

The Potential Of Internationalization Of Small And Medium Micro Enterprises In SAWO Leather Crafts, Magetan District, East Java, Indonesia

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Abstract.

The Magetan leather handicraft business is one of the long-established and surviving SMEs and contributes to the creation of employment and income for the community. Currently, the marketing of leather handicraft products is still limited to meeting local and national needs so that limited market demand makes leather handicraft difficult to develop. Globalization and increasingly advanced information technology have become opportunities for the Magetanleathercraft industry to penetrate the international market, however, various obstacles arise considering that penetrating the global market is not easy for small businesses that have many limitations. The purpose of this case study is to examine the opportunities and obstacles of the Magetan leather handicraft business to penetrate the international market. This research approach is qualitative with case studies. owner of leather handicraft, owner of leathercraft marketing shop, the buyer of leathercraft, an employee of leathercraft. Data analysis includes (1) data collection (2) data display (3) data reduction and (4) conclusions.[1]The results showed that there were obstacles to the internationalization of the Magetan leather handicraft business, namely complicated international trade procedures for SMEs, No marketing channels abroad for SMEs, Limited SME resources. The solution that can be offered from this problem is not to let SMEs directly penetrate the global market independently given the limitations they have, but by providing a mediator that can bridge SMEs with foreign consumers with a Marketplace, Exporters, or Cooperatives.

Keywords: *Magetan Leather Craft, Internationalization, Mediator, Global Market*

I. INTRODUCTION

The leather handicraft business in Magetan has long been established as one of the centers for the handicraft industry which is one of the economic potentials of the community. The leather tanning industry in Magetan Regency has existed since 1830. After the end of the Diponegoro War, during the Dutch colonial period, the followers of Prince Diponegoro who were scattered in the Magetan area started a leather tanning business. At first, they made leather handicrafts as equipment for riding and fighting. In the end, this business expanded to various other goods and was temporarily suspended during the Japanese colonial period, but after Indonesian independence, this effort was revived.[2]

After independence, leathercraft creations developed rapidly with various products and models of leather crafts, including jackets, shoes, sandals, bags, and various other accessories. The period 1950-1960 was the heyday of the Magetan leather industry. However, during the 1970s, the Magetan leather industry experienced a significant decline because many consumers switched to using plastic-based goods and there was a government policy that made raw materials expensive, namely the freedom to export raw leather to various parts of the world.

During the New Order government, the Ministry of Industry was formed where the government began to provide opportunities and provide guidance to develop business units in the region including the Magetan leather industry. Coaching and training of basic skills in making leather crafts and the development of the leather tanning industry are very helpful in the development of the Magetan leather industry. And the Leather Industry Environment (LIK) was formed in Magetan as a gathering place for tanneries in the Magetan area so that the leathercraft industry became centralized into an industrial center so that it was involved in coaching.(Magetan Leather Shoes, nd)

The government has begun to assist and encourage the Magetan Leather Industry by applying technology to production activities so that the results are maximized with better quality and greater production capacity so that the Magetan leather industry can compete in national and international markets.

Currently, the Magetan leather industry is centered in SelosariMagetan Village, while leather craftsmen have set up shop on JalanSawoMagetan which was initiated in 1960 due to consideration of its strategic location on the tourism route to the tourist attraction.Sarangan Lake is a leading tourist attraction Magetan district so that by connecting the two potentials, it will mutually support the growth of tourism as well as the leather industry in Magetan.[2]

Village Selosari, Magetan Regency, East Java has a population of 6,567 people. The male population is 3,252 people and the population is 3,315 people. Of this number, the productive population is around 3,546 people.[3]

