MOTIVATION OF INDONESIAN CULINARY SMES TO ENGAGE IN INTERNATIONAL MARKETS

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ABSTRACT

Motivation is one of the initial triggers in the internationalization process. This paper intended to understand the motivation of Indonesian culinary SMEs' when entering international markets and how they are involved in the internationalization process. A qualitative approach was applied to the focus on the culinary sector as a case study. Data were taken on 10 Indonesian culinary SMEs that have exported for at least three years. Data collection was done through in-depth interviews. Research findings indicate that the involvement of Indonesian culinary SMEs is mostly driven by proactive motives and internal and external motives with a very simple process of engagement through indirect exports to reduce risk due to the limited knowledge of the targeted market and trust the buyer.

Keywords: culinary sector, international engagement, international market, internationalization, SMEs motivation

INTRODUCTION

The number of Indonesian SMEs continues to increase every year. Statistics Indonesia data shows that in 2018, there were more than 58 million SMEs in Indonesia, and is expected to increase to around 65 million by 2020 (www.bps.go.id). The growth in the number of small enterprises is very significant for the Indonesian economy. Increasing the number of entrepreneurs can reduce the scarcity of employment opportunities and reduce economic inequality. Furthermore, SMEs can play a role in increasing foreign exchange if they can sell their products to international markets. Indonesia's SMEs involvement in the overseas market is mostly in the form of export activities. Data from the Ministry of Cooperatives and Small and Medium Enterprises shows that the export value of Indonesian SMEs increased by 20.72% compared to the previous year. Of this, 17% of them were contributed by SMEs who do business in the creative sector, especially culinary, fashion, and craft. Compared to other ASEAN countries, the contribution of the Philippines SMEs to national exports reaches more than 25% (Opus Bekraf Outlook 2017).

Indonesian government manifests its concern for the creative sector in the Minister of Tourism and Creative Economy Regulation on the 2012-2014 Strategic Plan of the Ministry of Tourism and Creative Economy. The launch of this regulation is in line with the awareness of developed countries that natural resources will be increasingly limited so that other resources are needed as a driver of the country's economy in the 80s (Department for Culture, Media and Sports Annual Report Account, 2013). Department of Culture, Media, and Sports of the United Kingdom (DCMS) defines the creative industry sector as an activity based on creativity, talent, and individual skills. It has the potential to create jobs and wealth through the creation and exploitation of intellectual property. While the Indonesian Ministry of Tourism and Creative Economy (Kemenparekraf), outlines the Creative Economy as the creation of value-based ideas that are born from the creativity of human resources (creative people) and based on the use of science, including cultural and technological heritage (Opus Bekraf Outlook 2017).

Up to 2017, the Indonesian Ministry of Industry reported that Indonesian SMEs' contribution to national exports is around 17%. Opus Bekraf Outlook 2017 indicates that in 2015, the Creative sector contributed 7.38% towards the Republic of Indonesia's entire national economy. From 2010 to 2015, noted that the contribution of the Creative Economy to the national economy increased significantly by 10.14% per year. Furthermore, creative sector contributed 12.88% to the total value of Indonesian national exports, which comprise 56% from fashion, 37% from craft, and 6% from the culinary sector. The culinary sub-sector has the lowest contribution to the export value of the creative sector. Still, this data shows that business culinary has the potential to contribute more to the international market. Thus, this paper will focus on the study of the culinary sub-sectors that have exported to understand what their motivations are and how their involvement in the international market happens.

From the international business studies point of view, the involvement of companies in the international market can be interpreted as a process of internationalization (Welch and Loustarian (1988). Furthermore, Calof and Beamish (1995) define internationalization as adopting a firm's operations (strategy, structure, and resource, etc.) to the environment. Engaging in the international market has many consequences for companies, both large and small companies.

The overseas market's products can be an existing product or develop new products according to the market needs to meet the available market opportunities. The company must then determine
which markets to be the target by considering the political, cultural, distance, and economic conditions, also supported by the organizational structure that can accommodate the workforce with adequate expertise (Jun et al. 2019). Companies have to allocate and manage their resources to meet the demand of the overseas market (Wen et al. 2019).

Based on the interview with the Chief of the West Java Provincial Cooperative and Small Business Office, most Indonesian SMEs have limitations both internally such as limited human resources, lack of access to productive resources, low ability in research, legality, lack of management capabilities, and externally as well such as unstable supply and raw material prices, barrier tariffs, inadequate infrastructure, and changes in the international environment.

