PROMOTING THE INTERNATIONALIZATION OF SMALL AND MEDIUM ENTERPRISES (SMEs): TOWARDS A SYSTEMATIC INTEGRATED POLICY MODEL

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Abstract - One of the biggest challenges of promoting SMEs internationalization is the lack of systemic integration of meta, macro, meso and micro levels of policy. Fragmented, sectoral and allocative policy making is the basic policy barriers in SMEs internationalization process. This study proposes a systematic integrated policy model that is conceptually based on the systematic and integrated policy approach to two determinant factors: competitiveness and connectivity (network). It also attempts to figure out internationalization as a process commencing from the establishment of favorable preconditions stage to the strengthening stage. The conceptual model of systematic integrated policy in this study contributes to resolve inefficiency issue as the main gap in the existing strategic policy on SME internationalization in developing states; enhance integrative policy analysis literature and propose a more advanced integrated strategic policy for promoting the SMEs internationalization.

Keywords - Internationalization, Systematic Integrated Policy, Small Medium Enterprises (SMEs)

I. INTRODUCTION

Given the current of a globalized and borderless universe associated with the existence of economic integration such as liberalization and regionalization, high level of competitiveness and connectivity is strongly required in order to increase internationalization of SMEs. Previous research demonstrated that internationalization is a crucial strategic alliance for developing SMEs in global era. [1] (Masum & Fernandez, 2008) The major important element in internationalization is how to create linkage through strategic policy framework that will overcome information barriers, enabling SMEs to becoming more attractive partners and to benefit from partnership and encouraging MNEs to forge linkage with local enterprise [2] (Hodgkinson, 2000) Internationalization of SMEs has emerged as the focal point of government policy in many states. Yet, many strategic policies that had been promulgated by national government have not yet been able to improve the level of competitiveness of SMEs in global market. The contribution of SMEs in global value chains is still low. This indicates that policy products related to SMEs internationalization remain inefficient and ineffective. The absence of integrative policy framework with regard to SMEs internationalization has led to fragmented policy which resulted in ineffectiveness and inefficiency. Sectoral and allocative policy will lead to policy gap that can hinder the SMEs internationalization process.

The main objective of this study is to promote a systematic integrated policy approach to SMEs internationalization. This paper deals with the concept of systematic integrated policy model as the best practice on the SMEs internationalization. It also provides the urgency of systematic integrated model in internationalization process. The determinant factors of the model will also be explored. Finally, a short conclusion and recommendation are provided.

II. HYPOTHESES

Policy barriers is the major cause of the failure of SMEs internationalization process. Some major causes of policy failure can be identified: the lack of market knowledge, lack of access to finance, lack of infrastructure, weakness of technology and innovation, low human resources quality or capability, low business competitiveness and government policy. Similarly, by [3] Arteaga-Ortiz & Fernandez Ortiz (2010) characterize export barriers into four components, namely knowledge barriers, resource barriers, procedure barriers, and exogenous barriers. Policy is a central issue in the SMEs internationalization. The establishment of a systematic and integrated policy has become a critical issue. All of those barriers are basically derived from government policies, thus the proposed model of systematic integrated policy approach can overcome the above mentioned barriers. The followings are some policy gaps that can be identified in the SMEs internationalization process.

