

## MSME Internationalization Empowerment Strategy: a Case Study of Aida Furniture in Pasuruan, Jawa Timur

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### ABSTRACT

In Indonesia's economic development, SMEs are the backbone of the people's economic system to reduce poverty problems, and their development can broaden the economic base and improve the economy. In order for the Aida Pasuruan Furniture UKM to survive in exporting furniture production, an appropriate strategic model is needed to continue its existence in free trade flows. In research using qualitative methods, data collection methods interviews, participant observation and documentary research. Data analysis techniques for this study then used data acquisition, data reduction, data display, and inference from data analysis. The results of the study show that Aida Furniture UKM in Pasuruan can survive by using a production strategy with character and serving orders based on customer wishes combined through innovation, product improvement and then applying social capital through expanding business networks.

## INTRODUCTION

In building the Indonesian economy, the focus is on micro, small and medium enterprises (SMEs). SMEs are the backbone of the people's economic system to reduce poverty problems, and their development can broaden the economic base and greatly enhance the regional economy and the sustainability of the national economy. (Kurniawan, 2011) Duti and Ayu (2013). MSMEs are the backbone of the national economy. According to Nuhung (2012), through entrepreneurship, SMEs play a very important role in reducing unemployment, creating jobs, reducing poverty, increasing wealth and strengthening national character.

In line with the rapidly growing flow of globalization, as well as increasingly advanced communication and transportation technology, so as to eliminate trade barriers between countries. This allows business people to expand their business activities to international markets (M. Das, K. Rangarajan, and G. Dutta, 2020). This change is seen as a valuable opportunity not only for large companies, but also for Small and Medium Enterprises (SMEs), to expand their business in international markets. This change is seen as a valuable opportunity not only for large companies, but also for Small and Medium Enterprises (SMEs), to expand their business in international markets.

The role of SMEs for a country's economy is very important and strategic, namely making a major contribution to employment in the local economy; development of entrepreneurial and business skills that are evenly and widely spread throughout the country [T. Tahi and H. Tambunan, 2011], as well as maintaining the economic sustainability of a country [M. Das, K. Rangarajan, and G. Dutta, 2020]. Based on the 2020 Economic Census in Indonesia, the number of MSMEs reached 64.2 million which were recorded as able to absorb 98.5% of the workforce, and contributed to GDP absorption of 61.07% and collected 60.4% of the total investment [SRIM Indrawati 2021 ].

SMEs with their various advantages have also grown far in foreign markets by investing in the development of their own brands (Chelliah et al., 2010). Therefore, SMEs deserve to be reckoned with in the international market (Cahyadi, 2015). Internationalization also allows SMEs to survive amidst intense competition (Assaf et al., 2012; Click and Harrison, 2000; Goerzen and Beamish, 2003; Hsu and Pereira, 2008).

One of the well-known and known SMEs in the international market is Aida Furniture UKM in Pasuruan, Internationalization allows SMEs to survive in the midst of intense competition (Assaf et al., 2012) Internationalization is defined as the extent to which a company is involved in international business. These include exports, the existence of foreign subsidiaries, share ownership by foreigners and the appointment of foreigners in the organizational structure (Chelliah et al., 2010). The reach of SME internationalization refers to the extent to which the region is reachable by SMEs worldwide (Lu and Beamish, 2001).

Export is an important means or as a way to increase the internationalization and globalization of companies (Zhao and Zou, 2002; Wang and Ma, 2018). Exporting is a relatively easy and fast way for SMEs to enter foreign markets because companies do not have to face the hassle of setting up foreign subsidiaries (Lu and Beamish, 2006). Through exports, companies not only get quick access to foreign markets with very little capital costs but also have the opportunity to gain valuable international experience which can be used as a springboard for future international expansion (Dikova et al., 2016), To carry out export activities, of course, still pay attention to the right business strategy. The business strategy is to have many choices. The Aida Furniture SME, which was founded twenty years ago, is one of the SMEs that is still surviving amidst the unstable economic conditions and the impact of the Covid 19 pandemic.

