EXPLORING INTERNATIONAL NEW VENTURES AS AN APPROACH OF INTERNATIONALIZATION BY INDONESIAN MICRO, SMALL AND MEDIUM ENTERPRISES IN FASHION INDUSTRY

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April 2015
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APPROVAL SHEET

The Panel of Examiners declare that the Skripsi entitled “Exploring International New Ventures as an Approach of Internationalization by Indonesian Micro, Small and Medium Enterprises in Fashion Industry” that was submitted by Vania Valencia David majoring in Management from the Faculty of Business was assessed and approved to have passed the Oral Examinations on Tuesday, March 10, 2015.

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This Skripsi entitled “Exploring International New Ventures as an Approach of Internationalization by Indonesian Micro, Small and Medium Enterprises in Fashion Industry” prepared and submitted by Vania Valencia David in partial fulfillment of the requirements for the degree of Bachelor in the Faculty of Business has been reviewed and found to have satisfied the requirements for a Skripsi fit to be examined. I therefore recommend this Skripsi for Oral Defense

Cikarang, Indonesia, 6 April, 2015

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DECLARATION OF ORIGINALITY

I declare that this Skripsi, entitled “Exploring International New Ventures as an Approach of Internationalization by Indonesian Micro, Small and Medium Enterprises in Fashion Industry” is, to the best of my knowledge and belief, an original piece of work that has not been submitted, either in whole or in part, to another university to obtain a degree.

Cikarang, Indonesia, 6 April, 2015

Vania Valencia David
ABSTRACT

In the late decades, the emergence of International new ventures (INVs) has gained popularity in international business literature. In Indonesia, this type of firm has been adopted by several MSMEs in fashion industry, however there is still a gap of understanding of why and how they choose to implement this approach for internationalization by several people, especially entrepreneurs in the same industry. Thus this research will provide the clearer explanation regarding to this phenomena. There are four main points which are going to be answered in this research related with Indonesian MSMEs in fashion industry who chose to be INVs, they are; INVs internationalization goals, competitive advantages derived from INVs, internal capabilities required for implementing INVs, and at last the INVs strategies pattern. Through qualitative research method by using phenomenological approach, semi-interview instrumentation, interactive analysis model by Miles and Huberman, and coding by using MAXQDA application, researcher analyzed 6 MSMEs for data analysis and 2 MSMEs for validity. The result found that there are 7 INVs internationalization goals that cluster into 3 categories, 1 absolute competitive advantage and another 1 competitive advantage with condition applied derived from INVs, 10 internal capabilities required for implementing INVs, and two pattern of INVs both look from its strategic decision and internationalization of value chain activities.

Keywords: International New Ventures, Indonesian MSMEs, fashion industry, INV internationalization goals, competitive advantages, internal capabilities, INVs strategies pattern.
ACKNOWLEDGEMENT

First of all, researcher would like to express praise and gratitude to God Almighty for His blessing and grace, without Him this skripsi as with title “EXPLORING INTERNATIONAL NEW VENTURES AS AN APPROACH OF INTERNATIONALIZATION BY INDONESIAN MICRO, SMALL AND MEDIUM ENTERPRISES IN FASHION INDUSTRY” will not be completed. This skripsi itself is being made in order to fulfill the requirements for degree of Bachelor in the Faculty of Business. All of hopes, ideas, and efforts are being given in this skripsi in order to be beneficial for all of the readers.

In this occasion, researcher would like also to thank the following people who have give their support in the completion of this skripsi, they are:

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At last, author would like to dedicate this internship report to all of the readers especially those MSMEs in fashion industry or those who want to start their business in related field. May this report could be a good reference, useful, and serve it purpose well.

Cikarang, 6 April, 2015

Vania Valencia David
TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pannel of Examiners Approval Sheet</td>
<td>i</td>
</tr>
<tr>
<td>Skripsi Advisor Recommendation</td>
<td>ii</td>
</tr>
<tr>
<td>Declaration of Originality</td>
<td>iii</td>
</tr>
<tr>
<td>Abstract</td>
<td>iv</td>
</tr>
<tr>
<td>Acknowledgement</td>
<td>v</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>vi</td>
</tr>
<tr>
<td>List of Tables</td>
<td>x</td>
</tr>
<tr>
<td>List of Figures</td>
<td>xii</td>
</tr>
<tr>
<td>List of Abbreviations</td>
<td>xiii</td>
</tr>
</tbody>
</table>

CHAPTER I - INTRODUCTION ......................................................... 1

1.1 Background of Study ..................................................... 1
1.2 Problem Identification .................................................. 4
1.3 Statement of Problems ................................................... 6
1.4 Research Objectives ....................................................... 6
1.5 Definition of Terms ....................................................... 7
1.6 Scope and Limitations ..................................................... 8
1.7 Research Benefits .......................................................... 9
  1.7.1 For Researcher .......................................................... 9
  1.7.2 For Candidates of Indonesian MSMEs in Fashion Industry ....... 9
  1.7.3 For International Business Studies and Future Research ....... 9
  1.7.4 For Indonesian Government .......................................... 10

CHAPTER II – REVIEW OF LITERATURE ................................................. 11

2.1 Theoretical Review .......................................................... 11
  2.1.1 Micro, Small and Medium Enterprises (MSMEs) ...................... 11
  2.1.2 Fashion Industry .......................................................... 12
  2.1.3 Internationalization .................................................... 13
LIST OF TABLES

Table 2.1 Characteristics of MSMEs

Table 3.1 Theoretical Review of INVs Characteristics

Table 3.2 Theoretical Review of MSMEs Characteristics

Table 3.3 Variability of Samples Through Firm Size and Product Line in Fashion

Table 4.1 Compilation of MSMEs Profile

Table 4.2 Compilation of Variability of Samples

Table 4.3 Findings of Internationalization Goals

Table 4.4 Frequencies of Coding for Internationalization Goals

Table 4.5 Frequencies of Coding for Marketing Perspective Analysis

Table 4.6 Frequencies of Coding for Production and Operation Perspective Analysis

Table 4.7 Frequencies of Coding for Procurement Perspective Analysis

Table 4.8 Frequencies of Coding for Human Resources Perspective Analysis

Table 4.9 Frequencies of Coding for Research and Development Perspective Analysis

Table 4.10 Frequencies of Coding for Finance Perspective Analysis

Table 4.11 Frequencies of Coding for Organizational Resource Analysis

Table 4.12 Frequencies of Coding for Individual Resource Analysis in Characters

Table 4.13 Frequencies of Coding for Individual Resource Analysis in Skills

Table 4.14 Frequencies of Coding for Individual Resource Analysis in Knowledge and Experiences

Table 4.15 Summarized of MSMEs Physical Resources

Table 4.16 Summarized of MSMEs Beginning Capital

Table 4.17 Frequencies of Coding for Financial Resource Analysis

Table 4.18 Summarized for INVs Types Analysis

Table 4.19 Summarized of Price for MSMEs Signature Products
Table 4.20 Summarized of MSMEs Transaction Types .................................................................80
Table 4.21 Strategic Internationalization Pattern of Indonesian MSMEs in Fashion Industry from Combining 3 Strategic Decisions .................................................................98
LIST OF FIGURES

Table 2.1 International New Venture’s Characters ..........................................................17
Table 2.2 Functional Management .................................................................................21
Table 2.3 How to Derive Internal Capabilities of a Firm ..............................................22
Table 2.4 International New Ventures Strategies Formulation .......................................23
Table 2.5 International New Venture Types .................................................................24
Table 2.6 Operation Internationalization Strategies ......................................................26
Table 2.7 Entry Modes .................................................................................................28
Table 2.8 Theoretical Framework ................................................................................33
Table 3.1 Analysis Framework .....................................................................................53
Table 3.2 Quality of Quantitative Research Framework ............................................54
Table 4.1 How Indonesian MSMEs in Fashion Industry Derived Differential Advantages by becoming INVs .................................................................89
LIST OF ABBREVIATIONS

INVs: International New Ventures
DNVs: Domestic New Ventures
MSMEs: Micro, Small, and Medium Enterprises
B2B: Business to Business
B2C: Business to Customers
CHAPTER I
INTRODUCTION

1.1 Background of the Study

In these past decades, globalization has lead to rapidly export-import behavior and other international business activities within the countries. Many firms from various industries strive to expand their existence and involvement not only in domestic but also in international market (Welch & Luostarinen, 1988). Not only adapt their companies operation in the international environment, they also try to integrate well with international market (Calof & Beamish, 1995). Scholars then describe this trend as internationalization and conduct empirical studies to give deep explanation about the process of how these companies could go for this behavior. Uppsala Model, Network Theory, and others similar theories as output of the studies stated that a business will first establishes in a strong domestic market before it reaches out to international customers (Johanson & Vahlne, 1977; Johanson & Mattsson, 1988) and it will take sequential phases even longer years to develop important resources, knowledge and capabilities for competing in the global market space (Mathews & Zander, 2007; Chang, 1995).

These traditional internationalization theories as important part of international business studies have existed and being use for so many years. However, this past two decades become a witness of how massive effect of globalization and high development of technology are being able to break those theories with the occurrence of some young small firms which regards to entry and do their expansion in international market directly in their first business operation. These new types of
firms are popularly called as International New Ventures/ INVs (Oviatt and McDougall, 1994).

Although the type of this venture already occurred in several countries since early 1980s, the term of INVs is being introduce just after there were empirical evidence that proven this theory to be true (Meckl and Schramm, 2005). INVs are those new firms that seek to derive the competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt and McDougall, 1994). They are those highly entrepreneurial small firms that start their international activities right from the very first of their start-up and targeted the world as their marketplace (McKinsey & Co, 1993). They quickly internationalize without the time or need to develop firm-specific internalized advantages in their home nation (Contractor, 2007; Jones and Coviello, 2005; Mort and Weerawardena, 2006). These firms lack of resources compared to large international firms, but their advantage rests on learning derived from abroad, from their ability to coordinate and arbitrage across national borders, and from alliance network relationships. These firms in internationalization approach theories are also called by global startups (Oviatt and McDougall, 1995), innate exporters (Granitsky 1989), born internationals (Ray 1989), instant internationals (Fillis, 2001), international entrepreneur (Jones, 1999), high technology start-ups (Jolly et al., 1992), and born globals (McKinsey & Co, 1993). Significant studies stated that INVs demonstrate high aggressiveness in their business, emphasis their business more in innovation, service and quality, have high number of channel, tend to adopt differentiation strategy in their business model, and high-technology use (McDougall et al., 2003).

The INVs as an approach of internationalization for young MSMEs (Micro, Small and Medium Enterprises) have drawn much attention and found to play an increasingly important role in today’s global economy (Oviatt & McDougall, 2000; Zahra, 2005). The external factors such as movement of integrated financial market, change of policies to more open economies, and mobilization of human capital, have
facilitated and give significant incentives to the increasing number of this phenomenon not only in developed countries but also in developing countries (Oviatt & McDougall, 1994; Cavusgil & Knight, 2009), so does Indonesia.

Nowadays, we can found some of Indonesian MSMEs in fashion industry suddenly pop-up in the international market with their local brand and interesting products without previously significantly getting involved in domestic market. They internationalized their firms in the early stages as opposites of most of MSMEs in fashion industry commonly. As being explain before, these phenomena could be categorized as INVs. Some of them even already showed their success by competing in the same level with international well-known brand such as Peter Says Denim, Niluh Djlantik, Major Minor, Sabatha, Bagteria, and others. Big potential of profit and sales in international market, presence of foreign buyer, and availability of advance technology are likely to become the drivers of Indonesian MSMEs to bravely choose INVs as their internationalization approach.

Looking at the other side, according to Muslikhah (2014) one of MSMEs industries that hold important role in Indonesia is fashion industry as it contribute around 61,31% of total export from all categories in creative industry. It is equal to 5,96% from national export value that reach about IDR 53,94 trillion. Besides, the economic value of Indonesian fashion industry has reach $1,8 billion (Antara News, 2014) and it is contributed by MSMEs as 99% the player in the industry (Media Center UKM, 2008). Neddy Rafinaldi Halim who is Deputy of Marketing and Business Networking in Ministry of Cooperative and MSMEs, stated that about 10% of total MSMEs registered in Indonesia run their business in this sector (Antara Sumbar, 2013). The Ministry of Tourism, Arief Yahya also stated that Indonesian fashion industries grows around 7% per year and has contribute around IDR 195 trillion to Indonesian GDP this year (Industri Bisnis, 2014). Moreover, according to Sulistyawati who is Director of Export Product Development, Ministry of Trading, Indonesian fashion industry could establish new workplace for around 3,8 million
people and create new business field for around 1,1 million people per year (Radarpna, 2014).

Up until now, INVs in not really popular in Indonesian MSMEs. Compared to the number of total MSMEs in Indonesia that reach around 55.6 million, those MSMEs that chose for being INVs is only a little. Actually there is no exact number of it, but looking at the percentage of MSMEs that going for international is only 6.7%, we can simply predict that those who chose to be INVs is might be less than a half of that percentage.

Looking deeper into this problem, Krismayu Noviani who is the Head of Marketing Retail in SMESCO stated that actually the main problem for not doing the internationalization is because many of Indonesian MSMEs, including those in fashion industry, did not have self confident to compete in international market. Many of them prefer to choose domestic market because it is easier for them to do the marketing and distribution, yet low risk. Besides, some of them also think that domestic market is big enough for their business. They think that if they could not develop well inside the country what the points that they should go for international market, especially in their early stage. However here, the availability of INVs in Indonesian fashion industry is very unique as they could have different perspectives and act oppositely compared with MSMEs in common. What are their purposes, why and how can they do that? These reasons come to the background of why researcher chose this phenomenon to be explored deeper.

1.2 Problem Identification

As being stated in the background of study before, International New Ventures phenomenon as an approach of internationalization have drawn much attention and found to play an increasingly important role in today’s global economy. In Indonesia, this approach also already adopted by few of MSMEs. They showed different characters and perspectives compared with MSMEs in common who prefer to only
look for domestic market. Thus, this research is aimed to explore deeper about the phenomenon of Indonesian MSMEs that choose to become INVs in fashion industry in order to provide clear and complete picture of the approach for better understanding. There are four main problems then identified to provide basic knowledge of the approach; the goal of Indonesian MSMEs in fashion industry for being INVs, competitive advantages derived from being INVs, internal capabilities required for INVs, and the pattern of their INVs strategies.

The very first question arise is the reason about early internationalization. What are their goals to go for international market in their early ages? Why don’t they just look at the domestic market? These internationalization goals are needed to be explained so that the people will understand why some MSMEs in fashion industry choose INVs as an approach of internationalization. Then, definition of INVs stated that they are those new firms that seek to derive the competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt and McDougall, 1994). Refer to this definition, another question then arise; what are competitive advantages that they derived from being INVs? Besides, in order to implement INVs, entrepreneurs must be having different internal capabilities than business in common. Thus, the internal capabilities required for choosing INVs as the internationalization approach should also be questioned to give clearer information. At last, after asking why and what, now it is the time to ask for how. Scholars argued that INVs must choose “appropriate” strategies and entry modes very carefully before entering the market (Mudambi and Zahra, 2007). Thus the next question that arises is; how is INVs strategies’ pattern of Indonesian MSMEs in fashion industry?

Hence, this research will try to provide deep analysis to find the answer of the problems identified and provide the information about INVs as an approach of internationalization for Indonesian MSMEs in fashion industry.
1.3 Statement of the Problem

1. What are the goals of Indonesian Micro, Small, and Medium Enterprises in fashion industry for choosing International New Ventures as internationalization approach?
2. What are the competitive advantages derived by Indonesian Micro, Small, and Medium Enterprises in fashion industry from being International New Ventures?
3. What are the internal capabilities required from Indonesian Micro, Small, and Medium Enterprises in fashion industry for implementing International New Ventures?
4. How is International New Ventures strategies’ pattern of Indonesian Micro, Small, and Medium Enterprises in fashion industry?

1.4 Research Objectives

1. To identify the goals of Indonesian Micro, Small, and Medium Enterprises in fashion industry for choosing International New Ventures as internationalization approach.
2. To identify the competitive advantages derived by Indonesian Micro, Small, and Medium Enterprises in fashion industry from being International New Ventures.
3. To identify the internal capabilities required from Indonesian Micro, Small, and Medium Enterprises in fashion industry for implementing International New Ventures.
4. To identify International New Ventures strategies’ pattern of Indonesian Micro, Small, and Medium Enterprises in fashion industry.
### 1.5 Definition of Terms

<table>
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<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>Fashion Industry</td>
<td>Globalized sector that works to meet the demand for apparel and dictates the trends for what should be worn.</td>
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<td>Internal Capabilities</td>
<td>Expression or the articulation of the capacity, materials and expertise an organization needs in order to perform core functions.</td>
</tr>
<tr>
<td>International New Ventures (INVs)</td>
<td>New companies that seek to derive the competitive advantage from the use of resources and the sale of outputs in multiple countries from the very first of their business activities/start-up.</td>
</tr>
<tr>
<td>Internationalization Approach</td>
<td>The method of increasing involvement of enterprises in international markets and integrate with global environment.</td>
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<tr>
<td>Micro, Small and Medium Enterprise</td>
<td>A business that maintains revenues or a number of employees below a certain standard.</td>
</tr>
<tr>
<td>Strategies</td>
<td>Direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resource within challenging environment to meet the needs of markets and to fulfill stakeholder expectations.</td>
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</table>
1.6 Scope and Limitations

In this study, researcher faced by some delimitation that lead to the scope and limitation of the research, they are; fashion industry that has so many classification, time and cost limitation, and lack of previous research of INVs in Indonesia.

