

Agribusiness entrepreneurship development strategy in East Java for welcoming ASEAN Economic Community (AEC) era

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ABSTRACT

Facing the implementation of ASEAN Economic Community (AEC) at the end of 2015 requires strategic measures to make Indonesia ready to compete with other nations in ASEAN. East Java Province has great potentials and contributions in the national agribusiness. Establishing agribusiness in East Java towards increased competitiveness is the right step to welcome AEC 2015. This research attempts to study the appropriate model of agribusiness development strategy for East Java. The selection of strategy model is expected to prepare a strong and competitive economy in East Java. Through three principles of data analysis model of Miles and Huberman with the emphasis on data collection, data display, and verification, this study also used a variety of data collection techniques and verifications such as Focus Group Discussion (FGD), observation, and others. This research was conducted in four regions as the focus of the study area: Probolinggo District, Sidoarjo District, Pasuruan District and the City of Batu. The results provide the following conclusions: (a) the agribusiness development strategy in East Java should be done with the target approach. This means that the introduction to the target is the most important factors to determine the strategy to be implemented; (b) the role of the government is highly important and strategic in developing agribusiness in East Java. These can be implemented through a variety of program models that are tailored to the target.

ABSTRAK

Menghadapi pelaksanaan Masyarakat Ekonomi ASEAN (AEC) pada akhir 2015 membutuhkan langkah-langkah strategis untuk membuat Indonesia siap bersaing dengan negara-negara lain di ASEAN. Provinsi Jawa Timur memiliki potensi dan kontribusi yang besar dalam agribisnis nasional. Membangun agribisnis di Jawa Timur untuk peningkatan daya saing merupakan langkah yang tepat untuk menyambut AEC 2015. Penelitian ini mencoba untuk mempelajari model yang sesuai strategi pengembangan agribisnis untuk Jawa Timur. Pemilihan model strategi diharapkan mampu mempersiapkan ekonomi yang kuat dan kompetitif di Jawa Timur. Melalui tiga prinsip model analisis data Miles dan Huberman dengan penekanan pada pengumpulan data, display data, dan verifikasi, penelitian ini juga menggunakan berbagai teknik pengumpulan data dan verifikasi seperti Focus Group Discussion (FGD), observasi, dan lain-lain. Penelitian ini dilakukan di empat wilayah sebagai fokus area studi: Kabupaten Probolinggo, Kabupaten Sidoarjo, Kabupaten Pasuruan dan Kota Batu. Hasil penelitian ini memberikan kesimpulan sebagai berikut: (a) strategi pengembangan agribisnis di Jawa Timur harus dilakukan dengan pendekatan sasaran. Ini berarti bahwa pengenalan target adalah faktor yang paling penting untuk menentukan strategi yang akan diterapkan; (B) peran pemerintah sangat penting dan strategis dalam mengembangkan agribisnis di Jawa Timur. Ini dapat diimplementasikan melalui berbagai model program yang disesuaikan dengan target.

1. INTRODUCTION

International trade is one of the economic driving factors in a country, especially those which have

limited domestic market. One of the efforts to increase total international trade is through cooperation between one country and another or another

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group of countries through the establishment of an economic integration. Economic integration is defined as a condition where there is no limitation in a certain economic area so that the flow of goods, services, labor and other resources from each member country can move freely across the boundaries among the member countries (Achsani 2008).

The early stage of economic integration is the Free Trade Area (FTA). The free trade area within ASEAN member countries (ASEAN Free Trade Area/AFTA) has been in force since 2002. The practice of the ASEAN Free Trade Area is conducted by eliminating trade barriers in both tariff and non-tariff, so that the flow of goods and services can move freely across the boundaries among the ASEAN member countries (Hadi and Mardianto 2014).

In the process, there has been a consensus among the ASEAN member countries to increase economic integration stage with the realization of the ASEAN Economic Community (AEC) which had taken at the end of 2015. The establishment of the ASEAN Economic Community (AEC) has several goals: 1) to maintain political stability and regional security in the ASEAN; 2) to improve the competitiveness of the region as a whole in the world market; 3) to promote economic growth; 4) to reduce poverty; 5) and to improve the living standard of the people of ASEAN member countries (Romprasert 2013).

AEC 2015 could make ASEAN become a single market and a single production base, in which there occurs free flow of goods, services, investment, capital and skilled labor among the ASEAN countries. The implementation of AEC 2015 will create opportunities and challenges for Indonesia. The formation of free single market can open opportunities for Indonesia to increase its market share in the ASEAN region (Ministry of Trade of Republic of Indonesia 2009).

However, in addition to bring up a number of opportunities, the implementation of AEC 2015 also poses a threat, because, at the same time, the opportunity of ASEAN countries to market their goods, services and factors of production to Indonesia is open wide. Indonesia's success in utilizing AEC 2015 is very dependent on the readiness of Indonesia in the face of the stage increase in the economic integration. The readiness of Indonesia in the face of AEC 2015 can be seen on the national economic competitiveness which is an accumulation of all provinces in Indonesia (Indonesian Chamber of Commerce and Industry 2014).

One of the provinces that have a substantial contribution to the national economy is East Java Province. One of the sectors in East Java that have a major role in national economy is the agricultural sector. In order to improve the performance of agricultural sector in East Java in face of AEC, there should be an effort to encourage the development of agribusiness entrepreneurship in East Java. Therefore, the right strategy in the development of entrepreneurship is badly needed by East Java to anticipate the AEC, which will create the increasingly stringent competitive pressures, one of which is in the field of agribusiness. The purpose of this study is to obtain an overview of the right strategy to develop agribusiness in East Java in the face of AEC 2015 (Bank Indonesia 2014).

