



The use of Strategic Alliances by Agricultural Cooperatives

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Abstract

This study consists in comparing case studies of four agricultural cooperatives regarding their choices about the use of strategic alliances. The objective of this study is to identify the differences in the practices of cooperatives for making alliances with suppliers, customers and competitors, specifically the differences about cooperatives' interests and characteristics. In order to reach this objective, it was made an exploratory qualitative research with four agricultural cooperatives, which are ranked in the top twenty cooperatives of Minas Gerais in Brazil. The results show that strategic alliances are almost unknown, and when they are used, there is little theoretical basis to support them. There is evidence that the choice of strategic alliances is an important decision of cooperatives no matter what type of alliances are taken place. In addition, the use of strategic alliances tend to influence positively not only the results of the cooperatives but also the results of the supply chain to which the cooperatives belong.

Key words: Agricultural cooperatives; strategic alliances; cooperative strategies.

Introduction

Due to the intensification of competition among organizations, strategic alliances have gained ground and proved to be extremely efficient to strengthen the organizations, and consequently, to influence their survival. This type of strategy has been presenting substantial results and transforming organizational competition not only at the firm level but also at the supply chain level.

Strategic alliances add value to the organizations, thus several studies tried to deepen the analyses of the benefits of such alliances, (HITT *et al.*, 2001; IRELAND *et al.*, 2002). However, these studies generally focused only on the results of the organizations that applied strategic alliances without comparing these results to those of other organizations that did not use alliances. No study was found that compared organizations that use alliances with those that do not use alliances in the same industry in order to verify if the organizations share the same perceptions about the alliances' benefits. Therefore, this study was aimed at filling this academic gap by applying the methodology of Eisenhardt and Graebner (2007) to classify multiple cases in two groups in the same industry, one group that applies strategic alliances and the other that does not, in order to compare the perceptions and results of the two groups.

The locus of research in this study was the agricultural cooperatives industry in Brazil, respectively, because of economic reasons. The agribusiness, which involves the production and commercialization of agricultural products and livestock, is relevant worldwide and very important for the Brazilian economy. In fact, agribusiness has significant impact on the GNP of Brazil and agricultural cooperatives stand out from other organizations because of the labor absorption and the capacity to meet the demand of several markets. For example, there are over 1500 agricultural cooperatives that account for 1000000 associates and 160000 direct jobs in Brazil (OCB, 2015). Specifically, the cooperatives in the state of Minas Gerais, in Brazil, accounted for 9.2% of the Gross National Product (GNP) in 2012 and 7.5% in 2014 (OCEMG, 2014).

Therefore, the objective of this study is to identify, describe and analyze the use of strategic alliances by the agricultural cooperatives with their suppliers, customers and competitors in the state of Minas Gerais. This article is structured as five sections, the first is the introduction, the second is the theoretical framework, the third is the methodology, the fourth is the results, and the fifth is the conclusion.

Theoretical Framework

Cooperation strategies

Given the growth of competitiveness in various markets in the past, organizations that focus only on their own operation have proven to be a disadvantageous strategic choice. In this context, among the possible strategies that a firm can use to achieve longevity in the market, the cooperation strategies emerge as effective choices (Mintzberg and Queen, 2006).

Moreover, Lynch (1994) and Casseres (1999) state that the organizations continuously face pressures on the search of growth in order to survive. In this scenario, their competitiveness and survival will depend more and more on their own capacity to set and preserve good relations with other companies. Inkpen (1998) points out that the great change in managing organizations is centered on the exponential growth of partnership relations, which overcome property relations. Several organizations have realized that self-sufficiency is increasingly complicated in a corporate environment that demands strategic focus, flexibility and innovation. Some organizations recognized alliances as singular opportunities to maximize their strength through relying on partners.

