

## **INNOVATION IN AGRIBUSINESS AS A STRATEGY FOR REGIONAL DEVELOPMENT**

**Fabíola F. Brito<sup>1\*</sup>, Flávio de São Pedro Filho<sup>2</sup>, Irene Y. T. Sakuno<sup>3</sup>, Carolina Y. V. Watanabe<sup>4</sup>, Maria B. A. C. Tourinho<sup>5</sup>, Sâmia L. M. Benevides<sup>6</sup>**

<sup>1</sup>Undergraduate student of Administration at the Federal University of Rondônia, Brazil, [fabiolabrito\\_21@hotmail.com](mailto:fabiolabrito_21@hotmail.com)

<sup>2</sup>Prof. Dr. on the Post-Graduate Program Administration, Federal University of Rondônia (PPGMAD/UNIR), GEITEC's Coordinator, Brazil, [flavio1954@gmail.com](mailto:flavio1954@gmail.com)

<sup>3</sup> Doctorate student in Public Policy at the Federal University of Rio Grande do Sul, Brazil. Member of GEITEC, [ireneskn@hotmail.com](mailto:ireneskn@hotmail.com)

<sup>4</sup>Prof. Dr. on the PPGMAD/UNIR, Brazil, [carolina@unir.br](mailto:carolina@unir.br)

<sup>5</sup>Prof. Dr. on the PPGMAD/UNIR, Brazil, [kang@unir.br](mailto:kang@unir.br)

<sup>6</sup> Master's student on the PPGMAD/UNIR. Member of GEITEC. CAPES scholarship student, Brazil, [samia.laise@gmail.com](mailto:samia.laise@gmail.com)

\*Corresponding Author

### **Abstract**

This paper focuses on studying for innovation to the strategic alliances in agribusiness in a wholesale market in the city of Porto Velho, Rondônia. It is supported by the Systems Theory in which Nolasco et al. (2014) introduced the idea of a set of elements interconnected to form a global whole in which a system emerges with specific characteristics and properties that cannot be found in isolation. The specific objectives of the paper were to: (1) consider the main components of the strategic alliances focused on wholesaler agribusiness in Porto Velho; (2) analyze the functional scenario of the fundamental alliance of the agribusiness under study and (3) propose pro-innovation measures as a competitive strategy in this agribusiness. It uses the 5W2H tool (Viana et al, 2013), which serves as an action plan, in that it pre-supposes the action of means and activities, so a target will only be achieved if a good plan of action precedes it. In addition, it uses the Ishikawa Diagram, also known as a cause-effect diagram (Sasdelli 2012), which identifies the causes of the problem central to the paper and it also uses SWOT analysis, a structural administration tool, to analyse the internal and external environment in order to formulate strategies for the weaknesses of an organization (Neto 2011). The procedure adopted is documentary research, in which Schwartz et al. (2014), recommends, consults and presents files in several typologies. The results are shown in tables, figures and graphs for the sake of clarity. This research found that the owner of an enterprise was unaware of the concept of a strategic alliance of the benefits that these alliances could bring to an enterprise regarding its financing and varied facilities, contributing much to reduce the costs for the enterprise. Regarding the subject of the interview, it was proposed many competitive advantages that the wholesaler in the study could gain thereby.

**Keywords:** Amazon, Agribusiness, Strategic alliances, Innovation.

## **1 INTRODUCTION**

This study aimed to interpreting the strategic alliances in agribusiness in a wholesale market in the city of Porto Velho / Rondônia, by means of a survey of a wholesaler market. Through observation it was concluded that the owner did not know the theoretical basis of the market's strategic alliances and the competitive advantages that these alliances could offer to his enterprise. In this scenario, the research surveyed the main threats; opportunities; weaknesses; and strengths of the business with the help of the Swot Analysis Tool, focusing on consistent actions that might be proposed for each point indicated, followed by a proposal for innovation aimed at the sustainability of the enterprise. Below, the general and specific objectives of the research are addressed. It asks 'What strategic alliances should the wholesaler agribusiness under study participate in to maintain its competitive potential?' To answer this question, the study has as its main objectives regarding the main characteristics and the specific objectives of strategic alliances in the wholesaler agribusiness: (1) to consider the main elements in the formation of strategic alliances focused on this agribusiness in Porto Velho; (2) to analyze the functional scenario of fundamental alliances for this agribusiness; and (3) to propose pro-innovation measures as a competitive strategy in this agribusiness.