2. THEORETICAL FRAMEWORK AND HYPOTHESES

The Concept of ASEAN Economic Community (AEC)

At a meeting, attended by ASEAN member countries in 2003 in Bali, put forward the idea to realize the formation of a region which has strong economic integrity that will be realized in 2020. However, at a meeting in Philippines held on January 13, 2007, the leaders of ASEAN member countries agreed to accelerate the establishment of ASEAN Economic Community (AEC). The establishment of AEC was motivated by the preparation to face the world free trade and competition with groups of other countries, especially China and India. The decision to accelerate the establishment of AEC that is originally to begin in 2020 to be in 2015 illustrates the determination of ASEAN to immediately boost economic growth and competitiveness among the ASEAN member countries in the face of global competition. ASEAN Economic Community (AEC) is a single market in Southeast Asia region which aims to increase foreign investment in Southeast Asia, including Indonesia, which will also open up the flow of goods and services easily to countries in Southeast Asia. In the agreement, there are five things that may not be restricted in all ASEAN countries including Indonesia, such as goods flows, services flows, capital flows, investment flows and trained labor flows (ASEAN 2008).

Since the beginning of its establishment, ASEAN member countries intensively had agreed with several deals in the field of economics, which was started with the agreement of Preferential Tariff Arrangement (PTA) in 1977. The most

prominent agreement that became the forerunner of the vision of the establishment of AEC 2015 was the agreement on the Common Effective Preferential Tariff - ASEAN Free Trade Area (CEPT-AFTA) in 1992 with the initial target of implementation in 2008, was then accelerated to 2003. And in 2002 was for ASEAN-6 (ASEAN Annual Report 2009).

In 1997, the Leaders of ASEAN member countries agreed with the ASEAN Vision 2020 in realizing stable, prosperous, and highly competitive region by building an equitable economy which was characterized by the decrease in poverty level and socio-economic differences (ASEAN Summit, Kuala Lumpur, December 1997). The Leaders of ASEAN member countries again agreed, though a meeting held in 2003, with 3 (three) pillars to realize the ASEAN Vision 2020 which was accelerated to 2015, namely: (1) the ASEAN Economic Community, (2) the ASEAN Political-Security Community, (3) the ASEAN Socio-Cultural Community (King et al. 2010).

The financial and economic crisis occurred in Southeast Asia in period of 1997-1998 has raised awareness of the ASEAN countries on the importance of improving and strengthening intra-regional cooperation. ASEAN Economic Community (AEC) was a concept that began to be used in the Declaration of ASEAN Concord II (Bali Concord II), in Bali, in October 2003. Then, the ASEAN began to adopt the Bali Concord II in the 9th ASEAN Summit in Bali in 2003 which approved the establishment of the ASEAN Community. The formation of the ASEAN Community was part of the efforts of ASEAN to further strengthen ASEAN integration. In addition, it was an effort of ASEAN to adjust the perspective to be more open in discussing domestic problems that have affected the region without leaving the main principles of ASEAN, namely mutual respect, non-interference in domestic matters, consensus, dialogue and consultation (Charumanee K 2012).

The achievement of the ASEAN Community was getting stronger with the signing of the "Cebu Declaration on the Acceleration of the Establishment of ASEAN Community by 2015" by the ASEAN Leaders at the 12th ASEAN Summit in Cebu, Philippines, on January 13, 2007. The ASEAN Leaders also agreed to accelerate the establishment of ASEAN Economic Community (AEC) from 2020 to 2015 (Romprasert 2013).

Declaration on the ASEAN Economic Community Blueprint, signed on November 20, 2007, specified a strategic schedule for each pillar which was approved based on the time target divided

into four phases: 2008-2009, 2010-2011, 2012-2013 and 2014-2015. The signing of the AEC Blueprint coincided with the signing of the ASEAN Charter.

AEC Blueprint is a guideline for the ASEAN member countries to achieve AEC in 2015, in which each country is obliged to implement the commitment contained in blueprint. AEC Blueprint contains four main frames (Ministry of Trade 2009), namely:

- a. ASEAN as a single market and international production base, with the elements of free flow of goods, services, investment, trained labors and capital;
- b. ASEAN as a region with a high economic competitiveness, with the elements of competition rules, consumer protection, intellectual property rights, infrastructure development, taxation, and e-commerce;
- c. ASEAN as a region with an equitable economic development, with elements of the development of small and medium enterprises (SMEs), and the initiative of ASEAN integration for CMLV countries (Cambodia, Myanmar, Laos, and Vietnam); and
- d. ASEAN as a region that is fully integrated into the global economy, with the elements of coherent approach in the economic relations outside the region, and to increase participation in global production networks. Of the four pillars, only the first pillar that still becomes a major concern of ASEAN. Therefore, on further exposure, the pillar will be discussed comprehensively.

AEC aims to increase foreign investment in Southeast Asia, including Indonesia, which will also open up easy flow of goods and services to countries in Southeast Asia (Amri 2015). In the agreement there are five things that may not be restricted in all ASEAN countries including Indonesia, namely the goods flows, services flows, capital flows, investment flows and trained labors flows. In the face of such a situation, Indonesia must increase its competitiveness, both in terms of human resources and products. Unpreparedness in the face of AEC will make Indonesia only as spectator and become the object of product marketing for other countries of ASEAN region.

The purposes of AEC (Government of Malang District 2015) are:

1. To increase the economic stability in ASEAN region and to form a strong economic area among the ASEAN countries. The formation of ASEAN single market will open up opportuni-

ties for ASEAN countries to attract FDI (Foreign Direct Investment). With the formation of AEC, international manufacturers do not have to have a factory in every country to be able to supply their products to ASEAN countries. They can choose one country in the region as the base of their production. The country selected as a production base is surely a country that is considered the most profitable, in the sense that the production is the most efficient. This could encourage the increased investment in each member country from intra ASEAN and the inflow of foreign investments into the ASEAN region (Widyahartono 2013).

