

STRATEGY FOR DEVELOPING PRODUCT STANDARDS, PRODUCT QUALITY, AND INNOVATION IN IMPROVING THE INTERNATIONALIZATION PERFORMANCE OF MSMEs AT AIDA FURNITURE IN PASURUAN

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Abstract

This research was conducted to describe how an MSME company innovates in improving its internationalization performance by developing product standards and improving product quality. The object of research is the Aida Furniture company located in Pasuruan, East Java, Indonesia. The research approach uses descriptive and qualitative methods. Data collection techniques are carried out by conducting direct interviews with business owners. The research results show that the company has a strategy related to standard product development and quality improvement. This proves that by innovating the company can compete and have a competitive advantage. Innovation is an important thing that can differentiate a product from other products so that it can improve its internationalization performance.

Keywords: *Strategy, Product Quality, Innovation, Internationalization, MSMEs*

1. INTRODUCTION

The development of micro, small and medium enterprises (MSMEs) in supporting the Indonesian economy based on the people's economy is crucial for accelerating the development of the Indonesian economy (Akbar & Maraini, 2022; Cahyadi, 2015; M. D. Revindo, 2017). The meaning of development in the economic field refers to the development of a system that has competitiveness and can develop independently. Micro, Small and Medium Enterprises are real sectors that can play an important role in supporting the Indonesian economy. This was very clearly seen when the global recession hit the world. By relying on business flexibility and sources of capital, micro, small and medium-scale businesses are relatively more able to survive compared to large-scale businesses which are mostly built on fragile financial foundations (Akbar et al., 2021; Calabrò et al., 2021).

MSMEs in Indonesia as one of the foundations of a strong economy still have several problems in their development. Problems that are classified as a classic in the development of MSMEs themselves are such as capital, entrepreneur insights regarding business management, marketing strategies, and intellectual rights (Ryu et al., 2021). The problems faced by MSMEs require cooperation from all parties (stakeholders) to work together in providing guidance and providing useful facilities to improve management in the face of competition. Programs like this must be voiced more aggressively to increase the capabilities of MSMEs so that MSMEs can be stronger in supporting the nation's economy (Akbar & Adi, 2022). Two problems that must be solved immediately in the development of MSMEs are financing and increasing human resources. Another thing that should also be a concern is creating demand for the products produced. The future challenge for MSMEs is competition in the business world which is getting tighter and more complex (Arifin, 2020).

The development of the furniture industry in Indonesia can make a positive contribution to the country's economy. One type of manufacturing industry is proven to be able to provide jobs and

increase the country's foreign exchange. However, the development of the furniture industry may be hampered due to the constraints that may occur. So that the right strategy is needed so that the business can continue to grow to be even better.

Competition in the furniture industry in the world is increasing rapidly (Akbar et al., 2022). Indonesia's export capability in this sector is still not able to show off in the global competition stage. According to data from UN Comtrade, the value of Indonesia's furniture exports is only US\$1.8 billion which ranks 18th in the world. This figure is still relatively small when compared to the performance of furniture exports in several world furniture-exporting countries. Currently, China is still at the top of the list of world furniture exporters with a value of more than 52 billion US dollars.

Furniture is one of the leading sectors in Indonesia, so the government must provide support to dominate the domestic and international markets. In Indonesia, there are more than 6,000 medium and small furniture companies. The domestic market experienced rapid growth and diversification also increased, especially among the middle class. The government, especially the Ministry of Industry, also continues to encourage and formulate policies to increase the competitiveness of national furniture products. Support from the government in the form of education and training as well as equipment assistance and promotion is still very much needed. Because MSMEs have limitations, especially regarding the low quality of human resources, low-quality MSME products caused by limited knowledge and equipment, as well as capital owned by MSMEs (Akbar & Nefrida, 2021).

Aida Furniture is a company engaged in the export of furniture. This business was founded approximately twenty years ago with two employees. The location of this business is in the city of Pasuruan, East Java, Indonesia. Initially, the business owner worked in Bali at a furniture export centre. The furniture is produced in the city of Jepara, while the buyers come to Bali. Because the owner was in charge of managing the export of furniture to Germany, he tried to open his own business in his village, Pasuruan. Where Pasuruan is famous for its Furniture production centre. So that many of the furniture items in Jepara that are produced come from Pasuruan. This is due to the availability of raw materials and a large number of workers/labourers who are experts in furniture making.

