CAN ALLIANCE WITH THE POORS BUILD SUSTAINABLE COMPETITIVE ADVANTAGE IN AGRICULTURAL BASED INDUSTRY?

Ina Agustini Murwani[1]
BINUS Business School

ABSTRACT

The sustainability of business that involves the participation of the poor into the strategy is always intriguing in the perspective of the process and feasibility.This paper try to analyze a firm that embeds corporate social responsibility strategy as part of their business rather the reputation as a benchmark to create argumentationthat support the proposition that alliance with the poors can build sustainable competitive advantage. The theory of Industrial Organization, Resource Based View, Network and Stakeholder theory is used as the tool to draw the conclusion.

Keywords: strategic alliance, sustainability, competitive advantage, agricultural based.

INTRODUCTION

In September 2000, during UN Millennium General Assembly, nearly 150 heads of state pledged to 'do the outmost to free the fellow men, women and children from abject and dehumanizing conditions of extreme poverty'. The Millennium Development Goals, as the result of this assembly, has included the goal to reduce poverty by half in 2015. In 2006, an initiative called Growing Inclusive Markets Initiative was launched embodied UNDP's strong conviction that the private sector is a great untapped resource for investment and innovation to achieve the Millennium Development Goals. Inclusive

[1] BINUS Business School, Bina Nusantara University (imurwani@binus.edu)

business models include the poor on the demand side as clients and customers, and on the supply side as employees, producers and business owners at various points in the value chain. They build bridges between business and the poor for mutual benefit. The benefits from inclusive business models go beyond immediate profits and higher incomes. For business, they include driving innovations, building markets and strengthening supply chains. And for the poor, they include higher productivity, sustainable earnings and greater empowerment. (United Nations Development Programmes, 2008).

The market inclusion model seemed to be accepted by the private sectors. The achievement of MDGs has been recognized successful after 15 years of implementation. Hunger has been cut in half. Extreme poverty is down nearly by half. Those countries involved in MDGs have decided to set up new goals, the Sustainable Development Goals (SDGs), aims to end poverty and hunger by 2030.The future is one where everybody has enough food, and can work, and where living less than $1.25 a day is a thing of the past. Included in SDGs is the continuation of the concept of inclusive market for the poor. The inclusivity in agriculture not only is included in the goal number 8 of promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, but also has contribution in achieving goal no 2 of ending hunger, achieving food security and improved nutrition and promote sustainable agriculture.

Including the poor in the value chain of private sectors as suppliers should be categorized as strategic alliance. Strategic Alliances exists whenever two or more independent organization cooperate in the development, manufacture or sale of products and services. Strategic alliances can be grouped into three broad categories: non-equity alliance, equity alliance and joint venture. In non-equity alliance, cooperating firms agree to work together to develop, manufacture, or sell products or services, but they do not take equity positions in each other or form an independent organizational unit to manage their cooperative efforts. Rather, these cooperative relations are managed through the use of various forms of contracts. Among of it is supply agreements by which one firm agrees to supply others (Barney, 2007).In some points, including the poor in the value chain should be categorized as the alliance with the poor.

Many exploratory researches have been done to identify the business model of this kind of alliances and the benefit to both the poor and the business, such as the strategic innovation of the base of pyramids, a business-model breakthrough to introduce products for the poor (Anderson and Markides, 2007), creating new market and societal wealth (Thompson et al, 2010), Grameen social business model (Yunus et al, 2010), tri sector partnership to improve the cocoa farmers income (Gaarder et al, 1990), the collaboration between MNC and NGO (Dahan et al, 2010) and the Sustainable Family Business Theory to explain about the socially responsible process of small family businesses (Fitzgerald et al, 2010).

Wheeler et al (2005) who has developed the Sustainable Local Enterprise Networks model has shown a networks involved for-profit businesses, local communities, not-for-profit organizations and other actors, working in a self-organized way to create value in economic, social, human and ecological terms. This model has provided an opportunity for businesses, communities, individuals, governments, development agencies and NGOs to acknowledge a shared asset base and construct virtuous cycles of asset growth and sustainable outcomes that fall into the broad categories (1) profit and reliable returns on investment, (2) local economic development and trade, (3) enhance quality of life, including human development and ecological enhancement and (4) individual and community economic self-reliance.

