

INTENTION TO EXPORT OF SMALL FIRMS IN THE PROCESSED FOODS INDUSTRY

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Abstract—*In terms of numbers, the Indonesian economy is dominated by micro and small sized firms (MSEs), but their contributions to exporting are not significant. The government expects the contributions of MSEs towards exporting to improve in the future. The majority of Indonesian MSEs operate in the processed food sector. A processed food is a consumer good that requires adaptations to enter a foreign market as food fundamentally has cultural aspects. This research aims to study small firms' intention to export processed food. The data was collected through in-depth interviews with owners-managers of three small enterprises. The research found that the first firm sells some of its products to foreign countries, whereas the other two firms sell their products in the domestic market. All of the firms have a relatively high intention to export but face similar problems both internally and externally. The internal barriers are: (1) the perception of the high risks of internationalization; (2) the low quality of human resources; (3) the durability of the product (4) the quality of packaging; (5) limitations in capital for export financing; and (6) limited access to international market information. The problem (4) is faced by exporting firms. In contrast, the external barriers are: (1) mandatory regulations to have halal certification; (2) the enforcement of taxes for small firms; (2) the lack of government assistance in marketing to international markets; and (3) the scarcity of raw materials and price fluctuations.*

Keywords—*Intention to Export, Processed Food Firms, Internationalization Barriers*

I. BACKGROUND

In terms of numbers, the Indonesian economy is dominated by micro and small sized firms (MSEs). However, the contribution to exporting is insignificant. The government expects the MSEs to play a greater role in exporting in the future. Tambunan (2008) stated that MSEs have the potential to compete both locally and internationally shown by the success of many MSEs in the East and Southeast Asia regions. However, MSEs in Indonesia have not taken this opportunity as they still rely on local market sales. Jane (2012) indicated that the international market is a potential market that can be

utilized because of its huge size and untapped potential. According to Walt (2007), producers from developing countries tend to export commodities. For Indonesian MSEs, involvement in international trade often perceived as creates various problems due to differences in language, culture, customs, and business methods (Markoni, 2012). Export is a way to do internationalization but many MSEs firms face problems such as the readiness of company resources, the inability to learn the conditions of destination countries, and fail to understand the obstacles or barriers to enter to international markets.

Processed food is one of the export potentials that were encouraged by the government to innovate and expand. The processed food industry in Indonesia continues to show positive developments for national economic growth. The processed food industry needs to receive attention, so that it can increase its contributions towards exporting. The contributions of this business are estimated to be high along with the changes in people's lifestyles, as they prefer fast food that is highly nutritious, does not contain preservatives, and is halal. Innovations in the food sector can be an encouragement to diversify various Indonesian food products so that they can be exported.

There are many factors determine the intention to export. According to Louter (1991), the most important factor to explain the intention to export is the managerial attitude toward the export. Meanwhile, Baccour-Hentati (2010) proposed a model to explain export intention. He argues that export intention is determined by the differential advantages, the organizational predisposition and the perception of the risk. On the other hand Leonidau (2004) argue, that intention to export depends on the barriers faced to export. Regarding barriers to export or internationalization, these are divided into internal and external barriers.

Lloyd-Reason and Mughan (2008) conducted surveys in various countries concluded that for MSEs, internal problems were the main obstacles for companies to internationalize. Research in India (Rajendran, 2015) found the managerial lack of time, skills, and knowledge were the inhibiting factors. A study in Indonesia (Ter Wengel & Rodriguez, 2006) found that the lack of working capital to finance exports

was a major barriers. In the furniture industry, the main obstacle faced is the difficulty of obtaining accurate information on foreign markets and a lack of capital in financing exports (Wibowo, 2012).