## **THEORETICAL REVIEW**

### **Uppsala and the Network Internationalization Model**

The Uppsala model is one of the most widely referenced approaches for explaining the process of internationalization of business. The Uppsala model has a theoretical foundation of Corporate Behavior Theory [J. Johanson and JE Vahlne, 2009] and Corporate Growth Theory. This model views the phenomenon of company internationalization as a process in which companies increase their business activities in an international scope gradually (slowly). This process evolves according to the interaction between knowledge development into foreign markets, operations in foreign markets and increasing commitment of resources to foreign markets. Steps taken to minimize risk are carried out by entering foreign markets in stages, starting from entry with the least risk and commitment or the smallest cultural distance, then increasing further (M. E. Kaukab, 2016). Foreign market commitment consists of two factors, namely: the amount of resources and the level of commitment [H. Matlay, M. Ruzzier, RD Hisrich, and B. Antoncic, 2006]. The former is operationalized as a measure of required investment, while the latter refers to a commitment to the use of alternative resources.

The Upsala 1977 model was later developed, adding "opportunity recognition" to the concept of knowledge as a dynamic and cumulative important learning process that builds trust and commitment, and includes other important factors, namely the needs, capabilities, strategies, and networks of the company (J. Johanson and JE Vahlne, 2009).

The Network Model is another option from the internationalization model that most other studies refer to. In this perspective, business people in industrial markets take constructive steps to develop business relationships with other stakeholders, including customers, competitors, suppliers, vendors, agents, consultants, government agencies, and other stakeholders, all of whom play an active role in the development of industrial markets. . new or old relationship depending on their interactions. From this perspective, industry is considered as a network of business relationships involving economic stakeholders with various alternative relationships, including technical, social, cognitive, administrative, legal, and economic. The process of internationalization occurs in companies that establish business relations abroad in three ways. First, building relationships with national networks available to businesses (international expansion). Second, the company builds relationships with its network (penetration). Third, building relationships by connecting networks with other countries (J. Johanson and JE Vahlne, 2009).

### **Internationalisasi UKM**

Internationalization is the geographical expansion of economic activity across national borders. This term came into use when this phenomenon gradually replaced imperialism in the 1920s. Internationalization is presented by (M. Yener, B. Doýruoýlu, and S. Ergun, 2013) as the flow of goods, services and people through cross-border countries, thus increasing the share of transnational markets compared to domestic companies followed by the facilitation of regulations between countries in the process of international flows. the.

From the definition above, conclusions can be drawn regarding the notion of internationalization in general, namely: (1) as a process in which a business gradually increases awareness of foreign markets and conducts business activities with other countries by considering aspects of strategy, structure and resources the company to achieve organizational goals, and (2) the entry and exit of products, services, and resources that cross the boundaries of the countries in which the company operates. business activities that result in cross-border transactions.

## METHODOLOGY

This study uses a type of qualitative research with a case study approach. The research location is in the City of Pasuruan. The research subjects were SMEs engaged in the furniture sector, which amounted to 5 export furniture producing SMEs that had gone global, at least exporting. While the total number of informants was 10 people consisting of 3 main informants and 7 supporting informants. The main informants were owners or managers of MSMEs, while supporting informants were employees. The collection of research data was carried out through interviews, observation and documentation, accompanied by the implementation of a triangulation process to strengthen research results

## RESULT

This research was carried out at UKM Furniture Aida in Pasuruan, in this case the researcher used a qualitative approach. The data used in this study were primary data and secondary data. According to Etta and Sopiiah (2013) Primary data is a source of research data obtained directly from original sources (not through intermediaries). The primary data comes from direct interviews with the owner of Aida furniture in Pasuruan City, after enough researchers will make observations at the research location. The observation aims to record the pattern of MSME strategy, while the stages in determining the selected informants are as follows.