Wheeler et al (2005) claims that SLEN Model is consistent with management theories that consider the intrinsic value of tangible assets such as social capital, human capital, and ecological capital. It is thus consistent with the rest resource-based view of strategic management, which asserts that competitiveness often resides as much with “soft assets” and intangible resources that are rare, valuable and difficult for others to imitate as with “hard assets” such as financial resources, equipment and technology.

Although many studies above supported the alliances between poor and private, there is still literature seeks to enhance understanding of how working with the poor (or Bottom of Pyramid) can generate mutual value for both parties (London, Anupindi and Sheth, 2010). This study seeks to understand from the perspective of private or corporation point of view. How this alliance with the poor can be a sustainable competitive advantage and what is the source of the sustainable competitive advantage.

THEORETICAL FOUNDATION

The Stakeholders Theory and Sustainability

The emergence of Stakeholders Theory has led into the implementation of the Corporate Social Responsibility strategy. Previous research has shown that there are correlation between Corporate Social Responsibility with the financial performance of the firms (Ruf, Muraidhar, Brown, Janney and Paul, 2001) and the prediction that stakeholder management can lead to shareholder wealth creation (Hillman and Kein, 2001). Although with the limitation of the relative relevance of the result because the social issues are dynamics and depends also on the choice of the stakeholder, those researches show that there is correlation between corporate social performance and financial performance.

Integrating business and society has become increasingly important, because corporations need a healthy society to grow and society needs corporations to create jobs, wealth and innovation that improve standard of living and social conditions. Porter and Kramer (2006) mentioned there are two strategic approaches of corporate involvement in Society which are responsive and strategic CSR. Responsive CSR comprises two elements; acting as a good corporate citizen, attuned to the evolving social concerns of stakeholders and mitigating existing or anticipated adverse effects from business activities. While strategic CSR is beyond good corporate citizenship and mitigating harmful value chain to mount a small number of initiatives whose social and business benefits are large and distinctive. Strategic CSR also unlocks shared value by investing in social aspects of context that strengthen company competitiveness. When the company can pioneering value chain innovations and addressing social constraints to competitiveness, they can create uniqueness. When a company adds a social dimension to its value proposition by making social impact integral to the overall strategy, it creates a sustainable competitive advantage over others (Porter and Kramer, 2006).

Porter and Kramer (2011) mention that creating shared value (CSV) is integral to a company's profitability and competitive position. While CSR programs focus mostly on reputation and have only a limited connection to the business, CSVleverages the unique resources and expertise of the company to create economic value by creating social value. Including the poor in the company's value chainis one of the example of CSV which is relevant with the current multi-stakeholders partnerships.

Agribusiness and Agroindustriliazation.

Although the contribution of agriculture to GDP and employment inevitably decreases as the economy grows, the current belief seems to point towards the increasing importance of agriculture. Agriculture has critical effects on industrialization and economic growth, crucial for raising export earnings, generating employment, and attaining food security. It helps the country to raise the standard living standard of farmers to create a domestic market for industrial products and to improve the terms of trade. Agriculture also has important roles in accumulating and self-sustaining growth. Indonesia has been successfully shifting from the large-scale importation of rice to self-sufficiency in this crop. However, majority of farmers remain poor and rural areas are receiving less attention in development programs. Around 1980s, Indonesia started to modify its paradigm of agricultural development from increase productivity at faster rate to increasing the income and the welfare of farmers. The new paradigm harnesses the labor force available in rural areas and establishes production systems which optimally utilize the available resources in a particular region. It builds agriculture's linkages with other related sub-systems including infrastructure, processing, marketing and distribution. The development of efficient rural-based agribusiness, with appropriate capital intensity and locally-specific technology is a strategy that conforms to this new paradigm. Agribusiness, which integrates farming and business activities consists of the main sub-systems, namely (1) input delivery (2) farming (3) post harvest and processing (agro-industry) and (4) marketing and distribution. (Fatah, 2007).

The necessity of agro-industrialization is almost indisputable. Yet a plethora of questions remains as to how to get the right kind of agro-industrialization, the sort that stimulates employment, reduces poverty and real food prices, stimulates real wages, improves food safety, quality and consumer choice, and protects the natural environment. Too often the process of agro-industrialization leads to industrial concentration, exclusionary practices that crowd out undercapitalized indigenous firms and small farmers, substitution of imported equipment and managers for domestic workers and entrepreneurs, enrichment of local urban elites at the expense of the rural poor and depletion or degradation of the host country's natural resources. So the key questions surround the conditions under which agro-industrialization is most likely to yield broad based, environmentally sustainable growth that creates wealth and improves human well being (Reardon and Barrett, 2000).