From his years of experience managing furniture exports, the business owner knows what models and consumer tastes are like. The company's export destinations are Taiwan and Singapore. To guarantee product quality, the company has a Timber Legality Verification Certificate as one of the requirements for being able to export. The raw material for teak wood is sourced from Perhutani. Product quality is the physical condition, function and characteristics of a product, both goods and services based on the expected quality level, such as durability, reliability, accuracy, ease of operation, product repair and other product attributes with the aim of meeting and satisfying the needs of consumers or customers.

Product quality is one of the keys to competition among business actors offered to consumers. Consumers always want to get a quality product according to the price paid, although some people think that an expensive product is a quality product. If this can be implemented by the company, then the company will be able to continue to satisfy consumers and can increase the number of consumers.

Product quality is an important thing that must be sought by every company if the resulting product is to be competitive in the market (Kotler et al., 2021). The existence of a reciprocal relationship between companies and consumers will provide an opportunity to know and understand what the needs and expectations are in consumer perceptions. Thus, product provider companies can provide good performance to achieve consumer satisfaction by maximizing pleasant experiences and minimizing unfavourable consumer experiences in consuming products.

Meanwhile, product standards are guidelines that can be used in the production process. Product standards provide guidelines as a basis for making decisions starting from design, manufacture, and assembly to finished products. Product standardization is the determination of basic limits in the form of specifications for manufactured goods (Kolagar et al., 2022).

Standardization of quality is very important for businesses to be able to compete and maintain business continuity. In addition, consumers will be willing to purchase if the product offers the best in quality, performance, and innovative features. The better the quality of the product produced, the more opportunities for consumers to make purchasing decisions. A quality product is a product that meets the wants and needs of consumers for a product. Product quality is an important thing that must be sought by every company if the resulting product is to be competitive in the market. If in a marketing situation where the competition is getting tighter, the role of product quality will be even greater in the development of the company (Genc et al., 2019).

The Ministry of Industry compiles and implements the Indonesian National Standard (SNI) for furniture and handicraft commodities to anticipate the implementation of the ASEAN Economic Community (AEC). AEC can be an opportunity or a threat for domestic industries, especially the furniture and craft industries. Another anticipatory effort is the application of the Indonesian National Work Competency Standards (SKKNI) as a formulation of workability which includes aspects of knowledge, skills, and training activities. After the implementation of this policy, the development of the national furniture industry experienced significant progress. The export value of national wood and rattan furniture products reached US\$1.8 billion. This amount increased to 2.2 billion US dollars. In the next five years, the export value of wood and rattan furniture is predicted to reach US\$5 billion (Sukaatmadja et al., 2021).

Opportunities to increase exports of furniture and handicraft products made from wood to the European Union are increasingly wide open, in line with the recognition of the timber legality verification system (SLVK) policy by the countries in the region. It is hoped that the value of national furniture exports will continue to increase. Moreover, wood from Indonesia has been recognized for its quality by member countries of the European Union. The SLVK policy that guarantees the legality of wood raw materials for the furniture industry has been officially recognized by the European Union through the Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement on 30 September 2013 in Brussels.

So far, the main destinations for Indonesian furniture exports are the United States (US), France, Japan, England and the Netherlands. On an ongoing basis also carry out promotional activities internationally to several countries in Europe, America and Asia. These efforts are mandated by the Law on Industry Number 3 of 2014, which is to encourage downstream business to increase industrial competitiveness. The law states that increasing the added value of industry and strengthening the industrial structure in the country, the government can prohibit or limit the export of natural resources.

Furniture in Indonesia is produced by large industries and craftsmen. The Pasuruan region is one of the areas in Indonesia which is well-known for the furniture industry besides Jepara and other areas. However, the development of the existing industry in the factory was not matched by the development of existing furniture craftsmen. Therefore, the strategy that can be implemented by the company's management is to develop a suitable strategy by analyzing the company's internal and external factors. That way, a company can find out what are the opportunities and what are the challenges. This research was conducted to describe how an MSME company (Aida Furniture) innovates in improving its internationalization performance by developing product standards and improving product quality.

