn, accessories, screen printing, embroidery, washing, and others. Arrear of debt, the inventory to cash flow and the most decisive factor is the cost of production and the ability to set prices that compete in the market

The Purpose of Case Study

The purpose of this case study is to analyze how the decision-making process in terms of production, the determination criteria for selected CMT and the type of collaboration and partnership between PT ESM and CMTs.

The CMT performance evaluation is one of the evaluation factors including the technical and non technical matters, such as the nature and the attitude of the management of the CMT owners, the level of trust, ability and willingness to adjust production to meet the demand of the marketing accordance with orders given by the PT. ESM.

The Scope of Case Study

PT. ESM started this partnership strategy around the year 2006 and continues today. CMTs are part of the production which is responsible for PT. ESM products and CMTs play major role of the PT ESM's

value chain and value delivery. This case study is also attempt to discuss the strategy, formulation, determination of the CMTs and the evaluation of partnership with CMTs.

This case study also provide insight on the production process, the business process and the partnership between PT ESM and CMT during the full one cycle of production which started from the Idul Fitri until the month of fasting before Idul Fitri next year.

THEORITICAL FOUNDATION

Strategic Alliances

Partnership PT.Erandra Surya Manunggal with small potential CMT must pass through several assessment procedures, ranging from the ability of CMT, character, loyalty and readiness, but the most important first step is the establishment of the cooperation objective.

“A strategic alliance links specific facets of the businesses of two or more firms. At its core, this link is a trading partnership that enhances the effectiveness of the competitive strategies of the participating firms by providing for the mutually beneficial trade of technologies, skills, or products based upon them.” (Yoshino and Rangan, 1995, pg. 4)

In addition, the two authors stated that two or more firms that unite to achieve the goals agreed to remain independent after the formation of the Alliance partners to share the benefits of the alliance and control over the performance of a given task, perhaps the most distinctive characteristics of the alliance and one that makes them so difficult to manage (Yoshino and Rangan, 1995)

Strategic alliances are formed when firms partially combine their skills and resources to achieve goals that cannot obtain independently. It have a contractual base but do not necessarily require joint ventures. (Wahyuni, 2003)

Partnership companies contribute continuously to one or more key strategic areas, for example, technology, products, etc. and the Alliance is a powerful weapon in the competition, both companies

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have been using the extensive capabilities, but the problem lies in the complexity of the task can be unified management and coordination between them.

Alliance is a unique management challenges, calling for the development of new skills by managers. In addition, they were asked a variety of innovation-related organizations. This is the next problem to be faced.

The Key Task in Alliance Management

There are several key tasks in organizing such a great partnership, widespread understanding of an alliance, coordination between the managers and it must flow through all levels of an organization. Protecting and augmenting core competencies, two important aspects of alliance management, necessary to protect the company's core competencies and opportunities to enhance core competencies through effective use of existing alliances. Change the managerial mind set and expending additional resources. Anticipate and coordinate among function through a network of alliances. (Yoshino and Rangan, 1995).

This alliance required a manager who can do all the work. There are five important tasks to be done, establish the right tone and the right atmosphere in the partnership environment, monitor partner contributions such as performance, products or services, recognize the importance of information flows via standard operation procedures, establish strategic viability and recognize the importance of internal relationships (Yoshino and Rangan, 1995)

Stages of Strategic Alliance

The first step is the strategy includes a feasibility study of alliances, goals, focus on key issues and challenges and develop strategies for the production of resources, technology and people. It has to align strategic objectives with overall business strategy (Rigsbee, 2000).

Second is analyze the strengths and weaknesses of potential partners, creating management strategies that accommodate all interests, to prepare criteria for selection of appropriate partners, to understand the motivation to join the alliance partners and handle the differences in the capacity of the resources that may exist.

Third is negotiating a contract that all parties have realistic objectives, forming a negotiating team, determining the contribution of each partner and to respect and protect the rights and obligations, termination requirements and penalties for poor performance

Fourth is operation alliance in cooperation, involves the commitment of management, determine the resources for cooperation that can match budget priorities with resources, can measure and assess the performance of the alliance.

Fifth is Termination Alliance, condition when the goal has been met or not met, or when a partner adjusts priorities or re-allocate resources. (Mowery, Oxley, and Silverman, 1996).

There are many advantages of strategic alliances. The companies will gain many benefits from the cooperation if it can improve the ability of the other partner and will reinforce each other for a long time. Complex relationships must be well negotiated at the first time, ranging from the purpose of the agreement, profit sharing, termination, cooperation and sharing of costs and other business issues. If it can be overcome with a good initial cooperation, strategic alliances will be stronger and more durable (Grant, 2008)

The Mindshift Approach

The Mindshift Approach is used to look at the whole organizations, divisions, or groups. They can be considered from the point of view of its own life cycle and how its personality, culture, and priorities change during the journey. (Segil, 1996)

According to Segil, every alliance will go through several steps of life cycle that different life cycle will demand different kinds of activities and every different life cycle stages of the alliance demonstrate different cultural characteristics for that relationship. Even, the kinds of managerial personalities thrive in various life cycle of the alliance. For example, some managers love the excitement of starting an alliance but get bored with the conflict resolution and repetitiveness of managing a mature one. (Segil, 2004)

The final approach is the all important project personality that examines the priority level of the alliance to all the stakeholders and

how these priorities may change through the life cycle stages of the alliance from the startup to decline.

The Alliance Life-Cycle Stages

There are six stages in alliance life cycle (Segil, 2004) from the alliance startup, hockey stick growth, professional stage, mature and sustaining stage. In addition there is declining stage if the alliance cannot survive and go to the sustaining stage.

The alliance startup stage includes the conception and strategic development. Plan the development team, internal signoff and creation of operation plan from launch and start up.

The hockey stick phase is the second stage of the alliance life cycle. It named because the graph representing it looks like a hockey stick on the page. Aggressive and confident stage is where the alliance seems to be so successful; it involves the beginnings of growth and the achievement of success related milestones.