First, this research could not represent all of segmentations of fashion industry. Fashion industry has so many classifications while not all of INVs in Indonesia are available to represent each of those classifications. Thus, researcher will only choose the line of products that is popularly have INVs; which are in convection, apparels, denim jeans, and leather goods (more to apparels industry).

Second, because of time limitation and cost, the research could not represent all regions in Indonesia. It will only focus on several regions that fulfill the needs of research. Some of the criteria to fulfill the needs are the cities has to commonly established MSMEs in fashion industry and become the center of fashion in Indonesia. After gathering some information and observation through internet, researcher found that Jakarta and Bandung are those of the cities that suit the most. Finally, researcher chooses to conduct the research and gather the data around these cities.

Third, due to lack of research of INVs and internationalization behavior of MSMEs in Indonesia, researcher will use previous research and theories that used samples from other countries as literature review. The research about INVs in Indonesia is very limited and researcher could only find one dissertation however it is not really related with the problem of this research. To handle this problem researcher already tried to find previous research and theories from other developing countries. However, researcher also find that it is very limited. Thus, most of previous research and theories that being used in this research mostly used sample from developed countries (USA, Australia, Denmark, Norway, Finland, etc.). However, researcher definitely will not literally use the theories that not related with the condition of
Indonesian MSMEs. Deep analysis and selection of appropriate previous research that could help this research will be implemented.

1.7 Research Benefits

1.7.1 For Researcher

This research will be partial fulfillment of requirement for researcher to get a bachelor degree. However, despite of it, this research will definitely give valuable experiences for researcher in conducting a research especially in implementing international business theories – that all this time being learnt only in the classes – into real business case. Besides, from the technical point of view, researcher will get in-deep knowledge about how to conduct a right research in a right way, from the very first step of brainstorming a research problem, formulating a topic research, setting the objectives, reviewing literature, setting theoretical framework and research methodology, collecting the data, analyzing the input, and finally making an output of the research. All of these steps will be very beneficial for researcher in conducting the next research.

1.7.2 For Candidates of Indonesian MSMEs in Fashion Industry

The number of MSMEs in Indonesia that think globally and do internationalization for their businesses is still low of several factors such as mindset and knowledges. Thus, this research will be beneficial for the candidates of Indonesian MSMEs in fashion industry to introduce the INVs as an approach of internationalization. Information about goals, competitive advantages, internal capabilities required for the approach, and also pattern of INVs strategies might give significant information for them to consider and choose INVs as their strategies of internationalization.

1.7.3 For International Business Studies and Future Research

Studies about INVs which use Indonesian MSMEs in fashion industry as main subject are still limited up until now. Even, studies about INVs in Indonesia are also
limited. Thus, this research will give valuable contribution for international business studies especially in Indonesia. Besides, researcher really hopes that this research could be use as references by future researcher to develop new studies in the field.

1.7.4 For Indonesia Government

As being stated before in the background of studies, Indonesian MSMEs in fashion industry play an important role as the biggest number of MSMEs in creative industry. Because of that reason, Indonesian government currently has targeted to increase the involvement of Indonesian MSMEs in fashion industry in international market with regards to gain more benefit from MSMEs. In order to help government to achieve its target, this research will provide information about INVs as an approach of internationalization that hopefully useful to support the internationalization of Indonesian MSMEs in fashion industry.
CHAPTER II
REVIEW OF LITERATURE

2.1 Theoretical Review

2.1.1 Micro, Small and Medium Enterprises (MSMEs)

President Regulation of Indonesia No. 99 year 1998 defines Micro, Small and Medium Enterprises (MMSMEs) as small scale of Indonesian citizen’s economic activity with small business activity in majority line of business. Specifically, there are commonly three main criteria that being use to classify whether a firm is MMSMEs or not, they are: (1) number of employee, (2) total asset, (3) total turnover (European Commision, 2005; InfoUKM, 2008; Bank Indonesia, 2008).

a. Number of Employee

One of criteria that being used to differ MSMEs from others according to European Commission is the number of employee work in the business. It is stated that enterprises who have less than 10 employees is categorized as micro enterprises, those who have 10-50 employees is categorized as small enterprise while those who have maximum for 250 employees is categorized as medium enterprises (European Commision, 2005)

b. Total Asset

According to Regulation No. 20 year 2008 article 6 about criteria firms, micro enterprises are those firms who has total asset for maximal IDR 50.000.000, not included the land and building. Small enterprises are those firms who has total asset in the range of IDR 50.000.000 – IDR 500.000.000, not included the land and building of the business. Then, medium enterprises are those firms who has total asset in the range
of IDR 500,000,000 – IDR 10,000,000,000, not included the land and building of the business (Bank Indonesia, 2008).

c. Total Turnover

According to Regulation No. 20 year 2008 article 6 about criteria firms, micro enterprises are those firms who has total turnover for maximal IDR 300,000,000 per year, small enterprises are those firms who has total turnover in the range of IDR 300,000,000 – IDR 2,500,000,000 per year, and medium enterprises are those firms who has total turnover in the range of IDR 2,500,000,000 – IDR 50,000,000,000 per year (Bank Indonesia, 2008).

<table>
<thead>
<tr>
<th>Micro Enterprises</th>
<th>Total Employee</th>
<th>Total Asset (not included land and building)</th>
<th>Total Turnover (per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 10</td>
<td>IDR 0 – IDR 50,000,000</td>
<td>IDR 0 – IDR 300,000,000</td>
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<table>
<thead>
<tr>
<th>Small Enterprises</th>
<th>10 – 50</th>
<th>IDR 50,000,000 – IDR 500,000,000</th>
<th>IDR 300,000,000 – IDR 2,500,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium Enterprises</td>
<td>50 – 250</td>
<td>IDR 500,000,000 – IDR 10,000,000,000</td>
<td>IDR 2,500,000,000 – IDR 50,000,000,000</td>
</tr>
</tbody>
</table>

Table 2.1 Characteristics of MSMEs summarized from European Commission and Indonesian Regulation No. 20 year 2008 article 6

2.1.2 Fashion Industry

According to Department Perdagangan RI (2008), fashion industry is categorized as part of creative industry in Indonesia. It is the creative activity that related to the creation of clothes design, footwear design, others accessories design, production of
mode clothes and its accessories, fashion line product consultation, and fashion product distribution. Some observers also distinguish fashion industry to two categories; they are “high fashion” and the apparel industry which makes ordinary clothes or “mass fashion”. However, all in all fashion industry encompasses the design, manufacturing, distribution, marketing, retailing, advertising, and promotion of all types of apparel (Encyclopedia Britannica, 2015).

2.1.3 Internationalization

The era of global transformation in these past decades begin since the rapid invention of technology especially internet is being found. Globalization is another thing from that era which happened and changed the world differently than it never before. World become closer and integrate. The wall between countries become more visible and it changes the life as well as activities of the country in many ways, one of them is the economy. In economy perspectives, the increasingly globalization has decreased barriers to investment and trade. It also impact to an increasing trend towards deregulation of foreign exchange, foreign investment and financial markets; and the creation of greater incentives and opportunities for companies (Mohanty and Nandi, 2010). This changing in economy impact to the born of internationalization in business which simply described as the process of increasing involvement of enterprises in international markets (Welch and Luostarinen, 1988). There is no significant definition of internationalization in business, however Knight (2008) defines internationalization as the process of integrating an international, intercultural or global dimension into one purpose and function. If we take this definition in terms of business purpose and function, it can be conclude that internationalization of business is the process by which businesses or other organization integrating an international, intercultural or global dimension to develop international influence.

Physical distance is no longer an issue, and internationalization in these days almost a necessity for a specialized MSMEs when its domestic market is threaten by global competition. This process will continue and firms must realize that internationalization
is not an option, but a necessity to be competitive. Today, more firms internationalize and they do it more rapidly than before. It is influenced by researcherities or their networks, going abroad has become easier. However, at the same time, it has brought new competitors to the formerly protected national arena for MSMEs in the industrialized world (Zasada & Gustafsson, 2011). Information technology has decreased barriers formerly faced by foreign suppliers, and has changed customer behavior and preferences.

During the past decades, internationalization already attracted many researchers to explain factor driven to this phenomenon. As the result, theories based on empirical studies are arises to describe not only the factor driven but also process of each factors. These theories then called as internationalization methods or internationalization approach. There are six popular theories related to the internationalization approach, they are; Uppsala Model (Johanson and Vahlne, 1977), Network Approach (Johanson and Mattsson, 1998), Resource-based approach (Barney, 1991), International New Venture Approach (McDougall and Oviatt, 1994), and International Entrepreneur Approach (McDougall and Oviatt, 2000).

Uppsala Model introduce that internationalization is a stage model of learning by firms. Firms will gain knowledge from their domestic market in a long time period of time gradually before they move into international operations (Johanson and Vahlne, 1977). Network theory attempts to explain how network resources that being build gradually in a long time period at all levels, individual, firm or group of firms, affect the internationalization process of MSMEs (Johanson and Mattsson, 1998). Resource-based approach attempts to explain how MSMEs need to understand and adjust their competitive advantages when entering an international market (Barney, 1991). The resources that are being developed by the business will affect the internationalization of MSMEs. International New Venture Approach attempts to explain the firms that do not grow in incremental stages with respect to their international activities (McDougall and Oviatt, 1994). These manufacturers produced high value-added
products and did not first develop a strong home market. International Entrepreneur Approach attempts to explain that the knowledge, relationships, experience, training, skills, judgment and the ability to coordinate resources of entrepreneur in firms will affect the internationalization (McDougall and Oviatt, 2000). However, from all of those theories, this research will only focus to analyze International New Venture as an approach of internationalization.

2.1.4 International New Ventures

Term of International New Ventures (INVs) has attracted worldwide attention to the growing role of young firms in the global marketplace. This type of firm first emerged in countries with small domestic markets, but are now appearing in markedly large numbers throughout the world. As being stated in the first chapter, INVs are those new companies that seek to derive the competitive advantage from the use of resources and the sale of outputs in multiple countries (Oviatt and McDougall, 1994). They are those small firms who start their international activities right from the very first of their start-up and targeted the world as their marketplace (McKinsey & Co, 1993). They demonstrated that many firms do not grow in incremental stages with respect to their international activities. Typically, these manufacturers produced high value-added products and did not first develop a strong home market (Persinger et al., 2011).

This business activity began to attract the attention since the late of 1980s and the studies of literature began to appear shortly thereafter (MCDougall, 1989; Brush, 1992; Jolly et al., 1992). However, this term is just being popular since around 20 years ago specifically in 1993 where there is recognition of small firms which have become intensively involved in global market very early in its organizational life cycle (McKinsey & Co, 1993). This type of firms proven to break the traditional international business and internationalization traditional theories that created in early 1970 such as Uppsala Model and Network Theory (Johanson & Vahlne, 1977; Johanson & Mattsson, 1988) which stated that a business will first establishes in a strong domestic market before it reaches out to international customers. In 1997, the
Organization for Economic Co-operation and Development/OECD (1997), reported that 1-2% of emerging business are international at inception and the speed at which emerging business internationalize is accelerating. Moreover, Cavusgil (1994) and Moen (2002) states that respectively 25% and 50% of companies that have established in Australia and France since 1990 can be included in this group, so do in the other developed and developing country. This statement showed how pervasive INVs phenomenon throughout the world. Vary academic articles since then being published to discuss deeper about this ventures with different point of view and encourage the new small and medium firms to adopt a new lenses of international business activities.

According to Knight & Cavusgil (2004) and McDougall and Oviatt (2000), the drivers of INVs as a global phenomenon can be explained by external and internal factors of international business environment. In the external factors of international business environment, early adoption of internationalization is driven by two key trends that have substantially reduced the transactions costs of foreign market expansion. The first is the globalization of markets, which has made international business easier in simplifying product development and positioning in foreign markets as the effect of increasing the homogenization of buyer preferences around the world. The second trend is technological advances in information and communications technologies, production methods, transportation, and international logistics, which are reducing business transactions costs and facilitating extraordinary growth in international trade. Widespread diffusion of email, the Internet, and related technologies has made internationalization a more viable and cost-effective option. In internal international business environment, early adoption of internationalization is likely driven by international entrepreneurship (IE). McDougall and Oviatt (2000) defined IE as innovative, proactive, and risk-seeking behavior that crossed national borders and was intended to create value in organizations. International entrepreneurs are more “alert” to the possibilities of combining resources from different national markets than regular entrepreneurs because of their unique experience, networks, and knowledge.
(McDougall et al., 1994). Madsen and Servais (1997) even proposed that strong entrepreneurs are more important for a global vision than strong products.

### 2.1.5 Characters of INVs

After two decades of research, some researcher finally found parameters that could be used to identify INVs and characters to differ this type of firm from Multinational Enterprises (MNE) as well as Domestic New Ventures (DNVs). Those characteristics are initial international vision, agressiveness, foreign market depth, and breadth of market (Kuivalainen et al., 2012; Oviatt & McDougall, 1994; Loustarnien and Gabrielsson, 2006; Fan and Phan, 2007; Persinger et al., 2011; Rennie, 1993).

![Figure 2.1 International New Venture’s Character. Summarized by researcher from many sources](image)
a. Initial International Vision

The most different pattern that distinguishes INVs from others is their initial international vision which simply means that their origins are international and they commit for specific resources to international activities from the beginning. This initial international vision could be explained by international entrepreneurship (which has been stated before as the driver of INVs). International entrepreneurs often possess an international vision from inception (Oviatt & McDougall, 1994) while traditional pattern of firms begin with domestic view and have to spend time as well as resources to develop their internationalization motivation and accumulate their international experiences incrementally. Findings of several studies stated that most of the international entrepreneurs have entrepreneur’s prior knowledge or experience in international market (Madsen & Servais, 1997; Oviatt & McDougall, 1994). Therefore the risks of foreign operation for international new ventures are decreased.

b. Aggressiveness

The traditional international business theories such as Uppsala Model and Network Theory stated that business will first develop its initial market in domestic country. Besides, it also needed several years for the firm to be able to reach foreign market, it is only after the firm could build required resource and important knowledge to compete in foreign market (Johanson & Vahlne, 1977; Johanson & Mattsson, 1988). However, findings of INVs break all of those theories because this type of firm has its speed to jump over the stage of domestic country as initial market to foreign market although its resource and knowledge is limited.

Aggressiveness has been examined in numerous studies on INVs and has been found to be an important performance variable for INVs to grow and increase their market share in foreign countries. According to studies, despite of the scarce financial, human, and tangible resources that characterize most new businesses, INVs progress to internationalization relatively rapidly. The period from domestic establishment to
initial foreign market entry is often 3 years or less (Autio et al., 2000; McDougall and Oviatt, 2000; OECD, 1997; Rennie, 1993). For instance, such early internationalizing results were published by McKinsey (1993) which reported the internationalization success of small firms in Australia only take two years from their inception to enter international market (Persinger et al., 2011).

c. Foreign Market Depth

The level of commitment or foreign market depth is another factor of characteristic that could differ INVs from others. Export is one the variable favored to measure the foreign market depth (Girma, 2013). Because of that, INVs are often noted for the comparison of their foreign market revenue to their total market (which includes domestic market). The INVs literature shows significant variation in the marking the export intensity. Some of researchers required 10% up to 50% export revenue from foreign market in their studies to categorize a firm as INVs (Loustarnien and Gabrielsson, 2006; Fan and Phan, 2007). Persinger et al., (2011) stated that commonly, INVs likely have 25% export rate no earlier than three or four years after the inception due to their ability raise capital, develop networks and understand targeted niche markets. In a bid to qualify some firms in the INVs sample that have internationalized within more than nine years from inception, Hashai and Almor (2004) applied a 75% export intensity condition.

d. Breadth of Market

Disparities the pattern of geographic market expansion has led some researchers to argue on the "degree of globalness" of the INVs (Crick, 2009; Kuivalainen et al., 2007; Oviatt & McDougal, 1994). Breadth of market is right solution to answer this argument. Breadth of market is simply means the geographic market reach or the number and spatial distribution of foreign countries served. It is important to be known as parameters because it is found that INVs operated in larger number of distribution channels (McDougall, 1998) as they attempt to distribute their product to
multiple countries. The empirical studies of INVs then conclude that the INVs must be having their presence in some multiple countries (Oviatt & McDougall, 1994). Argue with INVs establishment to initial foreign market entry which is often 3 years or less (Autio et al., 2000; McDougall and Oviatt, 2000; OECD, 1997; Rennie, 1993), it could be conclude then that INVs must be having their presence in some multiple countries at least 3 years after inception from domestic establishment.

2.1.6 Goals

Goals are general guidelines that explain what entrepreneurs want to achieve in their business (Peterson et.al, 2013). They define entrepreneur destination and shape what the business will become (Purdue University, 2014). They are usually long-term and represent global visions (MichiganGov, 2007). Goals are outcome statements that define what an organization is trying to accomplish, both programmatically and organizationally (Saylor Academy, 2011). Goals will have some degree of measurability, but are less specific than objectives associated with an annual operational plan. Long-term goals help set a direction and help visualize the level of expected performance (Dobins, 2014).