In the government's viewpoint, for SMEs, the most important thing in pursuing international markets is entrepreneurs' motivation. This opinion is in line with Korsakiene and Baranauskiene (2011), which states that one of the keys to the success of internationalization, and its performance is motivation. Motivation is also an initial trigger in the whole process of internationalization. In this case, motivation becomes a driving factor for entrepreneurs to look for various options and alternatives to overcome obstacles or limitations faced in achieving their business goals (Sutilia, 2019). The decision to involve in the overseas market may be motivated by different sets of factors. Understanding the motivation of entrepreneurs to enter foreign markets will help the government develop the right programs that can improve SMEs' capabilities and capture opportunities in the international market. Based on the background above, this study aims to answer two research questions: First, what are the motivations of Indonesian Culinary SMEs' involvement in the international market? Second, what is the involving process of Indonesian Culinary SMEs in the global market?

Although previous research on motivation in business has been done quite a lot (Carsrud & Brännback, 2011; Hutchinson et al., 2007; Korsakiene, 2014; Kubičková et al., 2014), research on motivation about the process of internationalization, especially in the culinary business sector is still limited. Therefore this paper is expected to complement the study of the internationalization of SMEs, especially in the culinary business sector. This paper will be arranged as follows: The next part will discuss the theoretical literature that underlies this study; the third part explains the methods used in this study; the fourth part contains results and discussion, and the last section provides conclusions.

LITERATURE REVIEW
INTERNATIONALIZATION OF SMES

Internationalization has a different understanding depending on the point of view used. However, although some authors provide some insight, the fundamental concepts of internationalization terminology are relatively similar to one another. Internationalization is defined by Welch and Luostarinen (1988) as increasing involvement in international operations. They also mention that internationalization is an ongoing process, although many cases indicate that a company is not continuing its activities in foreign markets for various reasons. The processes essentially take place inside and outside the company. Other Scholar, Johanson, and Vahlne (1990) add the relationship aspect so that internationalization is defined as a cumulative process in which relationships are continuously established, developed, maintained, and dissolved to achieve the firm's objectives. Furthermore, Calof and Beamish (1995) define internationalization as the process of adopting a firm's operations (strategy, structure, and resource, etc.) to the environment. When engaging in international market activities, companies need to make some adjustments to their plans, organizations, and resources that have applied in their domestic markets.

Numerous studies show that involvement in international markets can have a positive impact on every SME. In his research, Jones (1999) indicates that the participation of SMEs in the global market can increase the capability of the technology, knowledge, and company's resource development. Proceeds from sales in foreign markets proved to contribute to the company's revenue up 70% of total sales (Cheilliah et al., 2010). Being one of the multinational companies is a company achievement, and in the long term, it can improve the image and the company's position in the competitive business environment. On the other hand, Buckley (1989) states that internationalization has a high level of risk, while limited SME resources are a major barrier to their international expansion (Ardila et al. 2019; Wenxuan et al. 2019). Nevertheless, SMEs can cope with these obstacles, for example, by employing the strategy of differentiation or by involving in networks, which may be beneficial to all partners (Hutchinson et al., 2006).

However, the fundamental weakness of SMEs in internationalizing their business is the lack of resources, especially finance, and the ability to pursue a rapid return on investments, which causes them to have limited choices to choose methods to enter foreign markets. Besides, these companies have only limited knowledge about international markets and do not have the necessary relationships with fundamental foreign partners. These factors are often intensified by managers' reluctance to look for opportunities abroad.

Antoldi (2012) indicates that SMEs have several characteristics that distinguish them from large companies. Firstly, in general, the small enterprise is managed by one manager who is also the owner of the company. Secondly, most small enterprises have a simple and flat organizational structure, with a limited division of labor so that decision making can be done quickly and flexibly. Thirdly, usually small enterprises focus on specific competition strategies; for example, they focus on one niche market.
Entrepreneurs are central actors in SME's business activities. Strategic decisions on the allocation of resources and business strategies of SMEs are very dependent on the capability of decision-makers in seizing opportunities in the international market, overcoming obstacles, and reducing risks that may occur (Senik et al., 2014). One of the managerial characteristics that must be owned by export-oriented entrepreneurs is motivation.

**MOTIVES OF INTERNATIONALIZATION**

Motivation is an important aspect that can determine business success. For small, medium enterprises, where the company's size is not large enough and resources are limited, the entrepreneur's motivation is one of the critical factors influencing business success when involved in the overseas market. Korsakiene and Baranauskiene (2011) stated that enterprises are motivated by different factors. It depends on the internationalization process stage. Motivation is the driver of entrepreneurs to behave and take actions that can help them deal with a supportive or challenging business situation. (Dunnette dan Hough, 1990) Moreover, motivation directs entrepreneurs to find information, knowledge, and skills needed to develop strategies and their implementation in capturing business opportunities (Shane et al., 2003). Pursuing international markets require adequate skills and knowledge regarding the characteristics of market needs in different countries, regulations that must be met, and control of resources.