The professional stage is the most effective stage in alliance. The alliance team and senior management also realize the value in metrics, process and leadership.

Senior management may start evaluating the viability or legitimacy of the alliance in the mature stage. Its growth and the initial excitement may well have faded. Sometimes the alliance is not growing as expected, less value and less attention but lots more paper, process and often bureaucratic waste of time. (Segil, 2004)

The declining stage, the declining characteristics could pull the alliance into the termination which could happen before it was planned. The alliance should revitalized and go to the sustaining phase. "Sustaining means turnaround" (Segil, 2004 pg.19). The sustaining phase is a transitional stage of life of the alliance as it moves back into one of the earlier stages.

SWOT Analysis

According to Kotler (Kotler, 2003) SWOT analysis is the simplest analysis that provides a basis for corporate strategy, these are obtained from the analysis of strengths and weaknesses of the company, and

the others are the possibilities or the opportunities and the threats that may occur in the company.

SWOT analysis is an important step in the planning process and is often underestimated because it is so simple. We can dig with a SWOT analysis of environmental information about the company and divide into internal and external problems. SWOT helps to determine the information needed and can be used to achieve the corporate goals or provide the information to overcome the barriers or minimized the threat to achieve desired results.

SWOT analysis will give clearer view to the external and internal factors. Opportunities and threats are external factors the company can be used as a chance to improve the company's ability to compete in its environment. The external environment will be associated with customer, competitor, supplier, partners and government regulation.

The analysis must be done continuously to evaluate the capabilities and potential weaknesses of the company. All the factors to consider in the area of the organization that will be discussed start from structure organization, key staff, experience of every personnel, operational efficiency and capacity, financial power, exclusive contract, market share, patent and intellectual asset are the internal factors.

METHODOLOGY

Research Design

This case study is a qualitative research. All the step of methodology used is the first history of the company and the growth rate within a specified period which will be evaluated and analyzed based on existing data. The second will identify the strengths and weaknesses of the company. Third step is collecting the external data such as the print media, internet, journals and reports from the company. Eventually all the results will be analyzed, both from the corporate strategy and recommendations based on theory and evidence gathered to support this case study.

Case Research Methodology

In case study the methodology is to combine field research and desk research. Information will be collected from all print and electronic media, field studies and interviews conducted with the official personnel of PT. Erandra Surya Manunggal. This interview will be very important because this case study will be seen from the viewpoint of the company.

Conclusions and recommendations will be made based on the theory, the results of interviews and documents for the development better corporate strategy in the future.

Case Study

PT. Erandra Surya Manunggal case study is the object of the case study where the researcher gathered information from within the company. PT. Erandra Surya Manunggal is a garment kids clothing company that develops children apparels in the local Indonesian market which has been running for 12 years.

The body of the case will focus on the strategic partnership between PT. Erandra Surya Manunggal and small potential CMT and at the end based on the finding and analysis, this research will provide strategic recommendation.

Case Scenario

Case study is a framework in which the cases occur in reality. It is the moment created by the writers, actors of cases, certain events that are involved in this case, and the angle of analysis for the preparation of cases. The period will be between years 2006 - 2010 when PT. Erandra Surya Manunggal started cooperation with the small potential CMTs until the end of 2010 when PT.ESM decided to construct a garment factory in Bitung.

This case study took a view from the main actor from PT. Erandra Surya Manunggal. The actor is the owner and founder of the PT. Erandra Surya Manunggal, Mr. Indra Tjong. This case will focus on the events that have occurred in the past and will be written in a time sequence.

The first step in the design of this case study is through a theoretical study of issues relating to this case. These materials are data collected through the books, journals, published reports from media and articles related to the garment industry in Indonesia, as well as data related to the sale of kids clothing and apparels.

The interviews conducted attempt to explore the strategies, capability, and policies of the company. The results will be combined and analyzed based on literature study and data that had been collected to support systematically the development of the case study. The theoretical foundations are included strategic alliances, five forces, financial analysis and SWOT analysis.

Research Variables

There are some variables that will be used in this case study as the major issues which are in the domain of Business Management studies. This case study will focus on the strategic partnership between objects of the case study. In addition to that, this research will provide industry analysis; strengths, weaknesses, opportunities and threats faced the companies, company's core competencies and the financial analysis to support the case study analysis. The first variable is to explore how PT. Erandra Surya Manunggal determines the manager and the key task to control and evaluate the partnership.

The second variable will be on the sensing the external and internal environment such as how PT. Erandra Surya Manunggal choose the right supplier as the CMT partner and internal production team capabilities to control and evaluate the partnership. The analysis will be limited on external internal factors analyze the strength and weaknesses through SWOT analysis.

The third variable will focus on the strategy taken by PT. Erandra Surya Manunggal to meet the new challenges in the seasonal kids garment industry in Indonesia and seizing the opportunities in Porter Five forces.

And finally the fourth variable will calculate the cost and the investment that PT. Erandra Surya Manunggal made for CMT's partner in term value of money to analyze the feasibility of the investment.

Source of data

The primary data of this study is resulted from face to face interviews with the President Director of PT. Erandra Surya Manunggal Mr. Indra Tjong at PT. Erandra Surya Manunggal head office in Graha Mas, Kebon Jeruk. Additional interviews will be with the General Manager Sales and Marketing. Mr. Johari Tasmairi and Ms. Novianti Gunawan as the Accounting and Finance Manager. In addition to interviews, this case study also uses objective data from company such as; CMT reports, showrooms reports and other reports.

Secondary data from this study is taken from Internet sites and print media such as journals, articles, newspapers, magazines. The captured data is sales trends in the Indonesian garment, CMT's machinery and equipment prices, garment retail industry development in Indonesia.

Analysis Method

The methods of data analysis in this case study using the qualitative analysis where data and information about PT. Erandra Surya Manunggal had been collected, processed and analyzed with a theoretical base that is relevant to the research.