According to Samosir (2000), the higher the obstacles that are faced, it will lower the quantity and quality of the products, which in turn will reduce export performance. Many small firms complain of a lack of human resources to internationalize (Leonidou, 2004). The Ministry of Trade (Edward, 2013) stated that food products are different from other products. The challenges faced by exporters are regulations related to standardization and health protection. Azar (2011) found that food exporters need to pay attention to differences in food cultures from international markets when planning and implementing their export strategies. Cultural differences among countries (including eating cultures), politics, and the economic system contribute to market peculiarities that provide opportunities or obstacles to export. Food products are very closely related to the eating culture in the destination country. Fan and Tan (2015), products related to culture generally face huge challenges when exported. From the explanation above, the research will answer the following questions: (1) What is the export intention of processed food firms? (2) What factors determine the intention to export of processed food firms?

II. LITERATURE REVIEW

A. *Intention to Export*

Exporting is selling products to a foreign market. Exporting is one of the activities in international business and commonly used by MSE's firms. Similar to the definition proposed by Linan and Chen (2009), export intention can also be defined as individual perceived likelihood to be involved in the process of exporting. Morgan et.al (1997) emphasized that export intention is the tendency of non exporting firms to initiate export activity in the future. It is about interest in exporting, likelihood of exporting, timing of possible export, market entry, planning activity in seeking export business opportunity. Haddoud et. al, (2018) define export intention as efforts and plan MSEs are ready to implement in order to start exporting. Furthermore, Ajzen (1991) emphasized that intention does not guarantee the individual will carry out the behavior; intention has been found to predict behavior. Internationalization through exporting is expected to enable companies to expand their markets abroad (Jane, 2012). The implementation of AEC (ASEAN economic community) created new opportunities for businesses to sell abroad. International businesses emphasize that the business climate, cultural patterns, market structure, and customer characteristics can influence the way companies enter foreign markets, whether through exports or investing (Johanson & Vahlne, 1977).

Cavusgil et al. (2008) in the Stage Theory view internationalization as a continuous process that occurs

slowly, gradually, and sequentially. This Stage Theory has five stages. First, there is the domestic focus stage, where the company is still focused on the domestic market. The company has not been able and does not want to be involved in international business. Second, the pre-export stage, where the company begins to get orders from abroad even though they are not significant. The company begins to be involved in international business, starts to carry out certifications so that it can qualify to be a product worthy of export. The company begins to analyze its readiness to carry out the internationalization process. Third, the experimental involvement stage, in which the internationalization of the company overseas is still very limited. The company begins to export using direct exports or indirect exports. Fourth, the active involvement stage, where the company starts targeting foreign markets and increases its activities abroad. There is a commitment from the company's top management to achieve success in the international market. The company begins to analyze the best way to enter the international market systematically. Fifth, the committed involvement stage, where foreign markets are the company's main target for profit. Company resources focus on the internationalization process of the company. The company engages in conducting direct investments.

B. *Factors Determine The Intension to Export*

Internationalization barriers can influence a company's decision to penetrate international markets. It is also a major factor determining whether the international market can be profitable or not. Leonidou (2004) stated that export barriers refer to all constraints that hinder a company's ability to start, develop, or maintain business operations in foreign markets. Leonidou (2007) and Hölzl et al., (2010) distinguished the export stimuli into internal and external. Internal barriers are related to organizational resources/capabilities and the company's approach to the export process. Internal barriers refer to a company's financial and non-financial resources. Financial factors include a lack of company resources like production, marketing, or logistical inefficiencies, while non-financial factors are related to a lack of information in identifying and selecting opportunities for internationalization (Arranz & De Arroyabe, 2009). External barriers are obstacles that originate from the origin and destination country where the exporting company operates. This refers to the obstacles that come from the environment in which the company operates. They can be grouped according to economic conditions, foreign market conditions, geographical arrangements, socio-cultural aspects, and political-legal aspects.

Research in developed countries such as the United States and Canada by UPS (2007) reported that perceptions of managerial risks and a lack of knowledge of international markets are the main reasons for not being involved in international trade. Research by the Export Finance and Insurance Corporation (2008) on

Australian companies found that information gaps can be a barrier to internationalization. Crick (2007), based on research in the UK, found that MSEs had difficulty finding/ obtaining adequate representation in export destination countries as obstacles to internationalization. A survey in Sweden of exporters (Rundh, 2007) reported difficulties in gaining access to suitable distribution channels in the international market. Pinho and Martins (2010) found that Portugal's MSEs faced major obstacles such as logistical problems towards the target market and the risk of non-payments by overseas buyers.

