

SMEs' Internationalization Strategy in Export Creative Industry: Case Study from Kendang Djembe Creators at Blitar, East Java, Indonesia

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Abstract.

This study aims to: (a) describe the internationalization strategy of SMEs in the export-oriented creative industry of Kendang Djembe, Blitar, (b) identify the strengths, weaknesses, opportunities and threats of the internationalization process of the export-oriented creative industries of SMEs, especially in the Kendang Djembe industry in Blitar, East Java, Indonesia. The approach used in this study is a SWOT analysis with an internal-external matrix (IFAS & EFAS) to 4 SMEs, which are 10 key informants of exportir Kendang Djembe in Blitar. The results show that Kendang Djembe Creative Industry SMEs in Blitar have good strengths and opportunities in improving their international processes. Based on internal and external factors, these SMEs are in a growth position (in caution condition). Thus, the suitable internationalization strategy to be developed are the SO, ST, WO and WT strategy, that are: adding online marketing networks (or other collectors), diversifying products beyond the main product, optimizing the role of associations related to product delivery cooperation, improving technology skills through training or independently learning and lobbying the government regarding the ease of export policies conditions.

Keywords: *SMEs' Internationalization strategy, SWOT analysis, Export Creative Industry.*

1. INTRODUCTION

In line with the current globalization that is growing rapidly, as well as the increasingly advanced technology of communication and transportation, so that it can eliminate barriers to trade between countries. This allows business practitioners to expand their business activities into international markets [3]. This change is seen as a valuable opportunity not only for large companies, but also for Small and Medium-sized Enterprises (SMEs), to expand their business in the international market.

Internationalization is an attempt for a business venture to enter or integrate into the international market. Internationalization has become an intensively researched phenomenon over the past few decades from a variety of viewpoints, including: marketing management, strategic management, international management,

organizational theory, and small business management [1]. Issues such as international decision-making and management, the development of international activities, and supporting factors and inhibiting factors of internationalization have been studied, both for large business and SMEs [2].

The role of SMEs for the economy of a country is very important and strategic, which contributes in terms of the large absorption of labor in the local economy; development of entrepreneurial and business skills that are spread evenly and widely throughout the country [2], as well as maintaining the economic sustainability of a country [3]. Based on the 2020 Economic Census in Indonesia, the number of MSMEs reached 64.2 million, which was recorded as able to absorb labor by 98.5%, and contributed to GDP uptake of 61.07% and collected 60.4% of total investment [4].

SMEs with their various roles, have developed far in overseas markets by investing in the development of their own brands, so SMEs are said to be worthy of being taken in the international market [5]. Carrying out an internationalization strategy also allows SMEs to survive in the midst of intense competition [6], because it is driven by several things, including: to increase business transactions and revenue from international markets, as well as to respond to unmet market demands. However, it turns out that in terms of numbers, Indonesian SMEs that internationalize are still very limited, which is less than 5% of all existing SMEs. The contribution of Indonesian SMEs to national exports is still small, which is only about 17%. This contribution is lower than other countries, for example, SMEs in the Philippines account for 25% of their total exports and Thailand accounts for 30% [8].

The process of internationalization of SMEs is not easy and involves many challenges. This is due to the limited resources of SMEs, limited knowledge of foreign markets, and little ability to seize business opportunities or develop international [7]. Studies [8] the internationalization of SMEs in OECD countries show that the main barriers to internationalization are a lack of resources, especially financial, technical and skilled labor, as well as access to markets and information. In Indonesia, for some SMEs they export with the condition that they have little understanding of export systems and procedures, knowledge of export certification and export standards [8], the lack of infrastructure, insufficient finances, inadequate facilities and technology, and a less supportive role of government policies [10].

The internationalization of SMEs in the midst of globalization and high competition, needs to always be improved in order for SMEs to be able to meet global challenges, by increasing product and service innovation, developing human resources and technology, and expanding marketing areas through the creative industries.

The creative economy (Ekraf) was born as a new supporting milestone for a country's economic system [12]. The creative economy industry is known as an economic development concept that relies on creative power to create products and services that have added value [13]. The phenomenon of the rapid growth of creative economy industries in various countries, namely America, India, Japan and South

Korea is evidence that the creative economy industry contributes extensively to the improvement of industrial economies in these countries[12].

