

JAPANESE ENTERPRISES ROLE ON SMES DEVELOPMENT IN INDONESIA: INSIDE TOBIKO EXPORT AND IMPORT

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Abstract: *The behavior and the performance of firms, which are highlighted on small and medium-sized enterprise (SME) development, have been extensively discussed since few past decades among the scholars and researchers. Nonetheless, most of those studies only concentrate onto Western firms and less is known in South-East Asia firms, especially the firms located in Indonesia. Consistent with the lack of literature mentioned above, the most significant problem within the body of literature is there are also very little comprehensive findings of empirical research in examining the role of foreign enterprises which specialized in flying fish roe product, known as Tobiko or To Bio No Tamago in Japanese, on the development of Indonesian SMEs in general and the development of natives' wealth and knowledge in particular. To this knowledge, this study thus aims to expound the role of Kanetoku Corporation and Kanematsu Corporation (formerly known as Kanematsu Goshu Ltd.) – as the representative of the foreign firms – on the development of Indonesian SMEs that are originated from South Sulawesi province, especially from Makassar, Takalar, and Mamuju region. Through the application of resource-based view (RBV) as the grounded theory and the emphasis on the underpinning concept of innovation and knowledge-transfer, this study is strongly expected come up with the result that innovation and knowledge transfer provided by Japanese firms intentionally or unintentionally have become the vital factors on the development of South Sulawesi SMEs that can be seen for example within (1) the successful internationalization of South Sulawesi SMEs and amusingly (2) the remarkable discovery of a new habitat of flying fish outside the South Sulawesi province by the South Sulawesi SMEs during the collaboration between Japanese firms.*

Keywords: *innovation; internationalization; knowledge-transfer; RBV; SMEs*

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INTRODUCTION

Small medium-sized enterprises (SMEs) have become one of the important factors for the economic growth and change in Indonesia since few past decades (Berry, Rodriguez, & Sandee, 2001; Tambunan, 2007). Regardless of the resource limitation of SMEs, they, however, can successfully develop and additionally expand into international and/or global markets. This phenomenon leads the studies on the development of SMEs capture the scholars attention (Cassiman & Golovko, 2011; Musteen & Datta, 2011). For example, study on how SMEs develop and/or survive surrounded by other larger established firms either in national or global markets (Filatotchev, Liu, Buck, & Wright, 2009). Unfortunately, most of those studies only concentrate onto Western firms and less is known in South-East Asia firms, especially the firms that are located in Indonesia. Consistent with the lack of literature mentioned above, the most significant problem within the body of literature is there is also very little comprehensive findings of empirical research in examining the role of foreign enterprises which specialized in flying fish roe product, known as Tobiko in Japanese, on the development of Indonesian SMEs in general and the development of natives' wealth and knowledge in particular. Such issue is important to be addressed further.

Moreover, resource-based view (RBV) has tendentiously captured the interest among scholars recently to provide a more dynamic explanation regarding the development of the firms, especially the internationalization of SMEs (Johanson & Vahlne, 2009; Schweizer, Vahlne, & Johanson, 2010). Accordingly, a huge number of perspectives that are derived from other disciplines are integrated into a growing body of knowledge in order to

describe the development of the firms during internationalization process. Such perspectives are for instances, RBV and organizational learning perspective (OLP). RBV is adopted in the investigation of SMEs' internationalization (Westhead, Wright, & Ucbasaran, 2001) and OLP is employed to describe the performance of firms' international operations (Hsu & Pereira, 2008). Those two studies (Hsu & Pereira, 2008; Westhead et al., 2001) acknowledge that based on RBV, knowledge constitutes resources, whereas organizational learning constitutes capabilities (J. C. Casillas, Acedo, & Barbero, 2010). Consistent with the acknowledgement above, RBV and OLP are central to the underlying concept of firms' knowledge and learning process during internationalization (Gaur, Kumar, & Singh, 2014; Kuivalainen, 2003). Hence, in line with the study of José C. Casillas and Acedo (2013), this study suggests that SMEs acquire successfully internationalize and competitive advantages through leveraging resources and increasing learning process for the capabilities acquisition.

Recently, great changes have occurred in the context of technological research and development (R&D), which is emphasized on the development of the firms, specifically SMEs. This phenomenon leads number of scholars such as Wynarczyk, Piperopoulos, and McAdam (2013) to undertake research on R&D. Accordingly, some scholars i.e. Marjanovic, Fry, and Chataway (2012) and Howaldt, Kopp, and Schwarz (2015) recommend that if the firms obtain developed technology externally and get involve into the relationships among actors, agents and networks such as research institutes, customers, suppliers, and competitors, the firms eventually are able to increase their capacity and the performance of innovation that may

potentially drives them to the successful market share development. To this knowledge, this study suggests that SMEs are able to develop their performance by applying the approach of innovation in order to achieve – on the one hand – their internationalization process successfully and to increase – on the other hand – their capabilities.