Meanwhile, MSEs in developing countries face more complex obstacles. Research by Demeke and Chiloane-Tsoka (2015) on the Ethiopian-based manufacturing of leather products found that in the process of internationalization they faced obstacles such as high transportation costs due to poor infrastructure, complicated bureaucracy, and low product quality, so that they were unable to penetrate international markets. However, the main barriers are a lack of working capital to finance exports, low managerial capabilities, and a lack of information related to exports. Tambunan (2008) revealed that the internal barriers faced by Indonesian MSEs include the issue of raw materials, marketing, capital, energy, and information.

Explorations into the external barriers still need further investigation. In Indonesia, the average international transaction requires 40 licensing documents and involves 27 parties, resulting in a cost of 7% of the total export costs (Terpstra, 1994). Based on a World Bank Group (2017) survey on logistics performance in 2016, Indonesia's infrastructure still ranks 63rd out of 160 countries. A 2014 World Bank survey showed that Indonesia's logistics costs were high, about 24% of the GDP. Meanwhile, the ease of doing business in Indonesia is still very low, which is ranked 109 out of 189 countries (World Bank Group, 2016). This reflects the constraints of bureaucratic licensing.

Regarding Indonesian MSEs' competitiveness, Tambunan (2008) argued there are two reasons that underlie the low global competitiveness:

The quality of most MSE products is lower than imported goods or other large firms due to the low technology used, and the poor quality of human resources, including management and marketing.

Indonesia's macroeconomic policies, including trade regulations, are more beneficial to imported goods than MSEs, which in turn reduces the stimulus for MSEs to improve the quality of their products.

Currently, the food and beverage is one of Indonesia MSE's potential exports. Product modification is needed to adjust to consumer demands so that a product can be accepted in a wider scale market. In determining the product concept to be marketed overseas, companies must consider three factors (Czinkota and Ronkainen,

2007): (1) targeted markets, (2) product characteristics, and (3) company characteristics, such as firm resources and policies. Food processed products require higher product adaptations due to cultural differences. Processed food is the result of processing with certain technology and methods, such as cooking, drying, roasting, filtering, cooling or freezing, etc. with or without additional ingredients. In this case, many Indonesian MSEs have high potential to take benefits.

III. RESEARCH METHODS

This study selected three processed food small firms from the town of Salatiga, which have the potential for internationalization, namely: Klenteng & 2 Hoolo, Kripik Tempe Lupine, and Nura. (1) Klenteng & 2 Hoolo is a cookie food producer has been operating for decades and is currently conducting indirect exports through export distributors, so that it has the potential to internationalize through direct export. (2) Kripik Tempe Lupine, a tempe chips producer, has been operating since 2014 and has the potential to enter international market due to the good quality of product. (3) Nura is a cookie food producer has been operating since 1980 and has good product quality, it has the potential to sell the product to foreign market.

This study interviewed business owners/ managers who were considered as those who knew the required information. This was a qualitative descriptive research. A cross-case data analysis was applied, a technique conducted to find the similarities and differences in the process to internationalization, and barriers to the internationalization in three cases.

IV. RESULTS AND DISCUSSION

A. Processed Food Industry in Indonesia

The food industry in Indonesia continues to grow as consumption and the export increase. The processed food industry is strategic for meeting community needs and has great potential to be exported because this industry continues to innovate and expand (Husin, 2016). Ernawati (2007) stated that the processed food industry is one of the sectors that has the potential to be developed to increase exports (see Table 1).