## **2 THEORETICAL-CONCEPTUAL REFERENCE**

Systems Theory was used to develop this research; Nolasco et al. (2014) introduce the idea of a set of elements interconnected to form a global whole in which a system emerges with specific characteristics and properties that cannot be found in isolation.

### **2.1 Concept Of Strategic Alliances**

Johanson & Mattsson, cited by Oliveira (2011), state that a strategic alliance occurs when two or more organizations decide to join forces to achieve a common strategic objective. Oliveira (2011) also cites Douglas and Craig, who talk about collaboration among allies. According to these authors, the strategic alliances act in the structural functioning of an organization, such as its research and development activities to supply new products, together with their marketing, production and distribution. As cited by Oliveira (2011), strategic alliances bring several benefits such as reducing operating costs, attracting capital for investment, making it easier to access technologies, improving the quality of services to customers, and encouraging market gains and risk reduction.

#### *2.1.1 Agribusiness Concepts*

According to Pedro Filho (2015), agribusiness can be defined as a set of businesses related to the agriculture business, that share the same economic standpoint. It can be divided into three main stages or segments: before the farm gate, on the farm gate, and after the farm gate. The first segments are enfatized in this study, and are composed of suppliers, inputs and services such as machinery, implements, pesticides, correctives, fertilizers, technology and financing (Vieira, 2012). In Brazil, there are several public and private agencies and companies related to this area of activity, such as EMBRAPA (Brazilian Agricultural Research Corporation), CEPLAC (Executive Committee of the Cocoa Farming Plan), the Secretariat of Agriculture, the universities and the BNDES (National Bank of Social Development). Vieira (2012) states that the activities of agricultural production units involve the handling and preparation of soil, cultivation, irrigation, harvesting, preparation for production and the output of the product in its natural state for marketing. The segments after the farm gate are the storage, manufacturing, packaging, and distribution activities (Vieira, 2012). After all these steps taken to obtain the product, it is sent to the consumer market.

#### *2.1.2 Wholesale commerce concepts*

Hsien et al. (2011) cite Cobra, stating that the wholesaler institutions buy and resell goods to retailers and other traders or industrial establishments, but do not sell in small quantities to final consumers. Hsien et al. (2011) cite Churchill and Peter, adding that the wholesalers create value for suppliers and customers, carrying out distribution functions; hence, wholesalers are also called distributors. They also cite Cobra in stating that wholesalers have multiple functions in distribution channels, such as making sales contacts, maintaining inventories, distributing products, and supporting customers with credit and financial aid.

### **2.2 The Concept Of The Scenario**

Souza and Takahashi (2012) cite Peter Schwartz, who describes a scenario as a tool used to take a long view in a world of great uncertainty, in order to perceive possible future environments and the consequences of present decisions. In accordance this author, in the construction of scenarios, issues such as the current and future trends of a given project are discussed in order to create linked sets of

possibilities. Decision makers exercise their decision capacity on possible futures and focus on those identified as the most plausible. Internal and external contingencies for the enterprise, uncertainties, trends, opportunities which are hard to anticipate, are all based on identifying and evaluating scenarios, thus allowing consistent actions.

### *2.2.1 Concept of the SWOT Analysis*

Neto (2011) states that the SWOT analysis is a structural tool of the administration, used to analyze the internal and external environment in order to formulate strategies for companies. This analysis, formulated by Kenneth Andrews and Roland Christensen, identifies the internal Strengths and Weaknesses of a company, as well as the external Threats. The use of this tool helps to develop strategic planning, in order to focus on the combination of strengths and weaknesses in an organization and at the same time the opportunities and threats in the market.

### *2.2.2 Concept of the Ishikawa Diagram*

According to Lima, as cited by Sasdelli (2012), the Ishikawa diagram (also known as the cause-effect diagram or fishbone diagram) was proposed by the Japanese Dr Kaoru Ishikawa in 1943. Its function is to identify the alleged causes of a specific problem. With the application of this tool it is possible to detail the process described and clearly define the problem. An Ishikawa diagram represents the relationship between an effect and all the possible causes that might have contributed to this effect. It is an analytical tool used to study a problem and identify its possible causes.