2.1.7 Competitive Advantages and Functional Management

A competitive advantage exists when a firm has a product or service that is perceived by its target market customers as better than that of its competitors (Dess and Marilyn, 2005). It is an advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retains more customers than its competition (Investopedia.com, 2015). According to Michael Porter (1985) there are two basic types of competitive advantage a firm can possess: comparative advantage and differential advantage. *Comparative advantage*, or *cost advantage*, is a firm's ability to produce a good or service at a lower cost than its competitors, which gives the firm the ability sell its goods or services at a lower price than its competition or to generate a larger margin on sales. A *differential advantage* is created when a firm's products or services differ from its competitors and are seen as better than a competitor's products.
by customers. It is usually providing additional benefits and service that justify similar, or possibly in higher prices (Investopedia.com, 2015).

Barney (1999) stated that the most prevalent way of evaluating competitive advantages is by looking at its function management perspective. Different types of industry will have different core management function. The most common management functions in a firm-size are (1) Finance, (2) Research and Development, (3) Human Resource, (4) Procurement, (5) Production and Operation, and (6) Marketing.

![Functional Management Diagram](image)

*Figure 2.2 Functional Management (Barney, 1999)*

### 2.1.8 Internal Capabilities and Resources

Internal capabilities are defined as the tangible and intangible assets that enable a firm to take full advantage of the other resources it controlled (Barney, 1991). It is the capacity for a team of resources to perform some task or activity (Grant, 1991). The presence of internal capabilities enables resources to begin to be utilized, and the potential for the creation of output arises (Akio, 2005). According to Barney (1991), firm internal capabilities itself could be derived from resources. Those resources could be classified into four broad categories which are financial resources, physical resources, individual resources, and organizational resources. Financial resources are the funds that the company raises. They are the most basic and flexible resources of the business, and can be converted into other resources. Physical resources are the buildings, raw material, and equipment that the firm has to work with and what it can do with them. Individual resources are the type of people in the firm and what they are
able to do. Organizational resources are the procedures and techniques the firm has developed that are necessary for success in the business.

![Diagram of Resources and Internal Capabilities]

*Figure 2.3 How to derive internal capabilities of a firm by Barney (1991). Illustrate by researcher.*

### 2.1.9 INVs Internationalization Formulation Strategies

According to Pakamore and Pusnakovs (2011) there are three main points that should be defined in formulating INVs internationalization strategies. They cited that previous international business and international entrepreneurship research highlights three most important decisions that companies face in internationalization through INVs. They need to choose (1) geographical scope of their markets (INVs Type by Oviatt and McDougall [1994]), (2) strategy for their international operations (Operations Internationalization Strategy by Ball et al. [2001]) and (3) the mode to enter their foreign markets (Entry Mode by Ball et al. [2001]).
Figure 2.4 International New Venture Strategies Formulation cited from Pakamore and Pusnakovs (2011) by Oviatt and McDougall (1994) and Ball et al. (2001).

Illustrate by researcher

a. INVs Type

Oviatt and McDougall (1994) introduced the first tool for classifying INVs by identifying 4 types on 2 dimensions. The 2 dimensions that being used are the number of countries involved in the company’s operations and the number of value chain activities coordinated across countries. The lowest scope of INVs is an export/import start-up, which coordinates very few value chain activities (usually only logistics and sales) and operates in few countries. When the number of countries involved stays the same but more value chain activities are internationalized, INVs is a geographically focused start-up. In the opposite case, when the number of countries involved increases, but no new value chain activities are internationalized, an INVs is considered a multinational trader. Export/Import start-ups focus on serving a few nations with which the entrepreneur is familiar. Multinational Traders serve an array
of countries and are constantly scanning for trading opportunities where their networks are established or where they can quickly be set up.

When INVs has a large number of internationalization, both in the countries involved and in the value chain activities, it is considered as a global start-up. The simplest INVs are export/import start-ups. Depending on the internationalization goals, an INV may also start as a multinational trader or geographically focused start-up. Eventually, both types converge into a global start-up.

![Figure 2.5 International New Venture Type by Oviatt and McDougall (1994)](image)

**b. Operation Internationalization Strategies**

Ball et al. (2001) summarized 4 operations internationalization strategies for international business ventures. They describe whether a company is tailoring its production to every market to gain the appreciation for the solutions specific to a local environment and whether it performs standardized value chain activities internationally to leverage the economies of location. The choice of the strategy depends on how strong pressures a company faces for cost reduction and local responsiveness (a need to adapt the products to the local market). Those 4 operations
of internationalization strategies are; international strategy, localization strategy, global-standardization strategy, and transnational strategy.

*International strategy* is typical for exporters who face low cost reduction and local customization pressures. In such environment exporting domestic production is a viable strategy. When companies face local responsiveness pressures, decentralized subsidiaries are established to cater the host market needs, which is called *localization strategy*. Neither of these strategies emphasizes efficiency or cost reduction, so in the long run they are not feasible as more efficient competitors enter the market.

When the cost reduction pressure is high, but local responsiveness requirements are low, *global standardization strategy* should be employed: the same standard production is made internationally to leverage the location economies and economies of scale, decrease the costs of transactions and support activities, etc. If both pressures are strong, only *transnational strategy* is viable. In this case all standardized activities are performed globally, but local customization is applied on top. For example, R&D and production facilities are centralized worldwide, but product characteristics, bundling, branding and marketing are adapted to the local environment. Transnational strategy is the most difficult to adopt, but it is popular among global passenger vehicle producers, fast moving consumer goods marketers and other large MNEs who have enough resources for integration, coordination and performance control mechanisms and highly skilled management teams (Ball et al., 2001).
Figure 2.6 Operation Internationalization Strategies by Ball et al. (2001)

c. Entry Mode

The right decision how to enter a foreign market is crucial for the subsequent success of the firm. International business literature as cited by Pakamore and Pusnakovs (2011), identifies 2 groups of foreign market entry modes: non-FDI and FDI.

*Non-FDI entry modes* require very limited or no resource commitment abroad, which enables quick implementation, eliminates the risks associated with investment in real assets abroad (namely economic and political risks) and lowers operational risks by higher venture mobility (e.g. ability to shift the strategy at lower cost) (Ball et al., 2001). 3 main non-FDI entry modes are licensing, exporting and franchising. *Licensing* is the simplest and fastest entry mode when a venture only transfers the technology or know-how to another market with no actual operations. It does not establish a venture’s presence abroad, and does not involve the venture directly in a host country’s business. Therefore, the company has no control over production, marketing, sales, etc. and has limited if any influence over its earnings after the contract with defined royalty fees is signed up. It is actually creates the risk of losing the technological competitive advantage and being squeezed out of the market by local adopters who eventually may build better knowledge in the technology than its creator
and come to the licensor’s home market (Ball et al., 2001). Exporting is the oldest, simplest to implement and most popular entry mode, dominating the early stage INV’s strategy (Cavusgil & Knight, 2009). It provides a venture with full control over its technology and production, but limits its influence over marketing and sales. To increase the control while still being out of the actual foreign operations franchising practice may be adopted. However, it requires a proven business model and strong brand – the features most INVs lack at the start when they are still suffering from the liabilities of newness and alliances (Burgel & Murray, 2000). Therefore, franchising is very unlikely in the early stage INVs under usual circumstances.

None of the non-FDI entry modes provides a venture with learning opportunities abroad and they all have only limited control mechanisms. Therefore, for tight performance control, learning about customers and competitors, and leveraging the local subsidiary skills worldwide an FDI entry mode is favored (Ball et al., 2001; Cavusgil & Knight, 2009). However, as opposite from non-FDI entry mode, FDI is much more resource demanding and less flexible when moving into a market that is instable politically and in its policies. 2 main of FDI entry mode are joint alliances/joint venture and subsidiary. Joint an alliances/joint venture with a partner will helps the MSMEs overcome shortages in capital, equipment and other tangible assets through resource sharing between the two or more distinct firms engaged in the alliance (Zasada & Gustafsson, 2011). Additionally, the alliance partner provides an important source of knowledge on the host country to the MSMEs (Mohanty and Nandi, 2010). In comparison to a wholly owned subsidiary, according to Ball et al., (2001) it is politically better accepted in more closed economies, provides access to a partner’s knowledge. However, by establishing a wholly owned subsidiary these benefits are traded off for tighter control over the technology and performance.

Although there are several other entry modes discussed in the literature (e.g. turnkey contracts, strategic alliances, etc.), their characteristics overlap with the ones already discussed and their implementation is too case-specific, so it will not being used in
this research prescriptive framework due to the lack of universality. Figure 2.7 summarizes 5 entry modes with respect to the speed of expansion and control over international operations.

![Figure 2.7 Entry Mode by Ball et al. (2001) summarized by Pakamore and Pusnakovs (2011).](image)

**2.2 Previous Research**

Previous research in this research will be very important to enrich researcher knowledge regarding to similar phenomenon or related cases of this research of INVs as internationalization approach for Indonesian MSMEs in fashion industry. The findings on the previous research will provide background of studies regarding to the studies in this area or studies with the same topic but in different area. This study will be very useful in terms for researcher analysis after data collection later on in chapter 4. It could also use for comparison (theoretical triangulation) to think about what the similarity and what differences in researcher study.

After searching and reviewing the previous research regarding to the research problems, researcher only could found related studies in the same topic. Most of the studies is related with internationalization, another related more specifically to International New Venture. It is not specify directly to the subject and area of this research (which is Indonesian MSMEs in fashion industry), however the result of previous research still could be use as guidance in this research since it applied generally to firms in all industries and focus on internationalization.
2.2.1 INVs Internationalization Goals

Cavusgil and Knight (2009) in their book, titled ‘Born Global Firms: A New International Enterprise’, summarized the 2 decades of research and identified the main widely accepted reasons why ventures internationalize; to gain economies of scale in production and marketing, to earn higher profits from lucrative foreign markets, to seek growth via market diversification, to obtain new product ideas from foreign settings, to amortize the costs of product development and marketing across many markets, to better serve existing customers who have located abroad, and to confront competitors more effectively in competitors’ home markets.

Besides, Ball et al. (2001) in their book titled, ‘International business: The challenge of global competition’, conclude that every strategic decision by management should be made to achieve the main goal of an enterprise which is increasing a company’s value for its shareholders. The value may be increased in 2 ways: either increasing the profitability ratio (reducing costs or raising prices) or increasing sales (entering new markets or selling more in existing markets). They also stated that fundamental goal of an enterprise is it must survive to create value.

Correlating this result of previous research with this research, it gives researcher more insight regarding to the internationalization goals of firms, although it is not specify to this research subject which is Indonesian MSMEs in fashion industry.

2.2.2 Competitive Advantages of INVs

Armario et al. (2008) in their exploratory analysis research (EFA) of sample in Spanish, titled ‘Market Orientation and Internationalization in Small and Medium-Sized Enterprises’, found that international market orientation develops behaviors that tend to improve the firms internal and external information flow in such a way that the firms can explore changes in its international environment more rapidly and adapt its actions to the specific needs of each market. Thus, international market orientation can play a determining role in explaining not only how an INV acquires foreign business,
institutional and international information, but also how these firms manage this information to develop new knowledge.

Besides, Teece et al. (1997), in their case studies research through framework, titled, ‘Dynamic Capabilities and Strategic Management’, found that international expansion provides firms with learning opportunities through exposure to new global markets, the internationalization of new concepts, ideas from new cultures, access to new resources, exposure to new competitors and terms of competition.

Another research is Sandra et al. (2002) in their qualitative correlation analysis of sample in China, titled, ‘Integrating Customer Orientation, Corporate Entrepreneurship, and Learning Orientation in Organizations-In-Transition: An Empirical Study’, found that international market orientation improve and constantly update the values and skills for firms’ organizational learning and help to define an organizational capacity which enables a company to develop more appropriate distinctive activities. Besides, Autio et al. (2000) in their qualitative method research of sample in Finland, titled, ‘Effects Of Age At Entry, Knowledge-Intensity, and Imitability On International Growth’, found that earlier internationalization and greater knowledge intensity associated with faster international growth and greater entrepreneurial behavior (self-reinforcing pattern).

At last, McDougall et al. (2003) in their quantitative comparison research of sample in United States, titled, ‘A Comparison of International and Domestic New Venture’, found that INVs tend to competed on the basis of differentiation, placing greater emphasis on innovation, quality, service, and marketing as weapons.

Correlating this result of the previous research with theoretical review, these studies strengthens the framework for exploring competitive advantages in management functions as these benefits could influence the firm to gain competitive advantages.
2.2.3 Internal Capabilities Required for INVs

Some of the researches highlight management and entrepreneur skill to hold an important role in internationalization. Kohli et al. (1993) in their empirical studies through qualitative analysis, titled ‘MARKOR: A Measure of Market Orientation’, found that managerial involvement, commitment, and risk-aversion are essential to the successful development of market-oriented behaviors in a company. Proactive and committed managers are thus critical to the development of a market-oriented culture that will identify and exploit international opportunities and thus enhance a firm's international performance. Besides, Fillis (2002) in his research through postal survey and interview of small firms in Ireland and UK, titled ‘Internationalization Process of the Craft Micro Enterprise’, found that owner/manager influences dominate internationalization behavior of micro-enterprises. This research highlights importance of manager creativity, innovative thinking, and opportunity recognition as well as network relationships for rapid internationalization.

Another research, instead of internal capabilities, they highlight the key success factors of INVs. McDougall and Oviatt (1992) in their qualitative analysis through case study in United States and Europe, titled ‘United States and European global start-ups’, stated that several key to be success on international new venture, they are; an international vision of the firm from inception, an innovative product or service marketed through a strong network, and a tightly managed organization focused on international sales growth. While, Park and Bae (2004) in their qualitative analysis through case study with sample of Korean new ventures, titled ‘New venture strategies in a developing country: Identifying a typology and examining growth patterns through case studies’, found that growth patterns and speed of change of successful new ventures vary according to initial conditions facing firms at the time of founding, entrepreneurs’ characteristics and management abilities, and technology strategy to develop and accumulate technological capability.
All in all, it could be seen that there are several capabilities highlight in the previous research, such as managerial skill, entrepreneur skill, technology skill, and innovative products. Moreover, reviewing all of the capabilities mentioned, it is also found that all of that related with firm’s resources. Thus, correlating the result of previous research with this research, it gives researcher more insight regarding to the internal capabilities required for internationalization of firms, although it is not specify to this research subject which is Indonesian MSMEs in fashion industry. Besides, these previous research also strengthens the framework for exploring firm’s resources as main elements of capabilities.

2.2.4 INVs Strategies Pattern for MSMEs

Doole and Lowe (2008) in their book ‘International Marketing Strategy’ identified that SMEs tend to choose which international markets to enter based on their capabilities and networks rather than the market characteristics. Bloodgood et al. (1996) in their analysis, highlight that internationalization degree varies depending on firm specific resources. While, Coviello & Munro (1995) in their case research of 25 firms in New Zealand, titled, ‘Growing the Entrepreneurial Firm: Networking for International Market Development’, stated that network relationship is instrumental in firm growth, actively influencing pattern of internationalization, foreign market selection and entry initiative. And finally, as being stated previously in the theoretical review, Cavusgil & Knight (2009) mentioned that exporting is the simplest to implement and most popular entry mode, dominating the early stage INV’s strategy because it provides a venture with full control over its technology and production, but limits its influence over marketing and sales. All in all, it could be conclude that regarding to the internationalization pattern, previous research highlight the pattern of strategies depend on the firms capabilities and exporting. Thus, correlating the result of previous research with this research, it gives researcher more insight regarding to elements that should be considered to define the internationalization pattern.
2.3 Theoretical Framework

Figure 2.8 Theoretical Framework of the Research made by researcher
Based on the literature review that being done, above are the summarized of theoretical framework that will be use to answer the research problems in this research. Reviewing back the research problems, there are four main questions that are going to be answered in this research, they are regarding to the goals of Indonesian MSMEs in fashion industry for choosing INVs as internationalization approach, the competitive advantages derived from INVs as internationalization approach by Indonesian MSMEs in fashion industry, the internal capabilities required from Indonesian MSMEs in fashion industry for implementing INVs as internationalization approach, and INVs strategies’ pattern of Indonesian MSMEs in fashion industry.

The literature review in this research will be used in pre-analysis, analysis, and post analysis. In the pre-analysis, samples that suit the definition of MSMEs in fashion industry will be all collected. Then, they will be compared with the characteristics of INVs based on the theories. If they are suits then the samples will go to the next step which is the analysis to answer the research problems. There are four different analyses that should be done to answer the problems thus the samples will also go to four different analyses. The first analysis is the internationalization goal analysis. In this analysis, since there are no significant theories for guidance, then the data collection will directly go to the point of problems. Second analysis is the functional management analysis where here the samples’ functional management will be evaluated one by one regarding to the impact of early internationalization in their MSMEs. The third analysis is internal capabilities analysis. As the literature review stated that internal capabilities could be derived from resources, then in this step the analysis will try to dig in the internal capabilities required for early internationalization of the samples based on its resources. The fourth analysis is the INVs strategies formulation analysis where the sample will be analyzed based on three steps of strategic planning in INVs to find INVs strategies’ pattern of Indonesian MSMEs in fashion industry. All of the findings from the four analyses below will be analyze again to find the answer of the research problems. At the end in the post-
analysis, all of the result of analysis will be interpreted to answer the research problems.

2.4 Operational Definition

There are so many terms that being used in describing the phenomenon of firms that being ventured internationally in the first stage of their operation (as state previously in background of study, chapter 1). These firms were first called innate exporters (Granitsky 1989), then born internationals (Ray 1989), and high-technology start-ups (Jolly et al. 1992). Another terms that also used are global start-ups (Oviatt and McDougall 1995), instant internationals (Fillis, 2001), and international entrepreneur (Jones, 1999). However, above all, two frequently used terms are born global (Rennie, 1993; Knight & Cavusgil, 1996; Moen, 2002) and international new ventures (Oviatt & McDougall, 1994; Shrader et al., 2000; Zahra, 2005).