TABLE 1. PROCESSED FOOD PRODUCT EXPORT VALUE

Year	Export Value (Billion US\$)
2010	3.17
2011	4.02
2012	4.31
2013	4.63
2014	5.37
Annual growth	15.43%

(Source: Ditjen Pengembangan Ekspor, 2014)

In 2015, the export value of processed food products was recorded at US \$5.15 billion with the largest destination country being the United States with a value

of US \$674.5 million, followed by Malaysia at US \$546.3 million, the Philippines at US \$504 million, and Vietnam at US \$281.9 million (Ministry of Commerce, 2016). The processed food export performance has increased amid the weakening world economy and a decline in Indonesia's export performance. The high development of processed food exports has made the Ministry of Trade rely on the processed food industry as one way to overcome Indonesia's trade balance deficit. The Directorate General of Export Development (2014) stated that the trend of processed food products in foreign countries besides organic products is low glycemic products, gluten free products, genetically modified organism free products, and products that pay attention to farmers and producers in ethical trade and the environment. The attention of foreign buyer is not limited to the quality of the product but also the process, the story behind the creation of a product.

Specific regulations regarding processed food exports are found in the Regulation of the Head of the Indonesian Food and Drug Supervisory Agency (BPOM RI) in 2016, concerning One-Stop Integrated Services for Drug and Food Export Certificates. This regulation was issued to support the increasing competitiveness of Indonesian medicine and food products, and information about the standardization of drug and food exports (BPOM RI, 2016). An Export Certificate (SKE) issued by BPOM specifically for processed food products consists of several types, namely: (1) a Certificate of Free Sale (CFS), which states that processed food has been registered and can be circulated in the territory of Indonesia, specifically a home industry permit issued by the Local Office of Trade, Cooperatives, and MSMEs through the Home Industry Food Certificate (P-IRT); (2) a Certificate of Health (CoH), which informs that the food is suitable for human consumption; and (3) a Certificate of Compliance with food packaging safety requirements.

B. The Case of Klenteng & 2 Hoolo

Klenteng & 2 Hoolo is a home industry producer of the most popular food souvenirs from Salatiga, a processed food made from peanuts. The product was first introduced to the market by Khoe Chong Hok in the 1940s. In the 1960s, the brand "Klenteng & 2 Hoolo" was officially registered. At present, the company has been inherited by the third generation, namely Mr. Hartono, a high school graduate who acts as a business manager. Currently, the firm has five production houses spread out in Salatiga, are managed by Mr. Hartono's brothers. Enting-enting Gepuk Klenteng & 2 Hoolo is now a very well-known product that has a Food Industry Household License (P-IRT), which is a home-based food business permit, and sells and distributes in the market because it has met the food safety and quality standards. Most of the production process is still done manually, starting from the process of cleaning the peanut shells, selecting rotten nuts, peanut frying, peanut butter mixing, and wrapping. They have applied

a machine for peanut crushers since the 1990s. The peanut main raw material is obtained from collectors in all regencies in Central Java. If the peanut raw material is experiencing supply difficulties, the company has an import option through suppliers from India or China. Raw materials for sugar are required to use refined sugar or imported sugar. The production capacity on weekdays reaches 100 kg to 120 kg, when there is an increase in demand. Especially during Lebaran (Muslim holiday), the production capacity can reach a maximum of 200 kg per day.

In terms of workers, Klenteng & 2 Hoolo employs 10 permanent workers, 6 male and 4 female employees. When the production capacity is increasing, the company adds 4 non-permanent workers. Financing since the 1990s has not depended on banks but relies on the owner's investment. The sales area is 50% in Salatiga, 40% in the Central Java region, 7.5% outside Central Java, and 2.5% for export markets (America and Europe). The competition especially in Salatiga is quite intense, there are many producers but Klenteng & 2 Hoolo is the market leader. The marketing was originally carried out by Mr. Hartono himself but at present the company has partnerships with sales people who directly take products from the production houses. The company has received an offer to work with PT. Indomarco Prismatama (Indomaret - a large retailer company in Indonesia) but refused because payments were made every 3 months.

The beginning of the export was started by students from UKSW who helped to sell them through Facebook and buying and selling sites like OLX.co.id. Through online promotion, this product is known by one of the export distributors from Semarang. The export distributor comes to the production house to place an order and provide certain specifications to be able to meet export standards such as export-specific packaging. Since then, the export distributor regularly place orders within one or two months. Products exported to America and Europe started with simple reasons such as distant relatives made orders by involving the export distributor, so that the company exported indirectly. According to the internationalization process model of Cavusgil et al. (2008), the company is in the pre-export stage. The owner wants to increase involvement in the international market but is facing several difficulties. The company's internal barriers are it has a low quality of human resources; the production process is largely done manually; there are different export standards for packaging, it needs a good quality of plastic and carton which makes the cost more expensive.