Hypothesis 1: The existing fragmented policy measures rather than integrated policy framework at all levels (meta, macro, meso and micro) leads to policy inefficiency and ineffectiveness. The policy making that is too fragmented, allocative and sectoral has become the key aspect of policy failure that will adversely affect the SMEs internationalization process. In many cases, the policy measures established at the top level of stage – macro
level – have not been successful because they cannot be
implemented by the SMEs due to the lack of finance and
capacity (skills) of SMEs. [4] (Mirzanti, Simatupang et.al., 2014). For example, the
government policy at macro level on trade liberalization, such as ASEAN-China Free Trade Area
(ACFTA) 2010 as well as ASEAN Economic
Community 2015, has not yet effective to increase
Indonesian SMEs’ contribution to regional production
network because it was established without prior
consideration of the increase of the competitiveness
level of SMEs in terms of product quality, price,
market knowledge and commitment. If this condition
is allowed, SMEs at national level unable to survive
and they will eventually go bankrupt as well. This
economic downturn may lead to social conflicts. Some hypotheses of
Hypothesis 2: Under the regional autonomy or
decentralization regime, too centralized policy making
without considering the SMEs specific potentials and
constraints is also a reason for the policy failure.
The lack of coordination between national and local
governments leads to conflicting policies. Policy
networks between national and local government are
strongly required for promoting strategic capacity and
safeguarding the linkage between national
government policies and local public policies. [5]
(Savini, 2015) This also involves the intervention of
any related stakeholders including businesses and
supporting institutions that can promote a more
effective policy making and implementation. [6]
(Kimbu & Ngoasong, 2013) Since most of SMEs in
developing states is located in rural areas, the local
government support must reach the smallest district
level. The lack of support from local government can
inhibit internationalization process. In many cases,
this authority has not been equipped with a high
quality of local apparatus at the district level. Limited
number of competent local cooperative officers and
facilitation at local region are another form of policy
barrier. [7] (Teixeira & Barro, 2014) In this respect,
the challenge of institutional weakness at local
government concerns with policy making at meso
level. Poor policy at the institutional level (meso level)
will inhibit internationalization process. The
institutional challenge can be identified as follows: (1)
the absence of decentralized supporting institutions;
(2) the lack of capability of local agency/supporting
institutions; (3) the lack of cluster and value chain
promotion at local level. The lack of local government
support at this stage will result in poor reacted to the
national government’s guidance and supervision on
SMEs development at local level.
Hypothesis 3: The lack of strategic alliance such as
institutional and potential market linkage/network has
become another policy barrier.
The lack of linkage between policy makers
(stakeholders) at all levels – meso and micro levels –
has led to inconsistent or even conflicting policies.
There must be an integrated strategy and coordination
among the government, business community,
educational and technological institutions as well as
non-governmental sectors because SMEs are by nature
inter-disciplinary which combine economy and many
other connected areas such as innovation, education
etc. [8] (European Union, 2012) The specific case in
point is the micro finance program. When this loan
facility is established, it provided access to finance for
SMEs. However, the lack of interlinked intervention
between the government, formal financial institutions,
banks as well as guarantor has led to collateral
constraints for SMEs.
Hypothesis 4: The lack of understanding that
internationalization is a process starting from
pre-condition stage to strengthening stage may also
lead to policy barrier.
GVCs is a phenomenon of new production system that
has not been much understood by local SMEs.
Therefore, at the pre-condition stage, it is very
important for the government to introduce and
disseminate this GVC information in order to raise
global market awareness. Second, policies that
courage business actors to improve their business
productivity need to be applied, such as incentives to
improve production technology. Issues related to
connectivity, logistics and licensing need to be
addressed so as not to become an obstacle to the
performance and efficiency. The government also
needs to encourage SMEs to export-oriented to
overseas markets. Coordinated and interconnected
policies are also important to increase SMEs
participation in the global production network. Trade
barriers with regard to unreliable public
infrastructures such as ports and customs as well as
logistics services need to be addressed immediately.
Equally important, trade barriers in the form of tariffs
and non-tariffs need to be considered as well. At macro
level of policy, for example, foreign investment
policies should enhance business network or linkage
through establishing strategic alliances between
businesses or multinational companies through joint
venture or standardized ‘performance requirements’
strategy in order to increase SMEs participation in
GVCs.