Bleeke and Ernst (1993) argue that for the majority of the global organizations, the era of fast and predatory competition is over. Forcing fierce competition among organizations in the same industry and fostering conflicts among suppliers or distributors no longer assure lower price, better products or increase in profits to the winner of these battles. The financial exhaustion, intellectual fatigue and vulnerability caused by these battles have led organizations to the next wave of competition and innovation. Bleeke and Ernst (1993) also argue that organizations should not blindly compete in every aspect, but only in those specific areas in which they have longstanding advantages or where the competition is needed to preserve segment power or capture value. The best solution is to find strong partners that have the necessary money, scale, abilities or strategic access to some resources.

Hittand *et al.* (2001) state that a cooperative strategy implies in companies working together and combining resources to reach a shared goal and to create competitive advantage. Ireland *et al.* (2002) consider cooperative strategies to be an alternative way to contractual relations among firms and claim that through these cooperative strategies the organizations are capable of creating more value than that achieved by contractual relations.

Strategic alliances

Among the cooperative strategies, the main and most widespread ones are the strategic alliances, which aim at creating competitive advantage. Drierickx *et al.* (1989), Hitt *et al.* (2001), Ireland *et al.* (2002), Mintzberg and Quinn (2006), and Bitencourt and Tondolo (2008) argue that these alliances can be made through the synergic use of complementary resources of the organizations that belong to the same industry.

Détrie (2000) states that there must be some kind of competition among organizations that pledge to cooperate in order to create relevant results. This intermediary stage between fierce competition and high level of cooperation defines the specificity of the strategic alliance. These strategies are better options for the organizations to achieve their specific goals than other strategic options such as mergers and acquisitions, as pointed out by Bleeke and Ernst (1993).

Bleeke and Ernst (1993) present some recommendations for the organizations to succeed in making cooperative strategies. First, the organizations need to cooperate in order to compete, which requires other forms of measuring success that are different from those used in traditional competition. Second, the alliances among potential competitors represent an arbitration of skills, access to market and capital so that it is necessary to keep a fair balance in this arbitration to succeed. Third, it is very important that managers develop an international strategic vision and understand international alliances as a flexible combination of actions, instead of unilateral agreements guided by temporary competition or financial benefits.

In the majority of the strategic alliances, one organization ends up by acquiring another one, which does not necessarily mean a failure. The more balanced a partnership is, the more successful is, and this implies that the partners must be financially strong and add significant resources to the partnership. In fact, Bleeke and Ernst (1993) found that two thirds of partnerships made by equally strong partners have succeeded, while sixty per cent of the partnerships made by unequal partners have failed. There is also evidence that when organizations, as shareholders, own equal shares of a firm, this firm has higher chances of success than that with unequal shares.

According to Telles and Siqueira (2012), the reason for making strategic alliances can be the rise in competition and market demand, or intention of the partners involved to combine essential skills.

Types of strategic alliances

Hitt *et al.*(2001); Ireland *et al.*(2002) classified strategic alliances, based on their legal form, into two main types: alliances with equity participation (which comprehends joint ventures and alliances with different equity participations), and alliances without equity participation.

Mintzberg and Quinn (2006) classified the strategic alliances into two types: joint venture, a new organization in which the shareholders have equal shares. Inkpen (1998) argues that a joint venture is a strategic alliance in which two or more

companies unite to create a new company, legally independent from their creators, to share resources and capabilities and aiming to develop a competitive advantage. They establish long-term relations and have efficacy regarding the transfer of tacit knowledge, that once cannot be encoded, is learnt through experience. This type of alliance is ideal when organizations need to combine resources and capabilities to create competitive advantages substantially different from the ones they possess on their own, and when the partners want to cast themselves in uncertain markets. Despite the inherent advantages of this configuration, Détrie (2000) argues that in joint ventures, alliances that fail to fulfill their objectives, lose their effectiveness, become obsolete, tend to last longer, and use further resources. In this case, the tendency is that one of the parts takes full control of the created company in order to restructure it.