Term of born global is being introduced by McKinsey & Co (1993) as firms that view the world as their marketplace from the outset and see the domestic market as a support for their international business. However, the terms of born global create another perception where ‘global’ implies that the firms are present in and operate from various locations. In the other hand, a penetration of five countries was rarely achieved while the ventures could still be called new (Lindqvist, 1991). Besides, using born global as a terms in this research will also create a misleading perception where it is similar to the term global start-up, which is only 1 out of the 4 INV types we discuss. For those reasons, the term ‘international new venture’ seems most appropriate and will be used throughout this research.

Besides of that, another component that needs further operational definition is regarding to the age of the INVs. In this research, samples will be needed to give its approximately operational ages to measure its depth of the market as one of the characteristics of INVs. Thus, the legal organization establishment dates will be required. However, the legal organization establishment date does not necessarily
define the venture operational stage since most of the venture already operates and sell their products even they have not being legally registered. Besides, the ventures also have variant time in doing their research and development phase of their business. Some of them take for average 3-5 months, but another take around 1 year. If this research and development is being included in the research, it will give difficulties for ventures to fulfill the required of INV's characteristics samples based on the market of market. Thus, to summarize the operational definition of the age of INV's, instead of legal organization establishment date, this research will required the legal organization operational date which will not include the research and development phase in the ages. The age of INV's will be determined by the first date/year where the ventures started their sales operation.
CHAPTER III
METHODOLOGY

3.1 Research Method

After evaluating the research method that available for research, finally researcher found that qualitative research method is the best for solving the research problems of this research. Qualitative research refers to the research that not focuses on numerical things and their relationships. Rather than finding the answer about how much, how many, how often, and to what extent, qualitative research tend to find the answer about why, how, and in what way (Hancook, 1998). It is focuses on reports of meanings, traits, and defining characteristics of events, people, interactions, settings/cultures, experience or on data which cannot be adequately expressed numerically (Hancook et al., 2007; Tewksbury, 2009). Therefore, the knowledge gained through qualitative research is more informative, richer, and provides deeper understandings compared to that which can be obtained through quantitative research. Besides, in this exploratory research, qualitative research also gives another advantages rather than quantitative research as it allow the researcher the flexibility to probe initial participant responses – that is, to ask why or how and able to evoke responses that are unanticipated by the researcher, rich and explanatory in nature (Ulin et al., 2004). Moreover, qualitative method tend to be inductive where data are used to develop concepts and theories that help researcher to understand the problem more rather than deductive like usually being used by quantitative research in purpose to tests theories which have already been proposed (Hancook, 1998). Thus, researcher chose to use qualitative method because its objective is suit with what researcher need in this research.
After decided to choose qualitative method, the next question is which approaches of qualitative method that should being used in this research. Researcher then decided to use phenomenology approach where it is the best approach to use when comes to understand several individuals’ common or shared experiences of a phenomenon. It would be important to understand these common experiences in order to develop practices or policies, or to develop a deeper understanding about the features of the phenomenon (Creswell, 2013). People are surrounded by many phenomena, which they are aware of but not fully understand. They lack of understanding of these phenomena may exist because the phenomenon has not been overtly described and explained or they understanding of the impact it makes may be unclear. Thus, phenomenological research begins with the acknowledgement that there is a gap in people understanding and that clarification will be of benefit (Hancook, 1998). In phenomenology approach, phenomenologist focuses on describing what all participants have in common as they experience a phenomenon. This description consists of “what” they experienced and “how” they experienced it.

Phenomenology approach types that being use in this research is transcendental phenomenology. According to Moustakas (1994), transcendental phenomenology is focused less on the interpretations of the researcher and more on a description of the experiences of participants. It means “in which everything is perceived freshly, as if for the first time”. In addition, transcendental phenomenology also focuses on concepts of epoche (or bracketing), in which investigators set aside their experiences, as much as possible, to take a fresh perspective toward the phenomenon under examination.

### 3.2 Sampling Strategy

#### 3.2.1 Sampling Method

The most important thing to be considered in deciding the sampling method is that the methods which will be use in the study must be chosen based on the aim of the study (Frey et al., 2000). Qualitative studies aim to provide illumination and
understanding of complex psychosocial issues and are most useful for answering humanistic 'why?' and 'how?' questions. It is different with quantitative studies where it is aim to test pre-determined hypotheses and produce generalizable results and typically useful for answering more mechanistic 'what?' questions. Here, studying a random sample provides the best opportunity to generalize the results to the population but is not the most effective way of developing an understanding of complex issues relating to human behavior (Marshall, 1996). Regarding to this reason, researcher then choose to use non probability sampling rather than probability sampling. Non probability sampling or also called non-random sampling means that sampling does not attempt to select a random sample from the population of interest (Battagila, 2008). Rather, subjective methods are used to decide which elements are included in the sample. Non probability sampling itself has several techniques. According to Marshall (1996), the relative balance of sampling technique will all depend upon the research question and the chosen style of data analysis and interpretation. Thus, he stated then that considerable overlap between techniques is might be depend. After reviewing many of non probability sampling techniques available for research, researcher found two most suitable sampling techniques that could support the process of data collection of this research, they are; purposive sampling and snow ball sampling.

In order to decide the sampling technique that could support the process of data collection of this research, it is need to know the base of research itself. Since this research is qualitative research, the sample needed for the investigations tend to be small. However, the sampling error of such a small sample is likely to be so large that biases are inevitable. Thus, researcher decided to use purposive sampling. Purposive sampling is also referred to as judgmental sampling or expert sampling (Battagila, 2008; Marshall, 1996). The main objective of purposive sampling is to produce a sample that can be considered “representative” of the population. Purposive sampling is better use to select cases that judged to represent similar
characteristics (Henry, 1990) where in this research it assumed to those MSMEs who have similar experiences in the INVs phenomenon.

INVs phenomenon is likely still rare in Indonesia especially for MSMEs. Considering of this and difficulties to find the sample, researcher then decided to use another sampling technique which is *snow ball sampling*. Snow ball sampling which also called as network sampling (Frey et al., 2000) or chain sampling (Patton, 2002), is sampling technique where group of sample members identify additional members to be included in the sample (Henry, 1990). It is best use in those rare cases when the population of interest cannot be identified other than by someone who knows that a certain person has the necessary experience or characteristics to be included (MacNealy, 1999).

The strategy in combining these two techniques will be based on several steps and consideration. In order to find the most representative sample of the population, researcher will focus on purposive sampling and make the snow ball sampling as supporting technique sample. First, researcher will find the probable participants through internet, the main point of this stage is finding as much as MSMEs that already enter international market. Here, the information that researcher got is depending on several source, they are; blog, news, e-magazine, group portal, and MSMEs’ website. Then, after listing all of the probable MSMEs, filtering is the next thing to be done. All of MSMEs in the list will be reviewed one by one from multiple resources as mentioned before to be selected as targeted participants with considering the specifications of the sample and also the variability of the sample. If it is likely match with the specification, researcher then will move the data of targeted participants to new list and search for their contacts. The confirmation through call and email will be the next step. The questions that will be asked are not covering all of the characteristics, it only focus in the information that researcher could not get in internet and whether the MSMEs targeting the international market since the very first time of establishment. If the targeted participants are giving the positive answer,
researcher then will directly ask for interview appointment. During the interview, researcher will recheck whether the participants meet all of the characteristics of the sample to avoid sample errors. Recheck will be done by questioning several detail questions about its general firm’s information. This is how the purposive sampling is being used in this research. Snow ball sampling will applied at the end of every interview where researcher will questioned the interviewee whether they know another MSMEs that have the same characters as they do. Responding to their reference, researcher will not directly contact the MSMEs mentioned but put back the purposive sampling where researcher gather the information regarding first to make sure that targeted participants are representatives enough. The same cycle will then applied to the new targeted participants of the sample.

3.2.2 Sampling Size

According to Marshall (1996) quantitative researchers often fail to understand the usefulness of studying small samples because it is often misapprehension that generalizability is the ultimate goal of all good research. Thus it becomes the principal reasons for some published qualitative studies containing inappropriate sampling techniques. As being referred by Mashall (1996) this qualitative research is aimed to explore the phenomenon of INVs rather than creating some generalizability over group population, thus the sample size for this research will be small.

Marshall (1996) added that an appropriate sample size for a qualitative study is one that adequately answers the research question. He stated that for simple questions or very detailed studies, the sample might be in single figures however for complex questions, larger samples and a variety of sampling techniques might be necessary. Comparing his statement to this research, the research questions are complex and needed to be answer by several cases due to variability. Thus, the sample will be more than single figures.
In practice, the number of required subjects usually becomes obvious as the study progresses, as new categories, themes or explanations stop emerging from the data (data saturation). Thus, until the data saturation, qualitative research needs a flexible and interactive research design, especially regarding to the sample size. However here, relate the sample size with the research method which is phenomenology research, Polkinghorne as being cited by Creswell (2006) recommends that researchers took from 5 to 25 individuals who have all experienced the phenomenon. While according to Zasada and Gustafsson (2011), with fewer cases, theory is difficult to generate while with more than ten cases, the volume of data is difficult to manage. Besides, as mentioned before, the aim of this research questions is not for generalization, thus researcher do not have to use large size of sample. Considering of that reasons, researcher then decide that 5 samples is the minimum number while the maximum number is depend on the data saturation but possibly it supposed to be not more than 10 since the volume of data will be hard to manage.

3.2.3 Sampling Specification

Sampling specification will be focus on theoretical review and variability of the sample. Theoretical review is needed as the base of information in order to choose the characteristics of sample. It is needed to know whether the sample categorized to International New Venture or not. Besides, it is also become the base for classifying the firms into their size, whether they are Micro, Small, or Medium Enterprises. The variability in the other hand needed to make sure that all of the samples representative enough to answer the research question. It is a part of rule from small sample to consider the sampling variation. In this research, the variability of sample will be focus matching each samples in size of the firm (Micro, Small, or Medium Enterprises) with varieties of product line in fashion industry (clothes, accessories, and bag). Below are the tables to summarize the sampling specification described above.
### Table 3.1 Theoretical Review of International New Venture Characteristics

<table>
<thead>
<tr>
<th>INVs Characteristics</th>
<th>Specification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial International Vision</td>
<td>• International vision from inception</td>
</tr>
<tr>
<td></td>
<td>• See the whole world as the market, not only domestic market</td>
</tr>
<tr>
<td></td>
<td>• See the whole world as resources that can be useful for their business operation</td>
</tr>
<tr>
<td>Aggressiveness</td>
<td>• Early internationalization at least 3 year or less from inception</td>
</tr>
<tr>
<td>Foreign Market Depth</td>
<td>• Derived export revenue with classification as below:</td>
</tr>
<tr>
<td></td>
<td>- Less or equal to 4 years:</td>
</tr>
<tr>
<td></td>
<td>10% – 25% from total revenue</td>
</tr>
<tr>
<td></td>
<td>- 5 years – 8 years: 25% - 75% from total revenue</td>
</tr>
<tr>
<td></td>
<td>- More or equal to 9 years:</td>
</tr>
<tr>
<td></td>
<td>75% from total revenue</td>
</tr>
<tr>
<td>Breadth of Market</td>
<td>• Having their presence in some multiple countries at least 3 years after inception</td>
</tr>
</tbody>
</table>
Table 3.2 Theoretical Review of Micro, Small, and Medium Enterprises Characteristics

<table>
<thead>
<tr>
<th></th>
<th>Total Employee</th>
<th>Total Asset (not included land and building)</th>
<th>Total Turnover (per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
<td>&lt; 10</td>
<td>IDR 0 – IDR 50.000.000</td>
<td>IDR 0 – IDR 300.000.000</td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>10 – 50</td>
<td>IDR 50.000.000 – IDR 500.000.000</td>
<td>IDR 500.000.000 – IDR 2.500.000.000</td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>50 – 250</td>
<td>IDR 500.000.000 – IDR 10.000.000.000</td>
<td>IDR 2.500.000.000 – IDR 50.000.000.000</td>
</tr>
</tbody>
</table>

Table 3.3 Variability of Sample through Firm Size and Product Line in Fashion Industry

<table>
<thead>
<tr>
<th></th>
<th>Clothes and Apparels</th>
<th>Pants</th>
<th>Accessories</th>
<th>Bag</th>
<th>Footwear</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro Enterprises</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Enterprises</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
Another thing that should be considered in deciding the sample is the age of the targeted participants itself. It is important to consider the age of the targeted participants of this research because it is related with the aim of research questions and also to avoid the misinterpretation data. Actually, there is no specific age for describing the early stages. However the tradition of entrepreneurship research in which firms are often treated as ‘new’ up to six years after their inception (Oviatt & McDougall, 1997). Researcher then decided to follow this theory and set the most preferable age of firms for this research is 6 years or less, in consideration that this research is focus more on the early stages of INVs, not the growth or development (goals, competitive advantages, internal capabilities, and internationalization pattern). However, remembering that the INVs phenomenon is still rare and variability is needed to be fulfilled, samples with age more than 6 years from establishment are also accepted with several adjustments during data collection as below:

1) Researcher will only focus to explore the initial six years after the domestic establishment
2) Researcher will classify the firm size based on the condition of firm in their first six years after establishment
3) Researcher will analyzing all of the data needed in this research based on the condition of the firms in their first six years after establishment

3.3 Research Instrument and Instrumentation

Another thing to be considered in designing a qualitative research is the research instrument and instrumentation. Research instrument and research instrumentation is different one and another. To help distinguish between instrument and instrumentation, consider that the instrument is the device and instrumentation is the course of action in using the device.

Instrument is the generic term that researchers use for a measurement device (survey, test, questionnaire, etc.). The research instrument that being use in this research is
*researcher-completed instrument* where the researcher act as the administrator of the research. In the other term, it means that the instrument of the research is researcher herself (*human instrument*). Lincoln and Guba who are the first to introduce the concept of the human being as research instrument as being cited by Glaser (2004) stated that, human stress the uniqueness of the researchers’ role in the process of scientific inquiry. First, human beings are able to sense subtle cues in the environment to which they naturally know how to respond. While most physical instruments are only able to measure particular factors, the human being is “virtually infinitely adaptable” and can locate and strike a target without having been preprogrammed to do so. Besides, only people can grasp confusing pieces of data and process them as soon as they are made available (Peredaryenko and Krauss, 2013). Human instrument has the unique capability of summarizing data on the spot and feeding it back to an informant for clarification, correction, and amplification. Finally, the human instrument is particularly well-tuned to spot atypical or idiosyncratic responses and explore them in-depth.

Qualitative approaches to data collection usually involve direct interaction with individuals on a one to one basis or in a group setting. The benefits of using these approaches include richness of data and deeper insight into the phenomena under study. In this research, researcher decided to use *interview* as the instrumentation of data collection because comparing to other research qualitative instrumentations, interview is the most efficient and effective way to gather the information as deep as possible to answer the research questions. Just as in everyday life, one of the most productive ways to learn about a person, place, or set of activities is to actually ask questions of people who have knowledge about that topic. Besides, Creswell (2013) also suggested using interview as the instrument of data collection for phenomenology research.

Types of interview that being use in this research is *semi structured interview* (sometimes referred to as focused interviews) which involve a series of open ended
questions based on the topic areas the researcher wants to cover (Hancook, 1998). The open ended nature of the question defines the topic under investigation but provides opportunities for both interviewer and interviewee to discuss some topics in more detail. If the interviewee has difficulty answering a question or provides only a brief response, the interviewer can use cues or prompts to encourage the interviewee to consider the question further. Researcher decided to use this type of interview because it is the most suitable technique where researcher could dig detail information to answer the research question while in the other hand keep the interview on track with topic decided and make sure that there is no detail left during the interview. The topic that being used during the interview is elaborated based on the theoretical framework in chapter 2 (Appendix 1).

3.4 Data Collection Procedure

3.4.1 Location of Research

As the references from several articles and news, the Indonesian fashion industry is dominated by several big cities such as Jakarta, Bandung, Yogyakarta, and Bali. However, with consideration of accessibility, cost, and time then researcher choose only to focus on two cities which are Jakarta and Bandung.

3.4.2 Types and Source of Data

Data that are going to be collected in this research could be divided into two which are primary data and secondary data. Primary data is the data that what researcher got directly from the sample while secondary data is the data that what researcher got from previous research.

The main data that are going to be analyzed is the primary data. The primary data will be collected from interview. The source of data is the interviewees which are MSMEs (Micro, Small, Medium Enterprises) in fashion industry. According to Miles and Huberman (1994), there are several things that should be consider in selecting
the subject of research (in this content is refer to interviewee), they are; settings, actors, events, and process. Considering those criteria, researcher choose to look for the founder or directors of each MSMEs because the they must be understand the firms so well, acts as actors in the process and function of the firms, and experiences the phenomena themselves. Thus, they could give the data needed by this research.

Secondary data in the other hand only act as supporting data and will be use both in research analysis and theoretical triangulation as the comparison to the findings of the research. The secondary data that will be use in this research are going to be got from journal, articles, news, and previous research.