While in Indonesia, in the last five years, the creative economy industry made an increasing contribution when measured for its contribution to the National Gross Domestic Product (GDP) [14]. According to data from the Central Statistics Agency (BPS) in 2017, the contribution of the creative economy industry to the national economy was 7.24%, with a growth rate of 5.06 percent, and is expected to continue to grow. In 2019, Creative economies' contribution to exports has reached 20 billion US Dollars. Also, creative economy provides 18.1 million job opportunities [15]. In 2020, it is expected that the Ekraf sector can absorb around 19.86 million workers throughout Indonesia. According to data from the 2020 Creative Economy OPUS report based on the contribution of the creative eco-sector to the National GDP, Indonesia is ranked third largest in the world after the United States and South Korea [13].

The United Nations (UN) through UN General Resolution No. 74/198 designates year of 2021 as the International Year of Creative Economy. Indonesia is the country that initiated the UN resolution on the progress of the world's creative economy, and as the initiator greatly encouraged the revival of the world's creative economy sector, as well as a challenge for the Indonesian creative economy sector to be able to become an economic locomotive [15].

In Indonesia, the field of creative economy along with its 16 subsectors are currently in a phase of increasing sharply, so it has great potential to become one of the driving wheels in the national economy [15]. In 2019, the culinary, fashion, and crafts sectors dominate from the 16 subsectors in the creative industry [16]. In particular, the contribution of several subsectors to GDP is the culinary field (41.69%), fashion (18.15%) and handicrafts/crafts (15.70%), while other subsectors with a fairly small percentage.

As a form of creative economy, a unique craft of lathes, there is Kendang Djembe from Blitar, East Java which has great potential to become the leading export product from Blitar region [17]–[19], [20]. Kendang Djembe is a percussion instrument from West Africa (Mali) who how to play it by being hit with his bare hands. Some other literature states that Kendang Sentul (similar to Kendang Djembe), has been a business activity of the community in Sentul area, Blitar City since 1974 [21]. The role of the Blitar City Government also provides support in initiating and realizing creative tourism villages in Blitar City through the Empowered Community Program towards Tourism (Maya Juwita), which amounts to at least 25 Creative Tourism Destination Plans in Blitar City, one of which is The Wood Craft Tourism Village at Sentul Regency, Kepanjenkidul.

The potential generated by Kendang Djembe creative industry, contributing to creating jobs and its production has been exported to several countries such as Japan, China, America, Australia, Africa and Korea. Kendang Djembe's craft is included in the third-ranked goods category, namely the Wood and Wood Goods group (HS 44)

with an export value of USD 151.30 million in August 2021 [23]. This group of goods accounted for 7.86 percent of total non-oil and gas exports and most of it was exported to Japan worth USD 29.58 million.

The COVID-19 pandemic that has plagued the world has had a significant negative impact including on the world economic sector, to various countries, including Indonesia. As a result, global economic growth fell by -4.9% in 2020 (IMF, 2020). Meanwhile, Indonesia's economic growth in 2020 also contracted by 2.07 percent compared to 2019 (BPS, 2021), also including the economy in the region. Blitar Regency in 2020 experienced a growth contraction of 2.29%, greater than the contraction nationally (BPS Blitar Regency, 2020).

Like other creative industries in Indonesia, Kendang Djembe's export creative industry has also been affected by the pandemic, especially experiencing a sharp decline in export sales levels, as well as barriers to travel access between countries. The statement was obtained based on initial survey interviews with 4 Kendang Djembe SME owners in Blitar. Kendang Djembe's creative industry also faces problems, including: organizational resources, including HR problems, entrepreneurial knowledge, digital literacy, and access to capital ([balai bahasa jatim.kemdikbud.go.id](http://balai.bahasa.jatim.kemdikbud.go.id)), so an internationalization strategy is needed to determine the steps of survival or business improvement for the future, one of which is by conducting SWOT analysis.

Research on the formulation of business strategies based on SWOT analysis has been studied extensively ([22]; [23]; [24]; [25]; [26]; [27]; [28]; [29]; [30]; [31]; [6]). SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. According to [22], SWOT analysis is based on logic that maximizes strengths and opportunities while minimizing weaknesses and threats that can be used to develop the strategy of an organization or company.