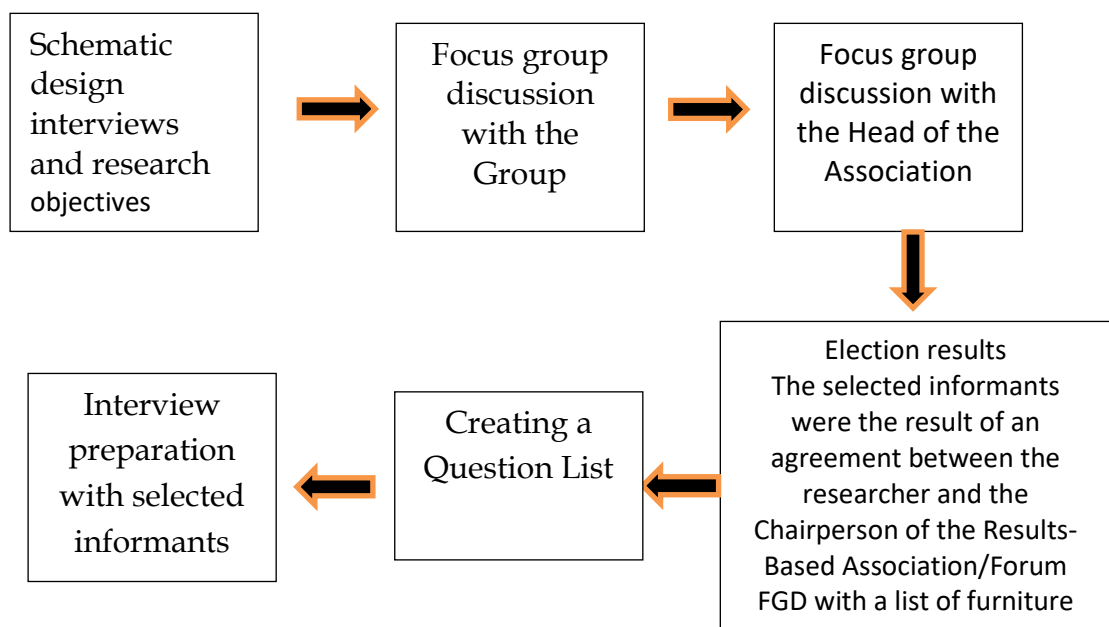


Image 1. The stages in determining the selected informants

In the stage of determining voter informants, the researcher first conducted a survey of Aida Furniture UKM, then the researcher held discussions with the group to provide input related to determining informants from an empirical study point of view, then the researcher held discussions with the association chairman to obtain appropriate informants with the aim of the researcher. The interview is useful to find out information about the strategy for empowering the Internationalization of Aida Furniture UKM in Pasuruan City, According to Kuncoro (2009) Secondary data is data that has been collected by data collection agencies and published to the user community. The secondary data used in this study were obtained from literature studies, scientific publications related to Furniture SMEs in Pasuruan City

## **DISCUSSION**

### **Strategi Pemberdayaan Internasionalisasi UKM**

The Internationalization Process of Aida Furniture UKM in Pasuruan City has gone through the process of entering the international market for a long time, around the early 2000s in the form of exports and following the Uppsala Internationalization Model. The results of the interview as explained by one of the furniture owners in Pasuruan City are as follows: "Aida furniture was founded around the 2000s, where the first export destinations were America, France, since the occurrence of an unstable world economy, Aida furniture SMEs have strategy by encouraging the domestic market to be prioritized, with the strategy of participating in exhibitions in big cities in Indonesia, such as Jakarta, Surabaya, Bali, during the Covid 19 pandemic, Aida Furniture UKM was able to survive with an export market share reaching 80% and 20% % of the domestic market, because Aida Furniture SME has a special character in its furniture production, for example customers in Taiwan prefer furniture models with more visible wood grain, while customers in Japan prefer furniture with minimalist character. As time goes by, the exports of Aida's furniture SMEs are more developed and they hope for support from the local government.

In accordance with the results of [J. Chen, CMP Sousa, and X. He 2006] which states that internationalization plays an important role in business growth and profitability, and exports are the main form of entry into international markets carried out by many Indonesian SMEs.

The network internationalization model was also carried out by Aida Furniture UKM in Pasuruan City, through gathering networks in other countries, as the results of an interview explained by one of the informants of Aida Furniture UKM in Pasuruan City as follows: "In providing services and maintaining competitiveness, we often get orders are only one custom package, one of which is a customer from France who has his own art in furniture orders, and we also innovate with technology utilizing technology"

## **CONCLUSIONS**

Aida Furniture UKM in Pasuruan City, is one of the wooden handicrafts which is a leading commodity in the Pasuruan City area, East Java, which is exported to various countries such as Japan, Taiwan with the initial form of the internationalization process following the Uppsala and Networking Models.

Based on the results of our research, it shows that the strategy for empowering the internationalization of Furniture SMEs, especially Aida Furniture in Pasuruan, needs attention from the government so that it can help further increase its export production..

## **FURTHER STUDY**

Articles On The Topic MSME Internationalization Empowerment Strategy: a Case Study of Aida Furniture in Pasuruan, East Java, there are still many shortcomings that require further research.

## **ECOMMENDATIONS**

Objectively, this research still needs to be developed and has some limitations. The research uses data sources derived from information from informants in the field. This research is the result of a company visit to International SMEs so that the time difference is very influential because what happened in the field during the research cannot be used as a benchmark that will occur at different times will be the same. With the existing limitations, it is hoped that this research can be followed up and become input for further research.

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