For Takakura, the construction of an Ishikawa diagram is a way to raise symptoms at the analysis stage of a given situation (Sasdelli, 2012). This diagram is used in situations where the members of an organization exert a large, unwelcome and condensed effect; it identifies what drives the unwanted effects.

## **2.3 Concept Of Innovation**

According to Mota (Soares, 2009), innovation stems from the need to adapt to environmental obstacles, to growth and development of the power to do so and the need for organizations to fight for survival. Louçã (2014) cites Schumpeter as saying that innovation is the continuous process that replaces the old by the new and revolutionizes the characteristic economic structures of the capitalist system. Entrepreneurs make use of the innovation in a product, service or process aiming to gain a competitive advantage; for a while, this is the only example of innovation. The entrepreneur can earn a good profit with it, but other entrepreneurs will seek to imitate the current innovation and thus, other inventions will be demanded.

According to Peter Drucker, cited by Martins (2011), innovation is the effort to create change focused on the economic or social potential of an enterprise. So for Vila et al, cited by Martins (2011), innovation is of fundamental importance in a competitive environment. Without it the company stagnates, competitors take the lead and the company dies.

### *2.3.1 Competitive Strategy concept*

Souza et al (2013) cite Nogueira et al who state that competitive strategy is related to the programs, plans and actions carried out by an organization in order to preserve or increase the competitive advantages that it already holds over the competition.

For Porter, cited by Souza et al (2013), the competitive strategy of an enterprise is usually constituted by specific strategies, for example, financial, technological, marketing and production strategies, aiming at the harmonization of all its actions, in order to seize the competitive advantage by developing the organization's value chain processes. Thus, the competitive strategy involves the long-term goals of the company and is composed of the specific strategies adopted.

## **3 METHODOLOGY**

In the preparation of this research a qualitative approach was found necessary. Llewellyn and Northcott, quoted by Freitas and Jobbour (2011), focus on identifying the characteristics of events that may affect the organization. Fig.1 illustrates the methodology employed in the investigation.

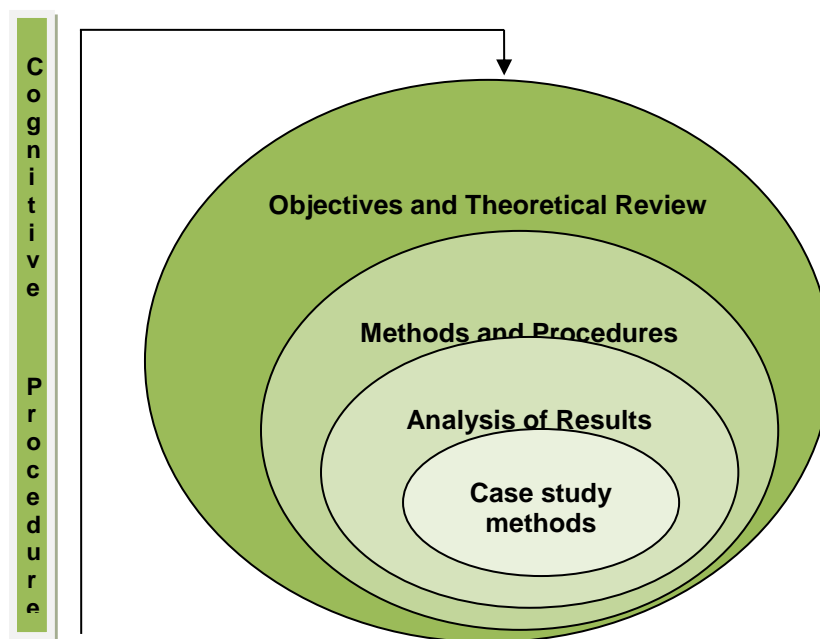


Figure 1. Methodology diagram. Source: Prepared by the authors.