SWOT analysis are often used in organizational strategic planning [25], [26], [28], [30], in public organizations [34], and various SMEs in Indonesia [13], [15], [32], [17], [19]. Researchers in strategic management agree that SWOT analysis provides the basis for the realization of the desired alignment of the problems faced by an organization, including on the perspective of internationalization of SMEs. Starting from these issues, the purpose of this research is to identify the opportunities, threats, strengths and weaknesses of the Kendang Djembe SME creative industry in the Blitar region and develop the right business strategy to maintain the process of internationalization of Kendang Djembe SMEs in the Blitar region.

II. METHODS

This research uses a type of qualitative research with a case study approach. The research location is in the Blitar region, which includes Blitar City and Regency. The subjects of the study were MSMEs engaged in the creative industry sector in the field of craft arts, amounting to 4 MSMEs producing Kendang Djembe who had internationalized their business, at least exporting. While the total number of

informants is 10 people consisting of 4 main informants and 6 supporting informants. The main informant is the owner or manager of MSMEs, while the supporting informants are employees. Research data collection is carried out through a process of interviews, observations and documentation, accompanied by the implementation of the triangulation process to strengthen research results.

SWOT Analysis

The data analysis techniques in this study use SWOT analysis, with steps consisting of: (1) Data collection, which can be obtained from all sources, through interviews, documentation, and in-depth observations; (2) Analysis of internal factors, namely aspects of strengths and weaknesses (IFAS) and external factors, aspects of opportunities and threats (EFAS); (3) Develop a SWOT matrix that generates strategies for developing organizations, which include SO (Strengths-Opportunities Strategy), WO (Weaknessess-Opportunities Strategy), ST (Strengths-Threaths Strategy), and WT (Weakness-Threaths Strategy).

In this study, informants gave their perceptions of weights and rankings on the internal environment (IFAS) and external environment (EFAS) based on the theory of the internationalization of MSMEs from the Uppsala and Networking Model [35], as well as previous research on factors that support and inhibit the internationalization of SMEs [10], [7], [36], [37], [38], [8], [39], [40], [41]. Then to get the conclusion of the analysis, can compile a matrix of SWOT analysis, as described as follows:

Table 1. SWOT Analysis Matrix

| | | |
|-------------------------------|-------------|-------------|
| Internal and External Factors | Strengths | Weaknessess |
| Opportunities | SO Strategy | WO Strategy |
| Threats | ST Strategy | WT Strategy |

Source: [22]

III. RESULT AND DISCUSSION

Internationalization of SMEs

Internationalization is the geographical expansion of economic activity that passes through a country's national borders. The term came into use when this phenomenon gradually replaced imperialism in the 1920s. Internationalization is presented by [43] as the flow of goods, services, and people through countries across borders, thereby increasing transnational market share compared to domestic enterprises followed by the facilitation of regulations between countries in the process of such flows.

In general, the definition and analysis in terms of international activities can be attributed to the resources needed for internationalization. With reference to resource base view theory, the process of internationalization of SMEs can be seen as mobilizing the availability of unique and interdependent resources that contribute to business internationalization activities. This perspective also combines internationalization in economic and social aspects where internationalization is

defined as the flow of raw materials, semi-finished materials, finished products, services, money, ideas, and people between two or more countries.

From the above definition, conclusions can be drawn on the definition of internationalization in general, namely: (1) as a process in which a business gradually increases awareness of foreign markets and engages itself in business activities with other countries taking into account aspects of the company's strategy, structure, and resources to achieve organizational goals, and (2) the entry and exit of products, services, and resources that cross the borders of a country in which the company performs. business activities that result in cross-border transactions.

Uppsala and Networking Internationalization Model

The Uppsala model is one of the widely referenced approaches to explain the process of internationalization of business. The Uppsala model has the theoretical basis of Corporate Behavior Theory [32][32] and Corporate Growth Theory. This model views the phenomenon of internationalization of the company as the process by which the company increases its business activities in the international sphere gradually (slowly). This process develops in accordance with the interaction between the development of knowledge to foreign markets, operations in foreign markets as well as increasing commitment to resources to foreign markets. The steps taken to minimize risk are carried out by entering foreign markets step by step, starting from the mode of entry with the least risk and commitment or the smallest cultural distance, then increasing further[10]. Foreign market commitment consists of two factors, namely: the amount of resources and the level of commitment[1]. The former is operationalized as a measure of the investment needed, while the second refers to a commitment to alternative uses for resources.