The second type of alliances pointed out by Mintzberg and Quinn (2006) is the strategic alliance with different equity participations, in which an organization can advisedly take a minority participation in another company. Its effect in the efforts of the partners, assets and profits is more intense than that in alliances where companies do not involve themselves in equity participation. Hitt *et al.*(2001) argue that alliance with equity participation is widely used in direct foreign investments, and allow the changes in organizations' participations. Moreover, according to Hitt *et al.* (2001), this type of alliance sometimes take place when an organization acquires shares of another existing organization, in this case, the buying organization can increase its investment and enter a new market. According to Mintzberg and Quinn (2006), strategic alliances, in the same way as cooperative agreements without equity participation, are possible when there is consensus of all organizations to share efforts, assets and profits.

Hitt *et al.*(2001) consider that strategic alliances without equity participation are those in which there is a contractual relation but no new organization is created. This type of alliance is less formal and requires a lower level of commitment from the partners. The informal relationships of the strategic alliance without equity participation make the alliance unsuitable to do highly complex projects in which the success depends directly on the effective transfer of tacit knowledge between the partners.

Objectives and benefits of strategic alliances

Mintzberg and Quinn (2006) state that, despite the importance of alliances' structural and functional features for the cooperation, the strategic objectives of the

alliance are the real drivers that influence the future capabilities of the partners. The authors present six main objectives for the alliances: learning, support, advantage, association, expansion and restriction. Mintzberg and Quinn (2006) also point out that even when one of the objective is the main purpose of the alliance, the other objectives could perform a supporting role to the main one. Telles and Siqueira (2012, p. 203) complement this point of view by listing the results that can be achieved through the application of different objectives, for example, development of new products, capability to reduce costs, internalization of technologies, economy of scale, and access to new markets. Telles and Siqueira (2012) also argue that a more relevant outcome provided by all the alliances is the decrease in the levels of risk to which the partners are exposed. The Unification of operations of the partners reduces the risk to make decisions under uncertainty. Probably, if a partner had to assume the risk on its own, it would not take that risky decision.

According to Mintzberg and Quinn (2006), in alliances that try to reach learning objectives, one partner intends to acquire the necessary knowledge of the other. This type of alliance is recommended when an organization does not have the capability to perform specific activities that could give it exceeding rents. There are two requirements for the success of this type of alliance: to keep the technology inside the organization; the activities to develop the technology are inherent to the organization. It may happen that one, or both partners, can aggressively use the alliance to obtain valuable knowledge, gradually improving its capabilities and becoming independent from the “teaching” partner along the partnership. Mintzberg and Quinn (2006) consider speed, efficiency and cost as advantages of this type of alliance. In addition, Inkpen (1988) state that organizations are generally successful in learning from alliance’s partners, however, this learning process is complex, frustrating and not mastered by organizations. According to Inkpen (1988), the first barrier to achieve success in this learning process is the lack of attention regarding the execution of processes that are necessary to access, absorb and disseminate the knowledge of the partners. Détrie (2000) points out that, in the search of learning, several organizations prefer to use joint ventures than other types of alliances. The creation of a joint venture enables alliance’s partners to learn from each other and to transfer complementary competencies between them, which happens more efficiently when organizations make a joint venture.

The alliances that pursue the objective of support are made when an organization wishes to replace an element of its chain value, which is done by the organization itself, by using a new partner. Similar to outsourcing, this type of alliance gives the organization the necessary conditions to focus on its core business and its main

advantage in the short term is the substantial gain in the production cost structure for all partners. On the other hand, this type of alliance is risky regarding the erroneous determination of the non-critical activities to the core competency of the organization (Mintzberg and Quinn, 2006). Lewis (1992) states that strategic alliances tend to provide greater access to business operational factors such as structure, resources and processes than any organization would have individually and, consequently, alliances afford a greater access to sustainable competitive advantages.

Mintzberg and Quinn (2006) point out the third objective of strategic alliances, advantage, that focus on the advantages of size and scope in order to compete with dominant players. The costs to reach the necessary structure could be a barrier for an organization, but two or more organizations could make a strategic alliance to achieve similar results, creating advantages of size and scope. The advantages of this type of alliance, that may not involve equity participation, lay on the combination of complementary resources and efforts to strengthen the positioning of both parts.