This case study examines the partnership strategies between PT. Erandra Surya Manunggal with CMTs through Strategic Alliances, Mindshift Approach and Alliances Life-Cycle Stages. The other supporting analysis will include SWOT, and financial and investment analysis.

CASE DESCRIPTION

Case Story

Company Profile

PT. Surya Erandra Manunggal (PT ESM) was founded in 1999, initiated the idea of Mr. Indra T to start a business in the garment industry, especially children's clothes. Colours-In is the first brand created by PT.ESM. Colours-In concentrate in the range of boys clothes from 2 to 14 years. Garment industry in Indonesia began developing in 1999 after a difficult period during the economic crisis that hit Indonesia and Asian countries in 1997-1998. The lowest point

of the Indonesian economy in 1998 occurred when a riot in which all economic and social sectors to become paralyzed.

Mr. Indra saw this as an opportunity for the garment industry. The primary industry produces clothes as the basic needs of each person. With his experience in retail industry Mr. Indra established PT. Surya Erandra Manunggal in 1999

Mr. Indra was the youngest of nine children born in Palembang, since childhood he was educated in Singapore and on to secondary school in Jakarta. At first Mr. Indra learned from the family business started by his parents. He began managing the department store in Palembang, Sumatra. In 1998 a great fire occurred in Sumatra department store and in that year Mr. Indra decided to start a new business in Jakarta.

With the Colours-In brand, PT. ESM became a supplier to several department stores in Jakarta, Jakarta and Palembang. Starting from Matahari department store in Jakarta, Rimo, JM Group in Palembang. PT. ESM started with 5 employees in an office at Kebon Jeruk area West of Jakarta. Colours-In was quickly known and liked by the market because the designs and styles always follow the latest design developments from around the world.

Early PT.ESM Mr.Indra started collaboration with three CMT (Cut Make Trim) which has a capacity of 30 to 60 sewing machines, PT.ESM produced ranging from 5 up to 10 kinds of articles with 25 to 50 dozen for each article. Design and production are directly held by Mr.Indra, from models, shapes, styles, materials. Mr.Indra directly determined the CMTs. All of accessories, design, packaging and printing to a hang tag models were all designed by Mr. Indra.

Mr.indra assisted by five staff that more focused on administration and delivery of goods. Negotiations with department stores, the selection of the counter location were also handled directly by Mr. Indra. PT. ESM developed rapidly in early 2000, boys clothes into a trend that is quite interesting during the early millennium because not many local manufacturers that make boys clothes, while the price of clothing imports surged due to the low value of the rupiah at the time.

In 2002 PT. ESM created a distinctive brand for baby clothes with the name of Little Colours-In. Segment at ages 0 to 3 years to make the collection more complete. Little Colours-In began with baby boys and girls wear, and The Colours-In which was originally only for boys clothes began to add his collection with a variety of clothing for girls ages 2 to 14 years

PT.ESM has grown from five employees up to 30 people since 2005. A year later Mr. Indra started to develop distribution channels outside of department stores. Along with increased production capacity and capabilities of PT.ESM's staff then Mr. Indra decided to start a retail distribution channel with its own showroom.

The first PT.ESM's showroom was at the Royal Plaza Surabaya. It began with consideration of the location and level of competition that has not been as high as in Jakarta. After getting good response from the market, PT. ESM opened a second showroom in Duta Mall Banjarmasin, Panakukang Mall Makassar. In late 2006 a new showroom in Bekasi, Metropolitan Mall was operated.

In the same year, 2006, in cooperation with Peanuts, it is a syndicated daily and Sunday American comic strip written and illustrated by Charles M. Schulz. PT.ESM created and distributed brand Baby Snoopy, which created a good response from the Indonesian market. With an attractive design, comfortable material and the funny and innovative characters, Snoopy Baby immediately jumped into one of the attractions of PT.ESM's showroom. Colours-In, Little Colours-In and Snoopy Baby collections complement each other in every showroom and PT.ESM.

In the following year PT.ESM established a partnership with Warner Bros to develop Baby Looney Tunes brand. At that time the Baby Looney Tunes character sales were very good and very attractive for the brand image of the counters and showrooms. In 2009 PT.ESM launched a company new brand "Curly" for girls clothing from ages 2 to 16 years. Meanwhile brand Colours-In refocus on boy clothes aged 2 to 14 years.

Since 2010 PT.ESM already had over 35 showrooms throughout Indonesia from Medan to Makassar and at 2011 PT.ESM already has

more than 50 showrooms and over 400 counters of department stores from Aceh to Ambon and one garment factory with a capacity of 10 production lines. PT.ESM has more than 1200 employees in 2011.

PT.ESM's Organizational Structure

PT.ESM has 3 boards of directors, Mr. Indra as the President Director who assisted by two directors with 8 different departments. Starting from the design of R & D department, Production, Inventory, HR, Marketing, IT, Purchasing to Accounting and Finance departments, each headed by a chief of the general manager, manager to lead the department.

Departments those responsible for production are the design department, production department and purchasing department. Those three departments are the most important in the production process. The goods will be distributed by sales and marketing department collaboration with the inventory department.

Design Department

All of the production process begins in this department. Start from the determination of the model, the style and the variety of products to be launched to the selection of colors and accessories to be used. From buttons, straps, bags, zippers, and collars model. How to sew, the embroidery and pattern of the printing designs, the type of screen printing technique, water based or pigment printing, inline embroidery or a simple application. All of them must be very precise in design.

Mr. Indra held a very important role in this Division, he reviews and each design made. Mr. Indra also frequently travels abroad with team of designers, particularly Singapore, Hong Kong, Thailand and the U.S. to get the best ideas that can be applied to baby and children clothes design. Models for materials and accessories frequently used applications from abroad. PT.ESM are maintaining the quality of all products, using only the finest quality materials, ranging from cotton combed to precision accessories.