III. BASIC CONCEPT OF SYSTEMATIC INTEGRATED POLICY MODEL

Research that investigates the integrated framework
combining the three different theories of
internationalization (stage approach, the network
approach, international entrepreneurship approach)
towards an approach based on the notion of
competitiveness and connectivity is very limited. The
study conducted by [9] Lin (2010) did not specifically
investigate the integration of micro, meso and macro
level of policy in SMEs internationalization. Until now, there is not many references of policy measures related to internationalization of SMEs through systemic integration approach. The number of references of internationalization mostly concerns with fragmented theory of internationalization of SMEs. Therefore, this study is interesting to be explored, considering the results can be very important and provide a significant contribution to the internationalization of SMEs. This study also contributes to the logical development progression starting from policy measures creating favorable conditions for SMEs development, following with strategies targeting to strengthen the capability of SMEs. This includes some elements such as strategic alliances institutional framework, strategic policies measures, networks and clusters.

Only few research pointing out on systematic integrative approach to SMEs internationalization. For example, Lin (2005) [9] proposed internationalization on the basis of integrative of competence and resources. However, this approach only puts more concentration on internal environment such as management characteristics instead of external environment. In fact, favorable external environment is strongly required to support SMEs internationalization process. Therefore, regional economic integration per se such as trade and investment liberalization will not sufficient to secure a higher level of SMEs participation in trade and investment flows. [10] (OECD, 2005) Not only does this approach more likely refers to classical approach towards small firm’s internationalization, but it also does not specifically refer to the systemic integration of policy at whole stages. Another holistic approach towards internationalization was proposed by [11] Fletcher (2001). He claimed that internal and external environment have significant impact on internationalization process. [12] Bell et.al. (2003) also proposed integrative approach towards internationalization. They proposed an integrative model that recognizes the existence of different internationalization pathways and distinguished three group of SMEs such as ‘traditional firm’, ‘born global’ and ‘born again global’. Other studies conducted by [13] Yip, Biscarri & Monti (1999), define integrated policy on SMEs internationalization as a systematic internationalization consisting of motivation, strategic planning, market research, market selection, selection of the entry mode, planning for post entry problems and commitment of resources. This theory, however, only deals with management perspective and failure to highlight the organizational (capacity building) importance of SMEs internationalization. Yet, all above presented perspectives have not highlighted integrated policy analysis at macro, meso and micro levels.

The basic concept of systematic integrated policy approach in this study tries to understand internationalization as a systematic and integrated process. The notion of internationalization in this study refers to ‘systematic integration’ policy framework due to the complexity and multidimensional nature of SMEs internationalization process. The internationalization of SME does not only require an ‘integrated policy’ per se, but it also needs a ‘systematic process’. The terminology of ‘integration’ is defined as establishing connection, linking elements together within a larger whole (wholeness). [14] (Joshua, Allen et.al., 2018) The term ‘systematic’ closely relates to the nature of internationalization as a process, starting from precondition stage to strengthening stage. From this perspective, the strategic alliance is only part of the internationalization process. The concept of integrated policy model refers to a holistic and systematic approach to SMEs internationalization. The precondition stage involves mapping of SMEs. The precondition stage involves mapping studies, strategic alliances institutional framework, awareness raising information services and strategic policy measures. [8] (European Union, 2012) The strengthening stage includes capacity building, business incubation, access to finance, physical infrastructure, networks and clusters. [8] (European Union, 2013) This study looks for holistic approach or systematic integrative policy model approach as a new conceptual framework. This can be used as an improved and advanced model that can provide better improvement to the existing internationalization theories. The following figure describe the interlinked between three internationalization approaches (the stage approach, network approach and international entrepreneurship) which shared common point of view that can be categorized as competitiveness and connectivity. The systematic integrated policy model is shown in figure 1.