Another objective by Mintzberg and Quinn (2006) is the association, which is particularly more suitable for vertical relations and it relates to the functional scope. The organizations have been trying to strengthen relationship with suppliers, investing in closer cooperation and coordination, and sharing information, specifications and experiences. All of these actions result in shorter lead-time, greater quality and better control of the processes. On the other hand, the objective of association implies inflexibility. In a traditional relationship with suppliers, an organization can change a supplier for another without much trouble generally. However, in an alliance, this change becomes harder because the organizations have already invested a lot in time, specific assets and human resources to make the alliance work. Détrie (2000) names two main advantages of this objective: maintenance of autonomy and possibility of reversal. The former advantage is very important because organizations have the chance of unifying forces to accomplish tasks, reaching the economy of scale without the need to accept all terms implied by mergers or acquisitions. The author also argues that the association between organizations can be a transitory step to an outsourcing. By establishing this type of alliance, it is possible to measure the effectiveness and efficacy of such movement without having to make an outsourcing.

Détrie (2009) also presents the concept of complementary alliance, the objectives of which are the same nature as those of the association. In the case of complementary alliance, organizations with different competencies and contributions ally to obtain some kind of synergy. One example given by the Détrie (2009) is the trading of a manufactured product of an organization by using the distribution network of its ally.

According to Mintzberg and Quinn (2006), the objective of expansion comes from the benefits provided by the experience of the allies that allows an organization to expand its business in extremely different areas where that organization would not take risks alone. Therefore, the experience sought in the partner enables the organization to explore product or market opportunities by overcoming the entry barriers. What sets the objective of expansion apart from the learning one is the fact that the organization does not want to absorb the partner's experience because the resources are so different that they make such learning overwhelmingly difficult. When executing such alliance, an organization needs to be careful about the problems of cultural fit since it is necessary to have a successful integration between different managing styles. Considering Ireland *et al.* (2002), the diversification alliances are similar to the expansion ones. In this type of alliance, the partners share some resources and capabilities in order to create diversification, either in new areas of products, or markets.

The last objective of the alliances is the restriction. Two or more allies join forces to hamper competition and obtain benefits from their combined market power or the structure of the organizations. Unlike the other objectives, the intention is to protect existing advantages from a possible competition. Antitrust issues are deeply related to these strategic alliances and can be complex. The failure of competitors caused by market barriers considered unfair and customers' complaints about the lack of options, or competition, could lead the government to prevent an alliance, which represents a threat to the competitive advantages. In addition to this problem, alliances that seek to neutralize competition could cause a false sense of competitive advantage and weaken the partners in relation to innovative and agile competitors (Mintzberg and Quinn, 2006). Ireland *et al.* (2002) mention some kinds of restriction alliances, such as competitive response alliances and cooperative strategies to reduce competition. Competitive response alliances can be used as a less costly and risky alternative to big mergers made by competitors. The competition reduction effect is part of almost all strategic alliances between competitors since it is hard for the organizations be competitive alone.

In relation to the objectives of organizations to make alliances, Détrie (2000) argues that organizations often use alliances only in the short term to ameliorate punctual problems, or to obtain marginal gains. However, the organizations fail in not evaluating the long-term strategic impacts that an alliance could cause, compromising the future and the longevity of the partners.

Jeantet (1999) and Joffre and Simon (2012) point out another objective to make alliances that happens in cooperatives. This objective is to leverage the services

offered to cooperative's associates to strengthen the rights of the associates. Specifically, each associate of a cooperative owns the same decision power regardless of his or her equity participation. Moreover, in cooperatives, the profits must be applied for the benefit of the cooperative.