Purchasing Department

Purchasing department has function range from finding the materials and the accessories for designer team. In this case they are highly dependent on the network suppliers that have existed since 1999 until

now, mainly because the producers of good quality material are not much. PT.ESM purchasing team must be good at negotiation and active in finding the most appropriate materials for each article to be produced.

Each article is a very unique and exclusive, materials and accessories use pattern for special order and with a high level of quality. Because there are several types of materials used, the two most common types of materials used are knitting and woven materials. Knitting consists of several types, Lacoste, compact, stretch type. Woven depends on the construction method, 20S, 30S and 40S of the most widely used.

Production Department

Production department is function who processes the ideas of designers and the materials purchased by the purchasing department. In the production department, there are several parts. Start from the pattern, CAD design, sample makers, Quality Control to Follow Up. Every part of them has the unique duties and functions and supports each other.

The basic pattern made by a pattern maker. Then after receive worksheet or detail from the designers who have dealt with the follow-up, then the pattern maker will soon make the master sample, ranging from the size of the packet with a size tolerance of each article. This size depends on the model and materials used. More subtle and flexible materials that used, the tolerance will be even greater because they have to calculate the depreciation of the washing process and the adaptation of the sewing process.

Quality control (QC) holds a very important role in the production process in PT.ESM. QC must determine the tolerance limits of use of the article, if any article beyond the limits of tolerance of the designers, pattern makers and CAD design should revise the article to the tolerance limit the use of materials.

The use of this material is very important to note because of high production costs and selling price will make the products will be difficult to compete in the marketplace. Starting from the sample review, mini markers, printing and embroidery were the responsibility

of the QC. All processes must obtain the approval of QC before they can proceed to the next process.

Follow-up is part of the link between PT.ESM with CMT. Starting from the first time this article was created by the designer. Create a basic pattern with the pattern maker. Pattern the pattern from manual to digitize with computer. The process of making samples in the manufacturer's QC samples for each approval process. Follow up should be done to monitor the progress of each process.

In PT.ESM every brand has one person responsible for follow-up. So each follow-up should follow the entire process from pre production, production to post production of finished goods received by stock.

Follow Up performs calculations for all uses of materials, accessories, printing, embroidery and washing each article. They make a report to be given to accounting for processing as part of the cost of production articles. They also must actively prepare everything needed for the production of additional sample material, especially such as collars, cuffs and twirl tape.

Sales and marketing department will provide the estimated number of articles needed in a given period for the designer and the report will receive a follow-up to proceed to production in the form of reports and many articles in each collection. Production of this status report will be the reference of the production department in preparing for distributed finished goods directly to all the PT.ESM's showrooms and counters

Review follow up on CMT is very important, how to cooperate, techniques and attitudes of each CMT is always evaluated directly by Mr. Indra. He also often asks for the opinion of the QC in the determination of CMT. There are several criteria must be met by each CMT work together. Quality is the most important requirement, but still there are some other important criteria such as accuracy of the delivery process, engineering and production, administrative neatness and competitive price.

Sales and Marketing Department

Sales and Marketing Department consists of one general manager, two managers, one manager assistant, 5 sales supervisor, trainer 9 people, 2 persons of administration, sales coordinator 13 which is outside of Jakarta and more than 800 sales promotion girls for showroom and counter throughout Indonesia.

Currently, PT.ESM has 49 showrooms in 32 malls throughout Indonesia, from Aceh to Manado. With 416 counters located in department stores such as the Matahari, the Yogya, JM, Center Point and Metro.

Supporting Department

Inventory, HR, IT, Accounting and Finance Department are the supports department. Inventories are responsible for all circulation of goods, materials, accessories of stock footage in every showroom and counter. Warehouse at the headquarters became the center of the distribution of finished goods; all goods must go through the registration and inspection of QC in this warehouse.

IT is very involved in the operational PT.ESM. All data has been with the computerized system ranging from Point of Sales, Account Receivable, debt, Purchasing, Sales Order, inventory management, fixed asset management to the General Ledger. In the next two years PT.ESM real time operation will apply to all showroom outlets in Indonesia.

Financial accounting is the last gate of all business processes in PT.ESM. Financial accounting is under the direct supervision by the financial director. Periodically, Finance and Accounting at PT.ESM audited by accounting firms.

Business Process

The business process covers from design to collection. It starts with the purchase for the materials and accessories. Follow by the production department for completeness ranging from the basic pattern, markers, grading, sampling, quality control and determination of co-operation with the CMT. Continue monitoring both in pre-production, production of finished goods in the production process.

In Production Process, worksheet design is the starting point of all process. Master Pattern becomes the basic of all articles to be made. The look and style from every article depends on its pattern.

CMT will make the entire process of production, after going through strict QC process in accordance with product standards PT.ESM then all products will be accepted by PT.ESM finished goods warehouse.

Starting from the cutting process, CMT must be cut accurately from either the pattern or amount produced. Numbering is very important to help the next process, because each part must have an exact part that fit both the size and pattern of the material. Bundling process is to minimize human error in delivery to the next process.

Printing and embroidery done outside the CMT, almost all articles have printing and embroidery, so that both of these processes are essential for children's clothing. With printing and embroidery would be the extra selling points in the marketplace.

CMT is the main process of the sewing process, all the articles that have been resolved through the process of cutting, numbering and bundling and printing and embroidery will be examined in detail by the QC and PPIC from CMT, all parts must come together in a neat queue process before entering into the sewing process.

Pants and shirt articles with a woven type fabric will go through the washing process after the sewing. Buttoning, ironing and packing in the finishing process. CMT's production and QC team will put his team to complete the final QC process to ensure the whole process has been carried out in accordance with the standards PT.ESM.

Case Analysis

SWOT Analysis

SWOT analysis is a tool that the best and easiest way to determine the strengths, weaknesses and opportunities and threats that exist from the company. According to Kotler (Kotler, 2003) SWOT analysis is an important step to create a plan of short-term or long term.