The Magetan leather industry which is centered on JalanSawoMagetan has experienced good development from year to year, production and sales turnover is always increasing. Many craftsmen already have their shops to display their leather products. Currently, it is known that there are 36 active business units scattered in SelosariMagetan Village. Meanwhile, there are 14 business units at the LeatherCraft Center on JalanSawoMagetan. After conducting interviews and observations, it was found that 11 business units were shops that sold leather products including PS Ireng, KaryaPahala, Sempurna, Avin, Soga, Fight, Shalud, Menik, Mustika, Praktis, Favorite, and Kartika.[3]Small and Medium Enterprises, involving a total workforce of 223 people. Meanwhile, in the entire Magetan region there are 194 business units with a workforce of 549 people.[2]

The development of Magetan leather handicrafts on JalanSawo is also balanced with the development of its marketing system were initially only serving the local market of Magetan and its surroundings, currently, the marketing activities of Magetan leather products have met national market demands including the Sumatra, Nusa Tenggara, Sulawesi, Kalimantan, as well as Papua.

The rapid development of information technology has also been used by the Magetanleathercraft industry to market digitally through social media and the internet.

The tremendous potential of the Magetan leather industry should still be more fully developed if the leather Micro, Small, and Medium Enterprises (MSMEs) in Magetan do not only serve local and national markets but move towards the global market. High creativity and innovation as well as quality and cheap raw materials and relatively low labor costs, when combined with the use of technology and global marketing, will be a competitive advantage for the Magetanleathercraft industry to be able to compete abroad.

II. METHODS

The research design used is descriptive qualitative with case study research. The research location is the center of the leather industry in Jalan Sawo, Magetan Regency, East Java Province, Indonesia. Sources of data in this study consisted of 8 leathercraft entrepreneurs, 4 leathercraft marketing shop owners, 10 leathercraft buyers, 5 leathercraft employees. The number of informants is 27 people. Data collection methods in this study are interviews, observation, and documentation. To improve data accuracy, this study used triangulation of data sources and methods. Triangulation of data sources is to use more than one type of informant in this study. While the triangulation method is data collection using more than one method used in this study. The role of the researcher in this study is only as an observer and participant, meaning that the researcher is not directly involved in the development of the Pujon Kidul tourism village with stakeholders. Data analysis consisted of (1) data collection (2) data display (3) data reduction and (4) conclusions.[4]

III. RESULT AND DISCUSSION

Internationalization

Economic internationalization and international trade have occurred since ancient times from the earliest human civilizations to meet needs by carrying out interaction activities between islands, countries, and continents. Internationalization is defined as "the expansion of the flow of goods, services, and people across

national borders, thereby increasing the share of transnational exchanges in the domestic market, together with a decrease in the level of regulation affecting these flows.[5]

Whereas the Group of Lisbon combines the internationalization of the economy and society as a whole and defines it as "the flow of raw materials, intermediate and finished products and services, money, ideas and people between two or more countries or nations"[6]

According to the SME Observatory, the main motivation for the internationalization of SMEs is the desire to increase the competitiveness of companies, first of all, the intention to gain access to new, larger markets.[5]

Every time you enter a foreign market, you need to apply an international strategy (internationalization strategy), which is a strategy that considers foreign factors.[5]

International Orientation Strategy

A strategic typology in terms of the degree of globalization involving the interaction between global integration and local responses is suggested by Heenan and Perlmutter. The following strategies can be mentioned as possible strategic orientations: ethnocentric strategy, polycentric strategy, geocentric strategy, and egocentric strategy.[7]

Ethnocentric Strategy

Ethnocentric strategies are found primarily in the early stages of corporate internationalization. Business activities are oriented primarily to maintaining a position in the domestic market, but also using the possibility of completing effective international transactions. Companies that use an ethnocentric strategy conclude primarily export transactions. This strategy is based on analysis of foreign markets, such as selection and choice of market segments to enter market gaps. A distinctive feature of this marketing strategy is the limited possibility to incorporate, by the company, the special characteristics of different foreign markets. Companies that use an ethnocentric strategy do not benefit greatly from local activities, nor do they benefit from standardization or global strategies. The concept is to achieve a competitive advantage abroad, previously gained in the domestic market. The company is focused on maintaining its national market position and acquiring foreign markets following the same strategy as the domestic market, as is most often mentioned in the form of simple exports. Oriented company ethnocentric cannot adapt its marketing activities to certain foreign markets, the main market for companies that use this strategy is the national or regional market.[7]