Although being aware of the potentials of the export market, Mr. Hartono was not too ambitious to move forward with the export plan because the demand was still very small, whereas the risks were large. The company does not want to bear the risk of huge export fines due to the failure to meet the international

requirements. According to the owner, exporting is more about prestige, as currently exporting is not very profitable so the company is focused on the domestic market. The external constraints of the company are not too significant because the company cooperates with export distributors. Companies prefer to use export distributors to minimize risks. Regarding external barriers, Mr. Hartono refused to carry out halal certification from MUI because he felt his product was 100% halal. The regulations of halal products may change consumer perceptions of products. Furthermore, external obstacles are taxes and raw materials for peanuts. The taxes charged by the government based on the company's gross income are considered very burdensome. Meanwhile, the insufficient availability of the main raw materials (nuts) in the market disturbs the production process, decreasing its quality and taste.

C. The Case of "Tempe Lupine Chips"

Tempe Lupine Chips is a home industry driven by a cooperative called PRIMPKOPTI Handayani Salatiga. The main raw material is lupine beans imported directly from Australia. The idea started in 2014 when PRIMKOPTI Handayani began to empower tempe-tofu producers in Salatiga to use lupine beans as a raw material to substitute soybeans, as the prices fluctuate and tend to be high. As lupine beans are not a major commodity in world trade such as soybeans, the prices are more stable and tend to be lower. After conducting socialization and experiments, producers and consumers felt that the tempe produced from lupine beans was not tasty and too soft, so it made the tempe easily broken apart. This led to an innovation from one of the administrators, namely Ms. Emi Suryani (a high school graduate) to make tempe from lupine beans into tempe chips. The response of the consumers was very positive, so that Ms. Emi continued the tempe chip business. Tempe Lupine Chips has a Household Food Industry (P-IRT) license and halal certification from the Indonesian Ulama Council (MUI). The quality of the chips is guaranteed and worthy to be circulated in the market.

The production process is done manually, through two processes, the process of making the tempe and the tempe chips. This process begins with cleaning the beans, soaking the lupine beans, making the tempe, cutting it into thin pieces measuring 1 mm, and then adding the spices, frying it, and packaging it. In slicing the tempe, there is an automatic cutting machine, but because the texture of tempe is too soft, using the machine destroys the cut tempe. The packaging uses a simple machine. The production capacity per day is 4 kg, but approaching the Islamic holiday, Christmas, and New Year, the production is increased to 6 kg. The raw material for Tempe Lupine Chips consists of lupine beans as the main raw material, tapioca flour, yeast tempe, spices, rice flour, cooking oil, and plastic packaging. The lupin beans are obtained from an import distributor in Tangerang, whereas other raw materials are obtained from suppliers in Salatiga.

The employees consist of 3 female workers including Ms. Emi Suryani. Production investments were obtained from PRIMKOPTI Handayani, so Tempe Lupine Chips is owned by PRIMKOPTI Handayani Salatiga and managed by Ms. Emi. Currently, 80% of the sales are generated from Salatiga, 15% from other towns in Central Java, and 5% from outside of Java. The marketing is done through some retailers such as souvenir shops, as well as participation in exhibitions carried out by the Department of Industry, Trade, Cooperatives, and MSMEs. Since it has a young age, the market share is still low, it focus to sell to the local market. The manager wants to sell to the international market one day.

Cavusgil et al. (2008) explained that in the product introduction stage, a company tends to focus on the domestic market to generate a high income, because at this stage an optimal design and price sensitivity has not been created yet, and communication between markets and executives can be done easily and directly. Tempe Lupine Chips have the potential to internationalize, but still face internal barriers, such as the lack of access to information in international markets, and the traditional production processes are all done manually. An external obstacle is the absence of government assistance in marketing products to the international market. The Salatiga local government only includes Tempe Lupine Chips in various product exhibitions in the domestic market.