Before deciding to cooperate with CMT special, PT.ESM performs analysis of internal and external situation. SWOT analysis helps to

determine what factors should be of concern and how to anticipate and what actions to take.

The strengths that can be identified are as follow:

1. Established Brands. PT.ESM established since 1999, more than 12 years experience in the field of child garment. It has been known by many department stores and customers all over Indonesia. Brand PT.ESM has 3 local and 2 international brands, all brands encompass all segments of the age of children's clothing, from baby clothes to boys and girls ranged baby to 16 years age.
2. The CEO. Mr. Indra is the owner PT.ESM has experienced more than 25 years experience in retail. He has special expertise in the field of modeling and fashion, with extensive experience and network of Mr. Indra began to master the business of garment design, production and distribution, marketing and sales.
3. Company production capacity. There are many suppliers of fabric materials, accessories vendors and CMT who want to work with PT.ESM. PT.ESM had greater volume of purchase to meet the existing showrooms and counters throughout Indonesia which has always increased from year to year.
4. Company's structure. PT.ESM has complete departments as a garment company. All departments have duties, responsibilities. Each department has targets that has been determined and always monitored by management on a regular basis at monthly meetings.

The weaknesses that can be identified are as follow:

1. Dependency over the international importer. Garment business in Indonesia is strongly influenced by the price of raw materials. Most of the garment raw materials came from overseas so the prices fluctuate depending on exchange rates of foreign currencies against the rupiah
2. Limited Line Production Machinery. PT. ESM had not has its own garment factory. Improved sales and increased the number of showrooms and counters PT.ESM requires the availability of more finished goods. Especially showrooms require a continuous supply of goods and on time delivery.
3. Dependency over CMT partners. CMT partner should always be evaluated continuously, because often when the garment market in Indonesia reached its peak on the Idul Fitri holiday, CMT became needed by all garment firms in Indonesia. They will fight to get

the production lines at CMT. Price competition, terms of payment, even payment in advance were very common at 3-4 months before Idul Fitri.

4. Fluctuation and seasonal market demand. Many garment companies are also producing for the local market just before the Idul Fitri. Although at first they were only for export production, but because the market is very large when Idul Fitri season, then they will suddenly increase production for sale in Indonesia market.

The opportunities that can be identified are as follow:

1. Big market to serve. The garment market share in Indonesia is very large. With a population of more than 250 million people, Indonesia became one of the largest garment markets in the world. Number of young people ranging from infants and children, the opportunity PT.ESM that produced baby and children clothes is open very wide.
2. Design and creative capability. Newest Muslim fashions, the finest materials and sizes available are the keys to success on the Idul Fitri season. The price is number two consideration for the customers; the most important was they get the best items to welcome the Idul Fitri.

The threats that can be identified are as follow:

1. Limited capacity to cover huge market area. Indonesia region spreading from Aceh to Papua cause distribution strategy plays an important role in the delivery of goods. PT.ESM's Inventory department should be efficient in managing the delivery to keep the costs as low as possible but still able to meet delivery targets.
2. Cheap imported product. There are so many garment products mainly imported from China, Pakistan and India is sold in the Indonesian market. Cheap price is the main factor of their products.
3. Labor issues. There are some aspects that should consider a worker garment industry is labor-intensive industries. Currently, trade unions have sufficient strength so that it can stand the pressure parallel to the Employers and the government. The company's success depends on how the management of Garment Company is able to manage the workers.

4. Tax and regulation. Government bureaucracies that often change and there is no clear standard such as; taxes, import procedures and hidden cost to the government officials.

Strategic Alliance

In 2006, PT.ESM began to develop distribution channels through a showroom in the mall. Royal Plaza Surabaya, Plaza Ambarukmo Jogjakarta, Panakukang Mall Makassar and Mega Mall Pontianak is the first four showroom of PT.ESM.

Gradually add the showroom and counters PT.ESM throughout Indonesia, from 4 in 2006 to 49 showrooms in 2011. Department stores' counters such as Matahari, JM, Center Point, Chandra, Yogya and Metro Department store in reached 416 units. With the increasing of distribution channels then PT.ESM necessary to secure the production line by working directly with CMT for closer and mutually beneficial.

Higher production targets are also strong reasons to immediately cooperate with potential CMT. With a target on the stock versus sales ratio of 65% - 70% for the year 2012 it took more than 5.2 million pieces to fulfill all the outlets throughout Indonesia.

Production preparation takes about 3 to 4 months. Designers began to create spreadsheets, CAD grading and marker making, production samples for QC about 1-2 months. When the materials are received, processed markers for cutting, sent to the screen printing and embroidery, sewing processes, washing and finishing take about 2 months to the finished goods.

Every year there are always three times the peak sales period, the first peak is the school holidays in June and July, the second peak and the largest is the holiday of Idul Fitri and the third is the end of the year.

In 2006 the Idul Fitri holiday on October 24, 2006. All preparations for the sale of production ahead of the party to be prepared since last April to May 2006. 3-4 months to process an additional month for the production and delivery process. 2 weeks before the holiday is the highest point of sale so that all articles should have readily available the previous month at the counter and showroom.

Feasibility Study of Strategic Alliance

The decision to cooperate with CMT caused from losses that occurs when production is hampered and delays the delivery of finished goods to the counter and showroom PT.ESM.

Potential losses due to such delays would greatly affect the company's cash flow. All materials have been paid for 1-2 months after the material is received, whereas the production process to delivery takes 4-5 months. If the productions were delayed or postponed PT.ESM would miss important moments in the sales of each peak sales in each year.

Delay of model and newest fashion trends of each article to the market will directly affect the level of PT.ESM's sales. Intense competition in the world garment is very dependent on the readiness of all the latest models and styles of each collection.

The option to work with CMT has been planned since the beginning of PT.ESM established, because the larger garment companies, the greater the need for CMT to produce finished goods. PT.ESM founded in 1999, Mr. Indra has had a vision far into the future starting from the increase in distribution points, cooperation with international brands and cooperation with CMT.