This attempts to provide a holistic approach to internationalization through integrated policy model. Rather than take a partial view on the basic internationalization theories, this study combines three selected approaches (upsalla, network and international entrepreneurship) into meta theoretical analytical basis due to its interconnectedness. It is not sufficient to focus on one theory in order to promote an integrated approach to internationalization. It will be necessary to apply those three different theoretical perspectives in order to understand the complexity and multidimensional nature of internationalization. Those three approaches embedded two common points of views, that is competitiveness and connectivity. The competitiveness level closely relates to management and organizational framework (internal environment) whereas the connectivity confines to external impediment and incentives (external environment).
The government intervention through policy making can be divided into two stages: (1) pre-condition stage and (2) strengthening stage. At the pre-condition phase, it is associated with government policy to create conducive economic conditions to enhance SMEs' participation in GVC and international markets. The external environment refers to the establishment of preconditions in order to provide favorable environment for SMEs internationalization. This process model starting from conducting mapping study on the potential SMEs in the area, developing strong political support for the process through strategic alliances and institutional framework, and the establishment of policy and strategy. The management and organization structures are aimed at strengthening SMEs in order to increase competitiveness level and value of inward and outward activities. This includes capacity building, access to finance, access to technology, physical infrastructure (resources), creative business incubation, networks and clusters.

Since the integrative model emphasizes on strategic issues instead of operational issue, it also provides mapping strategy as a basis for development of prescriptive model that can contribute to establish successful policies and strategies for internationalizing SMEs in the region. Thus, the preliminary stage towards establishing appropriate strategy supporting SMEs internationalization is a mapping strategy. It is then followed by academic research to identify the greatest potential of development which in turns leads to political strategy at macro, meso and micro levels. [8] (European Union, 2012) In this perspective, this integrative model also formulates proposals for public policy for SMEs internationalization. Therefore, all government policies and strategies at all levels (macro, meso and micro) should emphasize on supporting this sector. From this point, this integrative model promotes a view point on policy formulation and implementation in support of SMEs internationalization. This integrative model also proposes an institutional framework and networks as part of strategic alliances. This institutional framework and strategic alliances are aimed at promoting sustainable strategic policy and programs on SMEs internationalization. Not only does this institutional structure can stimulate the sustainability of policies and programs on SME internationalization, but it also develops strategic alliances amongst stakeholders or policy makers such as government agency, university (education centre), research center or any other professional support institutions. [15] (Seror, 1998) Policies and programs will not be efficient and effective if they are sectoral and allocative.

The integrative policy approach requires to put SMEs internationalization agenda as a cross cutting issue in every related sectors in order to achieve policy coherency. Thus, the policy network [16] (Veilleux, S., Haskell, N., et F. Pons (2012) requires inter-linkage between stakeholders from multidisciplinary positions (businesses, education, government, etc) who share common goals and demonstrates a certain level of coordination/cooperation. The systemic integration theory plays a major role in a complex and multidisciplinary nature of internationalization process. As a process, SMEs internationalization interacts with some sub systems in order to achieve a policy goal. For example, the increase of SMEs participation in GVCs involves linkage between sub systems such as education, technology, business, and government. The failure of those sub systems to interact or integrate will lead to systemic incompatibility. [17] (Perkmann, 1998). Perkmann (1998) defines a ‘systemic incompatibility’ as a dysfunctional interaction or linkage or coordination between parts of ‘systems’ or sub systems. Therefore, incompatibilities do not only refer to the ‘failure’ of a system to perform ‘properly’, but it also includes the failure of the sub system to interlink each other. The lack of coordination and intervention between the sub systems can also lead to systemic dysfunctional. Strategic alliance or linkage is another corner stone for the internationalization process. The increase of
SMEs contribution to GVCs will also be determined by the strong alliance or linkage between businesses (Large Enterprises) and potential SMEs. [18] UNCTAD, 2010; [19] Abonyi (2005) define strategic alliance as inter firm cooperative arrangements. Common strategic alliances in the forms of joint R&D, joint market, joint venture, joint licensing are very important to increase the level of competitiveness and connectivity of SMEs in global market. There is also a positive linkage between effective policy measures and SMEs participation in GVCs. [20] (Abonyi, 2015) SMEs internationalization strongly correlates with public policies involving policy and measures. Policy measures are the basic instruments for building a policy platform that can support the internationalization of SMEs both at the internal (managerial) and external (access to market). [21] (Selhove & Hornung, 2016) It is important to understand that the entire element should not be translated separately from one another but should be understood as an integrated policy. Each of these elements is an integrated sub-system within an integrated policy framework in order to promote governance system on SMEs internationalization.

