

Internationalization for SMEs and Strategies for success in the Business: A case study SMEs shoes in Mojokerto, Indonesia



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ABSTRACT: Internationalization of small and medium-sized enterprises is a topic that has been studied in various ways. Different scholars have tackled this topic from different perspectives and have found that there is no single way to internationalization. This study aims to build on previous literature by applying ethnographic studies of Mojokerto SMEs, which have been actively exporting to Asia since its inception. The goal was to find a variety of Theorem connections and applications for small businesses. By, this study challenges SME faced, but process of internationalization is also highlighted. With observations and personal interviews, uncertainties, conflicts within the network, profitable domestic markets, and lack of experienced management play a major role in the decline of international activities. I found out that I was doing it. The challenges facing companies in the process of internationalization are lack of management commitment to internationalization and overseas markets and promotion of networks at the international level, lack of trust and cooperation in the company's own network, and trust and overseas. Build insider knowledge with a new network of markets.

KEYWORDS: Internationalization SMEs, Uppsala model, Born Global model, network model

1. INTRODUCTION

The purpose of this study is to have an in- depth exploration on the geste of SMEs against the challenges they face in their internationalization process. In order to negotiate this task, several exploration questions will be sought which explain the process of internationalization in SMEs step by step and punctuate the challenges they face, and their reactive and visionary responses to these challenges. It's asked to understand the process these enterprises went through beginning from their decision of being transnational to their planning process, their original conduct during their first stages of internationalization, their logic behind these conduct, their rallying of internal coffers in order to succeed with these original entries into transnational requests, their operation of internal establishment strengths and exercising the external openings, minimizing their internal sins, maneuvering against external pitfalls in order to minimize their goods. It's also asked to understand the progress after the internationalization conditioning begin, similar as understanding which form of entry system (exporting/ licensing/ common adventure/ direct investment) the establishment uses in their entry into foreign requests and the logic behind choosing that system, the kind of internal and external challenges the establishment has faced during its transnational conditioning, how did the firm position itself in order to overcome these challenges.

This study will also give an in- depth view on the conditioning and conduct of Mojokerto SMEs for internationalization and could present a frame for enterprises, helping them with their own internationalization conditioning. This is also useful since the literatures on SMEs are concentrated on developed countries, as such the work on developing countries is lacking. As similar, the purpose of this study is to work on all of the aspects of internationalization for small enterprises.

2. LITERATURE REVIEW

Internationalization is an nebulous term that's described slightly else in multiple studies. Calof and Beamish (1995, p. 116) have defined internationalization as “ the process of conforming enterprises’ operations (strategy, structure, coffers,etc.) to transnational surroundings”. Chetty and Campbell-Hutt (2003) used the description of Calof and Beamish (1995) in their paper, stating that this description of internationalization also contains the circumstances ofde-internationalization, which are conduct that reduce the internationalization exposure of a establishment. Johanson and Vahlne (2009) have reiterated that internationalization can lead to lower exposure in the foreign requests. This contrasts Welch and Lustrinen (1988)’s description of adding involvement, as internationalization also covers dwindling involvement of enterprises in the transnational requests.

Internationalization, as explained by the authors Schweizer etal. (2010) is a process where a establishment strives to get a better position within a multitude of networks, which are substantially abroad in foreign requests. They also state that internationalization is an entrepreneurial exertion and they propose entrepreneurship aspect be added to the revised model of

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business network internationalization process of Johanson and Vahlne (2009) which in turn is a revised model of the former Uppsala model of Johanson and Vahlne (1977).

Johnson and Vahlne (2009) revised their earlier 70's work on internationalization, in which they proposed that internationalization should be seen as the end product of enterprises that are seeking and exercising multiple openings in order to overcome foreignness. The authors propose that enterprises can either use their current networks, with which they formerly have connections with, to enter a new request; or they could be communicated with a establishment working in a foreign request and through continuing business practices, trust emerges and a new network is established.