PT.ESM has worked with many CMTs, but at peak production two to five months before the Idul Fitri, a lot of CMT started looking for opportunities to get more profits also from the other seasonal garment company. To overcome this problem, PT.ESM was trying to make a contract of cooperation with the CMTs, in details of targets and commitments also penalties if there were any violations, but still have difficulty finding the right partner committed CMT.

In 2006, PT.ESM already has several showrooms; Mr. Indra took the decision to learn more cooperation with CMT. PT. ESM must cooperate with CMT who are not only able to follow the standard of PT.ESM quality and production capacity but also has a serious commitment to work together as PT.ESM's partners.

During 2004 to 2006, PT.ESM has made a contract with CMT in more detail and personal approach to each owner of the CMT.

Commitment to meet the capacity of CMT with a minimum order of 80% by PT.ESM and CMT will be charged a penalty for delay with a discount of 3% of the cost of each week and multiplier of forces.

All such cooperation remains difficult, as many other seasonal garment companies willing to pay more in four to five months before the Idul Fitri. There were a lot of seasonal garment companies in the Idul Fitri season market and they all desperately need CMTs to produce their goods. In this case PT. ESM is facing competition with other seasonal garment company in getting the service from CMT. The fact that CMT are also taking order from other seasonal garment company behind the back of PT. ESM has created lack of trust in the partnership.

To overcome this situation, PT.ESM applied for closer cooperation with CMT, not only the cooperation in line production but also contract but in machinery investment. In Machinery Investment Contract partnership, PT.ESM will do the financing for machinery that will be used for sewing production lines in CMT.

In the contract, PT.ESM will determine brand and type of machines to be used in every line of sewing. All machines are complied with PT.ESM's standard quality. CMT operators will be trained by the machine vendor.

The prices for the line sewing machines are around \$ 350 to \$ 800 per unit. Each line of sewing machines requires 30 to 50 machines depending on the process, product type, and number of operators. With the average price of \$ 500 for 40 machine operators, the PT.ESM's total investment for the sewing line is about \$ 20,000. One line that process T-Shirt woven can produce 500 pieces per day and within one month produce 11,000 pieces of shirts. The average cost for a T-shirt woven around 12,000 rupiahs, then the total revenue from one T-Shirt line woven around 132 million rupiahs per month.

PT.ESM will apply a discount of 10% of each CMT's invoice each month to pay off the machine financing. The investment for T-Shirt woven sewing line at a discount of 10% from 132 million rupiahs is 13.2 million rupiahs. With the dollar exchange rate 1US\$ equal to 9,000 rupiahs an investment of 180 million rupiah per line will

complete within 14 months. The number of discount can vary between 8 - 15 % each invoice, depending on negotiations with the CMT.

In 2006 PT.ESM cooperation with CMT, the investment was two lines of sewing process with a value of 350 million rupiahs. Within three months before Idul Fitri, CMT was able to produce 66.000 pieces on schedule. PT.ESM no needed to pay an extra charge for delivery by air. PT.ESM could save up to 40 million dollars, and to ensure smooth delivery and product arrived in the showroom and counter at the right time.

Sale value of 66,000 pieces T-Shirt woven articles are about 9.9 billion rupiahs with an average selling price of 150,000 rupiahs per piece. PT.ESM will pick more small potential CMTs to be invited to cooperate in machinery investment.

In next five years PT.ESM will be preparing to open a garment factory run by itself, in 2006 PT.ESM still have much to learn directly from more experienced CMT in the field of garment production. Human resource management is the most important key of any successful garment factory.

Analyze the Strengths and Weaknesses of Potential Partners

PT.ESM decided to cooperate with small CMT potentially with multiple capability criteria. CMT has to be trusted and follow the agreement.

CMT can technically meet all quality standards PT.ESM. The most important is the individual owner of CMT is a person who both has the personality and spirit to always move forward. Location and physical condition can still be considered, good and conducive environment for production activities is one of critical factor of consideration.

PT.ESM chose small potential CMT to cooperate with. CMT that already has more than eight production lines will be easier to perform self-financing cooperation with banks or other investors because they already have a guarantee for the investment. Small potential CMT with one to four lines was a top priority of PT.ESM to work with.

CMT, who has worked together for more than two years, has a good record of production, quality and commitment will be the best candidate for investment cooperation.

Strategic Alliances: Term and Condition

1. Negotiation.

Mr. Indra person will negotiate with the owner of CMT that has been determined. PT.ESM will do the financing for a machine that is in the process of sewing. Each CMT should be able to invest in the process of cutting and finishing machines. The process of sewing is the core process of a CMT.

PT.ESM should full fill the production line with a minimum of 80% capacity per year. If there are violations, the penalty will be charged to the following conditions: CMT will be charged a penalty for delay with a discount of 3% of the cost of each week and multiplier of forces. For PT.ESM, the CMT will charge for a minimum of 80% of the cost of each line of production that hired exclusively by PT.ESM.

Payment will be processed one month from date of receipt and it will be calculated with the financing agreement has been agreed by both parties. If there are any violations then both parties should settle the problems directly and close the calculation of machine investment by paying in full all the installments to PT.ESM or PT.ESM immediately pull all the machines that has been invested to CMT according to the calculations that have been agreed.

2. Partnership in Line production and Operation

PT.ESM production manager will act as a liaison officer between PT.ESM and CMT. The CMT Partner's production team and PPIC will be always assisted by PT.ESM's Follow Up team. The team always reports the status production development CMT Partners to PT.ESM's Production Manager every day.

Quality, quantity, production techniques are controlled by the CMT partner's internal QC. Production manager will always review the price process of each article. All calculations are based on previous negotiation.

The prices are subjected to market price of material and government regulation such as the tax and area minimum wages. The minimum quantity depends on the complexion of the article the more difficult article means higher the minimum amount that must be ordered.