2. The creation of ASEAN free trade area is a challenge for businessmen in ASEAN countries. Competition in products and services among ASEAN countries will be tested here. The businessmen should now begin to improve the quality of their products, so that customers love to use the products. By making quality products and reasonable prices, it will definitely be able to compete with products from other ASEAN countries.

The Indonesian government has made some efforts to improve national economic competitiveness and preparedness for the implementation of ASEAN Economic Community (AEC) through Presidential Instruction No. 6 of 2014, on the Improvement of Competitiveness in the Face of ASEAN Economic Community. The improvement of national competitiveness and preparedness for the implementation of AEC refers to the priorities and focuses in some areas (Widyastutik and Ashiqin 2011).

Meanwhile, ASEAN has agreed with the priority sectors towards the moment. The 9th ASEAN Summit of 2003 established 11 Priority Integration Sectors (PIS). But in 2006, the Priority Integration Sectors (PIS) set developed into 12, which were then divided into two parts, namely seven sectors of industrial goods and five sectors of services. The 7 sectors of industrial goods consist of the products which are based on agriculture, electronics, fisheries, rubber, textiles, automotive, and wood. Meanwhile, the five sectors of services consist of air transport, e-ASEAN, health care, tourism and logistic. To welcome the ASEAN free trade era in the 12 sectors that have been agreed, Indonesia issued an important regulation, Law No. 7 of 2014, on the trade which has been introduced to the public as one of Indonesia's strategy to stem the flood of products imported into Indonesia. This Law regulates the general

provisions concerning licensing for businesses involved in trading activities in order to use the Indonesian language in the labeling, and the increased use of domestic products. Through this Law, the government is also required to control the availability of basic needs for all regions in Indonesia. In addition, the government is also required to determine the bans or restrictions on goods and services for the national interest, such as to protect national security (Hadi and Mardianto 2014).

The Readiness of Indonesia to Face AEC

Theoretically, the readiness of Indonesia to face the AEC has not been completely good. At least there are some important issues that should get serious attention from the government (Indonesian Chamber of Commerce and Industry (Kadin) 2014), among others are:

1. Indonesia still becomes the supplier of raw materials and energy. The dependence on export commodities, such as raw materials and energy, makes the added value which can be enjoyed by Indonesian entrepreneur relatively small. Therefore, there should be efforts to develop industries that process raw materials into finished or semi-finished products which have a relatively high added value.
2. Anticipating a more open labor market. The wage differences among ASEAN countries, cultural affinity and geographical location of the territory of the member countries will provide an opportunity to increase intra-regional labor mobility. This condition is reinforced by the number of young people who in general are still interested and eager to gain new opportunities in other countries that are not obtained previously in their own country.

The easy labor movement among ASEAN countries is expected to reduce the unemployment rate. This happens because the workers who are not able to fill the vacancies in their own country will soon be able to fill the places that provide employment opportunities in other countries in accordance with their skills and expertise. Thus, there occurs a process of balance in the labor market in ASEAN countries. In addition, the easy labor movement will also increase the income of workers and increase the foreign exchange.

For Indonesia, the increasing economic integration in the region and the easy labor movement will provide greater job opportunities. However, it really depends on the quality and competitiveness

of the Indonesian workers. If the Indonesian workers have relatively lower competitiveness than those of other ASEAN countries, the imposition of AEC will only increase unemployment in Indonesia. Therefore, there must be a serious effort to improve the quality and competitiveness of the Indonesian workers.

3. The increase in investment from the ASEAN countries or outside ASEAN. The formation of ASEAN single market will open up opportunities for ASEAN countries to attract Foreign Direct Investment (FDI). With the formation of AEC, the international manufacturers do not have to have a factory in every country to be able to supply their products to ASEAN countries. They can choose one country in the region as their production base. The country selected as the production base is surely a country that is considered the most profitable, in the sense that the production is the most efficient. This could encourage increased investment in each member country from intra ASEAN and the inflow of foreign investments into the ASEAN region (Widyahartono 2013).

As the country with the largest population (40% of the total population of ASEAN), Indonesia is expected to attract investors into the country and gain greater benefit from other ASEAN member countries. Some ASEAN countries have experienced a decrease in investment ratio to GDP since the crisis, among others were caused by the development of regional hub production. But for Indonesia, one of the factors causing the decline in the investment ratio was the lack of improvement of investment climate and the infrastructure development delays (Agency for the Assessment and Policy Development, Ministry of Foreign Affairs of Republic of Indonesia 2008).

This encourages Indonesia to improve the investment climate through the utilization of regional cooperation program. In addition, some efforts to harmonize on regional basis have become a precondition for the adjustment of investment regulations in accordance with international standards. In terms of the withdrawal of foreign capital flows, ASEAN is known as the investment destination region. AEC 2015 opens opportunities for Indonesia to be able to utilize the flow of foreign capital into the region, either in the form of portfolio investment or foreign direct investment (FDI). However, the success in attracting investment into Indonesia is highly dependent on the availability of infrastructure, qualified human resources, and investment climate improvement

efforts undertaken by the Indonesian government.

4. The need for the development of stronger strategic sectors. As presented through Presidential Instruction No. 6 of 2014 on the improvement of competitiveness to face ASEAN Economic Community (AEC), it sets some strategies on several priority areas, among others: the development of national industry, the development of agriculture, the development of marine and fisheries, the development of energy, and others.