Furthermore, knowledge transfer among one to the other firms, particularly in the context of internationalization process of SMEs has attracted scholars' attention since few years ago. Some scholars (Chung-Jen, Yung-Chang, & Mo-An, 2014; Filatotchev et al., 2009) suggest that the success of firms development as well as the better outcome of key organizational depend on the process of knowledge transfer. However, previous research on knowledge transfer between organizations was mainly in the area of international joint ventures and less in the context of inter- and intra-organizational knowledge transfers (Chua & Pan, 2008; Pla-Barber & Alegre, 2014). In accordance with such lack of literature, this study is therefore expected to address the issue further.

Based on the research gap mentioned earlier, this study then constructs several questions:

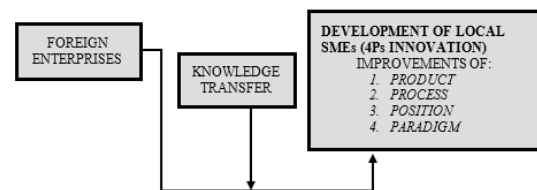
(1) The effect of foreign enterprises on the development of local SMEs.

(2) The mediating effect of knowledge transfer on the relationships between foreign enterprises and the development of local SMEs.

According to the questions above, this study then generates the conceptual framework as shown in the following figure section.

FIGURE

Figure 1: Conceptual Framework



The significance of this study is expected primarily for the contribution to the knowledge of three research streams: international business, organizational behavior and strategic management. It is believed that the outcomes of this research can contribute to the small and medium firm behavioral studies by filling up the existing gap especially on the topic related to the role of foreign companies on the development of local SMEs. Finally, this study can also directly benefit the SMEs, which plan to internationalize their business by providing them a recommendation to go into the foreign market especially those that are specialized on flying fish roe products. To provide such significances, this study strongly initiates to undertake research on the role of Japanese enterprises namely Kanetoku Corporation and Kanematsu Corporation (formerly known as Kanematsu-Gosho Ltd.) on the development of Indonesian SMEs through the application of RBV as the grounded theory and the emphasis on the underpinning concept of innovation and knowledge-transfer.

LITERATURE REVIEW

Resource-Based View

RBV has become increasingly popular among scholars and widely discussed within the top-tier journals such as Journal of Management, Journal of International Business Studies, and so on (Hsu & Pereira, 2008). According to the literature, RBV derived from the seminal writings of Penrose (1966) which

discusses the growth of the firm. The main emphasis in Penrose (1966) observation is on the internal resources of the firm on the productive service available to a firm from its own resources, specifically the productive services available from management with experience inside the firm. Later, Wernerfelt (1984) reviews the implications of the development of the firm and finds that resource-based approach views the firm as a traditionally determined by the collection of its assets or resources which have relationship between the firm's management.

Organizational Learning Perspective: Knowledge Transfer

Recently, research on the knowledge transfer in the organization leads scholars i.e. Gil and Carrillo (2016) to suggest that knowledge is considered as the crucial factor in the value creation in organizations. As such, the discussion with regard in the knowledge transfer in the contexts of organizational captures the interests among scholars. Moreover, literature defines that the process through which one unit i.e. group, department, or division is affected by the experience of another, is considered as the process of knowledge transfer within the organizations (Argote & Ingram, 2000). Additionally, the study of Pedersen, Petersen, and Sharma (2003) suggests that knowledge transfer is important for the multinational companies however unsuitable knowledge transfer process may lead to the failure i.e. loss of knowledge during the transfer process and potentially may jeopardize the performance of the firm. Following the work of Kogut and Zander (1993), Pedersen et al. (2003) later states that firms which are mainly active in international and global markets are considered as the actors for creating and transferring knowledge. In accordance with the discussion above, this study is justified to review the role of knowledge

transfer on the relationship between foreign enterprises – which go into the international or global markets – and the development of local SMEs in which the foreign enterprises enter the origin country of such local SMEs.

Integrative Model of Four Ps in Innovation Theory

According to the literature, the definition of management innovation is considered as a difference in the form, quality, or state over time of the management activities in an organization, where the change is a novel or unprecedented departure from the past (Hargrave & Ven, 2006). Based on this definition, management innovation is assumed as a representation of a particular form of organizational change (Birkinshaw, Hamel, & Mol, 2008). In accordance with such organizational change, scholars i.e. Francis and Bessant (2005) propose an integrative model of management innovation which highlights the perspective of the change. The model is consisted of four categories of innovation which are: (1) product innovation explains the changes in the products or services; (2) process innovation discusses the changes in the related products or services which are created or delivered; (3) position innovation argues the changes particularly in the context of products or services are introduced; and (4) paradigm innovation elucidates the changes in terms of to what extent the organization or firm does (Francis & Bessant, 2005).