For the specific models that explain how enterprises internationalize, two major disciplines present themselves. These two models are the gradational internationalization of enterprises and rapid-fire internationalization of enterprises (Johanson and Vahlne., Oviatt and McDougall, 1994, Knight and Cavusgil, 2004, Johanson and Vahlne, 2009 and Schweizer et al.). These models differ in their approach to the internationalizing establishment, and its internationalization practices. The establishment size, their preferred entry styles into foreign new requests, and the strategies accepted through the internationalization processes differ for these models (Wai and Noichangkid, 2012). Utmost extensively, the Uppsala models represent the gradational internationalization of enterprises whereas the Born Global model represents the rapid-fire internationalization of enterprises. According to Pederson (2000), the original Uppsala model was cooked as a review of former studies that didn't take artistic differences between home and target requests, lack of knowledge on the solicitations and processes, valid legal issues, and other request specific information of the target requests, and the internal capabilities a establishment needs in order to handle its business profitably in the transnational requests, similar as mortal coffers, organizational and fiscal coffers.

There are two Uppsala models for internationalization of SMEs. The first one is a resource grounded view by Johanson and Vahlne (1977), which is an internal view of the capabilities and incremental way of a establishment while internationalizing and the revised model by Johanson and Vahlne (2009) that's a network view, which is an external view that focuses more on the external terrain of a establishment that's internationalizing. Pedersen (2000) states that, the original model has lacking points which were ignoring the external factors, similar as competitiveness within the request, and applicable profitable data on the request similar as the eventuality of the request for growth and profitable business. In both Uppsala models, the internationalization process is a gradational step by step process where the enterprises seek threat operation. In the original model, the lack of foreign request knowledge was seen as a major interference against rapid-fire internationalization of enterprises, whereas in the after model brought in the significance of networking amongst the enterprises for internationalization (Figueira-de-Lemos et al., 2011 and Wai and Noichangkid, 2012). As similar, it was proposed that enterprises gradationally internationalize in order to acquire the necessary foreign request knowledge and general knowledge on the structuring of an internationalized business. The logic behind was that enterprises gained the needed knowledge over time while they were taking gradational, small way on internationalizing fully. (Johanson and Vahlne, 1977 and Wai and Noichangkid, 2012)

Prior research on the internationalization of firms is summarized below,

Table 1. Internationalization literature of firms (Xu h., Sarah N.2009)

Direction	Key Words	Internationalization theories	Underlying theories	Explanatory variables
Why literature	Firm foreign market entry models	- Hymer's framework - Internationalization theory - Eclectic framework	- Industrial Organization - Transaction costs	Transaction characteristic, stemming from firm specific resources such as knowledge
		Organizational capabilities	- Resource based view - Dynamic Capabilities	Firm know-how
How literature	Internationalization Process	Uppsala model	- Penrose' theory - Behavioral theory	Market knowledge Gained through experience in international market
		Network theory	- Social exchange theory - Resource dependency theory - Behavioral theory	Social and cognitive established among network members

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What literature	The phenomenon of international new ventures	International new venture perspective	- Entrepreneurship perspective - Resource based view	Entrepreneur's knowledge Technological know-how Learning advantages of newness
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Johanson and Vahlne (2009) states that, a new model, business network internationalization model, was proposed that linked different variables similar as knowledge capabilities of the establishment, network position of the establishment, and the business openings it perceives; and that these variables were plant to play a huge part behind SMEs in their internationalization processes. The authors explain the terms “liability of outsidership” and “liability of foreignness” as the main challenges enterprises face during internationalization. Liability of outsidership is explained to be the lack of knowledge on the business terrain and its players in the targeted request and liability of foreignness is the psychic distance, the sum of all the factors similar as different laws, language walls that produce a problem for a establishment to be an bigwig and get well known in the target request.

Innovation- related model is another model in explaining the internationalization of SMEs. This model suggests that there are six different stages of internationalization and every stage is an invention for the establishment. These stages are determined on import/ total deals rates.

