

The Role Of Competitive Advantage Towards Accelerating Internationalization Of SMES In Indonesia

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Abstract.

This paper aims to explore the role of competitive advantage in accelerating the internationalization of SMEs in Indonesia. The source of this paper is secondary data with a literature and empirical study approach from previous articles and other supporting sources. Data sources and various articles show that digitalization as a competitive advantage has a very important role in accelerating the internationalization of SMEs in Indonesia, but the results of the study of various sources of digitizing strategies for competitive advantage, many factors determine the international acceleration of SMEs in Indonesia such as partnerships, customer relations, business process management, as well as investing in information and communication resources. The government's role is also very dominant in the process towards accelerating the internationalization of SMEs in Indonesia

Keywords: *Competitive advantage, acceleration, internationalization, SMEs*

I. INTRODUCTION

The In the economic development of developing countries, Small and Medium Enterprises (SMEs) have an important role. Internationalization is a valuable strategy for the growth and development of SMEs through its main elements, namely: competitive advantage, management knowledge and management experience [1]. Competitiveness in the global market environment makes internationalization a necessity for SMEs. For the rapid growth of SMEs, it is necessary to consider internationalization as an early and quick strategy because the national market is already very competitive and too narrow to grow and develop [2]. In addition, internationalization is also a strategy for determining performance that will increase the operational scale of SMEs. SMEs contribute to the economic growth of a country is an important factor in making new policies in each country. In some countries, especially developing countries, SMEs become economic pillars because of their very large role in contributing to GDP through their contribution to providing employment, empowering economic resources, driving the investment climate, and contributing to national income. SMEs also have a big role in increasing economic growth, so that the development of SMEs is a level indikator economic growth of a country. The resilience of SMEs in various economic conditions proves themselves to be contributing to the economic growth of a country.

However, in order to continue to survive in the hard current economic wave, Indonesia should be able to compete with other countries, increase the potential for competitive advantage so that it is competitive in entering the global market. Indonesia with all its economic resources must be able to create strategies to produce policies that are in accordance with global scale, market conditions and competencies [3]. However, like other developing countries, there are many factors that make these SMEs less competitive in the international market. Rapid technological developments and intense competition make MSME actors have to work harder to be able to survive and be competitive. [4] To adapt to technological developments in the era of the industrial revolution 4.0 in various developing countries, the industrialization and export processes, SMEs have developed and are involved in the largest community of industrial elements and contribute to the growth of the manufacturing industry and the provision of jobs [5]. The government program launched for community empowerment through entrepreneurship training is a form of implementing the development of SMEs in return for SMEs contributing to economic growth. The contribution of SMEs is also shown by the creation of jobs, the ability to adapt to changes in market demand, the application of technology that has an impact on income growth and regional development [6]. SMEs with all their limitations, this is an extraordinary achievement.

It must be acknowledged that SMEs in Indonesia and other developing countries have a role as a driver of export growth and the development of the manufacturing industry. The activity of SMEs in participating in export trade proves that SMEs have experienced rapid development in the international market. For this reason, SMEs must have a competitive advantage in order to be able to compete in the international market by improving product quality, delivery accuracy and competitive prices [5]. It was also revealed that making SMEs a business to be reckoned with in the global market is the role of competitive advantage, although the internationalization of SMEs has many obstacles such as lack of knowledge of international markets, constrained by lack of information on potential markets. The internationalization process must start from SMEs that are oriented to foreign markets because otherwise SMEs will not have the fighting power to increase their competitive advantage in the global market. Seeing that the process is complicated and risky, it is necessary to improve the internal performance of SMEs through improving financial performance and optimizing the available resources. The lack of financial capital owned by SMEs is one of the factors, why so far the internationalization of SMEs has only been able to carry out export activities. With the various problems faced, it is very important for SMEs to carry out special and appropriate strategies to be able to internationalize [7], where the internationalization strategy puts more emphasis on market-defining knowledge and networks and resources owned.

The internationalization strategy also needs to pay attention to the personality aspect in achieving the performance of SMEs in order to increase the value of sustainable exports. Of course, many factors affect the internationalization of SMEs, especially developing countries and developing countries such as Indonesia. Previous research that has been done illustrates that competitive advantage has an influence on the internationalization of SMEs. The resulting research [8] shows that market orientation and competitive advantage have less influence on the internationalization of SMEs. Meanwhile, according to research results [9] that market orientation and competitive advantage have a positive influence on the internationalization of SMEs. Market orientation in SMEs is a continuous response to customer wants and needs in order to support the development of strategies for creating customer value in achieving competitive advantage. Competitive advantage is the ability of top management to understand the process of turning competencies into opportunities. Therefore, it is important for SMEs to take advantage of their competitive advantage as a decision-making process to enter international markets. Competitive advantage extends beyond cost of production to create value for customers. Produced by previous researchers that competitive advantage has a positive and significant effect on the level of internationalization of SMEs [8], it is also stated that the internationalization strategy is able to achieve competitive advantage on export performance. This is also supported by the statement about competitive advantage that national competitiveness is less dependent on the whole economy but on certain industrial sectors, and countries that have these competencies will have the potential to gain an advantage in the global market. [9]