The 1977 Uppsala model was later developed, adding "recognition of opportunities" to the concept of knowledge as a dynamic and cumulative essential learning process that builds trust and commitment, and includes other important factors, namely the needs, capabilities, strategies, and networks of the company [32].

The Network model is another option of the internationalization model referenced by most other studies. In this perspective, businesses in the industrial market take constructive steps to develop business relationships with other stakeholders, including customers, competitors, suppliers, vendors, agents, consultants, government agencies and other stakeholders, all of which play an active role in the development of new or old relationships depending on their interactions. From this perspective, industry is considered a network of business relationships involving economic stakeholders with a variety of alternative relationships, including technical, social, cognitive, administrative, legal, and economic. The process of internationalization occurs with companies that build business relationships abroad in three ways. First, build relationships with national networks available for business (international expansion). Second, the company builds relationships with existing

networks (penetration). Third, build relationships by connecting networks with other countries [32].

Supporting Factors and Inhibiting the Process of Internationalization of SMEs

Previous studies [7], [10], [36], [37], have identified factors that determine the internationalization of SMEs, namely: corporate structure, strategy, entrepreneurial and market orientation, human resource capabilities, social networks, environmental trust and urgency, as well as regional and economic development of a country. However, many SMEs are still reluctant to sell their production in the international market due to inhibiting factors, namely limited resources, which are characterized by lack of motivation, skilled labor and the ability to take over knowledge and technology management [6], lack of knowledge about the international sector, [33], [34], lack of experience introducing products, lack of supporting infrastructure, as well as transportation connectivity and logistic systems. As a result, SMEs cannot improve product efficiency, productivity, and quality.

Grouped the obstacles in the process of internationalization of SMEs into two categories, namely: internal barriers, namely information, functional, and marketing constraints, and external blockages, namely procedural obstacles and the role of the government [35],[36]. Study [10] shows that the number of export-oriented SMEs in Indonesia includes: (1) Economy actors have not been sensitive to market changes and international consumer behavior. (2) Diversification of products/services is still low, both in terms of design, shape, and functionality of the products produced. (3) Poor access to productive resources, especially those relating to finance, information, advertising, technology, and business networks of export products [10].

Strategi Internasionalisasi UKM pada Industri Kreatif Kendang Jimbe, Blitar

Kendang Jimbe's creative industry SME Internationalization process in Blitar has passed the mode of entry process into the international market for a long time, about in the early 2000s with the form of export and following the Uppsala Internationalization Model. The results of the interview as described by one of the producers of kendang jimbe in Blitar City are as follows:

"Since about the 2000s, Kendang Jimbe produced in the Blitar region, meets the growing demand in the domestic market of Bali Island. From Bali Kendang Jimbe is exported abroad, so abroad it is better known that Kendang Jimbe comes from Bali, not from Blitar. Over time, kendang Jimbe's next export directly from Blitar producers abroad instead of from Bali anymore, to penetrate other countries, namely Hong Kong, Thailand, America, Australia, Africa, and China."

In accordance with the results of research [38] which states that Internationalization plays an important role in business growth and profitability, and

exports are the main form of entry into the international market that many Indonesian SMEs did.

The Network internationalization model is also carried out by Kendang Jimbe creative industry SMEs in Blitar, through collecting networks in other countries, such as the results of interviews described by one of the kendang jimbe producers in Blitar Regency as follows:

"The pandemic has had an impact on the decline in kendang Jimbe sales. Before the Covid 19 pandemic, every month we could send two containers of Kendang Jimbe to China, through collectors. However, for some time ago the number was reduced to one container every month to two months. Where each container contains 3,600 kendang jimbe of various sizes, according to the order. "

SWOT Analysis of SMEs' Internationalization Strategy on The Creative Industries of Kendang Jimbe, Blitar

The informants in this study consisted of four SMEs of Kendang Djembe that had exported, with locations spread across various regions in Blitar City and Regency, including: Tanggung and Sentul Village in Kepanjenkidul District, Blitar City, and Minggirsari Village, Kanigoro District, Blitar Regency. Export destinations include: Japan, Australia, Singapore, Taiwan and China.

