

GOVERNMENT'S STRATEGY AND ROLE IN THE INTERNATIONALIZATION OF MSMEs

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ARTICLE INFO

ABSTRACT

Received:

April, 26th 2022

Revised:

May, 14th 2022

Approved:

May, 16th 2022

This study aims to discuss the strategy and role of the government in the internationalization of MSMEs. The research method used in this study is a qualitative descriptive method. The type of data used in this research is qualitative data, which is divided into primary data and secondary data. Sources of data obtained through library research techniques that refer to resources available online and offline, such as: scientific journals, books, and news from trusted sources. The results showed that the internationalization strategy conceptually and theoretically can be divided into two categories, namely internationalization theory and selectivity theory. The emergence of internalization theory can threaten the existence of MSMEs due to the development of large companies in the 1970s. Furthermore, in its development, the theory seeks to internalize the benefits that can be obtained from internationalization, localization, and ownership. At the same time, the eclectic theory in the internationalization strategy places more emphasis on the resources owned by MSMEs and knowledge of the markets and networks that MSMEs choose to market their products. The steps taken by the current government by creating a special portal at INSW are appropriate, but if this is achieved not only through existing portals, but also through direct engagement with business people, including through seminars and workshops by interacting with them more often and socialize.

KEYWORDS

Role, Strategy, MSME, Internationalization

How to cite:

Abdul Halim, Imam Mukhlis. (2022). Government's Strategy and Role in the Internationalization of MSMEs. Journal Eduvest. Vol 2(5): 893-899

E-ISSN:

2775-3727

Published by:

<https://greenpublisher.id/>



INTRODUCTION

Like other countries in the world, Indonesia must be able to adapt to the effects of globalization, one of which is the challenge of the ASEAN Economic Community (AEC) (Rahayu & Sari, 2018). Through multilateral environmental agreements, it will create a large market in the ASEAN region with a significant impact on the economies of its member countries. In addition, one of the blueprint projects signed by all ASEAN member countries is the SME sector which is considered a driver of the regional economy (Abd Aziz & Basir, 2017) (Zhang & Ghorbani, 2020).

In the process of globalization or going international and intense competition, empowering SMEs, so that SMEs must be able to face global challenges, such as increasing product and service innovation, developing human and technical resources, expanding marketing areas, etc. This is necessary to increase the selling value of SMEs themselves, especially considering that SMEs are the economic sector that absorbs the largest workforce in Indonesia, so that they are able to compete with foreign products that are increasingly flooding Indonesia's industrial and manufacturing hubs. On this basis, the internationalization of small, medium and micro enterprises is considered imminent.

In general, internationalization can be defined as a process by which a company gradually increases its awareness of foreign markets and conducts business activities with other countries to achieve organizational goals, taking into account the company's strategy, structure and resources (Sherly et al., 2020). According to (Mughtar & Qamariah, 2016), in general, companies do internationalization/go international for two reasons. The first reason is being proactive and getting benefits from other countries, such as cheap labor, availability of cheap raw materials, and low tariffs. In addition, it responds to the threat of losing its domestic market, which results in products of higher quality and value. Internationally oriented companies are not just international companies (Yulianti, Damayanti, & Prastowo, 2021).

The internationalization process is a dynamic concept, namely the process of adding internationalization operations both externally and internally (Hallett, 2012). The internationalization process is the process by which companies raise awareness of the direct and indirect impacts of future international transactions, and establish and conduct transactions with other countries (Kaukab, 2017). However, the internationalization process cannot be carried out in this way, and there must be a specific strategy and the role of the government to exert force in the internationalization process of small, medium and micro enterprises.

The government's role in supporting the internationalization process of MSMEs is very important (Hartanti & Setiawati, 2017). This policy helps MSME players to be able to export, encourages increased exports of goods, and protects MSME players from being able to compete with other products. The government through the Ministry of Cooperatives and SMEs developed 5 policy steps in 2014 to increase the best cooperatives and SMEs associated with long-term development plans (Laysandra et al., 2019). The policy aims to improve the business climate for MSMEs, carry out product marketing for MSMEs, develop products and marketing for MSMEs, increase MSME competitiveness in human resources, and strengthen cooperative institutions (Herliana, 2015).