Systemic integration

The first determinant factor of systematic integrated policy framework is systemic integration. Since the promotion of SMEs internationalization has become the cross cutting issues in some related sectors such as technology, innovation, economic, trade, investment and education strategies, this may lead to inconsistency or in conflicting policies. [22] (OECD, 2017) It is particularly the case that two or more policies will be inconsistent, overlap or even in conflict. [23] (Crichton, 2007) The fragmented and sectoral policy making has become one of the major issues in the SMEs internationalization. The systemic integration attempts to increase interlink within the subsystem in order to establish a more coherence of policies among the related actors and institutions involved. SMEs internationalization policy with systematic integrated approach is crucial because it is more effective and efficient for government to provide technical and management supports, training and general facilities at all levels of policy. The systemic integrative policy approach attempts to overcome policy barriers through a comprehensive and integrated model. Not only does this model adopt the concept that internationalization is a process commencing from the stage of pre-condition to the strengthening stage, but it also embraces the integrated policy from meta, macro, meso and micro levels. SMEs internationalization strongly correlates with public policies involving policy initiatives and measures. Thus, the notion of systematic integration is conceptualized based on two underlying bases, namely (1) processual nature of internationalization and (2) integrative policy at meta, macro, meso and micro levels.

The systemic integrated policy approach is based on the presumption that internationalization is a process and thus it should involve the entire process of internationalization starting from the pre-condition stage to the strengthening stage. The pre-condition stage involves the establishment of mapping studies, strategic alliances institutional framework, awareness-raising information services and strategic policies measures. The policy measures established at macro level cannot be implemented by the SMEs at micro level due to the lack of finance and capacity (skills). [24] (Mirzanti, Simatupang, et.al., 2014) Unsuccessful policies and strategies for the internationalization of SMEs is basically caused by the lack of awareness and mapping studies with regard to the strengths, weakness, opportunities, and challenges faced by SMEs in regions. At the precondition stage, SMEs need to be equipped with global market information for raising awareness on the importance of participating in global production networks in GVCs. In this context, the absence of mapping studies has led to the gap between political strategies and the appropriate strategy supporting the internationalization of SMEs due to the lack of awareness among policy makers. Due to this policy gap, the institutional strengthening program as well as business climate development initiative will not be adequate and effective to promote SME’s market structure and behavior. Government policies tend to solely impact on performance improvement and capacity of SMEs through improved government bureaucracy, but have not been able to be more regulative to encourage increasing SME market share and changing behavior of market participants to prepare themselves toward the internationalization process. [25] (Cahyadi, 2015) [25] Cahyadi (2015), for example shows how the internationalization policy strategies remained inadequate due to the failure to take into account mapping studies and awareness raising at the precondition stage. As a result, this policy gap will inhibit the implementation of SMEs internationalization policy. The proliferation of economic integration in the form of regional investment and trade agreement will not increase the SMEs participation in global production network (GVCs) while precondition matters remained largely unaddressed.

The establishment of favorable environment for SMEs internationalization at the precondition stage is also important in increasing the SMEs participation in global production network (GVCs) after the global financial crisis 2008. This is mainly because there has been a structural of GVCs after the crisis such as (1) consolidation; (2) convergence and (3) reshoring which further restricted the opportunity of SMEs to participate in production networks. [26] (Barbieri,
Ciabuschi, et.al, 2017) For example, consolidation leads to larger companies limiting first tier suppliers. There is a reluctant for major companies to engage new suppliers and tend to keep using the same suppliers that are known for their quality. This economic situation has further restricted the opportunity of SMEs to participate in production networks. Therefore, there is a need for government intervention through various policies including incentives to create a favorable economic environment for SMEs to take an active role in the international market. The inclusion of NTM (Non-Tariff Measure) such as local content requirement, joint venture with SMEs, transfer of technology requirement, etc. in international investment or trade agreement are aimed at enhancing SMEs participation in GVCs.