While many integrative models or frameworks in explaining innovation as well as management innovation are constructed and introduced by researchers and/or scholars, this study is relied on the integrative model of Francis and Bessant (2005) due to the model is a relatively current model and derived from the integration of several types on innovation models. Other reason is such

model is suitable in the context of SMEs given the fact that a great number of scholars such as Johanson and Vahlne (2009) or else Peng, Wang, and Jiang (2008) discuss the role of innovation on SMEs development. Other scholars for instance McAdam, Moffett, Hazlett, and Shevlin (2010) apply the model of Francis and Bessant (2005) for explaining the implementation of innovation in the context of SMEs mainly in the United Kingdom, however McAdam et al. (2010) recommend that further research should conduct in other regions by developing and/or applying such four P's model. This study is strongly supported accordingly to apply Francis and Bessant (2005) model in explaining the role of large companies which are represented by Kanetoku Corporation and Kanematsu Corporation on the development of Indonesian SMEs particularly from South Sulawesi region.

The Flying Fish Roe: The History of Kanetoku Corporation and Kanematsu Corporation

In 1924, Mr. Tokutaro Higashimura founded Kanetoku Corporation in Japan. At the beginning, Mr. Higashimura sells the bottle and canned goods within Kobe, Japan. As indicated by the report of Kanetoku (2017), in 1937, Kanetoku started to involve in manufacturing sector and initiated to specialize in food products manufacturing. In 1951, Kanetoku started the import of jellyfish and began to produce sea urchin roe. Moreover, in 1969 Kanetoku initiated to craft international collaboration with Indonesia through the development resources of Indonesian jellyfish and fish roe including the flying fish roe. From this time, Kanetoku later developed marine resources within the year of 1982 and established the processing of Chrimenjyako or baby anchovies for export purpose. Both activities are established in Indonesia. Based on the information above provided by Kanetoku

(2017), this study suggests that Kanetoku initiating its business worldwide particularly in Indonesia due to the interest of Indonesian marine resources in order to fulfill Kanetoku raw materials in producing its food products.

While Kanetoku Corporation highly-specialized in food products, Kanematsu Corporation which is formerly known as Fusajiro Kanematsu Shoten of Australian Trading, traditionally founded by Mr. Fusajiro Kanematsu in Kobe and specialized in importing wool and wheat from Australia (Kanematsu, 2017). In 1967, Kanematsu and Gosho Company merged to further accelerate the conversion to a general trading corporation and formed Kanematsu Gosho (KG) Ltd. In 1990, through the celebration of 100th anniversary, Kanematsu changed trade name to Kanematsu Corporation. Later, in 2014 Kanematsu Corporation celebrated its 125th anniversary with more than 20 its principal subsidiaries and affiliates under the Kanematsu Group which are specialized in not only foods and grain but also electronics, steels, materials and plant, motor vehicles, aerospace, etc. In the context of Indonesia, Kanematsu Corporation has formed Kanematsu Trading Indonesia or KTI, located in Jakarta. KTI is established so as to facilitate Kanetoku Corporation buying the flying fish roe inside Indonesian market.

SMEs in Indonesia: The Export of the Flying Fish Roes

In Indonesia, SMEs have become one of major roles on the economy growth (M. Y. Mustafa, 2012). This can be seen in the report of Kemenkop UKM (2017) that shows there are 1,361,129 registered SMEs recently and contributes over 60% to the Indonesian GDP. Other report from Bank Indonesia (2017) indicates that SMEs actively participate in the export sector specialized in marine,

garment, furniture products, and so on.

Furthermore, since 2006 – 2010 there have been more than 860,000 SMEs in South Sulawesi province (Aswan, 2017; Dinas Koperasi UMKM, 2017; Sari & Kusumastuti, 2018). Most of such SMEs run the business focused on the marine products sector especially flying fish roe due to there are 10 out of 18 flying fish species in which located in the waters of South Sulawesi and the eastern region of Indonesia (Syarif, Fatchan, & Astina, 2017). Such flying fish has become one of the favorite types of fish for South Sulawesi fishermen as well SMEs particularly such fish's roe sales opportunity (Fitrianti, Kamal, & Kurnia, 2014) because many global buyers including both Kanetoku Corporation and Kanematsu Corporation look for flying fish roe. At this point, SMEs that are specialized in flying fish roe and from South Sulawesi region accordingly are directly involved in export activity together with the import activity of Kanetoku Corporation and Kanematsu Corporation.

METHODOLOGY

Scholars (Griffith, Cavusgil, & Xu, 2008) recommend that to explain internationalization of SMEs in more holistic explanation, the investigation of a particular internal and/or external factor on firms' internationalization is strongly suggested. Additionally, Etemad (2004) strongly advise that it is important to integrate several theories to examine and explain the dynamic nature of firms' internationalization. As such, this study aims to adopt RBV as the grounded theory and the emphasis on the underpinning concept of knowledge transfer and integrative model of 4Ps in innovation, which have been explained in the previous section of this study.