3.4.3 Data Collection

First, before doing the data collection, focus of research and list of topic for interview were being prepared. It is important to do since the interview method is semi-structured where the flow of interview should be in the track to answer the research questions (not out of topic), thus the objective of the interview could be achieved. After preparing the research topics, looked for interviewee that fulfills all of the criteria of this research were being done. Here, the sampling strategy that being explained in sampling method were implemented. The contact of targeted interviewee were being searched (whether email, handphone number, office number, or social media) and interviewee then contacted to confirm whether they matched enough to fulfill the sample criteria and willing to participated in the research. If they are showing the positive answer then appointment will be made. Here total of 19 invitation of interview were being delivered (not in the same time), 8 MSMEs confirmed to participate, 7 rejected, while another 4 has no response. Then, after setting the appointment with targeted interviewee, preparation of equipments for interview were being done such as stationery, list of topic, letter of confirmation for doing interview, notes, and voice recorder. The final things to do are the data collection itself which is interview.
3.5 Analysis

Analysis for qualitative research already began before entering the research field, during research in the research field, and also after entering the research field (Nasution, 1998; Sugiyono, 2010). It begin since the very first time the problem identified, description of problems, before entering the research field and will always continue until researcher draw the result of research. However the process of qualitative research will focus more during the research in the field and with the data from research in the field. Thus, this is what also being done in this research in order to answer the research questions. Researcher defines the analysis into three steps which are pre-research analysis, research analysis, and post research analysis.

3.5.1 Pre-Research Analysis

Pre-research analysis is being done before researcher entering the research field. In this step, analysis is focused on studying the literature for theoretical review as well as previous research. The analysis for theoretical review will decide the research focus (see the theoretical framework) and help to analyze the data structurally, effectively, and efficiently. However, this research focus is still temporary and could be developed during research in the field. In the other hand, analysis for previous research will be used in the triangulation step as comparison with the findings of this research.

Pre-research analysis is also being done in deciding the most probable sample for this research (as this research use purposive sampling). The analysis to decide the sample include making list of MSMEs that already entered international market, reviewing information about MSMEs in the list, and making a list of targeted sample (read sampling for details).
3.5.2 Research Analysis

Research analysis is being done with the data from research in the field. In analyzing the data, researcher adopted Miles and Huberman (1994) interactive model where they stated that data analysis in qualitative is being done interactively and will continue until the result of analysis saturated. The analysis activity in Miles and Huberman model could be divided into three, they are; data reduction, data display, and data conclusion drawing/verification.

a. Data Reduction

Miles and Huberman (1994) describe this first of their three elements of qualitative data analysis as data reduction. Data reduction refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written up field notes or transcriptions. Not only do the data need to be condensed for the sake of manageability, they also have to be transformed so they can be made intelligible in terms of the issues being addressed. With data reduction, it will create a clearer picture about the answer of research questions and make it easy for researcher to collect the next data if needed.

The method that is being used in data reduction for this research is coding. Coding is the process of organizing and sorting data. Codes serve as a way to label, compile and organize data. They also use to summarize and synthesize what is happening in the data. In linking data collection and interpreting the data, coding becomes the basis for developing the analysis. In the process of data coding, researcher will use computer software named MAXQDA 11 (Release 11.0.11) to simplify the process. The coding pattern that will be use in this research will be considered through several characteristics (Hatch, 2002), they are:

a) Similarity (things happen the same way)
b) Difference (they happen in predictably different ways)
c) Frequency (they happen often or seldom)
d) Sequence (they happen in a certain order)
e) Correspondence (they happen in relation to other activities or events)
f) Causation (one appears to cause another)

First, coding will applied to all of the transcripts of interview. After that, the there will be filtering of the codes, whether it is important or not, whether it is correlate with the research or not. At last, all of the remaining codes will be categorized based on the focus topic of the research.

b. Data Display

Data display is the second element in Miles and Huberman's (1994) model of qualitative data analysis. Data display goes a step beyond data reduction to provide an organized, compressed assembly of information that permits conclusion drawing. A display can be an extended piece of text or a diagram, chart, or matrix that provides a new way of arranging and thinking about the more textually embedded data. Data displays, whether in word or diagrammatic form, allow the analyst to extrapolate from the data enough to begin to discern systematic patterns and interrelationships. In this research the data display will be done after coding. Data display will begin with summarizing data per topic focus based on coding to give systematically and transparency in the process of analysis. Besides, in the summarizing, examining, comparing, discussing, data and information will also applied in this step.

c. Data Conclusion Drawing/Verification

This activity is the third element of qualitative analysis which is data conclusion drawing/verification (Miles and Huberman's, 1994). Conclusion drawing involves stepping back to consider what the analyzed data mean and to assess their implications for the questions at hand. Verification, integrally linked to conclusion drawing, entails revisiting the data as many times as necessary to cross-check or verifies these emergent conclusions. In this research, in order to draw the data
conclusion/ verification, researcher will use data triangulation. Data triangulation entails gathering data from several resources so that a variety of people are gathered. Here, if the data have not saturated enough or the current result is not satisfied enough for researcher, new data from new sample will be collected. Triangulation itself already is done since the data reduction and will always continue until the end of research analysis. It is also means that that the process of conclusion drawing/ verification also already being considered since the very first step of research analysis and will always continue until the end.

3.5.3 Post Research Analysis

Post research analysis is conducted after the main analysis (which is in the research analysis). The post research analysis includes pin pointing and summarizing the result of research as well as considering the appropriate recommendation for the research.
Figure 3.1 Analysis Framework illustrated by researcher by adopting interactive analysis method by Miles and Huberman (1994)
3.6 Quality and Ethic of Research

3.6.1 Quality of Research

Meyrick (2006) stated that there are two key common principles that should be fulfilled by good quality quantitative research, they are *transparency* and *systematicity*. Thus he suggests a choice of techniques to establish rigour at each stage within the qualitative research process that represents a range of epistemological approaches. After considering the techniques suggested, then researcher choose to use technique research framework as below to represent the quality in this research.

![Quality of Qualitative Research Framework](image)

*Figure 3.2 Quality of Qualitative Research Framework*
a. Validity

- **Internal Validity (Credibility)**
  Credibility is being done to fulfill the value of trustworthiness of the data and information that gathered. It means that the result of research could be believed by all of the readers critically and interviewee as informer. In this research, researcher adopted the methods that being introduced by Sugiyono (2010) to achieve the credibility of research, they are; research extension, increase persistence, triangulation, negative case analysis, and peer discussion.

- **Research extension and increase persistence**
  The research started from October until December 2014, however data collection just started from the end of November until end of December. During October until middle of November, researchers are focused in analyzing the background of study, formulating the research problems, and doing pre-research analysis which include theoretical review, previous research, as well as constructing the right methodology for research. At the end of December, researcher has interviewed 5 MSMEs. But, because of validity, researcher then extended the research until January and interviewed 3 more MSMEs. Researcher chose one more MSMEs for data analysis to make sure that the data is saturated enough and no new things found. As for two other of MSMEs, researcher used them for negative cases and peer discussion. Besides, during the data analysis, researcher also increased persistence by rechecking all of the coding over and over, filtering and categorizing the coding, formulating data display that suits the description of each MSME, until interpreted carefully the data analysis into result.

- **Triangulation**
  Triangulations will also being done to increase validity. There are two triangulation that will be use in this research, they are; data triangulation and theoretical triangulation. Denzin as being cited by Lain and Ghorbani (2015) stated that data triangulation entails gathering data from several resources so that a variety of people
are gathered while theoretical triangulation refers to the use of more than one theoretical position in interpreting data. Data triangulation already began since the second until sixth interview, from the beginning until data is saturated and no new things found. In this research, the interview for data analysis in chronological order started from Peter Says Denim, Folta & CO, Voyej, Bluesville, Deaur, and Oldblue.co. Up until the fourth interview, actually the data already began to saturate and finally researcher decided to stop the data gathering for analysis in fifth interview since there are no new findings found. However, to make sure that the data already saturated, researcher then add 1 more samples. Theoretical triangulation is being done in interpretation of data where result analysis from findings will be compared with the previous research and this is what researcher will do together with negative case and peer discussion.

- **Peer Discussion and Negative Case Analysis**

Negative analysis is being done to samples that appear to have different cases but do internationalization also from inception. Negative case in this research derived from result of interview with Bagteria where in this case Bagteria have different types of products than others (which is high fashioned). Peer discussion will also being done with one of the MSMEs in Indonesian fashion industry that categorized as INVs to increase the validity. Peer discussion analysis derived from the result of discussion with Chevalier.

- **External Validity (transferability)**

External validity test carried out if the results of research conducted in the context (setting) can be transferred to certain other subjects that have the same typology. Since the findings of a qualitative project are specific to a small number of particular environments and individuals, it is impossible to demonstrate that the findings and conclusions are applicable to other situations and populations (Erlandson et al, 1993). However, Bassey (1981) proposes that, if practitioners believe their situations to be
similar to that described in the study, they may relate the findings to their own positions. Thus, it is the responsibility of the researcher to ensure that sufficient contextual information about the fieldwork sites is provided to enable the reader to make such a transfer. The sufficient thick description of the phenomenon under research must be provided in this research to allow readers to have a proper understanding of it, where thereby enabling them to compare the instances of the phenomenon described in the research report with those that they have seen emerge in their situations. Several additional information must be considered before any attempts at transference are made (Shenton, 2004). Thus information on the following issues will be given at the outset of this research:

a) The number of organizations taking part in the study and where they are based (page 58-63)

b) Any restrictions in the type of people who contributed data (page 42-45)

c) The number of participants involved in the fieldwork (page 58-63, appendix)

d) The data collection methods that were employed (page 38-41, 48)

e) The number and length of the data collection sessions (page 92)

f) The time period over which the data was collected (page 92)

Besides, in order to assess the extent to which findings may be true of people in other settings, similar projects employing the same methods but conducted in different environments could well be of great value. Thus this research is not only focused in Jakarta, but also Bandung.

b. Reliability (Dependability)

Reliability means that the researcher employs techniques to show that if the work were repeated in the same context, with the same methods and with the same participants, similar results would be obtained. However, Fidel (1993) and Marshall & Rossman (1999) stated that the changing nature of the phenomena scrutinized by qualitative researchers create such provisions problematic in their work. The situation
on the field may change as the time pass by thus even the same method where implies, the result might not be the same. Hence, in order to address the reliability in this research, the processes within the study will be reported in detail, thereby enabling a future researcher to repeat the work, if not necessarily to gain the same results (Shenton, 2004). Here, the research design may be viewed as a “prototype model” such as the interview guideline and transcripts, research methodology, and theoretical framework. To enable readers of the research report to develop a thorough understanding of the methods and their effectiveness, this research will include sections devoted to:

a) The research design and its implementation, describing what was planned and executed on a strategic level (page 53)

b) The operational detail of data gathering, addressing the minutiae of what was done in the field (page 38-41, 48, and appendix)

3.6.2 Ethic of Research

Ethics related to research calls for respecting privacy and confidentiality, and being transparent about the use of data (Wilson, 2010). During our interviews, researcher informed the respondents that it was possible to be anonymous and omit business secrets, or to inform researcher what needed to remain a business secret. Researcher also stressed these possibilities in the feedback, as researcher did not want this research to harm the firms or the respondents.
4.1 MSMEs Profile

4.1.1 MSMEs for Data Analysis

a. Peter Says Denim

Peter Says Denim was originally founded by Peter Firmansyah in November 2008. Peter Says Denim (PSD) is a music influenced brand specializing in high quality denims, apparels and accessories. Made in Bandung, Indonesia, PSD stocks online, made available to various parts of Asia including Singapore and Malaysia and also in USA and Canada. Now, they also available in offline store in Bandung, Canada, and Japan. Since their inception in 2008, PSD have worked and partnered with various companies and organizations, like Truth Custom Drums, Skate4Cancer, Fearless Records, etc. Supporting internationally renowned bands like August Burns Red, Sleeping With Sirens and Mayday Parade, to name a few. PSD branched out with PSD Records, a music label and Lucky Peter Tattoo, a tattoo company.
b. Folta.co

Based in Jakarta, Folta & Co. is Indonesia premium jeans maker established in 2010. It was originally started by 5 young entrepreneurs that have passion in denim. Folta & Co is American denim influenced. Taking the concept of selvedge denim, they sell their products via online. Now, they already reach several country in Europe, Malaysia, Singapore, and Australia and in addition to their jeans collection, they also make several clothing items with premium fabric and stitched with vintage sewing machines.

c. Voyej

Voyej is a leather goods specialist brand which based their operation on Jakarta. It was first establish by five students from one of private university in Indonesia, they are; Stephen Khrisna, Ivan Ariwibowo, Yossi Permana, Oktavianus Andika, and Aradea Respati. Through the handmade crafting of leather goods and chosen materials, they bring the design that fits into the present lifestyle. As the leather age, the color becomes more mature. Beginning their business with online shop, now their product available in several offline stores inside the country and outside the country. They
successfully internationalized their business and sold their product to US, Australia, Singapore, Canada, Hongkong, Europe, Korea, Malaysia, Italy, and Sweden.

d. Bluesville

Bluesville was created by 3 young entrepreneurs in 2011, based in Jakarta. They are inspired by Indonesian tradition especially batik and tenun, which extracted its color directly from nature. Thus, they would like to create a unique character of color that cannot be replicated by man-made dye in their products. By using natural color from natural resource, they believe that they could create high quality of products although the process of production takes more time and efforts to do. In the beginning, they are focusing their products in apparels however now they already have another line of products such as pants, bag, accessories, and even carpet. They sold their products via online in their website and already reached every continent in the worlds, especially Europe, America and Australia. They also available in offline store in several Asian countries such as Taiwan, Hongkong, and Singapore.
Deaur is an originally handcrafted leather goods brand based in Bandung. It was establish in 2012 by two young entrepreneurs namely Amanda Meilitha and Aziz Surah. With the use of local material and resources, they decided to produce limited pieces instead of mass-produced of leather goods. They continue to stick to their commitment and concentrate harder on producing high quality goods. With consistency, they try their best to produce functional and unique products. Their signature product is leather bag with variant models targeted for urban people both man and woman, such as tote bag, backpack, and messenger. Besides, they also made wallets, key chain, ring, and other leather accessories. Even though they just established their business in 12-12-12, their customer already reached French and several countries in Europe such as UK, London, Peso, and Manchester.

Oldblue.co is first established in 2010 by Ahmad Hadiwijaya, a management student from Indonesia University. Inspired by the working class throughout the days, from
cowboys, mine workers, factory workers, and every blue collar workers who shed their sweat every day, Oldblue Co. bring back the essence of jeans which is a clothing to be worn outside and an everyday wear. He started his business in Jakarta and offered a pair of jeans in the simplest and the most basic possible way. Every pair of Oldblue Co. jeans are cut and sewn by the hand of talented and hard working Indonesian workers. Now, Oldblue.co is not only available in jeans but also apparels and accessories such as jacket, t-shirt, wallet, belt, etc. Their online store already reached many buyers in America, Thailand, Hongkong, French, Germany, Norway, Russia, and another Europe countries. Moreover, their besides distributed their products in several offline stores in Indonesia, they also successfully become one of the American store supplier.

4.1.2 MSMEs for Validity

a. Chevalier

Chevalier was founded by Egar Putera Bahtera, one of student in Indonesian public university. This business started from his passion for collecting shoes since senior high school. After research for about 9 months, he finally started his business on April, 25th 2011 with based in Bandung. He cooperated with experts who have many years of experience in fashion. He also invited experienced tailor in Jakarta which is one of best shoes maker in Indonesia to work together to create the latest and best design of their product. Focusing his products in footwear at first, now Chevalier also available with other fashion products such as apparels, wallet, and bag. Through his online store, he successfully reached customer from various part of world such as America, Australia, and Singapore. In 2014, the Indonesian Ministry of Trading even delivered their appreciation for Chevalier as one of local products that make Indonesian proud in International market.
b. Bagteria

Bagteria is haut couture exclusive bag brand designed by Nancy Go. Started their business in 2000 below PT. Metamorfosa Abadi, Bagteria is not really well-known inside the country because Nancy together with her husband, Bert Ng, decided to sell most of their products outside Indonesia and it turned to big success for them. Started their business with only by 5 crafter in a small building in front of their house, now Bagteria has conquered Hong Kong, Japan, USA, Milan, Paris, Uni Emirate Arab and many parts of the world and they are so popular among the world class celebrities, such as Paris Hilton and Emma Thompson. They also employed more than 100 crafters because of high demand of their products especially in Hong Kong, Japan, America, and Europe. There are so many elements in her bag that turns her bag into a piece of art with background of stories in each of it. She even uses precious stones, swarovski crystal, gold platted, and sterling silver until the mammoth's trunk in her design to create uniqueness.
### 4.1.3 Compilation of MSMEs Profile