Methodology

Locus of research

The study published by the Organização das Cooperativas do Brasil (2013) points out that in 2013 over 11million of Brazilians participated in cooperatives, twice as much as the number in 2002 (5.2 million). Five types of cooperatives out of thirteen account for 83% of the associates, and the agricultural type accounts for the highest share, specifically, 1.5 million associates. In 2013, the number of people employed by cooperatives was of 321 thousand, the agricultural cooperatives accounted for 164 thousand of employees, the health cooperatives 78 thousand, and the credit cooperatives 38 thousand. The Brazilian cooperatives exported around 6 billion dollars in 2013. Over 90% of this figure is due to agricultural and livestock products, namely, sugar, soybean, coffee, beef, pork and chicken.

In Brazil, cooperatives are formed for several purposes. Pinho (1977^a, 1997b) states that a cooperative has economic objectives like other companies, such as, to master all production and commercialization phases, to increase the production scale, to reduce operating costs, to acquire factories, to make diversified products, to reach new markets or new consumers, and to expand its area of operation. Galerani (2003) argues that the cooperation, as an economic dogma, is practiced through an economic unit formed by members who decided to join efforts in order to add economic value to their production. The alignment of efforts the members of cooperatives enables them to reach living conditions and strengthen them economically.

Chaddad and Cook (2004) classify the Brazilian agricultural cooperatives as economic organizations with diffuse property structure and vaguely defined rights. This classification is due to the characteristics of property rights and the way of exercising them. In addition, these organizations present hierarchical structures and do economic diversified activities (Costa *et al.*, 2012). According to Chaddad and Cook (2004), these characteristics allow the cooperatives to be classified as complex organizations. In this context, the cooperatives should distinguish the ownership of resources from the management of activities in order to increase their chances of

survival. Nevertheless, according to the studies made by Chaddad and Cook (2004), 48% of the Brazilian agricultural cooperatives do not set apart ownership from management, that is, the owners participate in management decisions. This finding of Chaddad and Cook (2004) differs from what happens in cooperatives in the Netherlands, Sweden, Finland and the United States (COSTA *et al.*, 2012).

In relation to the Brazilian law of cooperation, Magalhães (1982) comments that it allows the cooperatives to participate in non-cooperative companies or to operate along with companies, for instance, the participation in public institutions, consortia, associations, condominiums, limited partnership companies, joint ventures, trading companies and other types of organizations. Moreover, the cooperatives can make agreements as central purchasing, and contractual agreements with service providers, suppliers, distributors and others.

Magalhães (1982) classifies the cooperatives into three groups. The first group (individual cooperative) is formed by at least 20 people, and it provides service to its associates. The second group (centrals and federations) is formed by at least three individual cooperatives with the possibility to join other different cooperatives. The third group (confederacies) is formed by at least three centrals or federations.

Galerani (2003) also states that an important trend is the behavior of cooperatives' leaders to foster the partnership among cooperatives and other types of organizations to strengthen the operations and to guarantee the survival in the short and the long term.

The implementation of cooperative strategies in Brazil can face difficulties and barriers. Rodrigues (1998) presents some difficulties: the regional bias, the fear to lose power, selfish purposes, jealousy, competition between cooperatives and the lack of vision about the competitive environment by cooperative's leaders. Unfortunately, some cooperatives' leaders have not been aware that the competition between cooperatives and the fragmentation of the agribusiness only damage the economic development of the Brazilian cooperative system. Regarding the barriers, Détrie *et al.* (2000) argue that negotiations to take control, capital distribution, stock distribution among members and contractual specificities can jeopardize the evolution of alliances or even lead them to failure. Bialoskorski Neto (2004) presents that the emotional relationship between the organization and its associates can be a problem since it can inhibit the mergers, the creation of centrals or even the network agreements.