PROBLEM ANALYSIS

This paper has objective to show that one of the way to build sustainable competitive advantage can be through serving the community. Including poor as the strategic alliances may not be easy. Rohatynsky (2011) reveals that the existing dominant MNE business model is proven ineffective at the lowest level of the Bottom of Pyramid. Sinkovics, Sinkovics and Yamin (2014) conclude that there are different perspective about social value creation between developed and developing countries BoP. Addressing disadvantaged actors without an appropriate understanding of their needs and problems is similar with delivering social innovation without actually delivering the social value. To increase the participation from more private sectors, successful case studies should be analyzed to seek the understanding about the process that will help firms build their competitive advantage through alliance with the poor.

METHODOLOGY

The methodology of this research is qualitative research with the type of case study. The data collected from the Annual Report, public documents and informant who understand the internal issue of the company.

The analysis will be based on a firm that is involved in the agricultural based industry. The definition of agricultural based industry is used compared to agro industry or agro-food industry to give a specific emphasis that the firm depends on agriculture products in the form of commodity to ensure the sustainability of the company's brand or product.

THE FRAMEWORK DESIGNOF ANALYSIS

Industrial Organization

The framework that will be a base for analyzing the building competitive advantage will refer to the work of Smit et al (2001) that relates the resources, the environment or the industry structure and firm actions.Action is the vehicle by which firms change resources configuration and industry positioning.How certain configurations of resources affect action and delay reaction (how different resources might be valueable),or how certain industry structural conditions, such as barriers to entry, affect the actions/reactions of firms (the level of rivalry). Moreover,the model explains how action impacts future (or changes in) resource configurations and future (or changes in) industry structures.

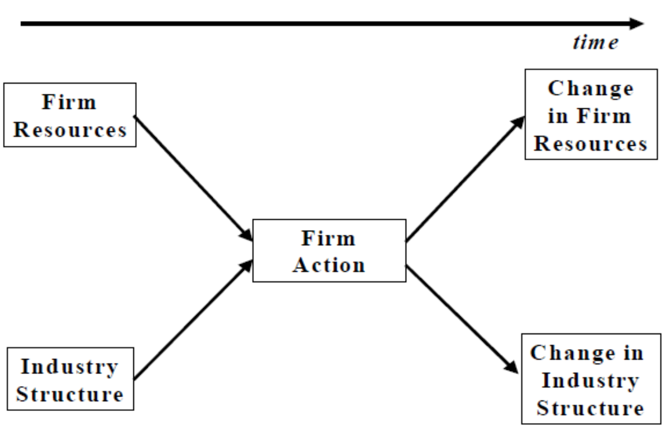

Figure 1. The Relationship between resources, industry structures and actions over time (Smith et al, 2001)

VRIO Framework in Value Chain Analysis

The firm performance is directly occur as a result of the collection of resources firms acquire. Resources is meant anything which could be thought as a strength or the weaknesses of a given firm. More formally, resources can be tangible and intangible assets that are tied semi permanently to the firm (Wernerfelt, 1984). Not all resources can create competitive advantage. For empirical indicators of the potential of firm resources to generate sustained competitive advantage are resources that are value, rareness, imitability and substitutability/organization which is known as VRIO. (Barney, 2007).

One of the way to identify resources and capabilities that have the potential for creating competitive advantage for a firm is to engage in value-chain analysis. Most of goods or services are produced through a series of vertical business activities – acquiring raw materials, manufacturing, sales and distribution, after sales services and so forth. (Barney, 2007).

VRIO framework will be applied to analyze the resource and capability in the value chain by answering the four questions in the Table 1.

Table 1. Questions for Conducting a Resource-Based Analysis of a Firm's Internal Strengths and Weaknesses (Barney, 2007)

VRIO Questions
1. The questions of value: Do a firm's resources and capabilities enable the firm to respond to the environmental threats or opportunities? The strength will be based on whether resources and capabilities can enable the firms to exploit the opportunities or neutralize threat. The resources and capabilities should be valuable across the time and both can reduce a firm's net costs or increase how much a firm's customers are willing to pay compared to what would have been the case if the firm did not possess those resources.
2. The questions of Rarity: Is a resource currently controlled by only a small number of competing firms? A firm's valuable resource and capability that are absolutely unique among a set of current and potential competitors, they can generate a competitive advantage.