Based on these conditions, despite the potential for strong growth in the global market, the development of Indonesian SMEs towards accelerating internationalization is relatively slow, because the size and ability of Indonesian SMEs to deal with internationalization is still very weak. Not much knowledge about efforts to prepare SMEs to face the global market to be competitive. Therefore, this paper formulates the problem of how the role of competitive advantage in accelerating the internationalization of SMEs.

II. METHODS

This paper was designed using the literature study method, whose data source is based on secondary data from literature studies and empirical studies in order to collect the information needed to support the written study. The information obtained from data collection is analyzed in depth and analyzed to gain a better understanding so that it can interpret and conclude competitive advantages towards accelerating the internationalization of SMEs. [10] Snyder (2019) said that literature review is a research methodology that aims to collect and take the essence of previous research and analyze several overviews of experts written in the text. Data is collected by identifying related articles from accredited international, international and national journals as reference material as well as data sources. After collecting and identifying the articles, they are read, studied, reduced and the essence is taken from the themes relevant to the writings made.

Articles that are used as data sources as well as references are focused on articles published in journals published in the last 5 years, but if there are data or sources of information related to relevant writing themes that have not changed, it will be expanded to articles published in the last 10 years. Systematically study of literature is a method to find theoretical and empirical references that are relevant to the theme of the problem determined through books, journal articles, research reports and sites on the internet, to be able to be reflected into articles that are in accordance with the formulation of the problem with the aim of revealing the role of competitive advantage in the internationalization of SMEs. So the documents in this paper are supporting and supporting evidence for information related to internationalization. Systematically the stages in the flowchart of literacy studies are presented in Figure 1.

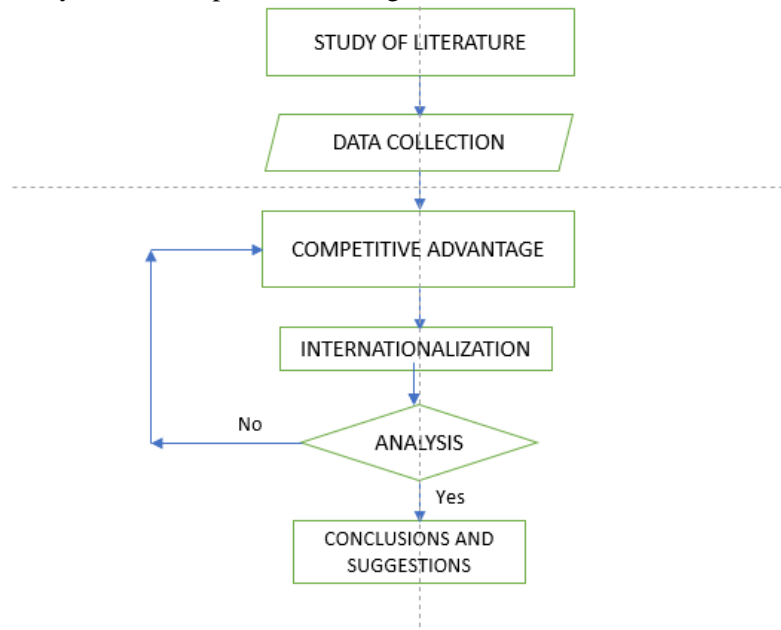


Fig 1. Literature study flowchart

The diagram shows that this article uses 5 stages, namely: 1) Literature study; 2) collect data, 3) search for literature related to digitization, 4) evaluate internationalization data, 5) analyze and interpret, and 6). Conclude and give suggestions. Systematic literature review can be further elaborated as follows:

Literature Study is a series of activities in collecting library data, through reading and managing previous articles Searching for Literature and Collecting data, where data is sourced from journals, scientific articles, literature reviews on research concepts and statistical data. The stages in data collection are as follows:

1. Determine the research topic
2. Formulate problems systematically and clearly
3. Search and determine literature relevant to the research topic
4. Obtain overview research topic
5. Finding and determining research sources that support the theme of the article
6. Evaluating Data
7. Reviewing contributions to the themes discussed
8. Determine relevant data sources to support in the form of qualitative data, quantitative data or a combination of both.
9. Analyze and Present. In this case:
 - a. Define and review literature
 - b. Presenting the results of a literature study
10. Concluding and Giving Suggestions

So simply in this article, the first step is to determine the theme, search for related articles from reputable international journal articles, international journals and accredited national journals to be classified and identified so as to get relevant journal articles. Then read carefully and tabulated as an easy way to

browse data sources and references, as well as study various aspects such as objectives, methodology used, and research results, then analyzed and interpreted to draw conclusions and presented in new articles. The source of data as a reference or reference for the author to be analyzed is the source of the results of previous studies.