Previous studies show that internationalized motives can be classified into several categories. Korsakiene & Tvaronaviciene (2012), and Minina and Dmitrienko (2011) divided motivation into internal and external motives. The internal motive components include all factors related to the influences from within the enterprise, while external factors stemmed from the company's external environment, whether domestic or foreign (Mwiti et al. 2013). The motivational factors can also be divided into "pull" and "push" ones (Onkelix and Sleuwen, 2008), while other scholars differentiate motivation as reactive and proactive motives (Czinkota and Ronkainen, 2012).

The study of Kubickova (2014) showed that the empirical survey conducted by the OECD (2009) indicate that there are factors that motivate SMES throughout the world to engage in the internationalization. The driving factor can be divided into four groups: motivation for growth, motivation related to the firm's knowledge, the motivation which reflecting social ties, motivation which networks and supply chain relations, and motivation which connected with the domestic or the foreign market.

The internationalization motives of SMEs differ from the internationalization of large companies. According to Hollensen (2008), the relevant internationalization motive for SMEs is reactive and proactive motivation. The proactive motives are based on the company's internal decisions, which are formed by the enterprise's interests in utilizing unique competencies or market opportunities. The concept of proactive motives is following the resource-based view of an enterprise. This perspective claims that competitive advantage in the global market can be obtained by integrating its resources (Stewart and McAuley, 1999).

Moreover, the reactive motives reflect the enterprise's passive behavior, which emerges from pressure or threats in the domestic or foreign markets, formed by the company's internal environment pressure (Hollensen, 2008; Stewart and McAuley, 1999).

Other authors, Onkelix and Sleuwen (2008), classified motivation as pull and push factors. Pull factors can be defined as motives that arise from attractive conditions in foreign markets and favorable development of international markets. These motives pull the enterprise into internationalization. Meanwhile, the push factor is a motive that reflects the company's specific characteristics provided by resources, competitiveness, and product life cycle.

**RESEARCH METHOD**

In the effort to achieve the research objectives, this study adopted the qualitative methods and used a case study (Yin, 2013) as research strategies. Case study research allows scholars to gain a deeper cross-understanding of the investigated phenomena (Fletcher & Plakoyiannaki 2011; Tsang, 2014).

Further, Ontological assumptions of study are that the real-world conditions can be explored through interactions, perceptions, interpretations, and different experiences of each SME when selling their products in overseas markets (Neuman, 2014). The exploratory approach is particularly appropriate as the research question is of the “what” and “how” type (Tsang, 2014; Yin, 2013), and the data used in this study is cross-sectional data.

The unit of analysis of this study is the Indonesian culinary SMEs that have been exporting for at least three years. West Java Province was chosen as a case study because it was assumed to represent other provinces. Besides that, according to the Chief of the West Java Provincial Cooperative and Small Business Office, West Java Province is often a benchmark for other regions in the creative sector. Samples were selected based on data from the West Java Provincial Cooperative and Small Business Office, about SMEs that have export potential. There are around 120 Indonesian culinary SMEs that have the potentiality to export in West Java. It was planned that the sample taken would be as much as 10% of the total (12 enterprises), but only ten SMEs are willing to be interviewed. The in-depth interview was conducted using the open-ended questionnaire advocated by Wright (2015).

**DATA ANALYSIS PROCEDURE**

The data from the interviews are recorded and then copied in the form of verbatim interview transcripts. Then coding is applied to categorize the information obtained and facilitate the data analysis process. The coding process is in line with the previous study of internal and external motivation (Korsakiene & Tvaronavicience, 2012; Minina and Dmitrienko; 2011; Mwiti et al., 2013), reactive and proactive motives (Czinkota and Ronkainen, 2012; Hollensen, 2008).
and “pull” and “push” motivation factor as well (Onkelix and Sleuwagen, 2008). Coding is useful in finding similarities or patterns of specific answers; for example, participant answers could be categorized as motivation pull factors or push motivation factor. Validation was carried out by triangulation based on a theoretical basis, prior research, or experts. The ten company names are disguised with R1, R2, R3, R4, R5, R6, R7, R8, R9, and R10.