VRIO Questions	
3.	The questions of Imitability: Do firms without a resource face a cost disadvantage in obtaining or developing? Valuable and rare organizational resources, however, can be sources of sustained competitive advantage only if firms that do not possess them face a cost disadvantage in obtaining them compared to firms that already possess.
4.	The questions of Organization: Are a firm's other policies and procedures organized to support the exploitation of its valuable, rare and costly-to-imitate resources? In general, imitation occurs in one of two ways, duplication or substitution. If the cost of direct duplication of a firm's resources or capabilities is greater than the cost of developing these resources and capabilities for the firm with the competitive advantage, then this advantage may be sustained. If direct duplication is no more costly than the original development of these resources or capabilities then any competitive advantage will be only temporary.

Value Integration Strategies

According to Ketchen et al (2004) the competitive advantage is a result of the actions and reactions between the players in the industry. Competitive advantage have relationship with the firm performance. One performance of a firm can intrigue another action from the competitor which can create reaction from the firm. The process will be continuously iterated.

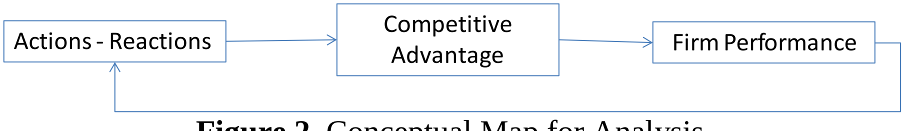

Figure 2. Conceptual Map for Analysis
(Adapted from Ketchen et al, 2004)

Firms build their competitive advantage through a set of activities that must be accomplished to design, build, sell and distribute a products or service. All of the activities must be accomplished in order to deliver the product and service. Different firms, however, can make different decisions about which of those activities they would like to engage in their own and which they would like other firms to engage in. The number of stages in a product's or service's value chain in which a particular firm engage define that firm's level of vertical integration. Vertical integration is one of the governance options that firms can use to manage economic exchanges. Governance options can be grouped into three board categories: market governance, intermediate governance and hierarchical governance. There are three approaches to making vertical integration decision can be integrated by estimating which governance problem a firm is facing are likely to be most important in an exchange and then making the appropriate governance choices. According to transaction cost logic, managers should choose the form of governance that at the lowest cost possible, minimizes the threat of opportunistic behavior in exchange. According to resource-based approach to making vertical integration decisions, firms should vertically integrate into business functions in which they currently enjoy a competitive advantage. And lastly, according to real options approach to making vertical integration, firms should not vertically integrate under conditions of high uncertainty (Barney, 2007).

UNIT ANALYSIS – PT UNILEVER INDONESIA TBK

Established on 1933, Unilever Indonesia has grown to be a leading company of Home and Personal Care as well as Foods and Ice Cream products in Indonesia.Unilever Indonesia's portfolio includes many of the world's best known and well loved brands, such as Pepsodent, Pond's, Lux, Lifebuoy, Dove, Sunsilk, Clear, Rexona, Vaseline, Rinso, Molto, Sunlight, Wall's, Blue Band, Royco, Bango and many more.Throughout this time, the company purpose has remained the same as the company work to create a better future every day; help people feel good, look good and get more out of life with brands and services that are good for them and good for others; inspire people to take small everyday actions that can add up to make a big difference for the world; and develop new ways of doing business that will allow them to grow while reducing the environmental impact.The company has always believed in the power ofthe brands to improve the quality of people's lives and in doing the right thing. As the business grows, so do the responsibilities. The company recognizes that global challenges such as climate change concern us all. Considering the wider impact of the actions is embedded in the values and is a fundamental part of who the company are. The Company's ability to leverage innovations into outstanding performance was recognized in 2014 by Forbes, who ranked Unilever Indonesia first in Asia and fourth globally on their Most Innovative Firms list (Annual Report, 2010 and 2014).

On 22 November 2000, the company entered into an agreement with PT Anugrah Indah Pelangi, to establish a new company namely PT Anugrah Lever (PT AL) which is engaged in the manufacturing, developing, marketing and selling of soy sauce, chilli sauce and other sauces under the Bango, Parkiet and Sakura trademarks and other brands under license of the company to PT AL.