Table 1. Previous Research

Year	Author name, title	Findings and Results
2013	Afsharghasemi, A., Zain, M., Sambasivan, M., & Ng Siew Imm, S. Market Orientation, Government Regulation, Competitive Advantage and Internationalization of SMEs	Shows that company size is a moderating factor of internationalization for SMEs, but knowledge and experience of being internationally competitive has a big influence
2015	Cahyadi I, International Challenges of SMEs in Indonesia in Facing the ASEAN Economic Community	The results of the study found that various government supports have not been able to fully support the internationalization of Indonesian SMEs
2010	Chelliah, S., Sulaiman, M., & Pandian, S. The Determinants of Internationalization of Small and Medium Enterprises (Smes): A Case in Malaysia	The findings show that competitive advantage, management attitudes and international knowledge and experience do not show a significant relationship with internationalization
2011	Javalgi, R. (Raj) G., Gross, A. C., Joseph, W. B., & Granot, E. Assessing competitive advantage of emerging markets in knowledge intensive business services	The results of the analysis show that while major emerging markets are building a competitive advantage focusing on knowledge-intensive business services. It is clear that the major leading developing countries have not yet reached parity with the advanced industrial countries.
2010	Roida, H. Y., Sunarjanto, N. A., Sunarjanto, N. A., Jayaprana, W., & Jayaprana, W. Internationalization of Micro, Small, and Medium Enterprises (MSMEs) in terms of Ownership Type: Empirical Study in East Java	The results show that the capacity to gain market access is the most important consideration based on the type of SME ownership. As a result, there is no significant effect of the type of ownership on the internationalization strategy. Decisions are largely influenced by the control variable, namely the choice of sector, each
2016	Sari, N. N. M. P., & Yasa, N. N. K. (2016). The Role of Competitive Advantage in Mediating Market Orientation with the Internationalization of Furniture SMEs in Badung Regency	The results of the study show that if market orientation has a positive and significant effect on competitive advantage, competitive advantage with internationalization has a positive and significant effect, there is a positive and significant relationship between market orientation and internationalization and significant competitive advantage is able to mediate the effect of market orientation on internationalization
2011	Svante, A. International entrepreneurship, born globals and the theory of effectuation	This study shows how a born global company can enter many markets in a short period of time, by working with local network partners. The knowledge and network of the previous founders is important to understand the rapid international expansion. Effectuation theory focuses on the ability of entrepreneurs to create shared opportunities with network

		partners and is a useful tool for understanding developments in emerging global companies.
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2020	Mika Westerlund. Digitalization, Internationalization and Scaling of Online SMEs. <i>Technology Innovation Management Review</i> , 10(4), 48–57.	The results show that online SMEs that internationally oriented counterparts differ from their domestically oriented counterparts, in terms of a higher degree of 1) use of information systems, 2) breadth of value networks, 3) emphasis on key internal resources, and, 4) addressing cybersecurity issues. it contributes to the literature by suggesting that online SMEs wishing to expand internationally through digitization need to develop a range of capabilities in partnership, customer relations, and business process management, as well as invest in information and communication (ICT) resources and cyber resilience. in terms of higher levels.
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III. RESULT AND DISCUSSION

Internationalization is a continuous process over time and development of understanding international markets to minimize the risk of failure. Knowledge of international markets from business experience greatly helps the process of accelerating the internationalization of SMEs. From the findings of previous research conducted in various countries, it shows that the internationalization of SMEs in some developing countries generally experiences the same problems as an unfavorable political environment, inadequate infrastructure, low standards of living, poor education system, other economic growth, investment climate. unstable and weak legal system [11]. Coupled with government mechanisms to promote unequal international trade, which is one of the factors that hinder the internationalization of SMEs. In addition, SME players experience problems in obtaining internationalization information and do not yet have the competence to trade their products in international markets. In this era of globalization, the internationalization of SMEs is a necessity for the world economy, not only because of the large contribution of SMEs to the provision of employment and contributors to national income, but internationalization is a strategy for expansion and growth of SMEs to achieve a sustainable competitive advantage in the long term [11] This is very important for the growth of SMEs which are the economic pillars of sustainable development. Through increasing digitalization, the global economy has the potential for SMEs to internationalize, where digitalization is a strategy to change business by providing profit options and creating added value.