Polycentric Strategy

The next stage in the process of achieving a global strategy is a polycentric strategy. This strategy takes into account the specific features of the host or local market. Therefore, make use of the benefits of their local activities. The goal of the company's polycentric strategy is to ensure success in the many regional markets, where these companies have their regional subsidiaries. One of the basic features of the polycentric strategy is decentralization which is reflected in the development of overseas subsidiaries, factories, and joint ventures. The polycentric orientation has developed rapidly in recent years due to the emergence of multinational companies, which focus their strategic activities on many host markets. Destination independent, strategy and marketing mix instruments are formulated and developed for each specific market separately. This orientation does not have a high degree of standardization from the level of the marketing concept, but a very high degree of market differentiation.[7]

Geocentric Strategy

Moving from a polycentric strategy to a global strategy is the adoption of a geocentric orientation, which means that certain regions of the world or the world are essentially treated as a single, identical market. The strategy aims to increase international competitiveness, thanks to the uniformity of systems across the company's activities. The desire to gain a competitive advantage on a global scale by minimizing unit production costs is fundamental to this strategy. The mass production of standard products makes it possible to achieve economies of scale. Geocentric orientation is to use standard marketing concepts in all countries and marks a new direction of competitive struggle, which aims to strengthen the activity of international competition, especially by large companies.[7]

An egocentric strategy, also known as an individual or multiple strategies, can be mentioned in addition to the three basic strategies described above. An egocentric orientation involves combining homogeneous groups of foreign markets and treating them as one market. Eurocentric orientation is a very specific form of egocentric orientation. Striving to benefit from global integration and the need to adapt to local conditions is fundamental to this dual strategy. Local adaptation forces are often the result of protectionist measures taken by host countries. Offensive and Defensive Competitive Strategy is a defense strategy (passive strategy or reactive strategy) focused on survival and minimizing risk.[7]

Previous Research

Research conducted by Simone Guercino, Andrea Runfola found that it shows that retail operations are mostly used by Italian fashion SMEs to internationalize. The form of internationalization by entering into foreign markets and being used to develop both in mature and developing markets and it seems that the development is closely related to the potential of Italian fashion SME brands abroad.[8]

Research conducted by Christiane Prange and YouzhenZhaoShow Three cases illustrate how Chinese firms combine distant market entry with nearby and slow with accelerated entry speed. The authors highlight how this strategy can promote and enhance the international aspirations of Chinese SMEs.[9]

Research conducted by FlávioMorais the results shows that the SMEs analyzed were internationalized immediately after their creation, with this decision not being influenced by the CA but by the role of the founder and especially by the saturated domestic market.[10]. Research conducted by Ko-Min Kevin Tseng reveals how the influence of the internet in the process of internationalization and interaction of international customer relations differs in the high, medium, or low-tech SME categories. The influence of the internet differs in three main dimensions: the way SMEs invest in and use different internet applications for internationalization and customer relationship support; SMEs' perceptions of the internet as a means of supporting communication with international customers; SME's reliance on more personal and interactive forms of contact with international customers.[11]

Research conducted by AshnaAshwini Chandra found that the internationalization of SMEs in Fiji is driven by management competence (MC) and entrepreneurial orientation (EO) and is hindered by an unsupportive institutional environment. The authors then develop conceptual models and propositions to further explore these contributing factors and barriers to the internationalization of Fijian SMEs. The authors' findings have important implications for managers in improving the international performance of their firms.[12]

Based on the research conducted by Ahmad Arslan, based on a literature review, the authors identified four capabilities developed by EM SMEs during their contract manufacturing relationship with DMNE that could potentially help in internationalization later. The authors combine some insights from dynamic capabilities theory and develop propositions that address the role of relational capital, human capital, manufacturing productivity capabilities, and product innovation capabilities in this particular context.[13]