Specifically about the state of Minas Gerais in Brazil, the locus of research of this study, there are 732 cooperatives in 2012 that have around 1 million associates and 34.6 thousand employees, according to the Anuário de Informações Econômicas

e Sociais do Cooperativismo Mineiro. The agricultural cooperatives accounted for 198 of the 732 cooperatives (27%), 151 thousand associates (13.6%) and 17.5 thousand employees (50.5%). The agricultural cooperatives are the type of cooperative that hires the highest share of employees in Minas Gerais, and is the second type in relation to the number of cooperatives and number of associates following the credit cooperatives. In addition, in 2012, 7.9% of the Gross Domestic Product (GDP) of Minas Gerais, that is, 30.6 billion reais, was due to the cooperatives' businesses.

The agricultural cooperatives had the highest share of the GDP of the cooperatives in Minas Gerais in 2011, but the share decreased by 15.2% in relation to that in 2012. As a result, the agricultural cooperatives accounted for 9.2% of the GDP of Minas Gerais in 2012. The cooperatives have a high share of the production of goods, such as, coffee, garlic, milk and avocado. For example, the cooperatives account for 75% of the production of coffee, which accounts for 9.9% of the total production of agricultural products in Minas Gerais. Regarding the agricultural products in the state, coffee and milk account for 76.4% of the total production.

Research method

This research is an exploratory and descriptive study that applies the method of multiple cases classified into two groups (Eisenhardt and Graebner, 2007) according to the use of cooperative strategies. The data was collected by an online form sent to the target cooperatives. The 20 target cooperatives were contacted by phone calls, following an e-mail with the web link to access the online form in the Google Drive. Then, the form was answered by the directors, or the chief executive officer, of the cooperatives and sent back to the researchers. The data collection was carried on from September 2014 until October 2014, and 4 cooperatives participated in the research.

Results

As it was said in the methodology, the respondent cooperatives of Minas Gerais were classified into two groups: group 1 is formed by cooperatives that have not made strategic alliances; group 2 is formed by cooperatives that have already made alliances. The following names of the cooperatives are fictitious in order not to identify them.

Group 1 – Two Cooperatives: Cooperláceos and Coopgrãos

The main product of Cooperláceos cooperative is the milk, while the main product of Coopgrãos is the coffee. The managers answered that strategic alliances are very important to cooperative's development, are aware of the potential benefits of this practice, but they do not consider the alliance essential to cooperative's growth.

Based on managers' positive answer regarding the use of alliances, they were asked to give the reasons that prevent the use of strategic alliance. The answers are the following:

- Cooperláceos- Lack of knowledge by the directors about the benefits of this type of alliance; lack of willingness of directors to implement the strategy; a regional biased culture, a very slow decision process due to the high number of associates involved in this process.

- Coopgrãos-Lack of confidence by the potential partners, personal problems between members of the partnership.

Despite the economic relevance of the agricultural cooperatives in Minas Gerais, there is evidence that the cooperatives lack the professional management skills and the knowledge to explore the benefits of the strategic alliances. The use of these two factors are not sufficient to achieve success, but an in depth analysis is needed to understand if these deficiencies are real weaknesses or just mistaken assumptions that keep the cooperatives away from improving their results.

Inkpen (1988), Bleeke and Ernst (1993), Hitt *et al.* (2001), and Mintzberg and Quinn (2006) affirm that strategic alliances are essential to the growth of any company in the globalized market. Thus, the evidence that strategic alliance is applied in these cooperatives provides an important perspective about the need for acquiring better knowledge on the strategic alliance before starting the use of it.

In the Table 1, it is possible to see that the two cooperatives of Group 1 are aware of strategic alliances, their importance and the results that could be achieved through them. Nevertheless, factors that have been perceived in other researches almost twenty years ago, like the ones made by Rodrigues (1998) and Galerani (2003) are still present and continue to exist as major barriers to the implementation of these strategies on the sector.

Table 1: Summary of Group 1 answers

	Cooperláceos	Coopgrãos
Question 1: Concerning the importance of strategic alliances to cooperative's growth, the cooperative considers it: unimportant, of little importance, relatively important, very important or essential?	Very important	Very important
Question 2: Given that the cooperative considers the strategic alliances to be important to its development, check below the reasons that hinder their use.	Lack of knowledge by the directors about the benefits of this type of alliance; lack of willingness of directors to implement it (fear to lose power), a culture yet selfish and regional, a very slow decision making process due to the high number of people involved	Lack of confidence by the potential partners, personal problems between members of the partnership.