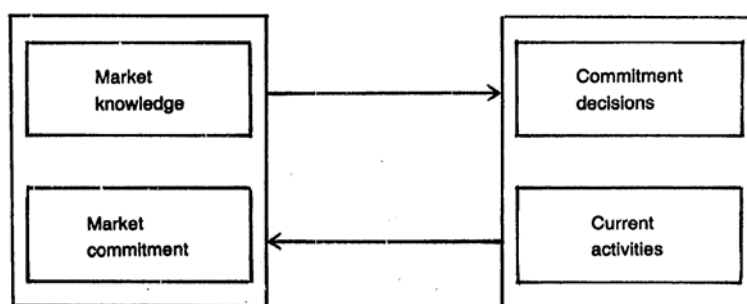


Figure 1. The Basic Aspects of Internationalization – State and Change Aspects (Johanson and Vahlne 1977)

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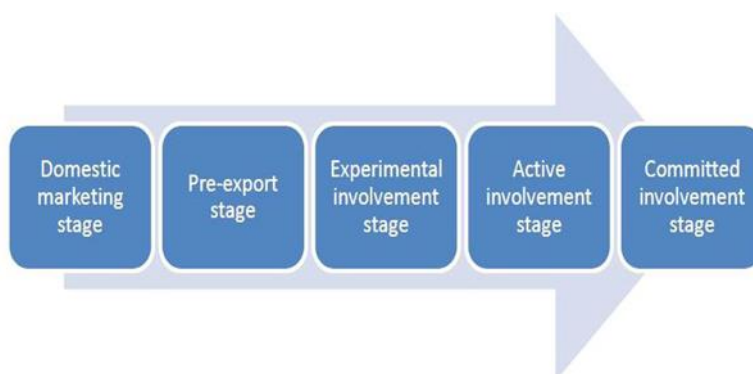


Figure 2. Stages of innovation related model (Otto Andersen, 1992 page 213 as edited by Tahir and Mehmood, 2010.)

According to Gankema et al. (2000), invention related model is grounded on import development of enterprises. Andersson (2000) adds that this model considers the literacy process of the enterprises and the directors as a vital factor in the success of internationalization of the enterprises. It has also been plant by Clercq et al. (2005) sweats of transnational knowledge gathering and

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putting significance on entrepreneurial exposure is salutary for internationalization, while giving significance to domestic knowledge gathering is mischievous to internationalization.

Hermel and Khayat (2011) propose that the Born Global model concerns itself with the enterprises that are active within the transnational requests right from their founding. The born global enterprises have a clear distinction compared to their more traditional lines. Wai and Noichangkid (2012) points out that these born global enterprises tend to have small domestic request shares compared to their foreign request shares, whereas according to the Uppsala models the traditional enterprises have strong domestic request shares before the internationalization process.

Logic behind the entry to transnational requests could either be visionary or reactive. Visionary entry conditions are; seductive expanding transnational requests, husbandry of scale and increase in gains. Reactive entry conditions are; domestic request achromatism, adding product or force costs and low profitability in the domestic request. (Lesáková, 2005) Han and Noller (2009) note the visionary entry conditions to be the aggressive reasons and the reactive entry conditions to be the protective reasons to go transnational. The authors also note that in utmost internationalizing enterprises; both visionary and reactive entry conditions can be plant.

There have been studies that concentrated on the challenges of SMEs from a specific request point of view. One similar study is Albertini, Auffrey and Aziz (2011), where they studied the challenges of Swedish enterprises that enter the Russian request. This study was concentrated solely on the Russian request and hence the request specific challenges elect Swedish enterprises have faced, and their conduct in order to alleviate the problems they've faced in the Russian request. The main challenge Swedish enterprises were reporting in that study was the import tariffs assessed by Russian government and the executive tasks associated with importing into Russia. The study of the Gallup Organization (2007) for the European Commission has also showed that import tariffs and custom duties come as the second biggest constraint alongside lack of capital behind the lack of foreign request knowledge for European SMEs.