3. Termination Alliance

As time passes PT.ESM cooperation with CMT is always evaluated. There CMT grow well and cooperate with PT.ESM, but when the quality of CMT and its performance decreases PT.ESM must stop its cooperation with the CMT. Financing that has been done can be renegotiated. It can be repaid immediately or in installments payment periodically. PT.ESM could also decide to immediately pull back the machines from the CMT.

There is a growing and increasingly independent CMT, so the CMT decided to stand alone as an independent CMT. All loans were already repaid by the installments so PT.ESM and the CMT can work together as vendor and sub contractor in usual way.

4. Partnership in Machinery Investment

PT.ESM's machine investment helped CMT to develop their business. Increasing the production of sewing lines, so the production output can be increased and fixed costs will decrease compared with the results of CMT.

CMT must provide machines for processes other than sewing machines, such as cutting and finishing. With the increasing sewing line production, CMT's production planning will be more flexible to manage the production flow. Various type of machine helps the supervisor to improve the variations and sewing techniques for the products.

Mind Shift Approach

Cooperation between partners with CMT PT.ESM will cause change for the better on both sides. In PT.ESM personality will pay more attention and more tolerance with CMT Partners, but still PT.ESM professionals must strictly control in accordance with the standards.

Cultural change in PT.ESM make better cooperation with partners CMT will then focus more on the production team to maximize the

quantity and quality of finished goods without any doubt about the commitment of Partners CMT. Despite priority for all PT.ESM's sub contractors that would be an advantage to set maximum order for CMT partners.

CMT Partners in personality is more developed because it can learn a lot from direct experience with PT.ESM production team, from engineering to model and style of each article can be coordinated intensively at any time. CMT Partners culture will follow PT.ESM, more quickly and accurately, efficiently and effectively in the production process. CMT Partners has only one priority is to provide the best service to PT.ESM as a partner.

Life Cycle of Alliance

The Startup Stage

In the early stages PT.ESM and CMT Partners will exchange information about the capabilities and expectations of each company in detail. The concept of mutual trust and mutually beneficial cooperation will strengthen.

All resources will be collected and discussed thoroughly so that the beginning of this collaboration will soon produce. The ability of each production line cutting, sewing and finishing details will be discussed.

The Hockey Stick Stage

After all communications and resources had been established, at this stage of cooperation that PT.ESM and the CMT is getting better. This is where the process of exchange of techniques and technologies will further accelerate and make all of the better production process. PT.ESM and CMT Partners will evaluate all production lines.

Optimization of capacity and technology will be discussed; both in the new machinery investment and operator addition will be negotiated in detail. The cooperation target will be greater and all parties will make the best effort to make it happened. The goal of the production process will be determined and made it as reference to standard quantity target.

The Professional Stage

Senior management will begin to discuss the value of the process, teamwork and leadership at this stage. Comprehensive evaluation will be done, PT.ESM production manager can delegate tasks to the deputy or to follow up team to continue to keep in touch with CMT.

Allocation of resources can be made for budget savings and innovative ideas are very necessary to continue to enhance the value of cooperation. At this stage of cooperation between PT.ESM and CMT have found common ground, almost all the process will run smoothly and thus more able to concentrate CMT Partners PT.ESM better with others.

The Mature Stage

Along with the increasing of different perception, conflicts and differences both in terms of production or finance. There was no common goal to be updated on an ongoing basis.

At this stage there is no progress either in terms of quantity and quality of production. If not promptly evaluated and taken immediate action to make improvements and development, when all the financing is completed then the partnership will end soon. PT.ESM at this stage usually does not want to continue to work together in some reasons so there is no a contract extension or additions to the machine.

The Declining Stage

This process was slow; many conflicts began to occur that cannot be negotiated. CMT Partners began to open to receive orders from other people and treat PT.ESM as ordinary customers.

This is a critical period of the life cycle of a partnership; this period was the determination to continue cooperation or termination of cooperation that has been done. Six months before the final installment, PT.ESM will evaluate internally on the CMT's performance. Mr. Indra will conduct an evaluation meeting with the production team to gather information about the CMT.

In terms of quality, technical improvements for CMT and personal issues will be discussed. Mr. Indra believes working with CMT who

has a commitment as important as his personal owner's business commitment. All issues will be clarified with CMT directly.

PT.ESM will continue to offer the extended investment to selected CMT. With the addition of more machines or more sophisticated technologies to support the production process in CMT.

The Sustaining Stage

Maintaining the stage is where all parties agree to do the development and improvement of the quality and quantity significantly. At this time the CMT Partners will propose new financing for development is greater.

PT.ESM will immediately evaluate the cooperation that existed during this feasibility study will be conducted in greater detail and depth. Negotiations will soon be discussed. After all of the new cooperation agreement with the next stage is to return to the startup phase of the Lifecycle of the Alliance.

SUMMARY AND RECOMMENDATION

Summary

Understanding and Analysis of the Partnership

In this case we could learn how the business process of a garment company that specializes in baby and children clothes in Indonesia. Design and production processes are complex and gradual, inventory is vital and marketing and sales need to be aggressive. It all depends to the back office to support all these processes run smoothly and interdependence.

The decision on the strategic partnership with CMT has to be in-lined with the total organizational objective and strategy. The partnership with CMT therefore developed under the careful review of the CEO so that it integrated with all the organization's function, with more emphasize on the achievement of production objective. The partnership with CMT has significant impact to value delivered to end market by delivering the quality product, in-time delivery and quantity meets the market demand.

The most important in the strategic partnership is the relationship developed between the parties involved and the contract. agreement In the contract agreement, the partnership's terms and conditions should be clear and detailed enough and should covers all the area of collaboration, to ensure both sides fulfill the cooperation.

The agreement covered Penalties are given not only to CMT but PT.ESM is also had obligation to fulfill in the agreement. All progress (potential/incurred problem) in terms of capacity, quality, and technology are reviewed by both party in the agreed period of time line of evaluation.