RESULT AND DISCUSSION

Some interesting findings obtained from the interview. There are different reasons why the participants are taking apart in international activity. The characteristics of Indonesian culinary SMEs who participated in Table 1 are summarized in Table 1. It is refers to Table 1; the result shows only three participants (R2, R3, and R8) have exported below five years since they established. It represents that seven out of ten participants take a longer time to do the export activity. Further, the study results show that five out of the ten small entrepreneurs interviewed stated that their target markets abroad were Indonesians living abroad. This finding also shows that even though their market reach has crossed national borders, their original consumers remain Indonesian, especially if the products they offer are Indonesian specific foods. In other words, it cannot be concluded that Indonesian food has been widely accepted in the international market. Therefore, it is essential to increase the awareness of foreigners about Indonesian food; besides that, Indonesian culinary SMEs need to adjust their tastes to their target market.

PARTICIPANTS RESPOND CONCERNING THE MOTIVATION FOR INTERNATIONALIZATION

Some participants (R1, R2, R3, R4, and R7) stated that at first they did not plan to market their products abroad, but after they took part in the exhibition or expo and got buyers, they assumed this was a positive opportunity for them, and they try to fulfill the offering. The participant’s statement states:

“Actually... there was no plan to think about going abroad or not...”

A more profound question reveals that R1 products started outside Indonesia due to their consumers’ demands to bring their products for stock when traveling abroad, for example, when they performed the pilgrimage. In this case, the food enters foreign markets as an unplanned activity. Participant R3 was encouraged to participate in a product exhibition because he felt domestic market interest was low. Meanwhile, R2 and R3 answer that they are proud of Indonesian cuisine, and want to introduce Indonesian food abroad. The following participants’ statement supports this data:

“...It’s a souvenir from Bandung; I pay attention if tourists from out of town or from abroad who like to buy batagor because it is identical with souvenirs from Bandung city, so… I feel very confident with my batagor product to be able to enter the global market...”

On the other hand, R5, R6, R8, R9, and R10 clearly state that they want to do the export activity. R5 and R6 indicate that they were challenged to penetrate the international market and see whether their products were accepted. Further statements show that they want to expand their market and increase the profit by entering the global market (R5, R6, R8, R9, and R10). Participants’ statement advocates this:

“...the reason I enter the international market is actually very simple, I want to see whether my products are good enough for global consumer and also I want to see my firm’s capabilities to handle international demand...”

“... I want to expand my market and I think there is market potential for my products...”

“...the margin for international market is greater than the domestic market. So, I would rather export my products...”

From the various interview answers, the reasons why the SMEs interviewed began to be attracted to foreign markets were: potential market demand, a lack of demand for the domestic market, and the desire to introduce Indonesian products to international markets (Korsakieni & Tvaronaviciene, 2012; Minina & Dmitrienko, 2011). Aside from that, participants were challenged to do the export activity
to see their capabilities in fulfilling the foreign demand. Moreover, some participants implicitly argued that selling products abroad provided an opportunity for them to get more revenue, which is part of internal motivation, while others state it clearly.

These findings show that most Indonesian culinary SMEs’ motivation to engage in international markets can be categorized as proactive motives, as Hollensen (2008) stated. In terms of external and internal motivation, most of them triggered by external motives such as market demand and saturation of the domestic market. Likewise, all participants’ motivation is based on “pull” motivation on behalf of attractive conditions in foreign markets (Onkelix and Sleuwenag, 2008). Moreover, R5, R6, and R8 show that they have “push” motivation because they are motivated by their firm characteristics such as resources, competitiveness, and product life cycle (Onkelix and Sleuwenag, 2008). This finding also shows that although participants, in the beginning, had no plans to involve in the international market, their motivation could be raised through events that brought them together with potential partners.

**INTERNATIONALIZATION STEPS OF INDONESIAN CULINARY SMEs**

The result indicates that most participants (9 out of 10) start their business in the home country first; two of them begin their business in a different product. However, the product they offer to the international market is in line with its overall business. This evidence is consistent with stage theory that firms will be interested in entering the global market after their business in the country is well established (Pett et al., 2004; Senik et al., 2010). Based on Table 1, it can be seen that three of the participants (R1, R4, and R9) entered the international market after more than ten years of establishment, while the other four did it after five years. One participant (R8) could set up an internationalization path at the beginning of its establishment (David and Cariou, 2014; Ocampo et al., 2014; Kunday and Şengülter, 2015). This SME able to penetrate the Germany and Canada market, one of the accelerating factors is the product characteristic. The product, which is palm sugar, is not the typical Indonesian product. Palm sugar has been known as the healthy sugar and has been used by consumers all over the world.