3. RESEARCH SETTING

The proposed sample is UD Atthyah, an UMKM distributor of leather shoes in Mojokerto. UD Atthyah is a distributor of Asia Company in the leather shoes business. UD Atthyah was plant in 2001. It began its business life as an eksporter since 2007 and to be distributor of technical leather shoes in Asia. The possessors have attended original expositions in order to make and contain networks and request new products to the request. Presently UD Atthyah has 300 million periodic development and 30 workers including the operation and the possessors. While the company's headquarters is located at Mojokerto, Indonesia, it has active storehouse and distribution centers at Suromulang Timur II no. 8, Mojokerto. UD Atthyah is an Export Stage 5 (Endured Exporter) according to Bilkey and Tesar (1977) as at least 10 of the company's development comes through exporting each time. Lately, UD Atthyah has started manufacturing largely technical products and also distributing the input accoutrements of those products to several dealers. Thus, UD Atthyah is planning to apply for contractual systems, both in the domestic request and in the foreign requests. UD Atthyah, contrary to most of its current competitors, was found with the distinct intention of distributing high quality leather shoes that has been imported. As such, UD Atthyah was active in the international market from its inception. Also UD Atthyah was importing leater shoes that has not been used in Mojokerto before; as such it took active role in shaping the domestic market. Due to its nature being a vast and experienced distributor of several select brands of leather shoes, UD Atthyah has desired and attempted to successfully tackle the international markets, albeit with only marginal successes. Studying UD Atthyah could potentially point out the setbacks SMEs face during their internationalization processes that can hamper their international growth. This could illuminate the challenges of internationalization, seen through the lenses of a company that was active on international markets since its inception and was experienced in shaping and leading markets into accepting new standards.

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4. METHODOLOGY

Yin (2009,p. 8) states that amongst the different exploration strategies, the experimenter makes the choice of opting the asked system by following several guidelines. For the choice of the system the author notes the form of the exploration, the quantum of control over current behavioral events, and the position of focus on contemporary events as opposed to literal bones as the important variables in determining the correct system.

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For this exploration, an ethnographic study was conducted. An ethnographic exploration dedicates itself to creating a picture in which how people progress their daily lives and form meaning out of their own relations and surroundings can be seen (Erdem et al., 2011).

For this study, ethnographic exploration was chosen because as Erdem et al. (2011) notes its nature of allowing the experimenters to gain a deeper sapience of the processes. They argue that ethnographic studies don't limit the experimenter to a one dimensional cause and effect analysis, but allow them to grasp the bigger picture within a social network. The logic behind their argument is that ethnographic inquiries don't produce an unnatural construct to test the applicable propositions, but seeks to conduct the data information in a natural terrain. In confluence, Fetterman (1998) has stated that ethnography is a exploration system used substantially by social lores that aims to shine light onto the distinctive features of a culture or of a group.

In this study, ethnographic data from 1 months is used to show the challenges the sample establishment faces during its internationalization process. Primary and secondary data is used for exploration purposes. Primary data is attained through semi-structured interviews and compliances. Secondary data is attained from questions directed at the establishment officers on firm details and on request exploration. Semi structured interviews are interviews with a set of questions with the canvasser having the authority to change the wording of each question and ask new different questions (Siawsurat and Onel, 2011).

During the study deducible approaches are sought. Siawsurat and Önel (2011) note that the deducible exploration approach aims to prove being propositions from empirical data while the inductive exploration approach aims to reach and form a proposition from the data.

The data attained is used to dissect the establishment in terms of the similarity of their conduct compared to previous literature. Quotations are used from the interviews to show the connection between the data that is being anatomized and the interpretation of the data.

5. THE CHALLENGES OF INTERNATIONALIZATION IN A SMALL FIRM

Working in UD Atthyah for the once five times, several challenges UD Atthyah faces were honored during their business conditioning. These include challenges faced in both domestic and foreign requests. The biggest challenge UD Atthyah has faced is that their products are substantially manufactured by other companies, while UD Atthyah only has the rights to distribute them within Mojokerto. Conflict of interests be over who gets to vend the product to foreign companies, as networks created by UD Athhyah has been taken over by the main company that sells those products to UD Athhyah. This circumstance was seen on multiple occasions where the client was fond of the service it got from UD Atthyah and business relationship in between, but switched to the main company due to lower prices offered by that company.