Based on the considerations above, this article is a literature study on the strategy and role of the government in efforts to internationalize MSMEs. This study aims to discuss how the strategy and role of the government in the internationalization of MSMEs.

RESEARCH METHOD

The research method used in this study is a qualitative descriptive method. The type of data used in this study is qualitative data, which is divided into two categories, namely primary data and secondary data (Dufour & Richard, 2019). Sources of data obtained through library research techniques (Library Research), which refers to sources available online and offline, such as: scientific journals, books, and news from trusted sources (Chen, Jeon, & Kim, 2014). These sources are collected based on discussions and links from one information to another. Data collection techniques used in this study were observation, interviews and research. Analyze data and draw conclusions.

RESULT AND DISCUSSION

1. MSME Internationalization Strategy

Studies conducted (Boddewyn, 2015) show that conceptually and theoretically, internationalization strategy can be divided into internalization theory and electronic theory. The theory of internalization, due to the development of large corporations in the 1970s, can threaten the existence of MSMEs themselves. Furthermore, in its development, the theory seeks to internalize the benefits that can be obtained from internationalization, localization, and ownership. At the same time, eclectic theory in internationalization strategy places more emphasis on the resources owned by MSMEs and knowledge of the markets and networks that MSMEs choose to market their products (Coldwell, Venter, Joosub, & Duh, 2022).

The internationalization process can be seen as a learning process for SMEs. Several aspects related to internationalization, such as the age of MSMEs, the size of MSMEs, and the industrial sector chosen by MSMEs, became the topic of research conducted by several researchers in other countries. The SME internationalization strategy also needs to focus on individuality, which will greatly affect the performance of SMEs in implementing the SME internationalization strategy. This discussion is actually one of the new elements that need to be considered in the implementation of the internationalization strategy, which is related to the form of ownership of small, medium and micro enterprises.

a. The process and stages of internationalization that a local company goes through

The process of internationalization of Indonesian companies (both medium scale – SME and large scale) is as described below.

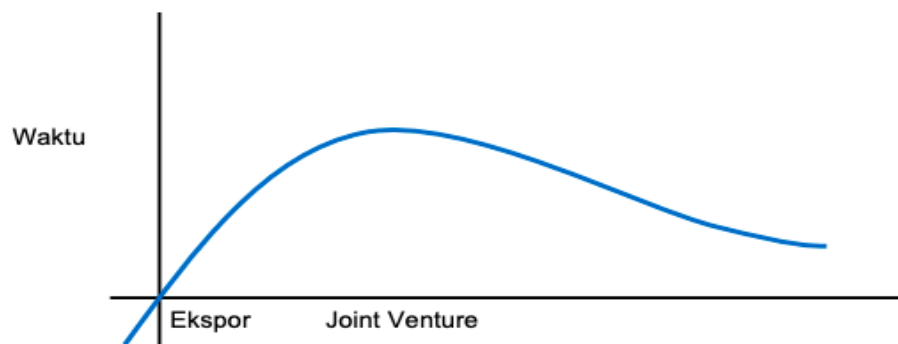


Figure 1 Internationalization Process

As can be seen from the figure, the internationalization process seems to be usually carried out by exporting the company's goods or products to the destination country. Different models have emerged for different types of service companies, such as PT Bumbu Desa, which carries out the internationalization process by choosing a master franchise. This shows that the internationalization process is highly dependent on the characteristics of the company. Manufacturing companies that produce certain products or commodities enter international markets by exporting. As Carpenter explains, exports are the entry point for companies. Export is the easiest way of entry used by a company, because in this case the company does not need to take additional action but only adds to its distribution channel, namely abroad (if currently only distributing within the country).