The systematic integration of both precondition and strengthening stages could have led to more effective policy. The strengthening stage emphasizes on improving competitiveness such as capacity building, physical infrastructure, access to finance, and network. The concept of integrated policy also involves systemic integration of each determinant factors of internationalization in several policy fields in order to improve the coherence of policies in regard to SMEs internationalization. (OECD)

The second underlying basis of systemic integration approach involves an integrative policy at meta, macro, meso and micro level of policy. The systematic integrated policy approach attempts to put SMEs internationalization as a cross cutting issue at all levels of policy. At meta level, national political economy as common strategies and directions need to be settled as a general guideline for the formation of macro, meso and micro levels of policy. Meta level refers to political economy of the state, the idea of welfare state and the promotion of people’s economy in order to increase SMEs contribution to global production network (GVCs). This includes trade policy, monetary policy, economic integration etc. The policy at macro level will provide a linkage between business (micro level) and the supporting institutions (meso level). This includes the establishment of the strategic planning, national economic policy as well as vision and mission enabling SMEs to participate in global production network (GVCs). The institutional support at meso level is necessary to institutionally support SMEs internationalization. Meso level policy confines to strategic economy policy that can support SMEs internationalization such as infrastructure, export promotion policy, trade policy, economic promotion, business incubation, technology, skill development, innovation. Policies at meso level are also aimed at providing a favorable or conducive business environment/culture. The micro level policy includes training, education, skill development center, business and technology incubator, cluster (OVOP/One Village One Product program). This includes the establishment of local and regional economic development agencies (Skill Development Centre) that understand the local business needs and potentials through network management, promotion initiatives and support measures. Micro level is also considered as individual level that requires specific conditions for internationalization at business level or intra-firm relationship such as cooperation, network or business alliances between small firms, business strategy. The systemic approach requires network or linkage or intervention amongst all policy levels (meta, macro, meso, and micro) in promoting the internationalization of SMEs.

**Strategic Alliances**

The concept of integrated policy also involves strategic alliance of each determinant factors of internationalization in several policy fields in order to improve the coherence of policies in regard to SMEs internationalization. (OECD) This is mainly because SMEs internationalization has become the cross cutting issue in several policy sectors such as technology, innovation strategy, trade, investment, education, research, finance, resource, capacity building, trade, investment. Therefore, the strategic alliance between businesses, government and any other related institutions with regard to those sectors strongly required to establish linkage or intervention in order to promote coherence policy across different sectors. In terms of increasing SMEs competitiveness in global market, it is necessary to create linkage between SMEs and Large Entities (LEs) through various alliances and economic integration through various macro policies.

The strategic alliance is defined as inter firm cooperative arrangement. [27] (Parkhe, 1991) The strategic alliance element of the systematic integrated policy promotes to build linkage amongst business, support institution, government and the common/political economy strategies such as joint venture, technology licensing, joint marketing, joint research, etc. This strategic alliance or network approach is designed to promote the system of linkage between different stakeholders relevant for innovation and value added production. [28] (OECD, 2013) Some scholars promote strategic alliances as a mutual linkage between firms. (Chen, 2003); [29] (Hunt et.al, 2002); [30] (Kanter, 1994) Hunt et. al (2002) argues that strategic alliances are considered as mutual shared of will between firms. A strategic alliance with foreign counterparts can increase SMEs contribution to foreign market since it can decrease level of competition as long as they commit to output levels. [31] (Chen, 2003); [32] Kanter (1994) defines strategic alliances as a mutual linkage in order to expand opportunities and manage a higher collaborative advantage through the partner. This demonstrates the essence of mutualism character of
strategic alliances. This exemplifies mutual shared of will between firms. [33] (Hunt et.al, 2002)