Internationalization through digitization can use various digital technologies such as the use of the internet, social media networks, use of information and communication technology. The role of technology resources is very important for business mode and internationalization [2]. Digitization has an impact on the acceleration process, also stated by [12] that digitalization is able to accelerate the internationalization of SMEs who are competent in international business. This is because SMEs enter the international market faster due to digitalization. The development of digital technology is able to facilitate the acquisition of international market information more quickly and the use of digitalization has the potential to accelerate the internationalization process. For SMEs it is very important to understand the role of digitization and its effects on better international performance. Through digitalization, consumers can reach sellers all over the world without the limitations of space and time. Therefore, digitization has the potential to increase exports as a sustainable strategy, although not all SMEs have the ability to internationalize faster. In this case, business competence in competitive advantage is an absolute requirement for successful internationalization. In Indonesia, the government is continuously making improvements and economic recovery after the Covid-19 pandemic as indicated by the increasing rate of economic growth in mid-2021

which reached 7.07% (press release, 28 October 2021 Coordinating Ministry for Economic Affairs of the Republic of Indonesia).

This is also supported by increased investment and the improvement in the trade balance, of course, the role of the export value which increased by 14.18%. This increase in exports is an extraordinary achievement in the era of the pandemic. This condition has the potential to develop new exporters through collaboration and synergy between agencies to increase the competitiveness of SMEs in export activities. As a form of government support for SME product export activities by providing policy affirmations with the issuance of the Job Creation Law and PP No. 7 of 2021 concerning Ease, Protection and Empowerment of Cooperatives and SMEs, which contains support and facilities for exporting SME products by providing Customs incentives for perpetrators SMEs. Entrepreneurs and SMEs are continuously encouraged to partner and collaborate with big businesses in order to increase their competence and make them competitive. The government's role in supporting the internationalization of SMEs continues to be pursued with the aim that Indonesian SMEs are able to be competitive in the global market. The government also provides easy access to financing for export-oriented SMEs worth Rp. 500 billion disbursed by Exim Bank with an interest rate of 6% and 30% collateral as a facility. In addition, SMEs can take advantage of e-commerce as a market access expansion program. The government has carried out various initiatives so that SMEs can maximize their use to accelerate competitive advantage.

In addition to access to financing, the government also provides facilities through fiscal and non-fiscal support as an effort to increase the competitiveness of SMEs in the international market. The forms of facilities provided include participating in exhibition activities, technical guidance and assistance, promotion and marketing as well as export guarantees and insurance. Based on data from the Ministry of Cooperatives, the number of SMEs in 2021 will reach 64.2 million with a contribution value of 60.51% or Rp. 9,580 trillion contribution to GDP with a labor absorption capacity of 96.52% of the total workforce. The same data source shows that the SME sector in Indonesia reaches 99.98% of the total companies in Indonesia. Therefore, it needs support from various parties that SMEs are one of the most important pillars of the Indonesian economy (<https://ekon.go.id/publikasi>). Based on these data, it describes the role of SMEs in contributing to Indonesia's economic growth, especially for providing jobs and producing products with economic value. However, there are still many obstacles in the process of internationalization of SMEs, including the low export capacity which only reached 15.65% of the total exports. In addition, the use of e-commerce is still low at 24% of the total SMEs. Responding to these conditions, it is important that various parties help each other in accelerating the internationalization of SMEs in Indonesia.

The free market era demands that Indonesian SMEs increase their competitiveness and prepare to accelerate internationalization, even though they have to face many challenges, such as the lack of experience in promoting SME products in the international market, which is the main obstacle to market expansion. In addition, there is also a lack of market knowledge, meaning that SMEs lack information about potential markets and access to international markets, thus hampering the process of accelerating internationalization [5]. The lack of access to capital is also one of the main obstacles to acceleration internationalization, because the capital for the development of the domestic market is not for international market expansion, infrastructure is not supportive, and public policies are the main obstacles to the acceleration of internationalization. There are many obstacles faced in accelerating internationalization, therefore it is important to know the strengths and capabilities of Indonesian SMEs in the international market. Government support through policies related to the internationalization of SMEs is very important to encourage the growth and development of SMEs at the international level and achieve competitive advantage in the global market. This is also shown in previous research [5] that government policies have a significant effect on growth and the internationalization process and competitiveness in the global market. Through regional and international trade negotiations, the Indonesian government plays an active role in minimizing the obstacles to the internationalization of SMEs.

IV. CONCLUSION

The contribution of SMEs to economic growth which is shown through the large number of job opportunities and contribution to GDP proves that the existence and development of SMEs deserve special attention. The acceleration of the internationalization of SMEs has become a necessity for every developing country, including Indonesia. Quality information management has an important role to create a competitive advantage and the ability to adapt to any changes and developments in the business environment. Acceleration of internationalization is the responsibility of all parties, especially the government to encourage and facilitate the internationalization of SMEs to be realized and sustainable. The many obstacles faced hinder the process of internationalization of SMEs if they are not assisted by the government and big business players.

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