Machinery Investments by PT.ESM for CMT Partners will be mutually beneficial for both parties, in term that PT.ESM will secure supply of production and CMT can increase its garment production capacity. Cooperation can be continued with the same term and condition or there will be modification in the partnership agreement.

Percentage of target versus actual production increased more than 90%; the products were well prepared and ready in the showrooms and counters during peak seasons. Also the cost of shipping by air was reduced significantly.

The Partnership

The partnership which is developed overcome the problem of interruption or delays the process of production and distribution of goods. The decision to partnership with potential CMT should be preceded by several stages, included:

1. SWOT analysis that helps to sort out between the internal and external factors that the strengths and weaknesses, opportunities and threats for PT.ESM
2. Mind shift is the change of paradigm and perspective to PT.ESM CMT Partners. The focus of improving performance, quality and capacity as investment cooperation PT.ESM have a clearer engagement and authorized partners with CMT.
3. Stages of a strategic alliance in which the steps those must be considered before embarking on cooperation. Feasibility study to measure the ability and the type of cooperation that will be done, Strengths and Weaknesses analysis of potential partners, the negotiation process after determine the CMT, operations and

communications alliance to oversee the cooperation in detail, and alliance termination of a situation where PT.ESM should be ready to anticipate when the termination of cooperation with CMT happened.

4. The life cycle of an alliance is a process that must be passed from each partnership. After all agreement were settle then the decision will be taken, cooperation can be continued as a partner where PT.ESM will invest the new machines or end up with vendor and customer relations as usual.

Lesson Learned

Benefit on Machinery Investment Partnership

Since the problem occurred when CMT cannot secure its machinery (line production) to serve and prioritize the order from PT ESM, it was an excellence decision when Mr.Indra decided to invest the machinery in small potential CMT. That's because the machinery invested is owned or then shared owned by both parties, it can secured the order production of PT ESM to CMT, and thus PT.ESM able to guarantee the availability of the finished product that ready for sale in the counters and showrooms. It could save much money in transport cost because air freight is more expensive than regular delivery.

Production time was shorter because of the availability of dedicated production lines at CMT partners. It also helped the cash flow of PT.ESM especially payment to fabric and accessories vendor. With a special line in the CMT could reduce up to one month in the production process and faster product delivery to the market.

Accuracy of delivery, best quality and sufficient quantity is the key of the competitiveness garment industry in Indonesia where it strongly influenced by the holiday season. A growing number of distribution points at the counters and showrooms has make PT.ESM as the reputable baby and children garment company in Indonesia.

The fixed cost per line of the CMT will be reduced when the production line is increased. The CMT with 4 line of productions usually distribute its fixed cost around 20% to 25% per line. If it becomes 8 lines the fixed cost will be reduced to 10% to 12% per line. The productivity, capacity and profit will be increased.

Network and Corporate Culture

Good relationship with CMT and vendors, material suppliers, machinery suppliers, and other suppliers supported PT.ESM to start cooperation with CMT. The machine will be funded and supplied by a vendor who has been working together with the PT.ESM. All PT.ESM's vendors in printing, embroidery and washing will also support PT.ESM cooperation with CMT.

Corporate culture and good corporate image in the world garment Indonesia is very important in building cooperation. Good name of a company that is always guarded, and the owner's leadership and characteristic to determine the role and purpose of the cooperation partners was very important. This also supported by the staff in the company together to achieve the vision and mission of the company.

The vision is to become the number one children clothes producer in Indonesia with the mission to create the employment for potential people, working effectively and efficiently, improve the productivity and human resources to create innovative and best quality products.

Strategic Recommendations

Own Garment Factory

PT.ESM continues to expand by adding points of sale from Aceh to Papua, developed additional counters in department stores and showrooms in malls throughout Indonesia requires the readiness of products to be distributed through all outlets and stores. PT.ESM confident of its business growth with its strengths covers good designer team, complete production team, inventory, sales and marketing that ready to distribute and sale the products to the market and solid back office departments.

Having the unit plant it is becoming an urgent challenge for PT.ESM. The five years partnership and working closely with CMT, PT.ESM has learned about machinery investment. Transfer knowledge from CMT was adequate to launch its own independent unit of garment factory.

A good relationship and reputation in the garment industry, PT.ESM could directly select and recruit people who are competent and professional in Garment Factory. Of course, this new future plant may

incur investment cost that need careful review on financial feasibility and the potential leverage as return expected from this investment on new plant expansion. All should be well thought out and planned as soon as possible.

ISO Certified

High competition and demand to always be the best, ISO could be a parameters and the necessary tools to monitor all running systems. ISO certification is a good tool to always develop in accordance with the vision and mission of the company.

Certification to ISO standards the company has led the operation with a good and structured procedures. The company has a goal that continues to increase from time to time. Correction and quality improvement would be the main agenda in the company.

Supporting System: Integrated System

Integrated software applications that has to be implemented, should range from sales of inventory, sales in the showroom and counter, the stock in each outlet and warehouse should always be updated. Integrated System could provide information accurately and quickly. Information for decision-making analysis was a very important in determining the strategy taken by the company, from sales strategy, production, inventory and finance.

The online system is very critical in the retail business; gradually PT.ESM must create an integrated network system. The entire showrooms could connect with the server at the data center, the consistency of data and information become so important. Data update rate counter is also a priority of the IT Department of PT.ESM.

Status of production that can be integrated into the application software also helps in the decision-making production team. Rapid and accurate reports are needed. The integrated factory system would be very helpful in the operation and reduce miscommunication that may occur.

The company is growing rapidly where it requires precise evaluation, analysis, in decision making. Decision making for Executive Information Systems can be applied in a Multi Company Policy.

Integrated systems are to be divided between the distribution and sales, production and factory.

The decision makers can see the target of each business unit. Splitting up the cost per department can be done quickly and easily, gains and losses can be viewed independently so that each Manager and General Manager can maximize the potential and measure the achievement of each business unit. Increasing competition in the business world requires a discipline in managing budgets and accuracy in managing strategy to always be able to compete and be the best.

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