<table>
<thead>
<tr>
<th>No</th>
<th>Name of MSMEs</th>
<th>Year of Establishment</th>
<th>Year of Operational</th>
<th>Signature Product</th>
<th>Other Products</th>
<th>Size of Firm</th>
<th>Total Employee</th>
<th>Total Asset (not included land and building)</th>
<th>Total Turnover (per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Peter Says Denim</td>
<td>2008</td>
<td>2008</td>
<td>Denim Jeans</td>
<td>Apparels, Accessories, Jacket, Bag, Sandals</td>
<td>Medium</td>
<td>35 people</td>
<td>3 trillion</td>
<td>12 billion</td>
</tr>
<tr>
<td>2</td>
<td>Folta &amp; CO</td>
<td>2009</td>
<td>2010</td>
<td>Denim Jeans</td>
<td>Apparels</td>
<td>Micro</td>
<td>6 people</td>
<td>150 million</td>
<td>60 million</td>
</tr>
<tr>
<td>3</td>
<td>Voyej</td>
<td>2010</td>
<td>2011</td>
<td>Wallet</td>
<td>Others Accessories, Bag, Shoes</td>
<td>Medium</td>
<td>8 people</td>
<td>1 billion</td>
<td>2.9 billion</td>
</tr>
<tr>
<td>4</td>
<td>Bluesville</td>
<td>2011</td>
<td>2012</td>
<td>Apparels</td>
<td>Pants, Accessories, Bag, Carpet</td>
<td>Small</td>
<td>6 people</td>
<td>700 million</td>
<td>400-550 million</td>
</tr>
<tr>
<td>5</td>
<td>Deaur</td>
<td>2010</td>
<td>2012</td>
<td>Bag</td>
<td>Accessories</td>
<td>Micro</td>
<td>3 people</td>
<td>50 million</td>
<td>80 million</td>
</tr>
<tr>
<td>6</td>
<td>Oldlues.co</td>
<td>2010</td>
<td>2010</td>
<td>Denim Jeans</td>
<td>Apparels, Accessories, Bag</td>
<td>Small</td>
<td>5 people</td>
<td>450 million</td>
<td>840 million</td>
</tr>
<tr>
<td>7</td>
<td>Chevalier</td>
<td>2010</td>
<td>2011</td>
<td>Footwear</td>
<td>Apparels, Accessories, Bag</td>
<td>Medium</td>
<td>13 people</td>
<td>700 million</td>
<td>2.7 million</td>
</tr>
<tr>
<td>8</td>
<td>Bagteria</td>
<td>2000</td>
<td>2000</td>
<td>Bag</td>
<td>-</td>
<td>Medium</td>
<td>250 people</td>
<td>(confidential)</td>
<td>Around 3.4 trillion</td>
</tr>
</tbody>
</table>

*Table 4.1 Compilation of MSMEs Profile*
<table>
<thead>
<tr>
<th>Micro Enterprises</th>
<th>Clothes and Apparels</th>
<th>Pants</th>
<th>Accessories</th>
<th>Bag</th>
<th>Footwear</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) Folta</td>
<td>(2) Folta</td>
<td>(5) Deaur</td>
<td>(5) Deaur</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Small Enterprises</td>
<td>(4) BluesVille</td>
<td>(4) BluesVille</td>
<td>(4) BluesVille</td>
<td>(4) BluesVille</td>
<td>-</td>
</tr>
<tr>
<td>(6) OldBlue.co</td>
<td>(6) OldBlue.co</td>
<td>(6) OldBlue.co</td>
<td>(6) OldBlue.co</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medium Enterprises</td>
<td>(1) Peter Says Denim</td>
<td>(1) Peter Says Denim</td>
<td>(1) Peter Says Denim</td>
<td>(1) Peter Says Denim</td>
<td>(1) Peter Says Denim</td>
</tr>
<tr>
<td>(7) Chevalier</td>
<td>(7) Chevalier</td>
<td>(3) Voyej</td>
<td>(7) Chevalier</td>
<td>(8) Bagteria</td>
<td>(7) Chevalier</td>
</tr>
</tbody>
</table>

Table 4.2 Compilation of MSMEs Variability

4.2 Findings

In this data analysis, the process of coding will not be shown, however it could be seen in the Appendix. These data analysis will only focusing in reporting the findings (result of coding) of 6 MSMEs which are Peter Says Denim, Folta & Co, Voyej, Bluesville, and Oldblue.co while another two which are Bagteria and Chevalier MSMEs will be use as validity.

4.2.1 INVs Internationalization Goals

After coding the entire interview transcripts, it is found that there are several goals that motivated MSMEs in Indonesian fashion industry for internationalizing their business
since the early stages. The result of the coding clustered into 3 categories of influencer, they are: Indonesian market environment, foreign market environment, and company’s own purposes. The detail of internationalization goals findings could be seen in table 4.3 in below, while the frequency of coding derived from interview transcript between author and interviewee is shown in table 4.4. The table of frequency shows how many of codes in the interviewee during the statements indicate the related internationalization goals.

<table>
<thead>
<tr>
<th></th>
<th>To cover high research and development cost</th>
<th>To gain more experiences in business</th>
<th>To increase sales by entering new market (country side)</th>
<th>To increase sales in existing market aboard</th>
<th>To get competitive price in international market</th>
<th>To increase pride of Indonesia in International</th>
<th>To increase sales in domestic market by international branding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4.3 Findings of internationalization goals

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Goals influenced by companies own purposes</th>
<th>Goals influenced by foreign market environment</th>
<th>Goals influence by Indonesian market environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>PETER SAYS DENIM</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>FOLTA &amp; CO</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>VOYEL</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>1</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>DEAUR</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>OLDBLUE.CO</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 4.4 Frequency of coding for internationalization goals in interview’s transcript

From the table of coding frequencies above, several information could be derived and concluded. It can be seen that each of MSMEs have different influencer and goals for going in early internationalization. As for Peter Says Denim, their internationalization
goals are more influenced by the their own purposes and Indonesian market environment, Folta & CO are influenced by companies own purposes and foreign market environment, Voyej are influenced totally from their own purposes, Bluesville are influenced by their own purposes, foreign market environment, and Indonesian market environment, Deaur are influenced by their own purposes and foreign market environment, while Oldblue are influenced totally from Indonesian market environment. From overall of the findings it could be conclude that most of the MSMEs internationalization goals influenced by companies own purposes, followed by Indonesian market environment, and foreign market environment. For the goals influenced by companies own purposes itself, three of MSMEs stated that they go for early internationalization to gain more business experiences.

4.2.2 Functional Management Analysis

From functional management analysis, researcher found that early internationalization impact on giving more advantages other than disadvantage to the functional management of MSMEs. Below, author will describe the findings one by one per its functional management.

a. Marketing

In marketing perspective, early internationalization impact in giving incentive to keep innovative in marketing promotion, increase the brand image awareness, and able to set higher price (intentionally, not only because the adjustment of dollar). Two of MSMEs during the research stated that early internationalization make them keep innovative not only in designing the product but also in doing their marketing promotion. Then, all of MSMEs stated that early internationalization give significant impact to increase the awareness of their brand, thus their brand is more familiar especially inside the country. This brand awareness then also leads to the increasing of buyer and purchasing decision inside the country. At last two MSMEs stated that
through international selling, they also able to set higher prices for their product. The findings are shown in table 4.5 below.

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Incentive to keep innovative in marketing promotion</th>
<th>Increase brand image awareness</th>
<th>Setting higher price for international selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>FOLTA &amp; CO</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>DEAUR</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>OLDBLUE.CO</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 4.5 Frequency of coding for marketing perspective analysis in interview’s transcript for impact of early internationalization

b. Production and Operation

In production and operation perspective, early internationalization impact in making all of the MSMEs have higher production and operational standard. From the coding of all MSMEs transcript, it is found that because of early internationalization, all of them have a very high production and operational standard in their production and operation such as the quality control, inspection, quality of products, and operational standard. The findings are shown in table 4.6 below.

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Higher production and operational standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>1</td>
</tr>
<tr>
<td>FOLTA</td>
<td>1</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>1</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>2</td>
</tr>
<tr>
<td>DEAUR</td>
<td>1</td>
</tr>
<tr>
<td>OLDBLUE.COH</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 4.6 Frequency of coding for production and operation perspective analysis in interview’s transcript for impact of early internationalization
c. Procurement

In procurement perspective, early internationalization impact in making all of the MSMEs finding the best resources to ensure the quality of their products. First, from the raw material side, most of them seek to derive the advantages from availability of high quality material resources outside the country because according to them in order to create different products they have to use different resource, thus they mostly use material resource from aboard. However, research found two of them still mostly use local material resources which according to them also have good quality. Besides, to ensure the quality of the production, two of MSMEs use service from experienced vendor to make the products that they want while other who done their own production choose to import the tools and machineries from aboard. Some of them who done their own production also even hire craftsmen. The findings are shown in table 4.7 below.

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Use raw material mostly from Indonesia</th>
<th>Use raw material mostly from aboard</th>
<th>Import machines and tools from aboard</th>
<th>Hire Craftsmen</th>
<th>Use vendor services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>FOLTA</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>DEAUR</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>OLDBLUE</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>BACTERIA</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*Table 4.7 Frequency of coding for procurement perspective analysis in interview’s transcript for impact of early internationalization*

d. Human Resources

In human resource perspective, there are no significant findings towards the impact of early internationalization other than gaining more knowledge and experiences in business. 3 of MSMEs stated that they learn more and got experiences so far in their business especially in how to meet international standard product and handling
international customer (B2B) and retailer (B2C). The findings are shown in table 4.8 below.

<table>
<thead>
<tr>
<th>Document name</th>
<th>Increase knowledge and experiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>0</td>
</tr>
<tr>
<td>FOLTA</td>
<td>1</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>1</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>1</td>
</tr>
<tr>
<td>DEAUR</td>
<td>1</td>
</tr>
<tr>
<td>OLDBLUE</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 4.6 Frequency of coding for human resource perspective analysis in interview’s transcript for impact of early internationalization

e. Research and Development

In research and development perspective, early internationalization impact in making the MSMEs keep updating and getting new ideas from international market trend and creating innovative development of products. Three of MSMEs stated that since they internationalized their business in early stages, updating and getting new ideas from international market trend is already become their routine activity to make sure that their product will always competing enough. Besides, two of MSMEs stated that they always creating new product development to keep competitive in the market. The findings are shown in table 4.9 below.

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Keep updating and getting new ideas from international market trend</th>
<th>Innovative development of products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>FOLTA</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>DEAUR</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>OLDBLUE</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 4.9 Frequency of coding for research and development perspective analysis in interview’s transcript for impact of early internationalization
f. Finance

In finance, internationalization for some MSMEs do not give significant impact other than adjustment of payment system through paypal, however for several MSMEs, internationalization give them higher profit than international selling because they are selling their product to international market in higher prices than in domestic market (as being stated before in marketing perspective). The findings are shown in table 4.10 below.

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Higher profit from international selling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>0</td>
</tr>
<tr>
<td>FOLTA</td>
<td>0</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>1</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>0</td>
</tr>
<tr>
<td>DEAUR</td>
<td>0</td>
</tr>
<tr>
<td>OLDBLUE</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 4.10 Frequency of coding for finance perspective analysis in interview’s transcript for impact of early internationalization

4.2.3 Resources Analysis

a. Organizational Resources

From organizational resources, procedures and techniques that MSMEs has developed for the necessary of success in the business clustered into two groups which are good service and firm’s organization strategies. They are as shown as below.
### Table 4.11 Frequency of coding for organizational resources analysis in interview’s transcript

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Good service</th>
<th>Firm’ organization strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Job division</td>
</tr>
<tr>
<td>Peter Says Denim</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>FOLTA</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>DEAUR</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>OLDBLUE</td>
<td>3</td>
<td>1</td>
</tr>
</tbody>
</table>

All of MSMEs stated that providing good service is an essential need to increase sales especially for international sales. Good service includes getting in touch with customers, quickly respond their questions, provide them with information about the product (educating the market), and handling complaints from them. In the other hand, all of MSMEs also stated that creating firm’s organization strategies are also important. The most essential needs are to apply clear job division (according to 4 of MSMEs) and emphasize one vision and mission for team work (according to 4 MSMEs).

#### b. Individual Resources

From individual resource, findings clustered into three groups, they are; characters, skills, individual knowledge and experiences. First, researcher identified four similar characters of all founders describe in interview transcript, they are; confident, trustworthy, commitment, and innovative. Confident is state of being certain they are capable of doing something. Committed are those who wholeheartedly dedicated to do the job continuously. Innovative are those who could create or introduce something different. The frequencies of coding for these characters are shown as below.
Second, researcher also identified four similar characters that have by almost all founders when they implement INVs internationalization approach for their firms, they are; technological skill, networking skill, opportunity recognition skill, and trend spotting skill. Technological skill is ability to maximally use the technology as tools to increase sales such as us use of internet, establishing online stores, social media promotion, forum based marketing, etc. Networking skill is ability to building and maintaining contact or relation with other people. Opportunity recognition skill is ability to perceive opportunities surround them. Trend spotting skill is the ability to recognize and predict future trend. The frequencies of coding for these skills are shown as below.

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Confident</th>
<th>Committed</th>
<th>Innovative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>FOLTA &amp; CO</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>DEAUR</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>OLDBLUE. CO</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

*Table 4.12 Frequency of coding for individual resource analysis in characters*

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Technological skill</th>
<th>Networking skill</th>
<th>Opportunity recognition skill</th>
<th>Trend Spotting skill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>FOLTA</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>7</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>DEAUR</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>OLDBLUE</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

*Table 4.13 Frequency of coding for individual resource analysis in skills*
Lastly, researcher found interesting thing that all of MSMEs started their business with passion and knowledge about related products. In the side of business educational background and experience in the same industry, the result is varying. Some have experiences in the same industry but did not have proper business educational background. Some are in the opposite where they have business educational background but did not have experience in the same industry. However, there are also those who have both experience in the same industry and business educational background and even do not have both. The result is being shown in table below.

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Experience in the same industry</th>
<th>Business educational background</th>
<th>Passion and knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>FOLTA</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>DEAUR</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>OLDBLUE</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Table 4.14 Findings of individual resource analysis in knowledge and experiences*

c. Physical Resources

From physical resources, MSMEs in Indonesian fashion industry that go for early internationalization stated that in order to enter international market, they need to create high quality and innovative products. Thus, they prefer to seek valuable or even rare physical resources in order to create different products in the market compare with available products in the market. Valuable means that the resources are in high quality and have special uniqueness. Rare means that resources are limited and hardly to get. The physical resources indentified in this research include raw material, machineries, and tools.

Besides, in the resources processing stage, they also stated that international market really appreciate conventional production where all of the products are handmade and not a mass production like what being done in the factory. Through conventional
production, the standard of production and quality of products can be guarantee rather than mass production because products are being made one by one, detail per detail.

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Machineries</th>
<th>Raw Material</th>
<th>Tools</th>
<th>Conventional production concept</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>-</td>
<td>Japanese denim and high quality local denim, premium local fabric and materials</td>
<td>-</td>
<td>Handmade tailoring by Indonesian crafter</td>
<td>High quality of fashion products</td>
</tr>
<tr>
<td>FOLTA</td>
<td>America union special vintage machineries and German special machineries</td>
<td>American denim (selvedge denim), premium local fabric and materials</td>
<td>-</td>
<td>Handmade tailoring with vintage sewing machines</td>
<td>High quality of vintages American selvedge denim and fashion products</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>-</td>
<td>American imported vegetable-tanned leather goods</td>
<td>-</td>
<td>Handmade crafting by Indonesian crafter</td>
<td>Durability and maturity process of color in the goods produced</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>-</td>
<td>Indigo and others plant, Chinese and panama buttons, hand-woven fabrics, Asian sewing</td>
<td>-</td>
<td>Handmade tailoring and natural hand-dyeing process</td>
<td>High quality natural dyed goods</td>
</tr>
<tr>
<td>DEAUR</td>
<td>-</td>
<td>High quality local leathers and materials</td>
<td>Imported grittier knife and others tools</td>
<td>Handmade crafting by Indonesian crafter</td>
<td>Durability, comfort, and high quality leather goods products</td>
</tr>
<tr>
<td>OLDBLUE</td>
<td>America union special vintage machineries</td>
<td>American denim (selvedge denim), premium local fabric, Japanese denim</td>
<td>-</td>
<td>Handmade tailoring with vintage sewing machines</td>
<td>High comfort and quality working jeans with and fashion products</td>
</tr>
</tbody>
</table>

*Table 4.15 Summarize of MSMEs physical resources*
d. Financial Resources

From financial resource, all of MSMEs in fashion industry started their business with 40 million average of capital. Four of them who stated that they did not have difficulties in gathering the money, one stated that they need for about one year to gather the money while another use their link for production and pay it back in certain time. Table below shows the capital that being used to establish their business.

<table>
<thead>
<tr>
<th>Document name</th>
<th>Beginning capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>20 million</td>
</tr>
<tr>
<td>FOLTA</td>
<td>37.5 million</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>40 million</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>40 million</td>
</tr>
<tr>
<td>DEAUR</td>
<td>20 million</td>
</tr>
<tr>
<td>ODBLUE</td>
<td>40 million</td>
</tr>
</tbody>
</table>

Table 4.16 Summarize of MSMEs beginning capital

With this amount of capital they started their business mostly by selling their products in the domestic market while at the same time trying to sell internationally through internet/online stores. Even though they have international vision from inception, they realized that they were still in their product development and very limited in their production capacity. Besides, because they still did not have any strong network to international market, they also need time to build it. Thus, even they successfully enter their product to international market, the selling is still unstable.