Exposure to the international market begins after participating in an exhibition or expo that brings together entrepreneurs and prospective buyers. Most events are provided by the government to help the SMEs meet with some potential buyers. This initial interaction does not provide an opportunity for the enterprise to choose the target market to be targeted, and they do not have enough information about the characteristics of the end consumer. Companies only adjust their products as requested by the buyer. According to the participant, this method made it easier for them because they did not want to get complicated in managing export documents. The expression of the participants as follows:

“.. My export activities are not big direct exports that have to use all the procedures. For example: through Little Bandung We are not bothered by other things, just give the product, and then they sell our product...”

However, an exhibition or expo provides opportunities for participants to find partners and build networks that will direct them to understand customer behavior and tastes and the overseas business environment (Jiang, et al., 2020).

Instead of the expo, four participants state that they get buyers from a personal approach initiated by the buyer. This evidence indicates that Indonesian culinary SMEs can proactively make their business visible in the business environment by utilizing online platforms.

**CONSTRAINTS FACED BY INDONESIAN CULINARY SMES IN THE PROCESS OF INTERNATIONALIZATION**

The study revealed some obstacles faced by Indonesian culinary SMEs. These constraints can be explained as follows:

1. Three participants (R1, R4, and R6) stated that in the initial process, they are concerned about trust in buyers because they have incurred substantial production costs to meet the demand, so it is precarious for them due to limited financial resources they have (Hutchinson et al. 2007).

2. Legality is challenging to obtain, especially for products made from particular material like meat and palm sugar, because some countries prohibit the entry of meat from outside their country (R1). R7, R8, R9, and R10 also face difficulties in entering destination countries because their products contain some ingredients that must have certain food standardization.

3. Lack of regulation knowledge regarding the export process (R5 and R6).

4. Consumer knowledge in destination countries for products offered still low, so limited market prescribing (R2), especially if the product provided is particular Indonesian food.

5. Lack of language capability of the entrepreneur. Language skills will help the communication process and negotiation between entrepreneurs and buyers. Excellent communication capabilities will reduce misunderstandings that will affect trust between the two parties.

6. Low capacity in production capacity due to the limited machine they have or long period for processing with the natural process.

The findings show that the obstacles faced by Indonesian culinary SMEs are varied depending on the type of product produced.
PROPOSED CONCEPTUAL FRAMEWORK
INTERNATIONALIZING SMES IN THE CULINARY BUSINESS

With some limitations possessed by Indonesian culinary SMEs, motivation is the impetus that drives an entrepreneur to look for various options in developing markets abroad. The choice is made on the option that provides the lowest risk that can guarantee business continuity. In summary, a conceptual framework of motivation as a driver in internationalizing the culinary business of SMEs can be seen as follows.

Figure 1: a conceptual framework of motivation as a driver in internationalizing the culinary business SMEs

CONCLUSIONS

This study tends to give the enlightenment regarding the motivation of Indonesian Culinary SME's involvement in the international market and the internationalization process of Indonesian Culinary SMEs. From the results of the study, it can be concluded that the participation of Indonesian culinary SMEs in the international market is driven by proactive and reactive motivation, "push" and "pull" motivation; also, external and internal motivation, such as proneness occur in all participants' answer. The engagement process of Indonesian culinary SMEs is simple, namely by participating in the exhibition and getting prospective buyers. This step is taken to reduce the risk due to the lack of market knowledge of the entrepreneur and the trust of the buyer. It can also be seen that product characteristics can accelerate the internationalization process.

The study also shows that the internationalization process needs to be supported by motivation and other aspects such as production capacity, network, product characteristics, language skills, consumer knowledge of destination country, and capability to handle the legal and regulation required.

Similar to other studies, this study has limitations. First, this study is conducted in Indonesia, which might have different results in other countries or have limited generalizability in terms of geography. Second, this study is limited to SMEs in the culinary sector; consequently, the result cannot be generalized to any other industry. Third, most of the participants located in Java Island; hence the result might not represent the Indonesian culinary sector in general. Fourth, this study only qualitatively analyzed the data. Lastly, this study selected participants based on their export frequency activity only.

Therefore, further investigation is needed to cover the limitations. Firstly, the study could be conducted further by comparing the results from other countries, especially in developing countries. Secondly, this study could expand to SMEs in other sectors, such as fashion, craft, and agriculture, to see the differences in the characteristics of the internationalization process. Thirdly, this study could add more participants from outside Java Island. Fourth, in the future, this study could combine the method of analysis using a quantitative approach to get a more holistic perspective. Furthermore, this study could categorize the participants based on their firm scale and output product, whether they use their brand or sell it without their brand name.

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