Research conducted by MH BalaSubrahmanya found that age, size and firm experience, and CEO education influenced the level of internationalization of SMEs. Also, continuous operation in the international market after early entry, which leads to more learning which positively affects the level of internationalization. Furthermore, those who adopted the MNC route as a mode of entry achieved a higher degree. However, what is more, important is the initial level of internationalization achieved by SMEs which greatly influences their current level of internationalization. All of this suggests that (i) firm-level resources & competencies and (ii) firm-level strategies, collectively contribute significantly to the level of internationalization achieved by SMEs in developing economies such as India. However, the degree of internationalization harms the sales turnover that is currently being achieved. Whereas these SMEs, which are older, are organized as private limited companies and led by a more qualified CEO, who serve more countries can achieve higher sales turnover. But the degree of internationalization does not have any influence on company growth. Only younger and smaller companies grow faster than older and larger companies, regardless of the degree of internationalization. the degree of internationalization harms the current sales turnover. Whereas these SMEs, which are older, are organized as private limited companies and led by a more qualified CEO, who serve more countries can achieve higher sales turnover. But the degree of internationalization does not have

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Research conducted by Jonas Eduardsen shows that companies that use the Internet as a means of providing information about companies show a higher degree of internationalization while using the Internet to facilitate transactions is found to have a positive impact on the ratio of overseas sales to total sales. ; however, these overseas sales tend to be concentrated in fewer regions/markets. Also, perceived export barriers were found to be a significant moderator of the effects of e-commerce use on international intensity and international diversification. This shows that e-commerce does not automatically facilitate the internationalization of SMEs.[15]

Research conducted by Breda Kenny and John Fahy shows this study supports the hypothesis that strong ties have more effect on international performance than weak ties. Likewise, network coordination and human-capital resources have a positive and significant relationship with international performance. Strong ties, weak ties, trust, network initiation, synergy sensitive resources, relational skills, network learning, and information sharing do not have a significant relationship with international performance. The results of this study are robust ($R^2=0.63$ for performance as result) and provide some interesting insights into the relationship between collaboration or network capability and performance.[16]

Research conducted by Godwin MwesigyeAhimbisibwe revealed that network expansion and network integration play an important role in the internationalization of SMEs, while network penetration does not affect them.[17]

Research conducted by Ashna Chandra found that there are still many unanswered questions regarding the internationalization of SMEs from developing countries regarding the factors that determine their growth and internationalization.[18]

Research conducted KasimuSendawula pointed out that organizational learning partly mediates the relationship between business networking and the internationalization of SMEs. The results further reveal that business networking and organizational learning significantly predict the internationalization of SMEs.[19]

Research conducted by Robert Bowen found that companies with all characteristics can internationalize; however, cultural differences were observed between Wales and Brittany in the attitudes and conditions of internationalization. Breton SMEs show more proactiveness towards internationalization, which stems from more favorable conditions, a better reputation for food, and greater trust. In contrast, Welsh SMEs are more reactive, relying on government support in encouraging internationalization. Breton SMEs also benefit from a strong cultural identity of food products, particularly through the *Produit en Bretagne* brand and its producer network.[20]

John Mendy's research results highlight the importance of the HRM process in the proper management of human and technological constraints, which are as important as the internationalization of SMEs.[21]

Research by Syed Zamberi Ahmad found that SMEs' motives for international expansion are diverse and that SMEs still face many institutional challenges, which prevent them from making a larger contribution.[22]

The research conducted by Mohammed Ngoma in this study determined a significant relationship between the dimensions of entrepreneurial orientation (EO) and the internationalization of SMEs.[23]

Research conducted by LasseTorkkeli shows that the international performance of SMEs is influenced directly and indirectly by institutional drivers. The results show that network competence mediates a positive relationship between institutional drivers and international performance.[24]