Agribusiness Development in East Java

One of the areas discussed study is the development of agriculture, which is developed as agribusiness. The government of East Java also seeks to make efforts to promote the competitiveness and development of the agricultural sector. As reflected in the medium-term development plan of East Java Province, the agricultural sector becomes an important part in the development of this region, at least due to three factors. First, most of the poor in East Java inhabit rural areas, so that the development of rural-based agricultural sector is an integral part of the efforts to reduce the quantity of poor people. Second, the agricultural sector is the main pillar of food security, so that the development of agricultural sector is an integral part of the efforts to prevent food crisis, even when it is associated with the phenomenon of global food crisis that occurred in the past year. Third, the agricultural sector is one of the important contributors to the Gross Regional Domestic Product, exports, and raw materials for the industrial sector (Bank Indonesia 2014).

East Java Province has a significant contribution to meet national needs, especially in agricultural sector. Based on the data of 2008, East Java was able to become a national supplier of food commodities up to 20% of the total commodities required. But in the following year, the contribution decreased. There was a tendency to override the agricultural sector that had large contribution. If in 2008 East Java Province was capable of supplying food commodities up to 20%, in 2009 it decreased to 18.91% (East Java Provincial Government 2009).

Looking at the contribution of the agricultural sector in East Java to the fulfillment of the national needs will lead to the conclusion that East Java is one of the main pillars of the national agriculture. Based on this fact, the development of the agricultural sector in East Java is a unity with the national agricultural sector development. However,

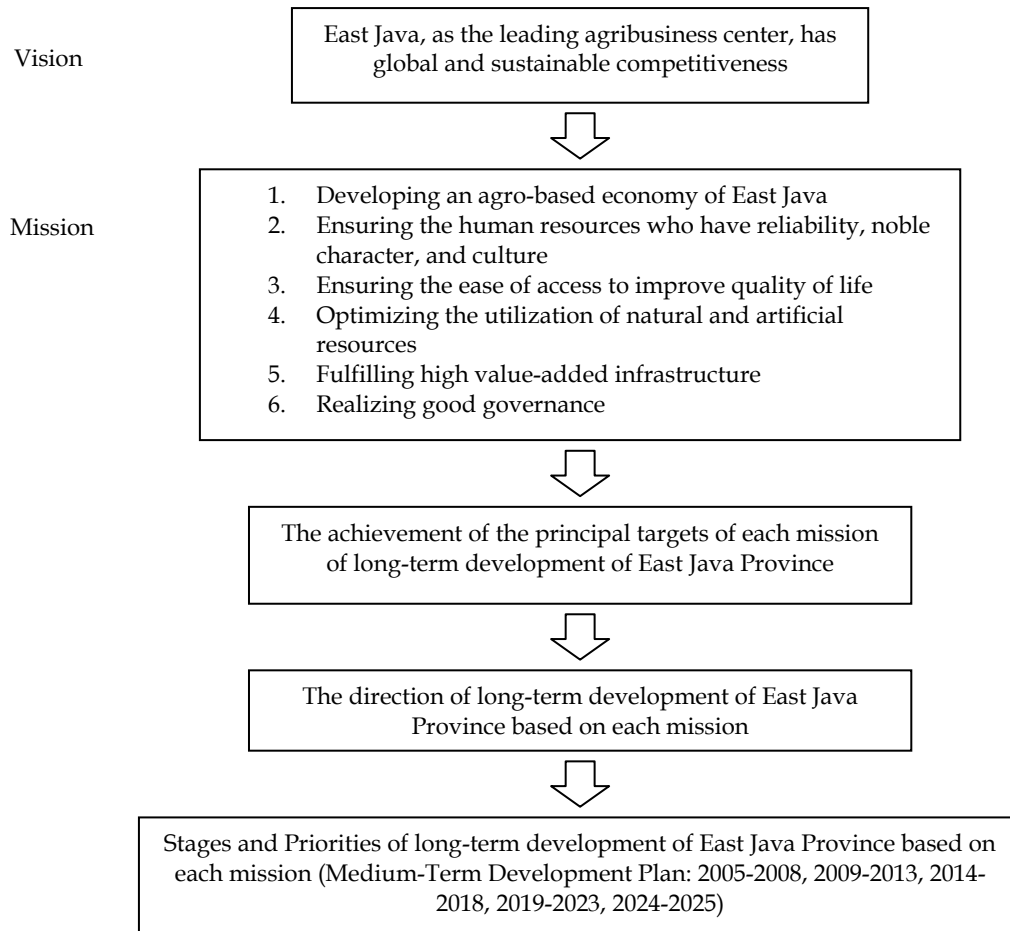


Figure 1
Vision and Mission of East Java 2005-2025

based on the micro data of agricultural sector, the agricultural sector began to decline (Bank Indonesia 2014).

Therefore, the East Java Provincial Government has some efforts to develop a strategy of agribusiness development program in East Java. In this case, East Java Regional Government takes steps to grow and develop its region through studies and research on the potential of the region, in particular the centers of economic activities of the agricultural sectors which are quite strategic. The efforts are strengthened in the vision and mission of the government of East Java as shown in Figure 1.

A government program that seeks to foster new entrepreneurship should not look at the individual factor alone, but rather than a systematic and strategic effort. Thus, the entrepreneurship development program requires the right strategic model, so it does not wait for the emergence of new entrepreneurship.

The Concept of Agribusiness

Etymologically, agribusiness is a combination of

two words which means agriculture-based business. There are several opinions about the limitation and scope of the agribusiness, depending on the analysis units and purposes. Daryanto et al. (2012) stated that agribusiness is the activities beyond the farm gate (off-farm) which include: 1) industrial and trading activities of agricultural production facilities; 2) industrial activities that process primary agricultural products into processed products and their trade; and 3) the activities that provide necessary services such as banking, transportation, insurance and storage.