In the next step, when they have made certain selling in international market, most of them stated that they need more money to let them survive and increase their presence significantly in international market. In order to survive in international market, they have to improve their production quality and innovation while in order to increase their presence significantly they need more marketing expense, thus they investing back their profit for the growth their growth. Below is the table of frequency of findings in this case.
MSMEs | More money for marketing expense | More money for product improvement |
--- | --- | --- |
Peter Says Denim | 0 | 0 |
FOLTA | 1 | 1 |
VOYEJ | 1 | 0 |
BLUESVILLE | 2 | 2 |
DEAUR | 2 | 0 |
OLDBLUE | 0 | 0 |

Table 4.17 Frequency of coding for financial resources analysis in interview’s transcript for impact of early internationalization

4.2.4 INVs Strategies Formulation Analysis

a. INVs Types

From the analysis of INVs types in this research, researcher only could found 2 types of INVs that being use by MSMEs in fashion industry in their early internationalization, they are export/import startup and multinational trader. As stated in the theoretical review in chapter II, both export/import startup and multinational trader does not internationalize any significant value chain activities, but main things that differ both is export/import startup only targeted to sell its output in the foreign market of limited scope while multinational trader seeks to enter worldwide market without limited scope. Here, MSMEs that categorized as export/import startup is only Deaur which only operates in two continents and mostly only in around two countries. All others MSMEs except Deaur are categorized as multinational trader where they operate mostly in four continents with higher number of countries.
Table 4.18 Summaries for INVs Type Analysis

b. Operation Internationalization Strategies

From the analysis of operation internationalization strategies in this research, researcher only identified one types of operation internationalization strategies that being use by all of MSMEs in their internationalization strategies, which is international strategy. Researcher could conclude because this research found that all of MSMEs face low cost reduction and local customization pressures. All of MSMEs are making innovative and well as high quality product to be able to enter the international market from inception, thus they use unique resources which lead to high price in the product itself. In this research, researcher only used the signature product of each MSME to be effectively in comparing the price. Below are the table of signature products price of all MSMEs participated in this research conclude from interview and their online stores.

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>Price of signature products</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>IDR 375.000 – IDR 950.000</td>
<td><a href="http://www.petersaysdenim.com/">http://www.petersaysdenim.com/</a></td>
</tr>
<tr>
<td>FOLTA</td>
<td>IDR 700.000 – IDR 1.100.000</td>
<td><a href="http://folta.co/">http://folta.co/</a></td>
</tr>
<tr>
<td>VOYEJ</td>
<td>IDR 549.000 – IDR 1.249.000</td>
<td><a href="http://www.voyejstore.com/">http://www.voyejstore.com/</a></td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>IDR 250.000 – IDR 2.000.000</td>
<td><a href="http://www.thebluesville.com/">http://www.thebluesville.com/</a> and interview transcript</td>
</tr>
<tr>
<td>DEAUR</td>
<td>IDR 599.000 – IDR 1.359.000</td>
<td><a href="http://deaur.com/">http://deaur.com/</a></td>
</tr>
<tr>
<td>OLDBLUE</td>
<td>IDR 1.400.000 – IDR 2.150.000</td>
<td><a href="http://oldblueco.net/">http://oldblueco.net/</a> and interview transcript</td>
</tr>
</tbody>
</table>

Table 4.19 Summaries of price for MSMEs signature products

By looking at the table of signature price above, it can be seen that all of MSMEs set high price for their product and did not face any low cost reduction. Then, from the
local customization pressures, all of MSMEs are still producing the same products without adapting or considering the pressure of local customization. Some of them only set cheaper price for local market compared to when they are selling their products in international market.

c. Entry Mode

From the research, researcher only identified one entry mode that being use by MSMEs to enter international market which is exporting. All of them tend to use the simplest way to implement internationalization, which is in this case by exporting, because this is the fastest and the cheapest way to do where they could take full control over their technology and production (compared to licensing and franchising). The types of transaction that they implied in their exporting system can be B2C (Business to Customer) or B2C (Business to Business). The detail of information regarding which MSMEs have done B2C and B2B are being shown in table below.

<table>
<thead>
<tr>
<th>MSMEs</th>
<th>B2C</th>
<th>B2B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peter Says Denim</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>FOLTA</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>VOYEJ</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>BLUESVILLE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>DEAUR</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>OLDBLUE</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 4.20 Summaries MSMEs transaction types in exporting

B2C is being use by all of MSMEs in the beginning of their establishment until now. It is the simplest way of transaction where they can get in touch with their customer directly. In certain ways, to get the customer in B2C, it might need budget or even no budget at all. In the first time of establishment usually all MSMEs are going through by effectively maximizing the power of internet to get international customers where this did not need any budget at all. Method that being use is usually forum-based marketing and social media promotion. By the time goes by, if they have extra budget,
they usually join some exhibition (that targeted to customers) or even doing town to town promotion to several countries.

B2B is being use by MSMEs who already go through the next level of their sales in the international market where they want to make a consistently stabile market and significant presence in certain countries. Usually they distribute their product to retailers in some countries. The transaction in B2B depends on dealing of both sides. Some of MSMEs tend to sell their products to the retailer, importing it to them, and let them decided the price of the products in their home countries, for example here are Voyej, Bluesville, and Oldblue.co. While another MSME tend to choose for splitting the profit with the retailer with aim that they can ensure the price of their products in the retailer home countries, for example Peter Says Denim.

4.3 Validity

4.3.1 Negative Case Analysis

Negative case analysis derived from result of interview with Bagteria. The reason why researcher identified Bagteria as negative case is because in terms of products type, Bagteria have different kind of products than others which is called high couture products/ high fashioned product.

During the interview, Bagteria stated that the main reason why they internationalize their firms in early stages is because it is hard for them to sell their product domestically as they have different model of bags with very high price. The model of bag that they made is unique and has different concept with other bag while the range price for one bag is offered from IDR 2.5 – IDR 9 million. With this situation, selling only inside the country will not beneficial for them because they did not have a big market. When they go for early internationalization, they stated that they could increase their sales and even they could sell their products three times more expensive from domestic price. In terms of competitive advantages, as Bagteria is a high couture products/ high fashioned product, they emphasize their products in handmade touching.
uniqueness, authentically, high-quality, and innovative, thus they always can be different in the market. They stated that in order to get different output, different input is needed thus they ensure everything is unique, authentic, and high quality from the design, resources, product making, quality control, and other production process. Then, regarding to internal capabilities needed for going in early internationalization, Bagteria stated that the most important capabilities to enter international market are ability to produce high quality of products, spotting a trend, adapt well with international business environment, and innovative products. Last, in terms of internationalization strategy, Bagteria use a multinational trader start-up with international strategy because they did not have cost and localization pressure, and exporting entry modes. For finding B2C costumer, they use their websites and media for marketing internationalization while for finding B2B customer, they tend to send proposal and samples.

4.3.2 Peer Discussion Analysis

Peer discussion analysis derived from result of interview with Chevalier. The reason why researcher chose Chevalier as peer is because INVs is a rare and unique case where not all people familiar with it. Thus, discussing the problem directly with who has experiences is the best solution that researcher found.

First, related to internationalization goals, Chevalier stated that they internationalization goals are to get competitive price in international market, increase pride of Indonesia internationally, get new experiences, and get a branding as international products. Chevalier said that it is true that mostly Indonesian MSMEs in fashion industry who go international in early stages targeted to get a branding as international products as Indonesian customer itself prefer international product rather than local one. They believe international product to have better quality where in the same time, having it could give them prestige. Besides, early internationalization also let them get to get valuable business experiences especially in gaining new ideas from
competitors and knowledge about new unique resources that could differ their product with others.

Second, relate with competitive advantages, Chevalier mentioned that early internationalization make their business to be competed in international level and differential advantages is the competitive advantages that they achieved both in internationally and domestically as his products are different with the others in terms of design, quality, and resources. However, in the same time they also get comparative advantages where their shoes somehow still perceive to be cheap especially in Europe and they are willing to buy even though the price is twice higher than domestic price. Chevalier stated that business is dynamic, differences will always happened, and in a research we cannot hope that all the things will be the same. Their business achieved both advantages but the other business with other products might not achieve the same because of several factors.

Third, regarding to internal capabilities needed, they mentioned that good products (including high quality, innovative, and good resources), good service, and commitment are the most important internal capabilities required. Sustainable profit for growth according to them is also important as investment especially for marketing expenses while regarding to the network, the most important thing is to build the network, not depend on the current ones.

Fourth, in terms of internationalization strategy, Chevalier use a multinational trader start-up with international strategy because they did not have cost and localization pressure, and exporting entry modes. Chevalier mentioned that, it is true when business have limitation in production capacity; they will tend to sell their product in limited scope and that was the main reason why there are differences of internationalization strategy. Every business must be choosing the best choice depend on their capabilities. Chevalier also mentioned that in the first stage mostly used forum-based marketing and social media is the primary things to do in internationalization since it has very low cost, even free. In the next stage, usually
joining exhibition is being done to search more customer or business partner for distributors.

4.4 Interpretation of Results

4.4.1 INVs Internationalization Goals

a. Goals driven by companies own purposes

- To cover high research and development cost

INVs in fashion industry tend to produce high quality and innovative products that different in the market. It is proven in the research where all of the MSMEs have long time of research and development before launching their products. The duration of research in averages is one year, the shortest is 6 months. Even after selling their products, they still continue their research and development to improve their product quality or make new product development. The research and development cost a lot for MSMEs especially for those who have their own production activities (did not use services from vendor) such as Folta & CO and Bluesville. As stated by Folta & CO and Bluesville, high research and development cost impacting in higher price of their products where it do not fit the domestic market, considering that they also a new player in fashion industry. Thus, to cover high research and development cost, they go to sell their products in international market where the price of their product is better accepted. Moreover, comparing with previous research, this result is along with what being stated by Cavusgil and Knight (2009) that one of reason why venture internationalize themselves is to amortize the costs of product development and marketing across many markets. It also along with Ball et al. (2001) explanation in their research where every fundamental goal of an enterprise is it must survive to create value where here using INVs approach to cover high research and development cost is one of the way that MSMEs done in order to survive.
• **To gain more experiences in business**

Doing procurement for getting high quality raw material from domestic or even aboard, tools and machineries that mostly from aboard, or even searching for experienced vendor services are only the beginning of the business start-up experiences. After that, they have to find the way to get their product in international market in effective and efficient way. It is all being done by MSMEs in fashion industry for being INVs and it is all part of their goals for internationalizes their products in early stages. As stated by Peter Says Denim and Deaur, they chose to go for international market in their early stages, even though it needs an extra work, because they want to gain more experiences in related business, thus they could be higher than others and survive if they face any difficulties in the future. Hence, comparing with previous research, gaining more experience in business can be included as one of fundamental goal in order to survive to create value as explain by Ball et al. (2001). Moreover, this result is also supported by Armario et al. (2008), Teece et al. (1997), Sandra et al. (2002), and peer discussion with Chevalier where they explained in that internationalization and expansion could enable firms with larger learning opportunities to improve skill and gain new knowledge.

• **To increase sales by entering new market (country side)**

INVs look the whole world as market and that is what being proven in the result of this research where MSMEs always seek to enter and penetrate into the new market because they see the new market as an opportunities (such as Peter Says Denim and Voyej). According to Voyej, Domestic market is not the only market available in the world, especially in fashion industry. Thus, there are no reasons for them not to seek other market than domestic or limited market. Peter Says Denim stated that by entering diversification market, they could get opportunities to increase their sales such as get new buyer or even keep the relation with the previous buyer for the next purchasing. Moreover, comparing with previous research, this result has similarities with what Ball et al. (2001) explain in their research where increasing sales by
entering new markets is one of fundamental goal of enterprises to increase their value in business. Cavusgil and Knight (2009) also stated that enterprises internationalize themselves because they want to seek growth via market diversification.

b. Goals driven by foreign market environment

- **To increase sales from existing market aboard (product side)**

Business is dynamic where they also have different products and innovation. As stated by Bluesville, in several business such as their business, the product are complex where there are no current market inside the country that sell the same kind of product innovation and MSMEs look this as threat because they offer it with high price. Simply said they are different and expensive. This threat makes them to seek for the availability of existing market aboard where the same kind of product innovation already proven to be purchased in the market. Thus instead of domestic market, they choose market aboard because no matter what they have to increase their sales for growth. Besides, the same result is also found in negative case analysis where Bagteria stated that because their products is unique and offered in high price, it is difficult to have big market inside the country since it did not match the preference. Thus, they prefer to sell their product in international market where they could also compete with other player in the same high fashioned market. Moreover, previous research also support this result where according to Cavusgil and Knight (2009), one of goals why enterprises internationalize their business is because to better serve existing customers who have located abroad.

- **To get competitive price in international market**

INVs tend to sell high quality of products with high price where in Indonesia, the price create a significant segmentation in the market because their product is categorized as ‘expensive products’. However, Folta & CO and Oldblue.co stated it applied different in international market where somehow the products are still considered to be affordable enough for buyers. The quality of product offered compare
with the price given is better accepted and competitive enough aboard because there are other competitors that offered more expensive price with the same quality. Thus, MSMEs in Indonesian fashion industry such as Folta & CO and Oldblue.co targeted international market from inception to get the competitive price in international market other than domestic market. The same result is also found in peer discussion analysis where Chevalier explained that it is true for certain types of fashion products, Indonesian price is still considered to be competitive in international market because the labor cost is lower compare to another country. Thus it gives more incentives for them to sell their products in international market. Compare with previous research, Cavusgil and Knight (2009) stated in their research that earning higher profits from lucrative foreign markets is one of the reasons why enterprises go for internationalization. Connecting this to the result of this research, MSMEs could get higher profit compare with domestic selling by getting competitive price in international market which is more lucrative. Thus, it can be concluding that the previous research supported this goal.

c. Goals driven by Indonesian market environment

- To increase pride of Indonesia in international market

According to Peter Says Denim, Oldblue.CO and Bluesville, the fact that Indonesia is still categorized as developing countries with many problems faces exposing to the whole world such as corruption, low welfare, lack of technology, poverty, and others have made a perception that Indonesian people could not develop enough even to create an innovative products such as in this case is fashion. Looking at this condition, MSMEs in Indonesian fashion industry want to prove that Indonesia could also competitive enough with their product innovation in fashion industry. Thus they chose to have early internationalization with their high quality of products without even making a strong base in the domestic market. There is no previous research along with this research result since research about INVs in Indonesia itself is still limited. However, based on peer discussion analysis with Chevalier, they stated that this point
is true where the condition of Indonesia is become incentive for them to take consideration to go for early internationalization.

- **To increase sales in domestic market by international branding**

According to Peter Says Denim and Bluesville, customer behavior of Indonesia tend to proud for using international brand other than local brand because of quality and prestige perception. Thus, they targeted to enter and sell their products in international market to create a ‘go international’ brand which also will be well accepted and trusted by local customer. That international brand later on is going to be use as marketing weapon to increase the sales in domestic market. There is no similarities found compared to previous research, however based on peer discussion analysis, Chevalier stated that this international branding is really works to increase domestic selling as it become really good references for their marketing to persuade domestic customer.

**4.4.2 Competitive Advantages Derived From INVs**

From the analysis of functional management in previous point, it can be seen that there are lots advantages impact on MSMEs for choosing to be INVs. From all of the advantages, researcher could indicate the competitive advantages derived from INVs in Indonesian fashion industries cover both of differential and comparative advantages. The differential advantages are absolute competitive advantages achieved by all of MSMEs in fashion industry in their early internationalization while comparative advantages achieved with condition applied.

**a. Differential advantages**

From the functional analysis, it could be seen from procurement, research and development, as well as production and operation perspective that MSMEs in fashion industry who internationalize in early stages derived differential advantages which is the ability to offer products or services that different from its competitors and are seen
as better than a competitor's products by customers. From research and development perspective, MSMEs in fashion industry ensure to always do the innovation of the products in order to be different in the market. In the procurement perspective they always ensure the quality of the products through many ways, including seeking resources from abroad in form of raw material as well as machineries and tools. In the production and operational perspective, they become to have a high standard in creating the product, ensuring the operational standard and also production quality through high quality control. Then, as the output of production, they offer market product with its differentiation. Peter Says Denim offer high quality denim and apparels that influenced by rock band, Folta & CO offer high quality vintage American denim, Voyej offer American vegetable tanned leather goods where the color of the leather will become mature based on its age, Bluesville offer high quality apparels with natural color dyeing, Deaur offer high quality leather bag with bag organizer inside that suit urban people’s need, and Oldblue.Co offer high quality

Figure 4.1 How MSMEs in Indonesian fashion industry derived differential advantages by becoming INVs
denim with simple, vintage and old concept. Then, at last, in order to survive from competitors, they keep updating their innovation through research and development. The cycle of how they could get the differential advantages is shown in the figure 4.1 above.

Comparing this result with previous research, researcher found similarities where according to McDougall et al. (2003), INVs tend to competed on the basis of differentiation, placing greater emphasis on innovation, quality, service, and marketing as weapons. Besides, based on negative case analysis, Bagteria also stated that early internationalization encourage them to keep innovative in the market thus they keep on producing different model of bag, with unique resource, and in limited number. Moreover, Chevalier in the peer discussion also stated that competing in international market increase the standard of everything that make them constantly produce innovative product time to time.

Thus, it could be conclude that the impact of choosing to be INVs will give the differential advantages for their firm. To be different and innovative are already a choice in the beginning where they want to enter the international market but as the time goes by from all of the impact and activities that they got from early internationalization, it will help them to always be focus and consistent in their innovation and quality which also lead them to derived the differential advantage greater and consistently in the market.

b. Comparative advantages

Comparative advantages is derived when firm's able to produce a good or service at a lower cost than its competitors, which gives the firm the ability to sell its goods or services at a lower price than its competition or to generate a larger margin on sales. Chevalier in the peer discussion stated that business is dynamic, differences will always happened, and in a research we cannot hope that all the things will be the same. Their business achieved both competitive advantages but the other business
with other products might not achieve the same because of several factors. In this research, researcher tried to find that factor that influence the different and at the end, researcher found that comparative advantages can be conclude to be derived by INVs depend on the product that being sold and also the buyers.