Research conducted by TanjaKontinen and ArtoOjala revealed that family SMEs mainly follow a sequential process and prefer indirect entry modes before entering the French market. The French market is physically far away, but the case company can overcome the distance by using different distance linking factors. Based on these findings, it can be said that psychological distance has a very important role in the internationalization and FME of family SMEs, especially because of the general awareness they generate.[25]

Research conducted by Eric Costa's findings indicate that the current institutional network support for internationalization is mainly provided through promotional activities; counseling, training, and technical and legal support; Sharing information; and cooperation with other institutional entities.[26]

Research conducted by Luis Enrique Ibarra-Morales shows that innovation has a positive relationship, while product prices have a negative relationship with the internationalization of small and medium enterprises, this suggests that there is the possibility of overemphasizing the role of these two variables in SME export performance. , at least in the Mexican context. Other variables are not statistically significant to the resulting model, perhaps because they are implicitly considered when exporting and entering international markets.[27]

Research conducted by Mohamed Amal and Alexandre Rocha FreitagFilho shows that the importance of entrepreneurship and network relationships is an important factor in understanding the internationalization patterns of SMEs. Furthermore, the performance of internationalization is highly dependent on the ability of companies to link innovative and proactive international behavior to the learning process through the maintenance of national and international networks.[28]

Research conducted by AgnetaSundstrom shows that SMEs face internal barriers to developing innovations that prevent them from creating disruptive innovations that are effective for international buyer chains. This study finds that SMEs need to work with MOBM to develop market intelligence within the organization and seek external support to enter international markets.[29]

Research conducted by Amir Zakery, Mohammad SadeghSaremi found that the results of content analysis for configuration, technological knowledge, and market knowledge were mainly obtained through direct experience and representative learning; However, internationalized knowledge is not as well established as the third major knowledge area to integrate technology with market knowledge in line with the corporate strategy of an internationalized company. For the measurement of knowledge assets of internationalized companies as a prerequisite for continuous improvement, several indices of intellectual capital were extracted, including human, structural and relational capital.[30]

Research conducted by Cici Xiao He and MasoudKarami found that in an empirical case study of privately owned SMEs from China, the main finding was that SMEs from developing countries became more entrepreneurial and proactive in developing international opportunities during institutional transitions.[31]

Complicated export procedure

With limited capabilities, the Magetanleathercraft business will be very difficult for SMEs when faced with complicated export procedures and requirements considering their small production capacity is far ineffective if they have to penetrate the export market through formal procedures. For example, the administrative requirements as a business entity that will conduct international business must have an office that is permanent and/or has a long-term contract and other supporting equipment and equipment. Apart from that, UMKM business actors must also have a communication network and operational personnel who can communicate in English or other international languages, as well as prepare a company profile for information and promotional materials for prospective overseas buyers. This will be very difficult for SMEs to fulfill in leather handicraft businesses considering the administrative limitations they have. Also, the requirements as an exporter must have legality. The legality required to export MSME products includes Trade Business Permits (SIUP), Obligatory Identification Number (NPWP), Company Registration Certificate (TDP), MSMEs must also prepare documents such as trade invoices, sales contracts, Letter of