Source: authors.

Group 2 – Cooperatives: Café & Leite and Multicoop

The main products of the Café & Leite cooperative are coffee and milk, while Multicoop produces beef, pork, bean, coffee, corn, milk, sorghum and soybean. Given that the managers of these cooperatives claimed to have already used strategic alliances, they answered to specific questions about strategic alliances with suppliers, customers and competitors.

Both cooperatives have made strategic alliances with their suppliers for more than five years, indicating that the knowledge of such strategies is not very recent among them. However, this practice is not widespread in this type of cooperatives. Multicoop cooperative has been practicing alliances with their customers for more than five years in the same way as to their alliances with suppliers. On the other hand, the practice of strategic alliances with customers is more recent for Café & Leite, what shows a movement of the cooperative towards attracting and retaining customers.

In both strategic alliances made with suppliers and customers the two cooperatives have never formed an independent organization, which is the main characteristic of a joint venture, but their alliances are based on long-term relationship. Multicoop also informed that have made alliances with both equal and different equity participations between the partners, what indicates the use of financial resources by the partners. The case of Multicoop also shows a more advanced level in their alliances, despite the inflexibility of the partnerships that did not allow the increase or decrease of the equity participations. Both cooperatives frequently practice alliances that do not imply engagement in equity ties, which is pointed out by Hitt *et al.* (2001) as less formal and with lower level of commitment

between the partners, and consequently, is suitable for projects of lower complexity. These characteristics make the use of such alliance easier by the organizations.

It is possible to find a more formal management in Café & Leite alliances with their customers compared to those made with their suppliers, which have started a long time ago. In the case of Multicoop, alliances with both suppliers and customers have similar formal management characteristics. Both cooperatives have a profile of alliances with no equity participation.

The respondents pointed out as objectives of the strategic alliances with suppliers the acquisition of knowledge from the other partner, the replacement of an activity of the cooperative, the integration to achieve economy of scale, and the development of competencies. Thus, there is evidence that both cooperatives seek for acquiring new competencies, organizational structure fit, and economy of scale. However, the cooperatives differ from their level of benefits they try to achieve.

Café & Leite does not consider either a high priority in the alliances the strengthening of relationships with their customers or suppliers, or the interest in make alliances to reach new markets. This attitude of Café & Leite could be due to the ability of the cooperative to launch products in new markets without depending on suppliers as allies. At last, Café & Leite does not uses alliances seeking protection against competition, what shows the lack of interest in protecting its competitive advantages in a market where there is a fierce competition.

On the other hand, Multicoop considers a priority in the alliances the strengthening of relationships with their customers or suppliers. Multicoop seeks for close relationship with suppliers, customers, and the access to new markets in all its alliances with suppliers. Moreover, Multicoop frequently uses strategic alliances to neutralize competitors and to protect its competitive advantages, which is very important to a cooperative with such diversified operations.

In their alliances with customers, both cooperatives pointed out that the objective of learning is not important, what shows the low interest in taking advantage of the alliance to improve the service provisioning to customers. In addition, both cooperatives also look for access to new markets through the close relationship with customers. However, Café & Leite does not seek for close relationship with strategic suppliers. On the other hand, Multicoop is aware of the importance of making strategic alliance with suppliers.

Regarding protection against competition, Café & Leite is not engaged in strategic movements either, but Multicoop is.

Despite the knowledge and practice of strategic alliances, both cooperatives have never used them with competitors. As pointed out by Rodrigues (1998) and

Galerani (2003), the fear of losing competitive power inhibits the alliances between competitors. As a hypothesis, it can be said that the reasons for these cooperatives not to make alliances with their competitors could be the same as those presented for the cooperatives of Group 1.