In line with the introduction for focusing on poverty alleviation,despite elaborating the Corporate Strategy of Unilever,the paper will focus to a specific strategy in embedding the Corporate Social Responsibility with the business only in Food Division, more specific in Soy Sauce Category, highlighting Bango Brand success story.

Corporate Social Responsibility Program

With the announcement of Unilever’s Sustainable Living Plan in 2010, Unilever consolidated the vision that we can- and should grow business and our operations while reducing environmental impact. The Unilever Sustainable Living Plan encompasses action and projects with partners, employees and stakeholders in three areas: Improving Health and Well-Being, Reducing Environmental Impact and Enhancing Livelihoods. Its ambition is to double the size of business globally, whilst reducing our negative impacts and increasing our positive impacts in accordance with specific targets.

Unilever has place CSR as part of their business not only to build the reputation.This has been proven by the program of Black Soy Bean Farmers Empowerment.UnileveracquiresBango Soy Sauce that uses black soy bean in 2001.After acquisition, the brand is growing, but Unilever faces the difficulties in supply of good quality black soy bean.Import is not an option, because Bango is a local brand of Unilever.For fulfilling the supply,Unilever works together with the Gajah Mada University to develop the farmers in Java.This collaboration has produced a new variety of black soy bean called Malikka.The partnerships with UGM for its agriculture expertise, farmers for its land and farming and Unilever for capital and market access has positively proven improving the income of the poor,solving the environment issue and empower the women (Warta Ekonomi, 7-17 October 2010 edition).Unilever has involved 1,000 female black soy bean farmers to start their small step for independence and becoming agents of change **(www.unilever.co.id).**

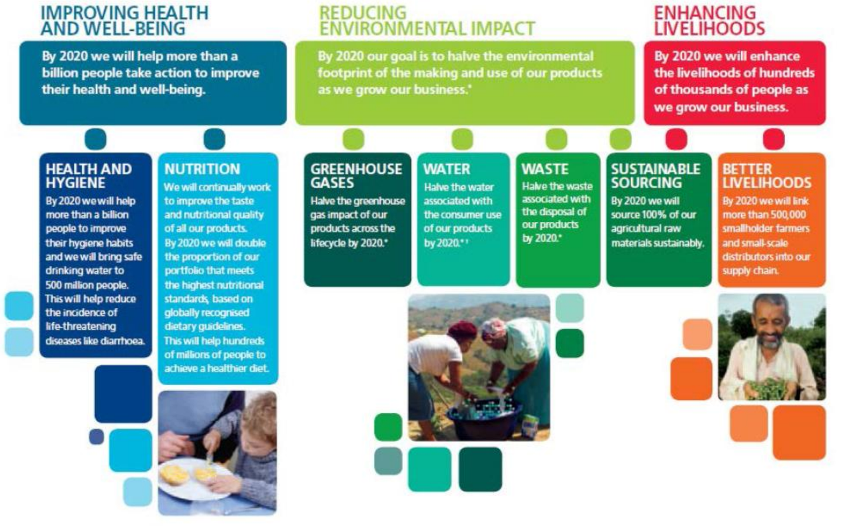

Figure 3. Sustainable Living Plan (Annual Report, 2014)

The Competitive Dynamic in Soy Sauce Category: The Bango – ABC War

The Unilever strategy to win the soy sauce category will be analyzed using the framework adapted from Ketchen et al (2004)in Figure 2.and from several media publications data.

To grow Bango and steal market share from the market leader ABC, Unilever applies the basic strategy that has been proven in strengthening their brands – push in the distribution and pull heavily through aggressive promotion. Unilever penetrate the distribution in different path with ABC. If ABC is distributed through food wholesalers, Bango is primarily distributed through the basic commodity ("sembako") distributors. The other channel strategy of Unilever to win the competition is by partnering with the restaurant and street hawkers. Unilever cooperates with the Indonesian and International food seller and restaurants and avoids the Chinese restaurants where ABC dominates.