Agribusiness includes all agriculture-based economic activities involving all business actors who are in on-farm and off-farm subsystem (Daryanto et al. 2012). Saragih (2011) looked at the limitation of agribusiness as a whole system and interconnected among all the economic activities such as upstream agribusiness subsystem, on-farm subsystem, downstream agribusiness subsystem and agribusiness supporting services subsystem. Each subsystem can be described as follows: (1) up-stream agribusiness subsystem includes off-

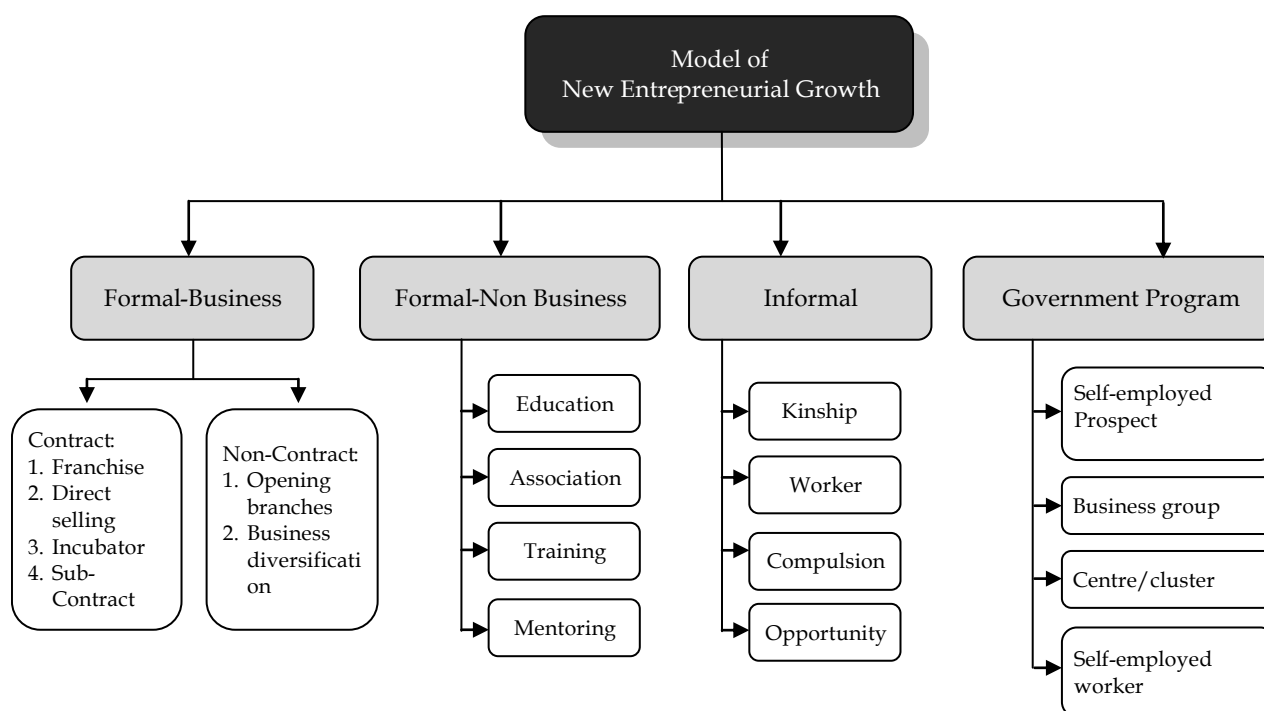


Figure 2
General Model for Growing New Entrepreneurship

Source: Lestari (2007)

farm activities, such as biotechnology, agrochemical industry (fertilizers, pesticides), farm tools and animal feed; (2) on-farm subsystem includes on-farm agribusiness activities such as nursery/hatchery, aquaculture; farms, plantation, agriculture; (3) down-stream agribusiness subsystem includes the processing agribusiness production sector in the form of industry related to food and non-food industry; (4) agribusiness supporting services subsystem includes the activities that support the agribusiness sector, such as processing/preservation industry, agro-tourism, trade/services, transportation and financing services/finance.

The relatively more complete understanding of agro-industry was delivered by Saragih (2011), in which agro-industry is a business activity which processes raw materials derived from plants and animals. The processing may include various forms of transformation and preservation through physical and chemical treatment, storage, packaging and distribution. This condition implies that the characteristics of the processing products produced by an agro-industry are largely determined by the technology used. The added value contained in it will automatically increase the use value.

Furthermore, Santoso et al, (2009) stated that

the characteristics of a good agro industry are the growth and development of the specialization in the processing industry on each agribusiness chain and diversified processing. Ultimately, it is expected to lead to an increase in industrial value-added that is rich with linkages and expansion of business field and employment.

Strategy Model of New Entrepreneurial Growth

There are some models of new entrepreneurial growth, from the natural model to the government-supported model. There are several natural drives of new entrepreneurial growth, such as the factor of the development of national and local economic conditions, the development of previous business, social and cultural factors, emulating the success of others, and the factor of necessity due to difficulty in getting a job. In this study, it can be identified 18 models of new entrepreneurial growth which are considered relatively productive and grouped into four models (Lester 2007), namely: (1) Formal-Business Model, (2) Non-Business Formal Model, (3) Informal Model, and (4) Government Program Model, as shown in Figure 2.

Formal business model is generally done by medium and large scale enterprises. The main driver of this entrepreneurial growth is the expansion

sion of the market. The formation of its business expansion can be carried out independently by opening a subsidiary and branch office; or the effort to expand the business through cooperation with other parties, such as: opening a joint venture, opening a franchise, opening an agency, sub-contracting or developing a mechanism of direct sales.

Formal non-business model is an entrepreneurial business growth undertaken by formal institutions (government/business/education) which are not within the framework for business purposes. In this model, the entrepreneurship produced is not directly from the company/main institution/implementer activities. The new entrepreneurial growth comes mostly from a change in attitude and ability generated by the business processes of the company/main agency/implementer.