D. The Case of the Nura Firm

The Nura company was established in 1980 by Mr. Purwanto and Mrs. Sumarti (both elementary school graduates), still at a home industry scale, with production houses located in Salatiga. Nura was originally a bakpia producer, inherited by Ms. Sumarti from her parents who stayed in Yogyakarta. Because Mrs. Sumarti wanted to expand the market, she opened her own bakpia business apart from her parents, and decided to sell in Salatiga. The main product of Nura is bakpia, which includes two types, wet and dry bakpia. This business is increasingly developed with the addition of a variety of products such as eggrolls and coconutrolls. There are three content variants for bakpia, mung beans, chocolate, and cheese, but the production for chocolate and cheese bakpia has stopped because consumers prefer bakpia filled with mung beans.

This bakpia business continues to grow. Its products are increasingly in demand at the same time there is a growing number of similar products from competitors within and outside Salatiga. Nura products are produced without using any preservatives, so that they only last up to 5 days after being produced. The raw materials for the production of bakpia, eggrolls, and coconutrolls consist of flour, sugar, butter, cooking oil, mung beans, salt, coconut milk, and eggs. Most of the raw materials are obtained from Salatiga and Solo. Cooperation with suppliers has been done for a long time so that payments

can be made by way of debt first. The daily bakpia production capacity reaches 40 kilograms while the need for mungmung beans per day is 300 kg. The production process is divided into two, namely the process of making the bakpia content (mung beans) and bakpia outer layer. Most bakpia production processes already use machines, for mung bean grinding, dough mixing, and bakpia skin molding which are combined with the bakpia filling contents. A manual way is still used in washing the raw materials, forming the bakpia, and doing the packaging. The use of machinery is very helpful in the production process. Before using machines, the production process could take up to 15 hours. After using the machines, the production time has been reduced to 9 hours.

Nura has the Household Food Industry (P-IRT) and halal certification from the Indonesian Ulama Council (MUI). With this certification, there are various improvements and conditions that must be met such as the cleanliness and health of the production house, the quality of the raw materials, the lighting, and the air ventilation. As a home industry, Nura has reached the standard of products that are worthy for circulation in the market. In terms of finance, Nura was greatly helped by a government credit program (KUR) with low interest to buy cars for distribution. Nura employs no permanent workers and the wages are paid weekly. The average number of workers is 12, with 7 males and 5 females. The owners allow workers to search for better and more decent jobs, so that they can quit easily.

The marketing uses local retailers, peddlers at bus terminals, and small shops. The sales area is 15% in Salatiga, 45% in Solo, 25% around the Semarang, and the remaining 15% in other towns in Central Java. Some stores place orders by telephone when the product is sold. Nura does not use large stores and gift shops as the product is only put on the shelves. There are no interactions between the seller and the buyer that require further clarifications about the product. Nura products are also sold in production houses where consumers can see the production process, gain knowledge about the products, and buy new products. Nura owner hopes to export one day. Ms. Sumarti participated in the training and socialization of exporting as well as the email construction and use for small businesses.

The owners want to try exporting because they see a very large market opportunity, but faces many obstacles. Regarding internal barriers, Nura realized that product durability was less than a week. Furthermore, the quality of packaging is still inadequate so that the product is not suitable for export. Another internal obstacle is the dependence on non-permanent employees, so that if workers stop working simultaneously, it will disrupt the production process. The external barriers experienced are difficulties in obtaining raw materials, gas, and eggs, which have experienced shortages and price fluctuations. Furthermore, Nura owners have participated in the Free Market Socialization held by the

Salatiga Municipal Government, but still have difficulty accessing information on foreign markets.