2. IMPLEMENTATION METHOD

This research was conducted through a descriptive and qualitative approach. This research method seeks to describe the object or subject studied in depth, broadly, and in detail. This research method is used to solve and answer problems by collecting data, classification, analysis, conclusions, and reports (Akbar, 2020). The object of this research is located in one of the SMEs in Pasuruan, East Java, Indonesia. The location of this research has a higher number of furniture MSMEs that have internationalized compared to other districts in East Java Province. Aida Furniture is an MSME that has internationalized. The subjects in this study are business owners. The determination of the subject was carried out purposively where the researcher determined the sampling by specifying special characteristics that were in accordance with the research objectives so that they were expected to be able to answer research problems.

This study has two types of data used, namely quantitative data and qualitative data. This study obtained data from two sources. The type of data used in this study is primary data which is raw data taken by researchers (not other people) obtained in the field directly from the source. While secondary data were obtained from literature studies in the form of literature, written sources or documents that have relevance to this research. That is primary data, in this study obtained from direct interviews with business owners. In comparison, secondary data was obtained from several reports and documentation as well as previous theories and research (Miles et al., 2018). The tools used in this study were stationery, a list of questions for interviews, a tape recorder for recording interviews, a camera for documentation, and a laptop.

3. RESULTS AND DISCUSSION

Aida Furniture is one of the MSME companies engaged in furniture and has been around for a long time. The goods produced by Aida Furniture include tables, chairs, benches, cabinets. These furniture products are sold in the international market (80%) and the domestic market (20%). Marketing on the international market in Taiwan and Singapore. While marketing in the domestic market to cities on the island of Java. To improve the internationalization performance of MSMEs at Aida Furniture, the company's management applies two innovation strategies, namely innovation in the development of product standards and innovation in product quality.

3.1 Innovation Strategy in the Development of Product Standards

Product development strategy is one of the important things for every company (Edeh et al., 2020; Hill et al., 2016). This is one of the things that companies use to be able to improve

their production processes. Without a strategy for product development, a company's production process will certainly be hampered (Edeh et al., 2020; Golovko & Valentini, 2011; Hill et al., 2016; M. D. Revindo, 2017; Sukaatmadja et al., 2021; Tali et al., 2021). As a company that already has a lot of experience in the field of furniture, Aida Furniture certainly has a method or strategy to develop its products. Various strategies are applied by the company in developing its products, namely in terms of raw materials used, product design, and marketing.

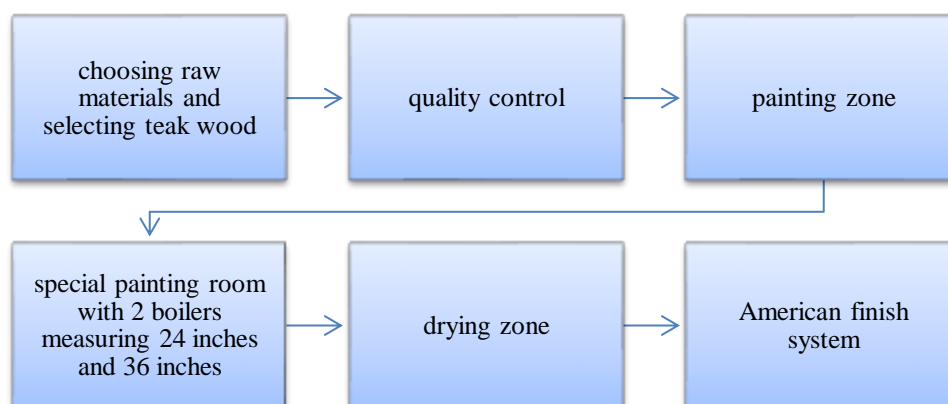
The determination of standardization is a strategy undertaken to reduce competition among fellow craftsmen and maintain business continuity (Bagheri et al., 2019; Edeh et al., 2020; Yaskun & Bidin, 2022). This research has succeeded in providing an understanding to business actors in standardizing and determining selling prices for products produced by HPP calculations. In determining quality standardization, the basis for determining quality grades are 1) the Type of wood and size of wood used; 2) Ornamental details; 3) the most complex chain of processes produced is a semi-finished product that has not yet reached colouring. So 6 quality grades are standardized based on the specified size. The innovation carried out by the company Aida Furniture is choosing raw materials and selecting teak wood which has a distinctive wood pattern. Then with the overall quality control of each work zone. This guarantees the quality according to what consumers want abroad.