Based on the excavation of data obtained through interviews, observations and documentation, internal and external aspects owned by Kendang Jimbe SMEs in the Blitar region as seen in Table 2 and Table 3. Analysis and diagnosis are carried out in the internal and external strategic environment, then weighting, ranking and calculating the total score that will show the strengths, weaknesses, opportunities and threats. From tables 2 and 3 shows that the total score shows a value of 3.39, and 3.22 i.e. above the value of $cuf\ off = 3$, which means that kendang creative industry SMEs Jimbe Blitar have abilities or strengths that far exceed their internal weaknesses, and have opportunities that exceed the threats. Based on the IFAS-EFAS matrix obtained the IFAS and EFAS scores which is then illustrated into the matrix I-E which shows the position in quadrant VI as shown in figure 1.

Table 2. Strengths and Weaknesses of Kendang Jimbe SMEs in Blitar

| No | Strategic Internal Factors | Bobot | Rating | Skor | Information |
|----|---|-------|--------|------|-------------|
| 1 | SMEs actors have the knowledge and potential to develop | 0,2 | 4 | 0,8 | Strength |
| 2 | SMEs have the potential capabilities to reflect, learn from the past experiences | 0,21 | 4 | 0,84 | Strength |
| 3 | Quite abundant resources | 0,15 | 3 | 0,45 | Strength |
| 4 | Product design is in accordance with international standards | 0,13 | 4 | 0,52 | Strength |
| 5 | The technology mastery of SMEs is still low | 0,07 | 3 | 0,21 | Weakness |
| 6 | During the pandemic, the position of creative products becomes a secondary or tertiary need | 0,09 | 3 | 0,27 | Weakness |
| 7 | Product Branding not own | 0,08 | 2 | 0,16 | Weakness |
| 8 | Lack of promotion | 0,07 | 2 | 0,14 | Weakness |

| | | | | | |
|--|--|---|--|-------------|--|
| | | 1 | | 3,39 | |
|--|--|---|--|-------------|--|

Source: Data processing results (2022)

Table 3. Opportunities and Threats from Kendang Jimbe SMEs in Blitar

| No | Strategic External Factors | Bobot | Rating | Skor | Information |
|----|---|-------|--------|-------------|-------------|
| 1 | The pandemic has the potential to expand the online market. | 0,09 | 3 | 0,27 | Opportunity |
| 2 | International market demand is still high | 0,23 | 4 | 0,92 | Opportunity |
| 3 | There is a network of associations or associations | 0,19 | 4 | 0,76 | Opportunity |
| 4 | Similar products from competitors | 0,08 | 4 | 0,32 | Threat |
| 5 | Role of government not yet optimal | 0,14 | 2 | 0,28 | Threat |
| 6 | The cost of transporting container rental in the destination country is expensive | 0,14 | 2 | 0,28 | Threat |
| 7 | If MSMEs do not adapt then failure is in sight. | 0,13 | 3 | 0,39 | Threat |
| | | 1 | | 3,22 | |

Source: Data processing results (2022)

Total Internal Strategy Aspect Score

| | Very Strong 4,00 - 5,00 | Strong 3,00 - 3,99 | Weak 2,00 - 2,99 | Very Weak 1,00 - 1,99 |
|--|-------------------------------------|---|--|--|
| Total External Strategy Aspect Score | Very Likely 4,00 - 5,00 | I GROWTH (Concentration on vertical integration) | II GROWTH (Concentration on horizontal integration) | III STABILITY (Internal Concentration) |
| | Opportunity 3,00 - 3,99 | V GROWTH (Fast) | VI GROWTH (cautious) | VII STABILITY (Internal Integration) |
| | Threatened 2,00 - 2,99 | IX GROWTH (Concentric diversification) | X GROWTH (Concentric diversification) | XI STABILITY (Conglomerate Diversification) |
| | Highly Threatened 1,00 - 1,99 | XIII GROWTH (Concentric diversification) | XIV GROWTH (Concentric diversification) | XV STABILITY (Conglomerate Diversification) |
| | | | | XVI RETRECHMENT (Bankruptcy and liquidation) |