There has been a positive linkage between strategic alliances with efficiency and the increase level of competitiveness of SMEs in global market. [34] Ohmae (1985) also affirms that strategic alliances play a major role in broadening market capacity and efficiency because they promote organizational learning and transfer of new skills and technology. The strategic alliance supports SMEs to improve their contributions in global production network (GVCs). The positive correlation between strategic alliances and SMEs internationalization are also acknowledged by [36] Miller (2008). [36] Miller (2008) defines strategic alliances as 'cooperative arrangements, with cross border flows and linkages’ involving resources and capabilities of Large Entities (LEs) in different states. The proliferation of international alliances between firms has led to the emergence of ‘new paradigm of competitiveness.’ [38] (Haase & Franco, 2011) This is mainly because the strategic alliances can provide knowledge/skills transfer and resource transfer from Large Entities (Les) to SMEs. The mobility of resources and competences through strategic alliances will give competitive advantage for SMEs in global market. [39] (ul-Haq & Howcroft, 2007)

Policy Measures

The third element of the systematic integrated policy approach is policy measures. Policy measures are instruments to drive internationalization and enhance SMEs competitiveness. With regard to the systematic integrated policy model, holistic policy measures are urgently required. Every level of policy such as meta, macro, meso and micro levels need to be based on policy measures. In order to create conducive macroeconomic environment, the state government will implement policy package or stimulus package in the form of regulation/legislations as policy measures. In Indonesia, for example, the government has provided stimulus package through deregulation in order to boost Indonesia’s industrial competitiveness. For this reason, the government had promulgated large amount of regulations that focuses on the improvement of the favorable environment of business and others more directly targeting business competitiveness. Within the systematic integration process, the risk of market failure with regard to the internationalization of SMEs can be mitigated by proper policy measures such as strengthening technology and human resources capabilities through networking and access to finance for SMEs. Rules and regulations have become the major policy measures for increasing SMEs’ participation in global production network. Based on the systematic integrated policy approach, policy measures are related to three indicators: (1) it involves stakeholders at the macro, meso, and micro levels and the stage of internationalization (systemic and procedural); (2) Structural, systematic and procedural policy measures; (3) it encourages the linkage between stakeholders and supporting institutions.

First, since internationalization of SMEs has become the cross cutting issue in several sectors, thus many stakeholders involved. These stakeholders comprise governmental and non-governmental i.e. businesses and supporting institutions/agencies aiming to promote internationalization process and managed in supporting exports and investment. [28] (OECD, 2013) This has resulted in the diversity of policy measures addressing the issues across the related sectors. The integrated policy requires systemic policies and governance among stakeholders at the macro, meso and micro levels. Second, the systemic integrated policy framework does not only focus on the substantive notion of the policy measures, but it also emphasizes on systemic and procedural issues. Not only does the integrated policy approach focus on substantive issue, but it also concentrates on systematic and procedural issue based on the stage of internationalization commencing from precondition to strengthening strategies. [19] (Abonyi, 2005) Compared to the previous studies [9] Lin (2005); [12] (Fletcher, 2001); [12] Bell et.al. (2003), this study is different from the above mentioned internationalization policy measures focusing more on the substance rather than systemic policy by differentiating solely between financial and non-financial policy and incentives. It has to be noted good policies do not solely depend on the proliferation of finance per se. The networking and linkage between different stakeholders promoting transfer of knowledge, market strategy, innovation of product, are significantly important to the SMEs internationalization process. This kind of typology differentiation does not base on integrative policy approach, so it can lead to policy gap leading to inefficient and ineffective policies. The systematic integrated policy in this study focuses more on structural/procedural and systematic policy approach by considering the stage of internationalization and systemic integration in addition to substance factor. At this point, the policy measures may include constitutional provisions i.e. national political economy, strategic planning, development planning, legislations and regulations, policy package and incentives, and programs. [40] (Thamrin & Lupke, 2016) The governance of procedural and systemic policy measures is very important because the policy measures of SMEs internationalization depend on many stakeholders involved, on internationalization stage, as well as on institutionalized structures of all policy levels (meta, macro, meso and micro).