### 3.1 Methods

According to Coutinho (2014), a method is a set of general techniques common to a number of significant results. For this survey we use the case study method which, according to Costa et al (2013), is a specific method of field research. Field studies are thorough investigations of the way in which phenomena occur. The use of this method aims to develop a comprehensive model describing behaviour patterns that will help in making decisions about the studied object or the proposal of a transformative action. The present research also makes use of 5W2H tools, an Ishikawa Diagram and a SWOT Analysis. According to Viana (2013), the 5W2H tool serves as an action plan, for it reveals the action of means and activities, so a target will only be achieved if it is preceded by a good plan of action. To Sasdelli (2012), the Ishikawa Diagram, also known as the cause-effect diagram, has the function of identifying the alleged causes of a particular problem. According to Neto (2011), the SWOT analysis is a structural administration tool, used in the analysis of the internal and external environment in order to formulate strategies for the weaknesses of an organization. Table 1 summarises the descriptive research.

Table 1. Description of the research planning with the help of the 5W2H tool.

<b>5 W</b>	What?	A search will be made in order to identify the main elements of the formation of strategic alliances in a wholesaler market in Porto Velho.
	Why?	To learn the means used by the wholesaler market to make itself sustainable and commercially competitive.
	Who?	The interview will be with the owner of the organization;
	Where?	The research will be developed in a wholesaler market located in Porto Velho.
	When?	One week will be used for field research, three days for three interviews and 3 weeks for developing the research development.
<b>2 H</b>	How?	Information will be obtained through interviews, research and in the field and meeting to research development.
	How much?	There will be an approximate cost of USD 1,500 for transportation.

Source: Prepared by the author based on the present research

### 3.2 Procedures

The applied procedures involved documentary research. Schwartz et al. (2014), citing Canzonier, states that documentary research means the consultation of files of various types, as well as field research reporting the study of an object or source in its own environment. Severino (2007) defines the procedures of data collection as practicing operation techniques which are pre-determined and should be

consistent with the methodology used in the study. In Table 2, the instruments used in the present study are summarized.

Table 2. Research procedures.

Instruments	Description
<b>1 Selection of the institution</b>	1.1 The institution chosen for the developing of the theme of strategic alliances is the wholesaler agribusiness, to improve understanding of the strategies used by the wholesaler market to remain in competition.
<b>2 Interview Application</b>	2.1 It allowed theory to be compared with practice, by making possible a survey of the issues that arise with the elaboration of technical knowledge through theory taught by the above authors, facilitating the objective of the survey.
<b>3 Observation</b>	3.1 During the investigative process in the organization, the difference between what the theory addresses and what is developed in practice was observed, together with the level of knowledge shown by the representative of the organization when interviewed.

Source: Prepared by the authors.

#### 4 STUDY OF THE MAIN FEATURES OF STRATEGIC ALLIANCES IN WHOLESALER AGRIBUSINESS IN THE CITY OF PORTO VELHO

The city of Porto Velho, capital of Rondônia state, is situated on the right bank of the Madeira River, seven kilometers from Santo Antônio waterfall, as demonstrated in Fig. 2. According to the data found at the Brazilian Institute of Geography and Statistics site, the estimated population of the Municipality of Porto Velho for the year 2011 was 435,732 persons distributed between urban and rural areas. By 2015 it had an estimated population of 502,748. In 2012, agribusiness is the second most important economic sector accounted for 20.5% of the Gross Domestic Product of the State of Rondônia, and Porto Velho is the second most important city that contributed with this percental, which highlights the importance of this economic sector in the region.



Figure 2. Infographic of the Porto Velho city, capital of Rondônia state.  
Source: Adapted from Silva (2015).

#### 4.1 Survey Of The Main Elements Of The Strategic Alliances Focused On The Wholesaler Agribusiness In The City Of Porto Velho

In the interview with the owner of the wholesale market under review, it was clear that he knew little about strategic alliances. He stated that his studied establishment had links with third parties. This contradicts the very concept of a strategic alliance, according to the theoretical survey undertaken for the present paper. However, the preoccupation of the millmmmlbusiness with relationships between itself and suppliers, technicians, the government, the union, employees and customers was noted. But no one doubts that multiple relationships to protect the strategic interests of the company result in competitive advantage and that this is possible only through alliances, even those conducted informally. Thus it is possible to reconstruct a tactical scenario for a functional strategy aimed at a similar organizational structure to the one studied, as is shown in the Ishikawa diagram (Fig. 3 and Table 3).