Mochammad Yani has said that, UD Atthyah was trading regularly with a establishment in Thailand. The contact between the two companies was good, and the original establishment was happy with UD Athhyah service. Still the company that possessed and vended the goods to UD Atthyah interposed after a period stating that they had exclusive selling rights to that country. UD Atthyah knew from former discourses with X Company that they didn't have such a right before. When X Company plant out that it was feasible selling in Thailand, they took over the trade and gave the contact in Thailand the exclusive selling rights in 2007. Still after three times, by the end of 2010, the original establishment got in contact with UD Atthyah formerly again while stating that they were unhappy with X Company and wanted to buy the products from UD Atthyah.

Pedersen (2000) state that the external competitiveness of the transnational requests has an impact on the progress of the internationalization of enterprises. While competition can do through enterprises that are natural challengers (rivals) in a request, they may also come from within a establishment's own network. Johanson and Vahlne (2009) note that enterprises frequently have close and long lived business relations with their suppliers and guests. They add that this web of relations between different enterprises and their own networks creates the web of connections that the authors have named business networks. The authors argue that " insidership" is gained when a establishment is well deposited within a network and has gathered trust in the network and has invested in the network with their commitment. As trust and commitment is a vital part of transnational business fostering and being a bigwig in a network, any conduct within the network that harms the trust of a establishment will harm the business conditioning of the enterprises related in that business connection.

Presently UD Atthyah is embarking on a path where it'll manufacture its own technical goods in order to vend and vend the end product on foreign requests. This strategy will allow UD Atthyah to find and use new networks for their internationalization. Another challenge UD Atthyah faces is the profitable rigors in the domestic request. With the company's main source of income depleting because of adding competition, its gains dwindling due to adding overhead costs and declining perimeters between the cost of the goods and the prices of the goods; the profitable situation of the company doesn't allow for huge investments at the given time. Also considering that the cash- inflow of the company is getting lower fluid with the due date of income gets further down each time, the company needs to be largely conservative of how it spends its plutocrat. Coupled with the profitable and politic disturbances in the domestic request, this forces UD Athhyah to be extremely threat antipathetic.

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It's noted by Gankema et al. (2000) that recession may do for small enterprises because of profitable reasons in their domestic requests. They note that this recession can defer the enhancement of the establishment's status in the transnational request. It's vital to note that long and hard ages of recession within the domestic request for enterprises with strong domestic requests and fairly high outflow costs could lead to enterprises being unfit to internationalize entirely as Clerq et al. (2005) notes that adding domestic literacy focus is equally related to internationalization success. Gallup Organization (2007) has plant that lack of capital is the second biggest constraint after lacking request knowledge for SMEs to their exporting conditioning. It was also the loftiest reported constraint by the Turkish enterprises according to the same study.

UD Atthyah is a spare structure, where the workers can exercise their judgment on lower business opinions. Reaching the general director of the company is easy, and he can be consulted on matters where the workers don't want to take charge. While this creates a favorable working terrain for the workers, it has a strike on the internationalization process. The internationalization process requires the operation's high attention. There are strategies to collude out, budgets to produce and review pretensions to decide on, selling conduct to be decided, networking conditioning to be made, asked foreign requests to be chosen, knowledge on specific foreign requests to be attained, overall knowledge on performing on the transnational. Requests to be attained. These not only bear backing, but they also bear the attention of the operation of the establishment. Still, the operation involvement in adding the transnational exporting of the establishment and chancing new requests has been downward due to the challenges of the diurnal business life in the domestic request.

Clerq et al. (2005) states that top operation's entrepreneurial conditioning hold a vital position in the internationalization process of a establishment by directing the compass of the establishment to a further global position. Gankema et al. (2000) states that the experience of operation is appreciatively related to the success of the internationalization progress of a establishment. Reuber and Fischer (1997) notes that the experience of the operation for progressing on the stages of internationalization for SMEs that operate within a large domestic request is indeed more vital compared to the other small enterprises. Given that UD Atthyah is in an assiduity with a large domestic request, the operation experience and involvement in the internationalization process is a must-have. Given that the involvement is on lower situations, this presents itself as a challenge for transnational growth.