In promotion, Unilever spent around Rp 39 billion in 2003 for advertising and estimated spent almost double in the following years. This strategy bring the awareness of Bango from 10.24% (2002) to 24.1% in 2004. On the contrary, ABC awareness decline from 69.23% (2002) to 62.5% in 2004. (http://swa.co.id/2004/09/berebut-kecap-nomor-1, 2004)

Distribution and promotion without any questions have contributed to the competitive advantage of Bango. However, this is not the only strategy that support the good performance of Bango. Besides promotion effort, the total value chain strategy, of being genuine, has also contributed to the success of Bango. It is not only about the promotion, but beyond products strategy including the procurement strategy and how Bango help grow community through supporting the black soy bean farmers is definitely create differentiation with ABC (Fig.3).The procurement strategy to keep using black soy bean that grows locally compared to the white soy bean give a competitive advantage in terms of cost benefit. Empowering the farmers has created a good reputation for the company.

In 2010, as the response to the declining share and awareness, ABC launched the Black Gold ABC to halt the increasing share of Bango. In their 2009 Sustainability Report,Unilever has laid out thatunder the sustainable agriculture, Unilever worldwide has laid out that for nearly 15 years they have practiced Sustainable Agriculture Programme and will continue to set up standard for the industry.Unilever has participated as the founder of Roundtable on Sustainable Palm Oil (RSPO) that supported a moratorium on deforestation for palm oil in South East Asia.Unilever has also mentioned that they will continue to drive industry by collaborating with NGOs and government.

By empowering farmers and building a network of universities, farmers and themselves, and embedding the CSR programs around their daily business,actually they have already set up a new standards for for-profit business to start contribute in alleviate the poverty and change the industry standard. How this practice can build Unilever competitive advantage?

Figure 4. Bango Strategy (Unilever Indonesia Annual Report 2009)

ANALYSIS

The Industry Structure

In agriculture based industry, agricultural products will be the major components in the value chain to ensure the sustainability.The agricultural products itself, in nature is commodity.Agricultural products industry structure according to Porter (2004) is a fragmented industry where several criteria is matched with the agricultural products such as the entry barriers is overall low, economic of scale or experience curve is absence,the transportationcosts is high, the sales fluctuates or the inventory costs is high, and no advantage of size in dealing with buyers or suppliers.

In soy sauce category which involve soy bean where Unilever plays,the technology of soy sauce production have been well-known among food producers.Therefore the experience curve is no longer exist. The industry players range from home industry to big firms that make the industry fragmented.Soy bean is commodity that is produced by farmers, in Indonesia case small-scale farmers who have no bargaining power dealing with buyers since many suppliers will be in the market.

The Firm VRIO Framework in Value Chain Analysis

The questions above can be brought together into a single framework to understand the return potential associated with exploiting any of a firms resources or capabilities (Table 2).

Table 2. The VRIO Framework

Is resources or capability...				
Valuable ?	Rare ?	Costly to imitate ?	Exploited by organizations ?	Competitive Implications
No	-	-	-	Competitive Disadvantage
Yes	No	-	-	Competitive Parity
Yes	Yes	No	-	Temporary Competitive Advantage
Yes	Yes	Yes	Yes	Sustained Competitive Advantage

To analyze the resources and capability,the unit analysis related with agriculture based industry is the CSR program Sustainable Agriculture programandBango.Resources will include financial capital, physical capital and human capital or organizational capital.Capabilities will refer to the process in the value chain.

1. The questions of value: Do a firm's resources and capabilities enable the firm to respond to the environmental threats or opportunities? The answer is yes, the support in terms of capital and embedded CSR programs into the daily business definitely enable Bango to overcome the threat especially in the continuous supply of raw materials. Proven Unilever's expertise in managing brand has already brought Bango from inferior position to strong position.

2. The questions of Rarity: Is a resource currently controlled by only a small number of competing firms? Yes, because Bango is the only product that use black soy bean as their main raw materials. The farmers who produced it are exclusively supplied the bean only to Unilever.

3. The questions of Imitability: Do firms without a resource face a cost disadvantage in obtaining or developing it? Yes, two things that make competitors difficult to imitate. First, is the brand of

Bango itself has already strongly related with genuine and black soy bean. Strong brand is very difficult to imitate. Second, developing a network of farmers and universities will not happen in a short time. An inter-organizational network analysis involves more than stakeholders analysis. It focuses attention on the complex web of relationships in which a group of organization is embedded. The link in the network represents channels through which resources, information, opportunities and influence flow. Network analysis promotes sensitivity to the variety and complexity of interaction that sustain organized activity within the environment. An application of the interorganizational network concept is value chain management (Hatch, 2006).