As (Boddewyn, 2015) states, with the initial process of entering foreign markets, the intensity of the company's internationalization phase will increase if the company not only exports but also opens sales or marketing representative offices in many countries. This step can be done by granting a license or franchise to PT. Country Spices. Furthermore, if this step is successful, the company will conduct business activities abroad through foreign direct investment (FDI). The researchers fully describe these phases in the table below. The diagram is a matrix between the type of entry model and the stages of the internationalization process that companies typically go through. Figure 2 below shows a model matrix for firms entering international markets and the various stages of the internationalization process.

Tahapan		Introduksi	Pertumbuhan	Dewasa	Penurunan
Moda masuk	Non-equity Equity	Ekspor Franchising	Join Venture	Wholly Owned	Ekspor Franchising

Figure 2 Matrix of Company Entry into International Markets with the Stages of the Internationalization Process

b. The right strategy for the company when entering the international market

By focusing on the data and discussion above, it can be said that as the internationalization process goes through three stages (export, transnational and global), so does the strategy used. Especially in the early stages, the right strategy is a home replication strategy. Domestic replication strategy is a strategy used by a company to replicate in its home country.

This policy means that the company will not make any changes or modifications to the products it sells. As a result, costs can be reduced, but companies cannot adjust to the tastes of the people of the destination country. This strategy uses the input derivation scheme as described above. In addition to the home replication strategy, the company can also adapt other strategies, as shown in Figure 3. In the matrix, the company chooses between the entry strategy and mode, as shown in Figure 3 below.

Tahapan		Introduksi	Pertumbuhan	Dewasa	Penurunan
Strategi		Home Replication	Multi-domestik	Global Transnational	--
Moda masuk	Non-equity Equity	Ekspor Franchising	Join Venture	Wholly Owned	Ekspor Franchising

Figure 3 Matrix of Internationalization Stages, Strategies and Entry Modes

2. The Role of the Government in Efforts to Internationalize MSMEs

The government's role in supporting the internationalization of SMEs is very important. This policy allows MSME actors to export, encourages increased exports of goods, and protects MSME players from competing with other products. Government through the Ministry of cooperatives and SMEs in 2014 formulated five policy steps related to long-term development plans to optimize the strength of cooperatives and SMEs. The policy is the existence of the Indonesia National Single Window (INSW).

INSW is an Indonesian national system that allows single and simultaneous data and information processing, as well as single and simultaneous data and information processing. and spending) (Perpres No. 10 of 2008). The INSW system must be applicable to all business actors who carry out import and export processes, including MSMEs. Facing the era of free and open trade, SMEs must be ready to compete with other business actors. INSW as a government design is expected to encourage a more efficient import and export process.

Presidential Regulation Number 10 of 2008 stipulates that the Indonesian national system allows the transfer of data and information in processing data and information separately and simultaneously and processing data and information separately and simultaneously. release of goods.

The purpose of implementing INSW is to accelerate the completion of the import and export process as well as improve the efficiency and performance of handling the flow of imported and exported goods. INSW implementation is carried out through the INSW Portal, a national integrated electronic system that can be accessed via the Internet, which will consolidate relevant information for processing customs documents and other import and export related documents, ensure data and information security, Integrate flow information and automatic information processing between systems internal systems, including customs systems, permits, ports/airports, and other systems related to service processes and regulation of import and export activities.

The success of the INSW implementation will depend on the government's efforts to support the success of the program. The steps taken by the current government by creating a special portal at INSW are appropriate, but if the socialization is supported not only through the existing portal, but also through direct involvement with business people, including through seminars and workshops, with them interacting more often. The government also needs to prepare human resources to provide training for those appointed as part of INSW's business activities.

CONCLUSION

In summary, conceptually and theoretically internationalization strategies can be divided into two types: internationalization theory and selective theory. Internalization theory is the result of the development of large corporations in the 1970s, which could threaten the existence of MSMEs. Furthermore, in its development, the theory seeks to internalize the benefits that can be obtained from internationalization, localization, and ownership. At the same time, eclectic theory in internationalization strategy places more emphasis on the resources owned by MSMEs and knowledge of the markets and networks that MSMEs choose to market their products. The steps taken by the current government by creating a special portal at INSW are appropriate, but if the socialization is supported not only through the existing portal, but also through direct involvement with business people, including through workshops and interacting with them more frequently.

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