Credit (L / C), Export Declaration of Goods (PEB), insurance policy, Bill of Lading (B / L), packing list, Certificate of Origin, the quality statement letter, and export wire for exporters. Besides, MSME business actors who are going to export beforehand must be able to know the provisions of international trade requirements or demand provisions on foreign markets, such as labeling, quantity, quality, packaging, ordering, and delivery time. MSMEs that export must also calculate all the costs required, starting from the cost of production, delivery, and marketing, to set the selling price. These many and complicated requirements cannot be fulfilled by the Magetanleathercraft industry MSMEs considering the very small business scale and the limitations of business administration where some of the business financial reports do not have clear books, moreover to provide the requirements for international trade administration it will be very difficult. . The problems above were also found in Ashna's research where internationalization was hindered by institutional support. MSMEs that export must also calculate all the costs required, starting from the cost of production, delivery, and marketing, to set the selling price. These many and complicated requirements cannot be fulfilled by the Magetanleathercraft industry MSMEs considering the very small business scale and the limitations of business administration where some of the business financial reports do not have clear books, moreover to provide the requirements for international trade administration it will be very difficult. . The problems above were also found in Ashna's research where internationalization was hindered by institutional support. MSMEs that export must also calculate all the costs required, starting from the cost of production, delivery, and marketing, to set the selling price. These many and complicated requirements cannot be fulfilled by the Magetanleathercraft industry MSMEs considering the very small business scale and the limitations of business administration where some of the business financial reports do not have clear books, moreover to provide the requirements for international trade administration it will be very difficult. . The problems above were also found in Ashna's research where internationalization was hindered by institutional support. These many and complicated requirements cannot be fulfilled by the Magetanleathercraft industry MSMEs considering the very small business scale and the limitations of business administration where some of the business financial reports do not have clear books, moreover to provide the requirements for international trade administration it will be very difficult. . The problems above were also found in Ashna's research where internationalization was hindered by institutional support. These many and complicated requirements cannot be fulfilled by the Magetanleathercraft industry MSMEs considering the very small business scale and the limitations of business administration where some of the business financial reports do not have clear books, moreover to provide the requirements for international trade administration it will be very difficult. . The problems above were also found in Ashna's research where internationalization was hindered by institutional support. These many and complicated requirements cannot be fulfilled by the Magetanleathercraft industry MSMEs considering the very small business scale and the limitations of business administration where some of the business financial reports do not have clear books, moreover to provide the requirements for international trade administration it will be very difficult. . The problems above were also found in Ashna's research where internationalization was hindered by institutional support. These many and complicated requirements cannot be fulfilled by the Magetanleathercraft industry MSMEs considering the very small business scale and the limitations of business administration where some of the business financial reports do not have clear books, moreover to provide the requirements for international trade administration it will be very difficult. . The problems above were also found in Ashna's research where internationalization was hindered by institutional support.[12] In line with Syed Zambri's research, where SMEs still face many institutional challenges.[22]

There are no international marketing channels

Given that MSMEs are small businesses that are vulnerable to risk, it will be very difficult if they have to carry out international trade independently. Some of the Magetan leather handicraft businesses have sold their products abroad, but this is limited to informal sales through family or friends and relatives who live abroad. So that it is often constrained by permit and customs issues if the goods sent exceed or do not comply with the provisions of the shipment of goods because they are not an official trade through export-import activities. The government should provide a marketing channel that bridges MSMEs and foreign buyers with formal institutions that are self-managed by the government regarding administrative requirements that must be fulfilled.[20]

Limited resources

The ability of human resources for foreign trade activities is very, very weak, considering that to be able to reach the global market must be accompanied by international language skills, mastery of technology and being able to promote globally. It is in line with John Mendy's research that the importance of managing Human Resource Management from the constraints of limited human resources and technology is as important as internationalization.[21] International trade procedures require resources capable of managing this. Most MSMEs in Indonesia, including the Magetan leather handicraft business, do not have this capability, so reaching the international market will be very difficult. Human resources only focus on

expertise in handling the production process and do not prepare marketing personnel who can manage international trade considering that the production capacity at the home industry level does not allow this to be provided. This is in line with Ahmad Arslan's research that the role of relational capital, human resources, production capabilities, and innovation is very important.[13] Problems with the mindset of business actors, labor recruitment, mentoring programs that are not right on target, poor work culture, low quality of human resources, to business management problems such as product standards, business licensing, and business contract problems are problems inherent in MSMEs. Magetan leather handicraft business makes it difficult to develop to compete in global marketing. This is in line with BalaSubrahmanya's research where age, experience, and CEO education influence internationalization.[14]

Apart from that, their financial capacity or financial resources are very, very weak. On average, the magetanleathercraft business is a home industry that has very little capital and has not been professionally managed because of the very limited ability of business management. Financial problems, support from government institutions, difficulty in accessing sources of financing, inability to prepare financial reports to tax issues, as well as product innovation, use of new technology, are unresolved resource problems.