Four characteristic of network are identify centrality, structural holes or autonomy, structural equivalence and density. Several new proposition has been suggested in relation with those four characteristics. Several new proposal to the theory has suggested two proposition that strongly related with the act of Unilever. It is proposed that (1) firms that are central in a network and/or that fill structural holes will be more likely to take first moves and be more likely to be aggressive reactor and (3) Firms that are centrally located, with large networks of relationship, and firm that fill structural holes, will seek to set and enforce industry standards for competition (Smith et al within Freeman et al, 2001).Unilever as the central of the network is the sole buyer for the black soy bean and its large network at least with 1,000 female farmers may provide power and information to the firm may be easier for the company to set up standards for competition.

4. The questions of Organization: Are a firm’s other policies and procedures organized to support the exploitation of its valuable, rare and costly-to-imitate resources? Yes, the CSR has embedded as part of their business, not only for reputation has been started since 2003 and still be part of the company strategy up till now. Kraft and Hage (1990) has developed the theory about what makes firms more interested in community service, which is viewed as one way for organizations to exercise social responsibility. Their findings reveal that choosing to emphasize community service may depend on both the ability (as reflected in the availability of slack resources) and motivation (as reflected in the values and goals) of

strategies. Unilever has more than enough to support the program and embedding CSR into their daily business have reflected their motivation to put their purpose create a better future every day.

Four yes to the VRIO Framework question has definitely put the CSR Sustainable Agriculture program of Unilever as competitive advantage for the company.

Firm Strategy or Action

Brand of soy sauce has been built based on the functionality commonly known to the consumers. There is not much differentiation between one brand and another, since soy sauceis known as black and sweet.

One of the criteria of the industry that help Bango outstanding in the past is the high product differentiation, particularly if based on image.Bango is the only one soy sauce brand that use black soy bean as their main ingredient while most of soy sauce uses white soy bean.

Potter (2004) suggested to create economies of scale or experience curve to overcome fragmentation through innovative consolidation.The processes involve the significant economic of scale, capital outlays and technological sophistication.The involvement of innovation that create economies of scale in marketing, distribution and other functions such as procurement.

The black soy bean is not common among farmers that makes its economic of scale small.To achieve a significant production increases, more capital and technology in this case seedling is needed.

Value Integration Strategies

There are risks when business deals with poor. With the increasing competition, the firms should look for the strategy to secure their steady flow of goods and services to the consumers. One of the critical activities in the value chain is purchasing, inventory and materials handling. Sustainable Agriculture program for black soy bean has shown the capability of Unilever procurement to maintain their supply chain. The network that was built together with the Gajah Mada its agriculture expertise, farmers for its land and farming and Unilever for capital and market access has positively proven improving the income of the poor, solving the environment issue and empower the women (https://www.unilever.com/sustainable-living/the-sustainable-living-plan/enhancing-livelihoods/inclusive-business/livelihoods-for-smallholder-farmers/black-soy-bean.html , 2016) and also ensure the continuous supply of black soy bean.

CONCLUSION

Building alliance with the poor has been indicated to be able to build competitive advantage for Unilever. There are three theory that can be use to analyze this proposition. First is the embedding Corporate Social Responsibility as part of their business can benefit for both company and community. The choice of the program that is in line with the company competencies or capabilities make it easier to be implemented by the whole company operation. Second, from the value chain and VRIO framework analysis it is concluded that the imitability resources and capabilities when is applied to the all process in organization can be a source of competitive advantage. And the last one, the network build by several stakeholders when managed in line with the company strategy and objectives can be a source imitable resources and capabilities. When the company takes the central role and builds a large network, not only it can be an aggressive reactor but also can dictate the industry or competition standards.

The subjectivity when analyzing VRIO framework can be the limitation of this study because it can make a bias in structuring the conclusion. Detailed indicators that can be measured empirically can minimize the subjectivity. The second is the separation between an action of business unit or division and the whole corporate is not clearly mentioned in this paper. How a competitive advantage of a business unit can influence the whole corporation or vice versa can be a potential case study. Both limitations create a perception of the possibility of selecting only favorable data to support the proposition compared to a very objective evaluation. Overlapping definition and lack of clarity on several agriculture based industry add more subjectivity to this paper.

REFERENCES

Anderson, J.; and Markides, C. (2007). Strategic Innovation at the Base of the Pyramid. *MIT Sloan Management Review*, *49* (1), 83-88.