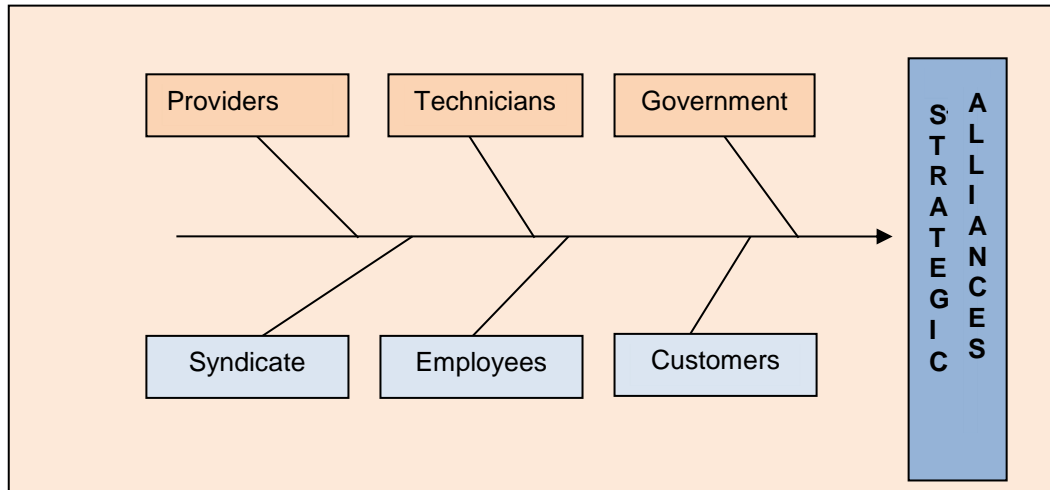


Figure 3: Diagram describing possible strategic alliances.  
Source: Prepared by the author based on the present research.

Table 3: Description of the strategic alliances of the studied enterprise.

Strategic Alliances	Description
Suppliers	The wholesaler has an alliance with his suppliers in order to safeguard the offer of their products and maintain the right suppliers of its merchandise. This type of alliance is informal, since there is no contract between the wholesaler and his suppliers.
Technicians	There is an alliance with the responsible technicians to train the organization's employees.
Government	The wholesaler is allied to the government in order to get financing and reduce the taxes levied on transport and on the purchase of products sold.
Syndicate	The wholesaler market does not participate in any syndicate.
Employees	The wholesaler market has an alliance with its employees, in so far as the employees provide the labor for the development of the organization's activities and, in exchange, the organization ensures their standard of living through the salary that it pays them.
Customers	The type of alliance that this wholesaler market has with its customers is typified by its 'green Thursdays'; once a week, fruit and vegetables are sold for less than they cost on other days.

Source: Based on the present research.

##### 4.1.1 Survey of the characteristics of the wholesaler agribusiness under study

According to the bibliographic research, agribusiness is the set of businesses economically related to the agriculture business; it can be divided into three main stages: before the farm gate, inside the farm gate and after the farm gate. The survey was conducted on a wholesaler market that fits in the before the farm gate stage in the agribusiness. The main features of the after the farm gate stage of agribusiness are that: (1) storage, in which the enterprise sells goods wholesale and therefore it stores a large volume of

them; (2) distribution, in which the wholesaler distributes products for enterprises that sell goods retail; and (3) commercialization, that it also sells products directly to end consumer, but only on wholesale terms.

#### 4.1.2 Description of the function of the wholesaler market under study

An enterprise is called a wholesaler when it buys and sells merchandise in large quantities, but not in small quantities to end consumers. For this reason it is also a distributor. Comparing what the theory says about the function of a wholesaler and what happens in practice in the establishment under scrutiny, we present the following results. According to the literature, the functions of a wholesaler are to make sales contacts, maintain inventories, distribute products and support the customers with credit and financial aid. On the other hand, the performance of the enterprise under study in its function complies only in part with the theory, because it maintains sales contacts, it holds stocks, distributes the products, but does not offer credit to customers, nor financial aid.