E. Discussion

In MSEs, the internationalization process generally occurs unintentionally such as for consumers who buy products to be brought to relatives abroad, followed by the emergence of third parties such as export distributors who are interested in exporting products. In indirect exports, the producer is only responsible for the production. Then the distributors, agents, and export management companies handle it. In other words, the internationalization process occurs accidentally and is not a planned decision. A similar example also occurred with Sido Muncul products where consumers from abroad brought it as handcarry to enter a foreign country. Later on, the exports were carried out by export distributors by penetrating geographical boundaries, limiting information and obstacles to psychic distance (language, culture, political system (Cavusgil et al. (2008). The process of internationalizing processed food from MSEs does not occur smoothly due to internal and external barriers. Internal barriers are the low quality of human resources (low educated workers), the low technology applied, and traditional management. The decision to do exports also raises costs because of the differences in product specifications and high export standards that (including packaging) increase costs.

In MSEs, the role of the owner who is also the manager, determines internationalization decisions (Arranz & De Arroyabe, 2009). Most of MSEs want to become exporters but face difficulties. The obstacles may come from the mindset of the owner/ manager who is afraid of the risks in exporting and limited access to international market information. Many MSEs do not know the regulations that must be fulfilled prior to exporting, especially related to the special standardizations of processed foods due to the application of standardization that is different for each country. The quality and durability of the products are low, and the quality of the packaging has not met export standards. These findings reinforcing the findings of previous research (Ernawati, 2007) which states that Indonesian processed food products lose in quality packaging. Many producers are not aware that packaging increases the value-added for processed food products because it reflects food safety. Henson and Ropert (2000) claimed that policies related to food safety and sanitary-phytosanitary are the main obstacles in the export of processed food products, and if these requirements are met, access to the global market will be wide open. Regarding the external barriers, the government is still inconsistent in whether halal certification from MUI should be mandatory or voluntary and function as a barrier to product circulation, especially the public perception of the product. Another external obstacle is the impact of the tax policy for MSEs tends to be burdensome.

There is an absence of government assistance in marketing to the international market, as the government tends to promote more processed food products from large companies. Another external obstacle is the shortage of raw materials. Samosir (2000) found difficulties in obtaining raw materials, and the raw material prices fluctuate which affect MSEs' exporting.

V. CONCLUSION AND RECOMMENDATIONS

A. Conclusion

1. By using the model devised by Cavusgil et al. (2008), Klenteng & 2 Hoolo is in the pre-export stage, while Kripik Tempe Lupine and Nura are in the domestic focus stage. Klenteng & 2 Hoolo conducts indirect exports with the help of export distributors. Tempe Lupine and Nura Chips are still focused on the domestic market because of the size of market is small, and the need to improve the product quality. All firms basically want to be exporters in the future.
2. The internal barriers that affect the internationalization process of MSEs are inadequate product quality, the low quality of human resources, limited capital to finance exports, afraid of the export risks, and limited access to international market information.
3. The external barriers are regulations regarding the obligations of halal certification, the imposition of a tax on MSEs is burdensome; there is no government assistance in the process of marketing to the international market; and there is a scarcity of raw materials and a fluctuation in prices.

B. Suggestions

- a. For processed food MSEs, the modernization of the production and management processes must be carried out. This can be started by (1) investing in machinery so that the production process is guaranteed to be clean and healthy; (2) utilizing the credit facility (KUR) provided by the government with low interest; (3) improving the education in order to improve the quality of the company management; (4) using export distributor services as an alternative when MSEs have no exporting experience; and (5) utilizing the Export Consultation Desk (ECD) provided by BPOM RI for export consultations.
- b. For the government, it should (1) improve the quality of human resources through assistance, training, on international market knowledge sharing and management technical skills, especially to change the owner's perception of the risks of internationalization; (2) ensure there is an availability of raw material stocks with stable prices through improving the supply chain management; (3) review the tax regulations for

MSEs; and (4) help to market MSE products rather than through international exhibitions.

VI. RESEARCH LIMITATIONS AND FUTURE RESEARCH AGENDA

First, this study only took 3 cases so that it did not give a complete picture of the problem. Second, there was an absence of a triangulation process from the 3 interviewers. It is hoped that this research can be developed by conducting studies on more MSEs, especially processed foods that export directly so that they can discuss the process of product adaptation in the international market.

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