Annual Report PT Unilever Tbk. (2008, 2009, 2010, 2014)**.**

Berebut Kecap Nomor 1. (2004, September 2). Retrieved from http://swa.co.id/2004/09/berebut-kecap-nomor-1.

Dahan, N.M.; Doh, J.P.;Oetzel, J.; and Yaziji, M. (2010). Corporate-NGO Collaboration: Co-creating New Business Models for Developing Markets. *Long Range Planning*, *43*, 326-342.

Development Program of Black Soy Bean Farmers in Indonesia. (2016). Retrieved from https://www.unilever.com/sustainable-living/the-sustainable-living-plan/enhancing-livelihoods/inclusive-business/livelihoods-for-smallholder-farmers/black-soy-bean.html

Fatah, L. (2007). The potentially of Agro-Industry for Growth Promotion and Equality Improvement in Indonesia. *Asian Journal of Agriculture and Development*, *4*(1).

Ferrier, W.J.; Ndofor, H.; and Smith, K.G. (2001). *Competitive Dynamics Research : Critique and Future Directions within The Blackwell Handbook of Strategy Management*. Oxford: Blackwell Publishers Ltd.

Fitzgerald, M.A.; Haynes, G.W.;Schrank H.L.; and Danes, S.M. (2010). Socially Responsible Processes of Small Family Business Owners : Exploratory Evidence from the National Family Business Survey. *Journal of Small Business Management*, *48*(4), 524-551.

Gaarder, R.;andMcCommon, C. (1990). Hershey Foods, cocoa and Belize : A Collaborative Model for Third World Development. *Public Administration & Development*, *10*(3), 343-360.

Hatch, Mary Jo.(2006). *Organization Theory*. New York: Oxford University Press Inc.

Hilman, A.J.; and Kein, G.D. (2001). Shareholder Value, Stakeholder Management, and Social Issues: What's the Bottom Line? *Strategic Management Journal*, *22* (2), 125-139.

Kraft, K.L.; and Hage, J. (1990). Strategy, Social Responsibility and Implementation. *Journal of Business Ethics*, *9*(1), 11-19.

London, T., Anupindi, R. and Sheth, S. (2010). Creating mutual value : Lessons learned from ventures serving base of the pyramid producers. *Journal of Business Research*, *63*(6), 582-594.

Ruf, B.M.; Muraidhar K.; Brown, R.M.; Janney J.J.; and Paul, K. (2001). An Empirical Investigation of the Relationship between Change in Corporate Social Performance and Financial Performance : A Stakeholder Theory Perspective. *Journal of Business Ethics*, *32*(2), 143-156.

Porter, M. (2004). *Competitive Strategy*. New York: Free Press.

Porter, M. and Kramer, M.R. (2011). The Big Idea : Creating Shared Value. *Harvard Business Review*, January-February 2011.

Proter, M. and Kramer, M.R. (2006). Strategy and Society. The Link Between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review*, December 2006.

Public Expose PT Unilever Tbk. (2010).

Rohatynsky, M. (2011). Development Discourse and Selling Soap in Madhya Pradesh, India. *Human Organization*, *70*(1), 63-73.

Reardon, T; and Barrett C. B. (2000). The Agroindustrialization, Globalization and International Development An Overview of Issues, Patterns, and Determinants. *Agricultural Economics*, *23*, 195-205.

Sinkovics, N., Sinkovics, R. and Yamin, M. (2014). The Role of Social Value Creation in Business Model Formulation at the Bottom of Pyramid – Implications for MNEs?. *International Business Review*, *33*, 692-707.

Thompson, J.D.; and MacMillan, I. (2010). Business Models : Creating New Markets and Societal Wealth. *Long Range Planning*, *43*, 291-307.

United Nations Development Programme. (2008). *Creating Value for All : Strategies for Doing Business with the Poor*. New York: United Nations Development Programme.

Wernerfelt, B. (1984). A Resource-Based View of the Firm. *Strategic Management Jthenal*, *5*(2), 171-180.

Wheeler, D.; McKague, K.; Thomson J.; Davies, R.; Medalye, J.: and Prada, M. (2005). Creating Sustainable Local Enterprise Networks. *MIT Sloan Management Review*, *47* (1).

Yunus, M.; Moingeon B.; and Lehman-Ortega, L. (2010). Building Social Business Models : Lessons from the Grameen Experience. *Long Range Planning*, *43*, 308-325.