Third, high level of systemic integration or linkage of policies measures has led to more consistent and
coherence policy. Since SMEs internationalization has become a cross cutting issue in several sectors, it involves policy measures of many stakeholders, thus inter-linkage or networking activities between the different stakeholders in order to promote market oriented, knowledge intensive and innovation product solutions. Integrated policy measures on SMEs internationalization with regard to the increase of competitiveness and connectivity require linkage through networking or intervention between several stakeholders such as education, technology institutes, government, businesses (non-governmental supporting institutions). The linkage or network approach between local, sectoral and national innovation system increased SMEs’ participation in GVCs. The positive linkage between strategic policy network and the acceleration of SMEs business development has been acknowledged by many researches. [41] (Tang, 2011) The higher level of coherency and consistency of policy measures can be characterized into: (1) internal coherency; (2) intra governmental coherency; (3) inter-governmental coherency; (4) multilateral coherency and (5) regional/developing country coherency [42] (King, et.al., 2011). This demonstrates that the policy coherence should be defined as the governance system as a whole. Not only does this relate to international or inter-governmental coherency, but it also includes multilateral and regional coherency. This is reasonable due to the proliferation of international and regional economic integration. Incoherence of policy measures will lead to policy gap that can inhibit the SMEs internationalization process. [42] King, et.al. (2012) claims that the coherence of policy measures does not only relates to internal (national) sphere, but it also includes external or international. Therefore, policy measures adopted in multilateral or regional sphere through regional/international economic integration should contribute to national development goals. The developing states, in particular, need to establish policy measures that grant them to take full advantage of the international/regional economic conditions to promote SMEs internationalization process and progress. In Indonesia, for example, regional/international economic integration through the establishment of AEC (ASEAN Economic Community) and many bilateral/multilateral trade as well as investment agreements has encouraged the national government to provide a more favorable national economic environment for foreign investors. To what extent the internationalization of SMEs is integrated with the national policies at macro, meso and micro levels is crucially important. In Indonesia, for example, the government has promulgated legislation that gives open access for foreign investors to invest in Indonesia. One of which is the Presidential Regulation of the Republic Indonesia No. 44 of 2016 concerning List of Business Fields that are open to and Business Fields that are open with Conditions to Investment. Despite the fact that this policy measure has in fact increased level of foreign ownership in a number of business sectors, it also increased certain limitations/ restrictions that are applicable for certain business lines, by reserving these business lines for investment by or in partnership with domestic SMEs. The establishment of performance requirements in any regulation/legislation standards is aimed at ensuring the coherence between economic integration and national economy objectives. Similarly, the positive coordination of policy measures on the internationalization of SMEs through promoting synergies between measures at international and national levels is also demonstrated from the linkage between ASEAN SME Regional Framework policy and institutional framework and policy platform for SME internationalization in Indonesia. [43] (Habibah, 2015) The fundamental guidelines to promoting internationalization are incorporated in the National Long Term Development Program that set up general standards. This general guideline is then elaborated in the Strategic Plan in each related department

CONCLUSION

From this study, it can be concluded that the systematic integrated policy model on the internationalization of SMEs provides a comprehensive and systematic policy framework. This model also highlighted two important variables such as competitiveness and connectivity as the basic levels in the basic notion of ‘systematic internationalization’ aimed at increasing the degree of SMEs internationalization. The concept of ‘systemic integration’ promotes an integrated approach to macro, meso and macro levels of policy. This model is a prominent device for public policy making and recommends inter-linkage to the policy and strategy makers.

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