Looking at the side of the product that being sold, there are fashion product that completely different and offer high quality, these kind of product will definitely not derive the comparative advantages, such as product of bag from Deaur. There are also fashion product that not completely different but offer high quality. This kind of products sometimes still could derived the comparative advantages for several MSMEs, however, it all depend on the knowledge of buyer about the competitors of the products and which countries where the buyers are. Knowledge of people about certain fashion products are different one another. For example in jeans, according to Folta & CO, if the buyers know well about denim, their perception about the competitors of product will be high where here the price offered by several MSMEs still have potential to have comparative advantages. While in the other hand, if the buyers have limited knowledge about denim and only know that jeans is jeans, then their perception about competitors of product will be in standard. They will said that the price of the product is much higher than it supposed to be and here MSMEs will not derived any comparative advantages. Besides the knowledge, in this research, researcher also found that countries where the buyers are in are also influenced for giving the comparative advantages. According to Oldblues.co, buyers from aboard with higher welfare than Indonesia (mostly developed countries) are willing to buy products of MSMEs because according to them, the price of products with certain quality is cheaper compared with the competitors in their home country. Here, the MSMEs have high potential to derived comparative advantages.
4.4.3 Internal Capabilities Required for MSMEs

a. Capability to provide good service

As part of marketing, good service should be applied to all of customers. Good services include getting in touch with customers, quickly respond their questions, provide them with information about the product (educating the market), and handling complaints from them. MSMEs in fashion industries found good service especially by educating market is important because people need to know what kind of advantages that they provide in their products and how complex are to make piece of their products. Folta & Co stated that this is important to do for letting potential customers understand why their products are expensive. Moreover, according to Oldblues.co, in international market Indonesian fashion products still perceive to have low quality, thus good service through educating the customer is the key to change foreign buyer’s mindset. Bluesville and Peter Says Denim also stated that, good service proven also to help them increase the sales. When good review from royal customer being posted in their forum-market where they are in or being told mouth by mouth to others, there will be new sales for their products. Overall, good service could help them to boost their sales and keep their relation with loyal customers. There is no similarity with previous research in this point but according to Chevalier in peer discussion analysis, ability to provide a good service is the important key to boost international selling.

b. Capability to create sustainable profit for growth

In order to strengthen the presence in international market, MSMEs have to be able to create profit that can be used as investment for growth. Terms growth in there could be in the form of product quality and marketing strategy. International market is tight of competition, thus new innovation or even improvement for current products have to be done for survives. Innovation is not only implemented for products, but also for marketing. Forum based marketing is essential but it did not guarantee the sustainable and strong presence in the targeted countries. Thus, alternative such as joining exhibition for B2B, town to town tour, distributing samples to potential retailers, and
improving social media promotion are other things that could be done and they are costly. As the financial resource of MSMEs is very limited, creating sustainable profit is a must to be invested back for growth. There is no similarity with previous research in this point but according to Chevalier in peer discussion analysis, investment for growth derived from profit is healthier than new investment from outside the business because you have to pay another interest to the investor. Thus, capability to create a sustainable profit for growth is important for early internationalization because without it, the presence of the brand in international market will not stable.

c. Capability to seek for valuable and rare resources to create unique products

Different products come from different resources. The higher the value and rareness of resources, the unique the product will be. Valuable means that resources have worthy qualities and rareness means resources are limited and hardly to find. In order to find valuable and rare resources at one time, entrepreneurs have to be able to maximalize their search and research whether it is inside or even outside of the countries. Most of INVs tend to take advantages of several resources from multiple countries outside the domestic country especially for raw materials, machineries, and tools, although several of them still also use domestic ones. In terms of human resources, those INVs who do their own production even prefer to search for experienced ones while those who do not do their own production are very selective in selecting their vendor. To seek for valuable and rare resources is not easy, thus most INVs spend lot of time in research and development to find the resources before they begin their first operation. There is no similarity with previous research in this point but according to Bagteria, capability to seek for valuable and rare resources is important part of procurement in order to create innovative product.

d. Capability to produce high quality and innovative product

According to Voyej and Oldblue.CO, high quality and innovative product is the most important and ‘fixed requirement’ that entrepreneur have to be fulfilled for being INVs. High quality and innovative product is better accepted and will easily adapt in
international market rather than the standard ones. Thus, the ability for producing high quality and innovative product is needed. The ability includes research and development activities as well as production and operational activities. High quality and innovative product will help INVs to compete well in international market and gain sustainable differential competitive advantages in their business. Comparing this point with previous research, there is similarities found with what being explain by McDougall and Oviatt (1992). They mentioned that one of the key successes for early internationalization is the ability to produce innovative products. Besides, based on peer discussion analysis and negative case analysis, Chevalier and Bagteria also mentioned the same where high quality and innovative products is the most important requirement to enter international market.

**e. Capability to be confident, committed, and innovative**

There are many characters spotted for becoming entrepreneurs but during the research, researcher found that confident, trustworthy, committed, and innovative are the main characters that play important roles for entrepreneurs who would like their business go for international in early stages. Peter Says Denim stated that confident will help them to build new networking internationally and believe that they could enter international market even in the inception. Folta & CO stated that committed will help them to keep on trying things and doing repeatedly to achieve their goals, even though it is hard. Then, Vojej stated that innovative will help them to thinking and doing something different, not only in creating the product, but also in the business strategy or handling problems. Comparing with previous research, researcher found several similarities with this point where Kohli et al. (1993) mentioned commitment and risk-aversion will enhance international performance of firms. Besides, Fillis (2002) highlight the importance of manager creativity and innovative thinking as the internationalization behavior. Moreover, Chevalier in peer discussion analysis also stated that commitment is the essential entrepreneur behavior which is needed for those who want to pursue
international market from inception because it is needed an extra work to go international while they are still lack of resources and experiences since they are new.

f. Capability to build networking

Building network is very important factor that INVs should do in order to boarder their market internationally. Some of MSMEs started their business as INVs by having network internationally or even not at all. For those who do not have international network at all, they have to look for the way to established ones for entering international market. For those who already have network, they will not able to always use and depend their business in the same network all the time to increase their sales whether in that country or other countries (where this also applied for those who do not have network later after they already established some). Thus, new network is always needed to be established and entrepreneur’s capability to build networking will play an important role in strengthen their presence internationally. McDougall and Oviatt (1992) and Fillis (2002) in previous research also show similarities in this point where they mentioned that marketed product and services through strong network is the key success of early internationalization. Besides, Chevalier in peer discussion analysis explained that ability to build the network is needed because firms will be impossible to develop their business (especially increase their sales in international market) if they only depend on the current network. They needed to grab every opportunities to build network everywhere in every country to expand their sales and market.

g. Capability to maximally use technology effectively and efficiently based on the target

INVs are hardly relied on the use of technology to be able to sell their products internationally. All of MSMEs who go for INVs are using technology features and this is their everyday tools to connect them with customers around the world. They established their stores online, broaden their market through forum based marketing, use social media to promote their products as well as getting in touch with their
customer, create advertisement by using computer programs such as video editor or other designing tools, and all of these need technology capabilities. Thus, entrepreneur who goes for INVs have to capable and maximally use technology effectively and efficiently based on their target. Previous research also mentioned the similar thing where according to Park and Bae (2004) technology strategy to develop and accumulate technological capability is influencing the growth patterns and speed of change of successful new ventures.

h. Capability to recognize opportunities and spot a trend

All of entrepreneurs started their business as INVs by recognizing opportunities and it turns to be the key success factor for their business. Those entrepreneur who is capable to recognize opportunities around them will be able to maximally use the opportunities and take advantages of it to boost their business and speed up to establish their presence in international market. Ability to spot a trend is a part of opportunities recognition that is needed mostly in fashion industry. INVs in fashion industry have to be able to spot a trend to predict what kind of products that can be like by people and possibly to become future trend. Trend spotting is required for INVs especially in their research and development to always create new innovation and different products, thus they could always get the differential advantages from their activities. Comparing with previous research, similar thing found where Fillis (2002) highlights importance of opportunity recognition for internationalization. Besides, based on negative case analysis, Bagteria mentioned that as a player in fashion industry, the ability to spot a trend is a needed by producer in order to develop new ideas that suits market preferences.

i. Capability to be fast learner and adapt well in international business environment

Based on the analysis in individual resources, it is found that not all of MSMEs have experiences in related industry or even business background. Some of them started
with no business experiences or no business knowledge. All they have are the passion and knowledge about related products. Thus, in order to internationalize early in the stages, capability to be fast learner and adapt well in international business environment is a must for them to survive. There are no similarities found in previous research however based on negative case analysis, Bagteria stated that ability to be fast learner and adapt well in international business environment will be much helping for the new player in international market especially for handling international customer (both B2B or B2C) and internal improvement for growth.

j. Capability to organize job division and emphasize international vision and mission

Actually job division as well as vision and mission are common things that required in all business, not only for those who choose to implement INVs. However, based on the research, it turn out that job division and vision and mission play important roles to ensure the business works in its path. According to Voyej, clear job division helps them to work more effective and efficiently rather than working in a cross functional. This will help to work quickly and easy to make decision making. Besides, not all people have the same skill, knowledge, and experiences. Thus, job division is needed to maximalize their work in every functional management. According to Folta & CO, emphasizing international vision and mission in the other hand will always direct them to achieve their international goals and it helps them to prevent any conflict among others. Comparing this point with previous research, researcher found similarities where McDougall and Oviatt (1992) specifically explained that an international vision of the firm from inception and a tightly managed organization focused on international sales growth are needed for success early internationalization.
4.4.4 INVs Strategies Pattern

a. Strategic Internationalization Decision Pattern

Combining all of 3 strategic internationalization decision of MSMEs in the INVs strategies formulation analysis, it provides this research with two different ways of INVs strategies pattern implied by Indonesian MSMEs internationalization in fashion industry.

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<tr>
<th>Operations internationalization strategy</th>
<th>Export/import start-up</th>
<th>Multinational trader</th>
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<tr>
<td>International</td>
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<td>Exporting</td>
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*Table 4.21 Strategic internationalization pattern of Indonesian MSMEs in fashion industry from combining 3 strategic decisions*

An export-import start up does not internationalize any significant value chain activities and only sells its output in foreign market for limited scope. The operational internationalization strategies is *international strategy* which implies standardize domestic output sales aboard with no cost reduction efforts or localization efforts. The entry mode that being use is exporting. The level of entry mode commitment is low where they do not have strong presence in countries aboard. This pattern suits the most with Micro Enterprises who commonly still have limited number of production. The type of business that applied is B2C business.

A multinational trader does not internationalize any significant value chain activities but seeks to enter the worldwide market. Similar to the export start-up, it pursues an *international strategy*. The entry mode that being use also *exporting*. The level of
entry mode commitment also low where they do not have strong presence in every country but it might be high for several countries if they applied B2B business. This business suit the most with Small and Medium Enterprises who commonly already good enough in their production capacity. Here they applied B2C with low presence commitment in countries aboard or even B2B to increase level the commitment in several countries. This pattern also suits with Micro Enterprises who commonly still have limited number of production but seek to enter worldwide market, they applied B2C business to overcome they weakness in limited number of production.

Comparing the result to previous research, similarities found where Cavusgil & Knight (2009) mentioned that exporting is the simplest to implement and most popular entry mode, dominating the early stage INV’s strategy because it provides a venture with full control over its technology and production, but limits its influence over marketing and sales. Doole and Lowe (2008) explained that SMEs tend to choose which international markets to enter based on their capabilities. Then, Chevalier in peer discussion analysis specifically explained that it is true when business have limitation in production capacities, they will tend to sell their product in limited scope, like what being done by export-import start up.

b. Internationalization Pattern of Value Chain Activities

Based on the analysis in INV’s strategies formulation, researcher could find the pattern of value chain activities internationalization based on their business development. At the first time of establishment all of MSMEs who chose to become INVs will definitely do internationalization of marketing. The internationalization of marketing activities could be done in many ways but most of them use forum-based marketing strategy and social media promotion strategy which implies no significant budget. These marketing activities are targeted to get direct customers (B2C). At the next level when their business developed with higher production capacity and with significant marketing budget (here mostly micro business already turned into small or medium business), the internationalization of sales is done. The internationalization of sales
being done depend on the targeted business. If they want to targeted customer (B2C) they could join B2C exhibition outside countries or even create town to town tour promotion. These activities definitely will cost lot of budget. In other way, if they want to target business (B2C) which is refers to distributors or retailers in several countries. they have to get ones. To get distributors or retailers, they can join B2B exhibition that being held inside or outside countries to look for distributors or retailers. Luckily in some occasion, the distributors or retailers will showed up and offer them by reference of MSMEs performance. There is no similarities found in previous research as this point is actually additional findings that researcher found during the research. However, based on peer discussion and negative case analysis with Chevalier and Bagteria, researcher also found the same pattern with what being conclude. All in all, these are two value chain internationalization patterns in the early stages of Indonesian MSMEs in fashion industry, internationalization of marketing and internationalization of sales.
CHAPTER V
CONCLUSION AND RECOMMENDATION

5.1 Conclusion

The emerging of INVs in Indonesian MSMEs fashion industry have lead researcher to do phenomenological research to give clear explanation and understanding regarding to the phenomena. There are four main problem questioned to be answer in this research, they are goals of Indonesian MSMEs in fashion industry’s internationalization through INVs, competitive advantages derived from INVs, internal capabilities required for implementing INVs, and INVs strategies pattern. The answer of those problems can be concluded as below.

1. This research identified 7 internationalization goals through INVs that can be categorized by its drivers; goals driven by companies own purposes, goals driven by foreign market environment, and goals driven by Indonesian market environment. Goals driven by companies own purposes consist of 3 goals, they are; to cover high research and development cost, to gain more experiences in business, and to increase sales by entering new market (country side). Goals driven by foreign market environment consist of 2 goals, they are; to increase sales from existing market aboard (product side) and to get competitive price in international market. At last, goals driven by Indonesian market environment consist of 2 goals, they are; to increase pride of Indonesia in international market and to increase sales in domestic market by international branding.

2. This research identified that the main competitive advantages derived from INVs is differential advantages where MSMEs could offer products or services that different from its competitors and are seen as better than a competitor's products by customers. They derived differential advantages because of impact
from competitiveness in international market which made their functional management operation, especially research and development, procurement, as well as production and operation, always ensure the quality and innovativeness of the products. In some cases, INVs could also get comparative advantages where firm could sell its goods or services at a lower price than its competition or to generate a larger margin on sales. However, it is all depend on the product that being sold and also knowledge of buyers regarding to the competitors and products.

3. This research identified that there are 10 internal capabilities required for implementing INVs, they are capability to provide good service, capability to create sustainable profit for growth, capability to seek for valuable and rare resources to create unique products, capability to produce high quality and innovative product, capability to be confident, committed, and innovative, capability to build networking, capability to maximally use technology effectively and efficiently based on the target, capability to recognize opportunities and spot a trend, capability to be fast learner and adapt well in international business environment, and capability to organize job division and emphasize international vision and mission.

4. This research identified INVs strategies pattern that could be categorized into two which are strategic internationalization decision pattern and internationalization pattern of value chain activities. In strategic internationalization decision pattern, there are two pattern identified which are export-import startup and multinational trader. Both export import startup and multinational trader use international strategy as operations internationalization strategy and exporting as entry modes. The main things differ both of pattern are the production capabilities that leads to the scope of countries chosen. Export and import startup have limited number of countries while multinational trader are not. In internationalization pattern of value chain
activities, it is found that INVs in fashion industry tend to internationalize their marketing while after that continued to internationalization of their sales.

5.2 Recommendation

5.2.1 For MSMEs in Indonesian Fashion Industry

After getting along with phenomena of INVs in fashion industry, researcher recommended MSMEs in fashion industry to implement INVs as an approach of internationalization, however with several considerations. First, by looking at the internal capabilities required and how INVs compete in international market, researcher recommends that INVs is better implemented for MSMEs who focusing its products in quality, not quantity. MSMEs that focus their products in quantity will have cost reduction pressure and will better accepted as well as compete in domestic market rather than international market. Second, by looking at the types of products that being offered by INVs in international market, researcher recommends that INVs is better implemented for MSMEs who have general modern types of products that could be accepted well in all cultures. MSMEs who produced ethnical products such as batik, kebaya, and others could also internationalized their business but it is preferable to use Uppsala model since their market will be bigger domestically. Besides, to compete well in international market, MSMEs also have to turns that ethnical products into modern-well designed to be accepted internationally.

5.2.2 For Indonesian Government

Researcher found that all of MSMEs in their way for reaching international market in their early stage have limitation in financial resources which purposely use to expand their market, one of them is by joining exhibition. All of them took time to gathered sustainable profit to invest back for growth. Looking at the side of networking itself, MSMEs who depend their networking in internet still have unstable presence in international market as they only sell their product by B2C system. Regarding to this case, researcher recommends that Indonesian government should proactively create
programs that could connect potential MSMEs with international market retailers/buyers in the form of exhibitions. Besides, they also could proactively increase competitiveness among MSMEs by conducting competition or support potential MSMEs by giving sponsored for them to join international market exhibition. These types of programs will be helpful for them in order to speed up their internationalization or even strengthen their presence internationally.

5.2.3 For Future Researcher

Research about INVs with based on Indonesia is still rare and limited while actually there are so many parts of INVs that have not being explored and need synchronization with Indonesia as country’s based. This research is being made to provide general information for better understanding and explanation about the phenomena. Thus, for future researcher especially Indonesian researcher, deeper and complex research problem through study case or multiple study case for deeper understanding could be raised for the next research. Besides, the same types of research in the other field of industry could also being done because different business has different nature, thus it could lead to different results of the analysis.
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