## 4.2 Analysis Of The Functional Scenario Involving An Alliance For The Agribusiness Under Study

The literature review indicated the importance of building scenarios, since they make it possible to observe the external and internal contingencies for an enterprise, in the form of uncertainties, trends and opportunities, the factors of hard prediction. The interpretation of scenarios allows the enterprise to identify and evaluate coherent actions. In the scenario under study, the strengths and weaknesses that compose it are identified, as analyzed below.

#### 4.2.1 Analysis of the strengths and weaknesses of the wholesaler market

The SWOT analysis of the wholesaler market under scrutiny indicates the component parts listed in Table 4. The interview with the owner of the property indicated his lack of knowledge, for his vision limits him in the development of strategy; this reveals the need for training courses, because such a vision restricts him to the routine practices inherent to his business, and he lacks the capacity to meet the technical demands of facing the competition.

Table 4. Demonstration of the weaknesses of the organization studied.

Weaknesses	Description
<b>1. lack of theoretical knowledge</b>	Through the interviews, it was found that the entrepreneur does not know about strategic alliances and that these could realize the competitive potential of his enterprise;
<b>2. lack of alliances with other wholesalers of the state</b>	The enterprise has not joined the syndicate of wholesalers in Rondônia, and therefore, it lags behind the wholesalers who earn benefits for their enterprises by being associated with one another.
<b>3. Openness to other competitors because of its inefficiency</b>	The organization under scrutiny is not taking advantage of its opportunities to bring out innovative products at competitive prices. Because of this, it is leaving a gap for new enterprises to capture the market in his line of business.

Source: Based on the present research.

Whether or not the above conclusions are justified, the interviewee, even without some of the required skills, still reveals resourcefulness in seeking a strategy to face the competition, according to the observation of his entrepreneurial performance. The strengths listed in Table 5 below were identified.

Table 5. Demonstration of the strengths of the organization studied.

Strengths	Description
<b>1. Bulk purchase</b>	The wholesaler purchases in volume, thereby achieving sustainability for his suppliers.
<b>2. Alliance with its suppliers</b>	The wholesaler has made alliances with his suppliers, and can thus buy more cheaply and sell at competitive prices.
<b>3. Selling Strategy</b>	An example of his pricing strategy is the idea of 'green Thursdays'. The day becomes specifically devoted to the promotion of fruit and vegetables at lower prices than on other days.

Source: Based on the present research.



#### 4.2.2 Analysis of the threats and opportunities of the wholesaler market

From the observations made during the interview it was possible to identify the threats that surround the enterprise. It was found that the entrepreneur is not enjoying the advantages that the syndicate of the state offers his organization. On Table 6 are listed the threats that his organization faces.

Table 6. Demonstration of the threats to the organization studied.

Threats	Description
<b>1. Loss of Market</b>	It risks losing customers by not seizing all the market opportunities, thus risking the chance of having to sell at non-competitive prices.
<b>2. Loss of good business with new suppliers entering the market</b>	The syndicate of the wholesalers of the State of Rondônia offers meetings where various suppliers offer their products at a highly competitive price. If this entrepreneur does not join it, he may be disadvantaged.
<b>3. Loss of offering innovative products in his enterprise</b>	There are also people at these meetings who bring innovative products with which to negotiate with the entrepreneurs affiliated to the syndicate. If this entrepreneur does not join the syndicate, he may be disadvantaged by his ignorance of these products.

Source: Based on the present research.

To meet the above threats, the survey identified the opportunities that the organization has to change this negative scenario, as shown in Table 7.

Table 7. Demonstration of the opportunities in the organization studied.

Opportunities	Description
<b>1. Affiliation to the Syndicate (SINGARO)</b>	Through affiliation to the SINGARO Syndicate (Syndicate of Wholesalers of Rondônia), the competitive potential of this entrepreneur's business could be increased its and the negative scenario in which the organization now finds itself could be reversed.
<b>2. Professional training</b>	Training courses and training in marketing and sales would then become available to the entrepreneur and his team.
<b>3. Growth in the market caused by the inefficiency of other wholesalers</b>	If the wholesaler exploits all the opportunities that the market gives to enlarge its external strategic alliances, he could expand his business and gain a greater market share.

Source: Based on the present research.