Informal model is the most prominent in East Java Province. It is estimated that more than 90% of new entrepreneurship in East Java are born from this model. The major drivers of the formation of this new venture are: (1) the kinship system which is still very strong in East Java makes the businessman tend to accommodate his families who have not worked, (2) the commodities sold by SMEs are using simple technology so that they are easy to imitate, (3) the business opportunity is open wide, so that many entrepreneurs are born by chance, (4) the compulsion to survive or pass the time because it is difficult to get a job, (5) social and cultural factors, and others.

Government model is an entrepreneurial growth model which is stimulated by government programs, such as: the development model of self-employed group undertaken by the Department of Labor, empowerment program of the center of SMEs, and self-employed prospect conducted by the Ministry of Cooperatives and SMEs, as well as various community empowerment programs done by different government agencies at the central and local. In this study, there are only four programs that will be evaluated, namely: Self-employed Prospect, Center of SMEs, Business Group, and the development of the self-employed worker.

3. RESEARCH METHOD

Type of Research

This research is a descriptive qualitative research. Qualitative research is a research which is aimed to understand the phenomenon of what is experienced by the subject of the study, such as behavior, perception, motivation, action, and others

holistically, and by way of description in the form of words and language in a specific context which is natural and by using various natural methods (Moleong 2007). Meanwhile, descriptive research is a research that aims to outline the characteristics of a phenomenon (Sugiyono 2010). Thus, this research is a research that aims to explore new strategic models and outlines the phenomenon related to agribusiness-based productive economic activities in East Java Province. In addition, this research will study the factors that support the success of entrepreneurs in the field of agribusiness, as well as the strengths, weaknesses, opportunities and threats which include the development of agribusiness-based entrepreneurs.

Site and Sample

The site of this research covers four areas in East Java, namely Probolinggo District, Sidoarjo District, Pasuruan District and the City of Batu. The choice of location is using purposive sampling, where the location is chosen deliberately. The agricultural sector in the four districts/cities has a substantial contribution to Gross Regional Domestic Product, thus providing opportunities for the development of agribusiness entrepreneurship in each region, (East Java Provincial Government 2009). On the basis of these considerations, the four regions are chosen as the study sites.

Types of Data Analysis

This study bases its data analysis using the framework of Miles and Huberman (Sugiyono 2010) as seen in Figure 3. Figure 3 shows that there are three kinds of qualitative data analysis activities, namely:

1. Data Reduction
Reducing the data means: summarizing, choosing basic things, focusing on important things, searching for themes and patterns, and discarding unnecessary things. The reduced data will provide a clear overview and facilitate the researchers to conduct further data collection, and look for it when necessary.
2. Data Display
Once the data is reduced, then the next step is to display the data. The displaying data in qualitative research can be done in the form of: a brief description, chart, relations between categories, flowcharts, and so on.
3. Verification of Conclusion
The third step is the conclusion and verification. The preliminary conclusion expressed is still provisional, and will change if there is no

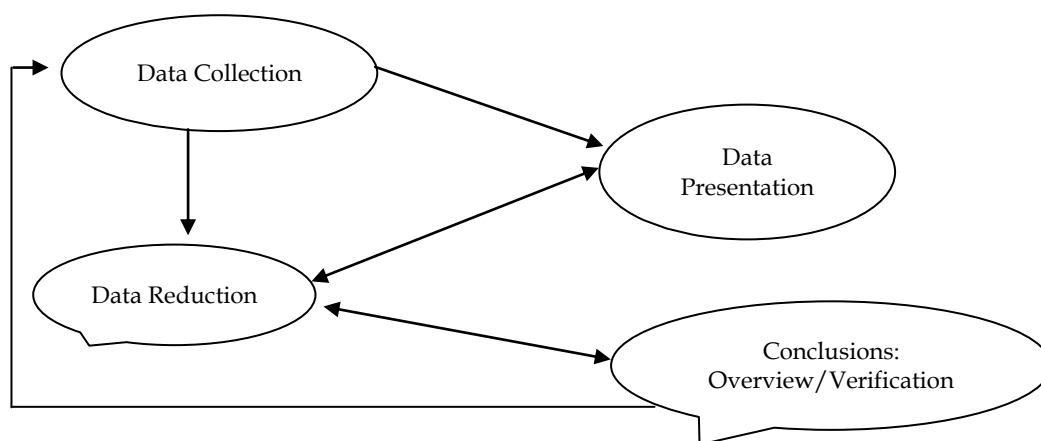


Figure 3
Data Analysis of Miles & Huberman

Source : Sugiyono 2010.

strong evidence that supports the next phase of data collection. However, if the conclusion is already supported by the valid and consistent evidence when the researchers return to the field to collect data, the conclusion put forward is a credible conclusion (trustworthy).

Data Types and Data Collection Techniques

There are two data in this study: primary data and secondary data. Primary data is the data that directly relate to the problems examined and obtained from business actors, local officials, community leaders, and others.

Primary data collection process in this study is undertaken through activities as follows: 1) **Focus Group Discussion (FGD)**. The FGD involves all the stakeholders who have a role in the economic activities of East Java. The stakeholders are: business actors (entrepreneurs), agencies and related government bodies of East Java, specialists/experts in the field of the object of study. FGD aims to acquire and reveal information about the number, scope, distribution, structure and characteristics of economic enterprises in East Java. This is done by bringing in speakers from business actors (entrepreneurs), Department of Cooperatives and SMEs, Department of Industry and Trade, as well as practitioners and experts in the field of entrepreneurship; 2) **Field observations**. The second method of data collection is by conducting observation to the study site which is considered having opportunities and investment potential in the implementation of East Java economic development with the strategy of Local Economic Development (LED). This method is done with the survey directly to

the agribusiness sites through interviews with business actors (entrepreneurs) and some key people in the business. This is done by providing the questions related to the factors that hinder the development of the business, both internally and externally. The internal factors include the issues of financial, human resources, production, and marketing. The external factors include aspects of government policy; social, cultural, and economic aspects; and the aspect of the role of related institutions..