Figure 1. Internal-External Matrix

Source: Data processing results (2022)

Tabel 4. Hasil Analisis Faktor Internal dan Eksternal

| | | |
|---|--|--|
| External Internal Factors | Strengths (S) <ul style="list-style-type: none"> SME actors have the knowledge to grow Have the potential to reflect, learn from past experiences Quite abundant resources Product design is in accordance with international standards | Weaknesses (W) <ul style="list-style-type: none"> The technological mastery of SME actors is still low During the pandemic, the position of creative products became anecessity for secondair or tertiary Product Branding is not their own Lack of promotion |
| Opportunities (O) <ul style="list-style-type: none"> The pandemic period has the potential to expand the online market International market demand is still high | S-O Strategy <ul style="list-style-type: none"> Expanding market segments with a mix of offline and online methods Add an online marketing network (another collector) | W-O Strategy <ul style="list-style-type: none"> Create/sell other creative products that suit consumers' domestic needs during the pandemic, such as tourism merchandise Product diversification beyond the main product |

| | | |
|--|---|--|
| <ul style="list-style-type: none"> • There is a network of associations / associations | | <ul style="list-style-type: none"> • Increasing the role of shipping-related paguyuban |
| <p>Threats (T)</p> <ul style="list-style-type: none"> • Similar products from competitors • The role of government has not been optimal. • The cost of transporting container rental in the destination country is expensive • If SMEs do not adapt then failure is in sight. | <p>S-T Strategy</p> <ul style="list-style-type: none"> • Improve technology skills through training or self-study • Lobby ease export policy from the government | <p>W-T Strategy</p> <ul style="list-style-type: none"> • Adapting to changes in people's behavior • Conducting Cooperation related to shipping with paguyuban so that costs are more efficient. • Optimization of promotion through online media |

Source: Data Processing Results (2022)

Based on Figure 1 (Internal-External Matrix) it can be stated that Kendang Creative Industry SME Jimbe Blitar is in quadrant VI, namely the Position of Growth (cautious). The developing position is certainly supported by the internal conditions of SMEs that have some strengths. These strengths include SMEs having knowledge and potential to develop, resources and product design. Of course, it is these forces that are able to improve the process of internationalization so that they are in a position of growth. While some weaknesses that must be addressed to improve the internationalization process, among others: mastery of technology, position of creative products as a secondary or tertiary need, Product Branding, Lack of promotion, and not yet maximal in collaboration. Therefore, it cannot be denied, the weakness of SMEs is what makes it in a cautious growth phase.

Kendang Djembe Creative Industry SMEs Blitar must be able to increase their growth by utilizing existing opportunities, including: the potential to expand the online market, the market demand is still high, there is a network of associations or paguyuban. These opportunities must certainly be utilized carefully to improve the internationalization process in terms of facing threats, including: similar products from competitors, the role of the government, the cost of container rental transportation, and adaptability. Because of the growth position (cautious), experienced by creative industry SMEs kendang Jimbe Blitar, it is very necessary to prepare a strategy that can support better growth which of course also encourages the improvement of the internationalization process, which can be done by implementing the SO, WO, ST and WT Strategies as stated in the IFAS-EFAS matrix in table 4.

IV. CONCLUSION

Kendang Jimbe is one of the wooden crafts as a unique traditional musical instrument that is the flagship commodity of the Blitar region, which has been extracted mainly to China, with the initial form of the internationalization process following the Uppsala and Networking Model. The pandemic has had a major impact on declining sales, as well as other barriers in the form of high container rentals.

Based on the results of the IFAS-EFAS analysis shows the position in quadrant VI, namely the cautious phase, with strategies in improving the internationalization process is: (1) Expanding market segments with mixed methods, (2) Add an online marketing network, (3) Create other creative products, (4) Product diversification, (5) Increasing the role of delivery-related paguyuban, (6) Improve technology skills, (7) Lobbying policies to the government, (8) Adapting to changes in people's behavior, (9) Conducting cooperation related to shipping with paguyuban, and (10) Optimization of promotion through media.

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