It has been observed that in Group 2, Multicoop has more structured alliances than Café & Leite. Besides, Multicoop uses strategic alliances to seek a wider variety of objectives than Café & Leite, mainly in the case of alliances with customers. It is important to outline that Multicoop works with a substantially wider range of products, what allows it to work different objectives with suppliers and customers for each product. Table 2 shows the summary of the main findings based on the answers of the cooperatives of Group 2.

Table 2 - Summary of Group 2 answers

	Café & Leite	Multicoop
Main characteristics of alliances with suppliers	Long term relationship	Long term relationship Partnership with no equity ties Contractual relationship
Main objectives of alliances with suppliers	Acquisition of knowledge Replacement of an activity Integration to economy of scale Development of competencies	Development of suppliers Close relation with customers Access to new markets
Main characteristics of alliances with customers	Long term relationship Partnership with no equity ties Contractual relation	Equal equity participation Long term relationship
Main objectives of alliances with customers	Close relation with customers Access to new markets	Integration to gains of scale Development of competencies Development of suppliers Close relation with customers Access to new markets Neutralization of competitors

Source: authors.

Conclusion

The objective of this study was to identify the different points of view about the use of strategic alliances by two groups of agricultural cooperatives in the state of Minas Gerais, Brazil, the first group did not use alliance and the other one did. The agricultural cooperatives were chosen for this study because of their significant contribution to the economy of Minas Gerais and the potential of economic growth due to the use of strategic alliance. In fact, the agricultural cooperatives account for 9.2% of the agricultural GDP in Minas Gerais in 2012. The assumption is that the agricultural cooperatives could have an even more relevant role in the economy of

the state as long as they seek for their strategic objectives of reducing costs through alliances.

By analyzing the involvement of the cooperatives in the practice of strategic alliances, it was found evidence that this practice is still not widespread among the agricultural cooperatives of Minas Gerais, as illustrated by the cases of Cooperlâcteos and Coopgrãos. Factors like internal competition, regional bias, the dispute to take control, and selfish purposes prevent the cooperatives from evolving the alliance, which jeopardize the improvement of abilities, productivity, and know how.

In spite of using strategic alliances, Café & Leite does not explore fully the potential offered by these strategies. Café & Leite focus on competitive advantages through economy of scale and access to new markets. The full exploration of strategic alliances could help the cooperative to reach more expressive and consistent results. Another opportunity of improvement would be the search for the objective of restriction in the alliance, since Café & Leite does not look for it at all. All these recommendations could enable Café & Leite to develop more loyal customers and greater market power.

In Multicoop, there is evidence of the use of the three types of alliances and the search for several objectives. Its alliances often seek acquisition of knowledge, outsourcing of support activities, economy of scale, and development of competencies. It was also found that Multicoop even plays a role as a bridge between its suppliers and customers, aiming simultaneously the development of suppliers and closer relationships with customers. At the same time, its alliances aim at assuring access to new markets and protecting its competitive advantages against the actions of competitors.

In short, it has been observed that the use of strategic alliances is yet badly organized. There is a mix of characteristics and objectives in the implementation of alliances, what could diminishes its effectiveness. The improvement of the organization of alliances, together with the application of alliances in broader issues, could achieve better results. It can be assumed that it would be interesting to reduce the competition among cooperatives in order to establish partnerships to maximize results and to be able to compete in more complex and challenging markets. In this sense, the concept of *coopetition* can contribute a lot so that the cooperatives understand strategic alliances and use them.

Among the biggest cooperatives in the state, some cooperatives do not make strategic alliances. Thus, on one hand, it can be assumed that the use of strategic alliances is not a sufficient factor for the success of the cooperatives. On the other hand, it was found that the use of strategic alliances is not fully explored by the

cooperatives, which could provide the cooperatives better competitive positions. For futures studies, it is suggested to analyze other types of cooperatives, or organizations. Another suggestion would be to analyze the agricultural cooperatives in another state that is economically and culturally different from Minas Gerais.

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