Based on the above reviews, there are several key findings from this study where the Magetan leather handicraft business actually has good potential for development if the marketing reach can be expanded to reach international markets. Various obstacles that arise require solutions so that the internationalization of MSMEs in the Magetan leather handicraft business can be successful. One solution that can be offered is not to let Magetanleathercraft MSMEs penetrate the international market independently considering the limitations of this business, it is impossible to compete with large scale and modern businesses. So providing a mediator to bridge the Magetanleathercraft MSME can be done as follows:

5.1 Cooperatives as joint venture entities to handle marketing



The Magetan leather handicraft business UMKM can create a leather craftsman cooperative that is prioritized to handle marketing problems both locally, nationally, and globally. Given that independent marketing is vulnerable to competition between craftsmen and the limited ability of the Magetanleathercraft home industry to reach a wider market. Leather handicraft trade cooperatives can play a role in bridging leather handicraft business actors to consumers both locally, nationally, and globally by building marketing networks both online and offline by involving professionals who master information technology. Sealing that the existence of the cooperative as a joint marketing business entity is expected to be able to absorb all the products of the cooperative members. Business entity cooperatives are not popular, but if managed properly and correctly, they can be a solution to the problems of all leathercraft entrepreneurs. Because many cooperatives have succeeded in making their members prosperous through the businesses they manage. Besides, to be able to compete with big businesses, small business actors must combine themselves to form a joint business entity so that all their limitations can be covered.

Cooperation with exporters with the same trade name



Forcing the Magetan leather handicraft business to enter the international market formally and independently is a difficult thing to realize considering the production capacity produced is very small if it has to meet export needs. Another alternative step that can be taken is for all leather handicraft entrepreneurs to cooperate with exporters using a common name. Exporters can be from the private sector or the government, where the function of the exporter is as a mediator between the Magetanleathercraft business and buyers in the international market. This idea emerged considering the findings of the problems discussed above related

to administration, resources, and marketing networks that are difficult to be realized by small industries independently.

Collaboration with marketplaces or creating their marketplaces



Online trade transactions (e-commerce) in Indonesia have increased very sharply, the value of transactions has continued to increase in the last five years. The marketplace is one of the biggest players in Indonesia's e-commerce business. The marketplace is an intermediary between sellers and buyers in the internet world. The marketplace site acts as a mediator, namely acting as a third party in online transactions by providing a place to sell and payment facilities. It can also be said that a marketplace is an online department store for all business people. Magetan leather handicraft businesses can build their marketplaces or collaborate with existing marketplaces. But it is time for the government as the party most responsible for the economic activities of the community to help or realize digital-based MSMEs by building digital infrastructure. This last alternative is very possible to run considering the current development of information technology is very supportive. The reach of the marketplace locally, nationally, and globally at the same time can be achieved very efficiently. It would be very good if the marketplace that was built focused on marketing all the results of MSMEs, including Magetan leather crafts.

Several studies related to institutional barriers include Asna that SMEs in Fiji are hindered by an unsupportive institutional environment.[18] Then Syed's research shows that SMEs still face many institutional challenges that prevent them from contributing more.[22] Then Agneta's research found that SMEs face internal obstacles to develop effective constructive innovations for international buyers.[29]

V. CONCLUSION

Based on the description of the research findings and discussion above, that the Magetan leather handicraft business has many problems if it is forced to internationalize between administrative problems, global marketing channels, and the resources it has. Potentially Magetan leather handicraft products have enormous potential to be able to penetrate the international market because they have a quality that is not inferior to foreign production. To overcome this, Magetan leather crafts and SMEs, in general, need a mediator to be able to penetrate the global market.

SUGGESTION

Suggestions for all stakeholders, both Magetan leathercraft entrepreneurs, local government, central government, academics, MSME players, and all other stakeholders so that micro, small and medium industries can compete in the international market, then you should think about building a marketing mediator in the form of cooperatives, exporters and marketplaces.

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