Secondary data are obtained from the documents and records relating to the problems examined. The documents are the economic data sector of the Department of Industry and Trade, the Department of Forestry, the Department of Animal Husbandry, the Department of Agriculture and Food Plants, the Department of Plantations, the Department of Manpower, the Department of Cooperatives and SMEs, as well as East Java statistical data published by the Central Bureau of Statistics (BPS) of East Java. It is necessary to know the agribusiness centers of each district/city as the research sites.

Validity of the Data

To establish the validity of the data requires examination techniques. The implementation of examination techniques is based on certain criteria. There are four criteria which are used (Moleong 2007): credibility, transferability, dependability, and confirmability.

Credibility is the criteria that can be used to assess the accuracy of data collected that illustrates the compatibility of writer's concept with the results of qualitative research. The writer, as the re-

researcher, has to be able to design a research focus, define and select informants, carry out the method of data collection, analyze and interpret as well as report the research results, in which they all are needed to show a certain level of confidence, so that the data can be presented completely and naturally. The research results data must be credible for informants and readers. To obtain credible research results, the writer applies two methods: prolonged engagement and triangulation.

In the prolonged engagement method, the writer is positioning herself as an instrument. The writer's involvement in the data collection is not enough when it is conducted in a relatively short time, so it requires prolonged engagement on the research background so that there is an increase in the degree of confidence in the data collected, as well as for the purpose of detecting and taking into account the distortion both from the writer, as the researcher, and from the informant that might foul the data. The presence of the researcher at the study site is not limited to the work days and hours, but the researcher is also present outside the days and hours of these activities, especially when keeping the deal with the informants to interview.

The other method is triangulation. According to Moleong (2007), triangulation technique is a technique of data validity checking by utilizing something else. The triangulation technique includes: (1) Triangulation with resources, which means to compare and check back the degree of confidence of the information obtained through time and different tools in qualitative research; (2) Triangulation with method, which means to check the degree of confidence of the research findings of some data collection techniques, and to check the degree of confidence of some data sources using the same method; (3) Triangulation with theory, which is based on the assumption that the degree of confidence of the facts cannot be checked by anything, therefore it needs to be checked with the theory. Thus, through triangulation, the researcher can check the findings by comparing them with a variety of sources, methods or theories.

Transferability is the criteria that can be used to assess the applicability of qualitative research results by the users in different social settings with nearly similar characteristics. To obtain a high degree of transferability depends on the ability of the researcher to raise the meanings of the essential findings of the research and to conduct reflection and critical analysis which are shown in the

discussion of the study. Based on this view, the writer tries to cooperate with the informants to uncover matters as the element of transferability that can be offered to stakeholders.

Dependability is the criteria that can be used to assess the consistency of the data obtained during the process of qualitative research by checking the writer's carefulness, as the researcher, in conceptualizing the research plan, implementing data collection, along with its interpretation. With the assumption of dependability that an research is a representation of a series of activities of data scrutiny, data search, and data collection that can be traced, it is necessary to test the data with the informant as the sources and the techniques taken whether they show high rationality or not. If they are able to show a high rationality, the dependability is also relatively high. The best technique used is called dependability audit.

Confirmability is the criteria to assess the neutrality of qualitative research results. Through these criteria, the neutrality of the data obtained can be tracked with clear information resources. The results of qualitative research are said to have a high degree of confirmability if the existence of the data can be traced with certainty, and the qualitative research is said to have a high confirmability if the results of the research have been agreed by the researcher and informants as well as stakeholders. The best technique used is called confirmability audit.

4. DATA ANALYSIS AND DISCUSSION

Formulation of the Model of Agribusiness Development Strategy

This research results in the formulation of agribusiness development model through the data analysis that has been done related to several problems. This hinders the development of agribusiness entrepreneurship, both internally and externally, as well as the critical analyzes of the supporting factors of agribusiness-based entrepreneurial success, and the strengths, weaknesses, opportunities and threats which cover the development of agribusiness-based entrepreneurship. Some agribusiness development models that can be done are:

1. Informal model. Informal model is the formulation of agribusiness development model for beginners who still do not have working experience or with low education levels. The target of this model is the groups of people who are generally difficult to work in formal sector, so they generally plunge as micro entrepreneurs

because of the element of compulsion (Hadi and Mardianto 2014). The results of the study identify that this model is most commonly found in East Java, so that the micro-businesses created generally have low productivity.

2. **Formulation of New Scholar Model.** This model is a refinement of business growing model that has been developed by the Ministry of Cooperatives and SMEs in the form of Self-Employed Prospect program. This New Scholar Model is expected to become entrepreneurs in the small and medium scale, who are expected to become the motor of improving productivity and economic competitiveness in the long term. New Scholars who do not pass the selection of this program could be developed as new agribusiness-based entrepreneurs through agribusiness development program that adopts the informal model (Hakim DB 2013).
3. **The formulation of Worker Model.** Worker model is the model of agribusiness development for the prospective entrepreneurs who are working as employees and have not been out of their job. Worker Model is expected to inspire and transform the segment of professional workers to be small and medium scale entrepreneurs who will strengthen the structure of the economic agents of East Java Province in the future (Naully D and Nuhung IA 2014).
4. **Model of termination of employment.** Model of termination of employment is the formulation of agribusiness development model for those who have never worked. The termination of employment model formulated is a model that is expected to transform the workers who are terminated to become micro-entrepreneurs who can expand their business to meet the needs of family life. The termination of employment model formulated is also expected to increase the productivity of micro enterprises in East Java Province in the future.
5. **The formulation of Excellent Entrepreneur Model.** Excellent entrepreneur model is a model of agribusiness development through a process which has business linkage with the entrepreneurship that generates excellent products/services. This business linkage can be in the form of developing franchise business, opening branches, business diversification, and increasing the impact of follow-up of the business activities of the companies whose products/services are excellent (Rifin 2013).