Product differentiation between producers in the teak wood furniture industry forms a barrier to entry, especially through consumer loyalty. Consumer loyalty to the furniture industry made from teak wood is relatively high because in general furniture products made from teak wood are aimed at the upper middle market segment with relatively high prices, both in the domestic and foreign markets. However, the foreign market for teak wood furniture products requires more product differentiation, especially with sharper characteristics and trends compared to the domestic teak wood furniture market. Thus the export market has a relatively higher barrier to entry than the domestic market.

In general, teak furniture products require product differentiation to "look different" and update regularly. Because teak furniture products, especially for the export market, generally have high consumer loyalty, the switching cost of the teak furniture industry is high. For the domestic market, switching costs are relatively lower than in foreign markets, mainly because consumer loyalty to the domestic market is relatively low.

3.2 Innovation Strategy in Product Quality

There are several stages of making furniture that is different from similar SMEs. Aida Furniture divides areas or what is known as work zones. Where each zone has placed a person who is responsible for internal checking. The company added a special room to the painting zone. Other SMEs or similar companies do not have closed paint rooms. Meanwhile, Aida Furniture has made a special closed room so dust does not enter. By adding 2 boilers measuring 24 inches and 36 inches in the room, the paint results are visible with perfect colour and shine. In addition, it is not dusty and will dry quickly. In the drying zone, the company uses the American finish system. This stage will make the wood grain more visible. Overseas consumers value and value wood more. Then the packing process uses packing materials that have been labelled. In addition, it can also be recycled.

Figure 1. Innovation at the Furniture Processing Stage for Quality Products

Source : interview with business owner Aida Furniture (data processed)

The several stages of making furniture in the picture are innovations carried out by companies that are not the same and are not carried out by other similar MSMEs. Product differentiation competitive strategy is needed in the furniture industry made from teak wood if it has to produce products that "look different" to be competitive. The necessity to produce products that look different is very visible to export-oriented business actors. Exporters' products have overseas markets generally not because their product prices are the cheapest, but rather because their products are unique and creative and are always updated to follow the growing trends in the international market. Competition for furniture products in the international market is very tight and involves exporters from large exporting countries, especially China, but Indonesia's furniture exports have increased from year to year (before the Covid19 pandemic), especially due to the successful implementation of the product differentiation strategy. With the innovation strategy carried out by the company, both in terms of developing product standards and product quality, it can increase competitive advantage so that the export performance or internationalization of MSMEs is increasing.

Based on the results of the research that has been described, show that innovation is important in a business, especially in improving internationalization performance. These results are the results of previous studies which show that the innovation strategy carried out by a business will have a positive impact on the progress and performance of a business.

A suitable business strategy to develop is a product development strategy with a focus on developing product diversification, differentiation, product branding, maximizing freight forwarding cooperation, and increasing the number of alternative suppliers, to improve international quality. These results are in line with research (Edeh et al., 2020; M. Revindo et al., 2017; Yaskun & Bidin, 2022). The results of the study are also in line with research (González Calzadilla et al., 2022) in terms of the internationalization process regardless of company size will be able to develop appropriate risk management which leads to increased performance. The risk of internationalization is not an obstacle for MSME companies, but it is how they manage it that makes MSMEs able to improve their performance. Internationalization strategies become more efficient when differentiation and innovation

strategies are followed simultaneously. This study recommends that MSME managers recognize that improving product quality through innovative competitive advantage strategies and technology adoption is beneficial for sustainable MSME growth (M. D. Revindo, 2017; Tali et al., 2021).

4. CONCLUSION

The furniture industry has very good prospects for growth and development. This is mainly due to the abundance of resources (human resources, natural resources, and cultural characteristics), high government support, and wide open markets. Competitive strategies that can be developed in the wood-based furniture industry are cost leadership strategies and product differentiation strategies. From the research results, it can be concluded that the company has a strategy related to the development of product standards and quality improvement. The thing that is different from the company Aida Furniture with similar SMEs is the stage of making furniture. The company divides areas or what is known as work zones. Where each zone has placed a person who is responsible for an internal checking. The company also added a special room in the painting zone. In the drying zone, the company uses the American finish system. The company selects raw materials and selects teak wood which has a distinctive wood pattern. The company also implements overall quality control of each work zone. This proves that by innovating the company can compete and have a competitive advantage. Innovation is an important thing that can differentiate a product from other products so that it can improve its internationalization performance.

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