Observing UD Atthyah's strategies for the foreign request, two types of entry styles feel to be taking hold. They're either exporting the finished goods through an agent, or turnkey systems through contractual work in which the exported goods' installation will be accepted by either UD Atthyah workers or through outsourcing during which UD Atthyah workers will be overseeing the installation. It should be noted that, all the turnkey systems UD Atthyah has penetrated was a cooperative work with a network company.

UD Atthyah has chosen low psychic distance countries to export to. It has chosen circular exporting through an agent for ease of transportation and for following customs regulations without laboriously getting engaged in the foreign request's rules and regulations. Therefore the agent takes control over the transportation, marketing and customs tasks for the exporting, while X Company focuses on carrying and preparing the goods for exporting. UD Atthyah is lately bearing transnational systems in countries with larger psychic distance exercising connections with networking companies. Using the experience of companies within its network, UD Atthyah is suitable to gain precious request information on distant requests. This not only allows for the knowledge hedge to dwindle, but also allows UD Atthyah to find new networks in the focus request.

In the gradational internationalization system of stage proposition of Gankema et al. (2000), UD Atthyah's system of business in the transnational requests shall be considered as active involvement. UD Atthyah has an import/ deals rate of about 10 and is presently working together with its network companies to find and exploit new openings in the transnational requests. It has a steady import rate through its agents in low psychic distance countries. The logic behind exporting through an agent, which is called circular exporting, according to Albertini et al. (2011) is that circular exporting is the least parlous system of internationalization. Johansson et al. (2008) states that with circular exporting the establishment has lower control over the marketing process and Osland et al. (2001) points out that the task of interposers during circular exporting is the transport and the marketing of the products. Albertini et al. (2011) adds customs concurrence as a task for the agents in circular exporting. Using networks to overcome walls of knowledge and psychic distance has been stated in the network proposition by Johanson and Vahlne (2009). They've proposed in their revised interpretation of Uppsala model in 2009 that every request is a network of connections where enterprises are connected to each other and that through these connections enterprises can gain new knowledge, make trust and increase their commitment, which are the crucial determinants put forward by Johanson and Vahlne (2009) for a successful internationalization.

6. CONCLUSION

The SME in question had been a global eksportir since its inception. It has, in the past, participated in all beginner stage internationalization activities except proactively seeking international customers. It had sought profitable networks, good contacts and like-minded suppliers. It invested into building a profitable supply chain and built knowledge from its past experiences on the challenges of international business activities. The challenges the firm has faced in the internationalization process can be

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summarized as lack of managerial commitment to internationalization and non-domestic markets, lack of ownership of marketed products, lack of knowledge on marketing and fostering networks on the international stage, lack of trust and cooperation in the firm's own network, and lack of trust and building insidership with new networks in foreign markets. In addition, due to the "liability of outsidership" and "liability of foreignness" of Johanson and Vahlne (2009) it can be seen that the perceived cost of internationalization is an important deterrent.

There has been little research into internationalization of SMEs. Most research tries to answer the "what" questions. These are achieved through surveys. The "how" and "why" questions are not as common and these require case studies and qualitative research instead of quantitative research. The application of prior research into local firms could be found through this study. The research will allow finding the challenges during the stages of internationalization in the applicable firms alongside of seeing theory in action and benefiting from real life experiences.

This research puts forward the differences between the perceived challenges in the firm compared to the challenges found in literature for SMEs during internationalization processes. The data is gathered through interviews with multiple employees and through careful observations. The employees have differing views on the challenges and on the solutions for these challenges the firm has faced during the internationalization process. As such, these multiple views within the company will also give a unique perspective on the steps the firm undertakes in order to overcome the problems of internationalization and, more importantly, how these steps are communicated across the firm from the management to the employees.

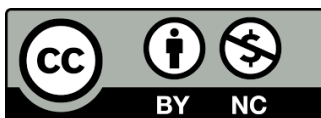
This research presents usable data stemming from past experience of a small firm that went through a gradual internationalization process. Literature on SMEs tends to focus on developed countries. Research on SMEs at developing countries is fewer. As such, this study will help the researchers looking into the business practices and challenges faced by SMEs in a developing country, namely UD Atthyah Mojoketo, Indonesia.

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