6. **The Formulation of Duplication Model.** Duplication model is an agribusiness development model through the duplication of business activities from the entrepreneurship that have existed naturally. This model is an entrepreneurial growth model in the form of government program to foster new agribusiness-based entrepreneurship. To improve the effectiveness of the business development models, it is necessary to improve each agribusiness development model, and to combine one model with other models in order to produce duplication process or cloning of new agribusiness-based entrepreneurs that can be done effectively, quickly and efficiently.

Agribusiness Development Strategy

The crucial problem faced by East Java Province today is the lack of entrepreneurship that has high productivity and competitiveness. The efforts to improve competitiveness have to use the right strategy. There are two strategies that can be used: general strategy and specific strategy.

General Strategy

General strategy focuses on entrepreneurial skills development. This can be done by:

1. The development of entrepreneurial skills through business performance improvement, community development, and creation of new jobs.
2. The cultivation of entrepreneurship. Cultivating entrepreneurship is directing the entrepreneurship, primarily, to the rational, profitable, and sustainable economic activities which can be emulated by the public. Steps to achieve it are through: rational economic activities, profitable activities, and sustainable activities that can be emulated by the public (Yanti and Widyastutik 2012).
3. The utilization of Resources. Utilizing the resources is to use the available resources, existing in the Departments and Agencies involved and the community as well as the information technology. The steps performed are: (a) the resources available in various Departments/Government Agencies are deployed and utilized properly to implement and support the development of entrepreneurship in accordance with the legislation in force; (b) the main resources to cultivate entrepreneurship particularly in small businesses and cooperatives are the entrepreneurs themselves through self-development efforts while conducting

- business, or learning by doing (Arifin 2013).
4. The empowerment of Cooperatives and Micro-finance Institutions. In an effort to facilitate access for the prospective agribusiness-based entrepreneurs to capital sources, for working capital, the microfinance institutions and savings and credit cooperatives should be empowered. With the spread of cooperatives is expected to solve the capital difficulties faced by the entrepreneurs.

Specific Strategy

The Specific strategies undertaken to develop agribusiness are as follows:

1. Education and Training. The development of entrepreneurship through education consists of formal education and non-formal education (Widyastutik and Ashiqin 2011). Formal education consists of primary education, secondary education and higher education. Primary education and secondary education emphasize on four skills, namely: self awareness or personal skills, thinking skill, social skills, and vocational skills. The development of entrepreneurship in higher education is conducted in four skills, as delivered in primary and secondary education programs, plus 1 (one) skill namely academic skills or scientific thinking skills. Informal education uses some programs initiated to foster new agribusiness-based entrepreneurs, namely: Training Program, Internship Program, and Course Program. The institutions used as spearhead of the development of new agribusiness-based entrepreneurship are: Government Institution and Non-Government Institution.
2. Entrepreneurs. There are several programs that can be launched to foster entrepreneurship for MSMEs. They are through: Training Program, Course Program and Mentoring Program. The institutions used as the spearhead of the development of entrepreneurship are the Government Institution and Non-Government Institution (Hadi and Mardianto 2014). The development of entrepreneurship for MSMEs is also carried out through the following programs: the formation of business groups/clusters, the inclusion of equivalent initial capital, the development of partnership, the development of export-oriented MSMEs; the development of MSMEs through the use of local innovation/technology or appropriate technology, and the inclusion of MSMEs in promotional activities.

3. Builders Group. The programs undertaken in the development of entrepreneurship through the builder group include: (1) education and training, (2) guidance, counseling and tutor of self-learning patterns, (3) scientific meeting and workshop, (4) comparative study, and (5) publications.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

For facing the AEC 2015 which greatly relies on the role of human resources and network support, this research formulates several appropriate models of agribusiness development in East Java. These models are such as: **first**, focusing on program target. East Java Government can use appropriate agribusiness development strategy after taking into account the objectives of the program. For example, informal model is considered effective to grow micro businesses through the development of joint business groups from the primary education to the higher education. And the new scholar model is considered effective to grow small and medium enterprises based on knowledge and technology as well as high productivity; **second**, the role of government is very crucial in the agribusiness development strategy in East Java.

The government can do several things, among others: (1) to formulate and implement policies that could improve business opportunities for the community, (2) to improve the techniques and capabilities of the community through changes in the national education system and to revitalize the vocational training system, (3) to improve the understanding and public appreciation of entrepreneurship and to prepare conducive socio-cultural-economic condition to the new entrepreneurial growth, (4) to provide reinforcement support in the form of capital investment and access to business financing as well as to develop instruments that can reduce the risk of business failure, and (5) to provide non-financial support which stimulates the development of business in the form of access to market, access to information, access to technology and access to skilled labor.

It can be asserted for the suggestions that can be submitted are as follows: **first**, the government should provide facilities, encouragement and incentives to the agribusiness entrepreneurs in East Java, either through capital development, human resources, infrastructure, and access to market, and so on. This reinforcement will provide added

value and competitiveness to agribusiness entrepreneurs; **second**, the need for socialization and campaign by making use of duplication innovation to grow and develop entrepreneurship in agribusiness sector through community leaders, religious leaders and traditional institutions as well as public organizations to provide the right perceptions about entrepreneurship.

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