#### 4.2.3 Critique in the face of current Brazilian economic scenario

According to Mara (2014), although the wholesaler sector showed a prospect of growth in 2014, the downturn in the economy with a reduction in household consumption was already affecting business and could hinder the sustainable growth of Brazilian wholesalers. At present the country faces the above scenario, as described by Mara, since the super-wholesalers are selling less and less every day.

Given this scenario of the Brazilian economy, it is clear that the wholesaler who was interviewed should try to share the benefits that the syndicate of the State provides and thus increase his competitive potential at a time when the trend is a significant decline in sales.

### 4.3 Proposal Of Pro-Innovation Measures Such As Competitive Strategy In The Agribusiness Under Study

In the theoretical framework raised during the research, we saw that innovation stems from the need to cope with obstacles to the organization's survival and also to achieve a competitive advantage; therefore, before analyzing the threats facing the organization, the survey sought an innovation which would focus on the sustainability of the wholesale enterprise. The following subtopics describe the innovation proposal and the benefits that it will provide to this organization.

#### 4.3.1 Description of the proposed innovation to the enterprise studied

The research proposes to the establishment under study the innovation of becoming a member of SINGARO (the syndicate of wholesaler market proprietors of Rondônia). By this means, the wholesaler who was interviewed could gain all the benefits that this syndicate brings its members and thus both ensure its sustainability in the market and earn several competitive advantages. Below in Table 8, the proposal of innovation is shown with the help of the 5W2H tool.



Table 8: Innovation proposal from the standpoint of the 5W2H tool.

5 W	<b>What?</b>	The affiliation to the SINGARO (Syndicate of the Wholesale Trade of Rondônia State).
	<b>Why?</b>	In order that the enterprise may become sustainable in the commercial market through the competitive advantages that it will gain by affiliating to the above Syndicate.
	<b>Who?</b>	The owner of the organization under review.
	<b>Where?</b>	In the wholesaler market described above, located in the city of Porto Velho.
	<b>When ?</b>	When the research is finished, it will be taken to the enterprise owner for his consideration. Later, he will decide whether to join or not. The proposal will be brought to the entrepreneur on 25 October 2015.
2 H	<b>How ?</b>	All prospective members of the Syndicate must complete and return one of its registration forms.
	<b>How much?</b>	Payment is made monthly; the amount depends on the number of employees in the organization.

Source: The authors, based on the present research.

#### 4.3.2 Description of competitive advantage that the development will gain by accepting this proposal for innovation

In the literature it was found that competitive strategy is related to the plans and actions carried out by an organization with the objective of preserving or increasing its competitive advantage over other organizations. Table 9 demonstrates the competitive advantages that the wholesaler market under scrutiny will gain from accepting this proposed innovation.

Table 9: Advantages of joining the Syndicate, as proposed.

Affiliates	Advantages
1. Volkswagen Trucks	Discount of up to 10% on the purchase of trucks.
2. Honda	Discounts of 8% on motorcycles, 15% on parts and 5% on tires 5%.
3. PC Systems	Discount of 12% on the license for an enterprise management system.
4. Serasa Experian	Through the partnership between Serasa Experian and Singaro, the organization will have advantages and great discounts in the contracts for the services offered.
5. Unimed	Discounts on health insurance.
6. Participation On the Annual Convention of ABAD (Brazilian Association of Wholesalers and Distributors)	Access to a convention held once a year in a state of the country where new products are presented and much trading between suppliers and buyers takes place.

Source: The authors, based on the present research.

## 5 CONCLUSION

In the present research, it was found that the owner of an enterprise was unaware of the concept of a strategic alliance of the benefits that these alliances could bring to an enterprise regarding its financing and such varied facilities as health insurance discounts, medical examinations, dental treatment, the purchase of trucks, motorcycles, parts and business systems; these all contribute much to reduce the costs for the enterprise and also provide relationships with new suppliers, with the prospect of great business opportunities.

Regarding the subject of the interview above, a way was sought a way for his organization to improve itself and reach sustainability in the commercial market. A proposal was made for the interviewee to join the SINGARO (Syndicate of Wholesaler Markets of Rondônia), demonstrating all the competitive advantages that the wholesaler in the study could gain thereby.

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Website: [http://www.ubi.pt/Entidade/Ciencias\\_Sociais\\_e\\_Humanas](http://www.ubi.pt/Entidade/Ciencias_Sociais_e_Humanas).

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