Furthermore, through the application of RBV, this study then is assisted

to conduct several approaches in collecting data such as interview with the members of SMEs who are involved in internationalization of SMEs or the document/footage collection provided by the SMEs.

Conducting the interview based on the RBV approach consequently benefits for this study to distinguish the variety of factors, which encourage several owner-managed firms to export goods or services (Westhead et al., 2001; Wright, Westhead, & Ucbasaran, 2007) as well as the role of Japanese firms on the development of involved-SMEs inside the flying fish roe internationalization i.e. the application of innovation and knowledge transfer (Argote & Ingram, 2000; José C. Casillas, Moreno, Acedo, Gallego, & Ramos, 2009; Eriksson & Chetty, 2003; Eriksson, Johanson, Majkgård, & Sharma, 2000; Filatotchev et al., 2009; Mursalim, Alamzah, & Sanusi, 2015).

ANALYSIS AND DISCUSSION

Based on the data collection, this study firstly finds that in early 1970s, KG entered Indonesian market during the term of Mr. Itoh as the chief representative. The following chief representative was Mr. Sembogi and he was in charge as chief representative officer for about five-year and being replaced by Mr. Itoh in the beginning of 1980s. Furthermore, Mr. Sakamoto who replaced Mr. Itoh spent his term as the chief representative until early 1990s.

Moreover, this study secondly discovers that Mr. Makkah M—who is from Makassar, Indonesia—plays important role in facilitating all the chief representative officers of KG abovementioned in expanding KG's market in South Sulawesi region. Mr. Makkah previously joined KG in early 1972 as an ordinary staff of KG Jakarta and within the year of 1990s, Mr. Makkah became the assistant manager and quality

control staff of coffee bean and Tobiko. He later resigned on 31st December 1996 and remained as an information staff on Tobiko as well as coffee bean until early 2000s.

Finally, this study then reveals that during the time as the employee of KG, Mr. Makkah was asked to take a tour with the late Mr. Higashimura Senior to the Southern part of Makassar, which is Takalar. This is primarily to see the fishermen in producing Tobiko. This tour was ended until the second-half of 1970s and came up with the result that both KG and Kanetoku were popular as Japanese reliable buyers of Tobiko by the locals SMEs from Makassar and Takalar as well. Both companies remained big buyers until the second-half of 1990 due to the arrival of some competitors especially the buyers from South Korea. Those Japanese firms then dealt with more competitive market followed by the reduction of Tobiko price that never happened before. Based on this phenomenon, this study indicates that both KG and Kanetoku initiated some strategies that are intended to preserve their market as well as compete with other potential buyers. In addition, such strategies may also directly or indirectly affect the development of local SMEs.

Furthermore, according to the literature, in order to preserve the competitive advantages within a more competitive market, firms have to formulate a strategic planning (Grant, 1991) for example enhancing the knowledge among parties involved (Gil & Carrillo, 2016; Mejri & Umemoto, 2010) and/or doing innovation (Cassiman & Golovko, 2011; Francis & Bessant, 2005; Howaldt et al., 2015). This later fits with the discussions mentioned earlier that due to the high competitive Tobiko market in South Sulawesi, Kanetoku and Kanematsu Corporation later decided to formulate a strategic planning especially

performing the innovation on the process of Tobiko. This can be seen in the introduction of some new tools in the Tobiko production processes in order to get a better Tobiko.

The first process, that is harvesting process, has been improved using new tool. This new tool is a small size of plastic robe that has been iron-brushed. This plastic replaces the traditional one, which is made from bamboo called Bale-Bale. Through the training provided by Kanetoku and Kanematsu Corporation, the plastic robe then laid as long as possible by the fishermen on the surface of water sea to attract the flying fish attaching its roe on that robe. The result later delivers a more quantity and a better quality of Tobiko harvested. This plastic robe is still applied by the local fishermen recently.

Additionally, after the harvesting process, there has been no change on the second process that is drying process of Tobiko. Both Japanese firms and the local fishermen prefer to dry Tobiko using the sunshine.

Unlike the second process, there has been a shift on the third process, which is the measurement process of dried Tobiko. The local fishermen traditionally measure the weight of dried Tobiko using the manual balance scales. However, the Japanese firms then offer the digital scales to the local fishermen and provide a guideline to use that tool to the fishermen. Consequently, the outcome brings a more accurate weight measurement of dried Tobiko through the application of the digital scales compared to the manual scales. This result then leads both parties to prevent the weight and quantity loss that may disadvantage for the business.

Moreover, the fourth process, which is the detachment process of roe from its fiber has been improved by the Japanese firms using the detachment machine. Unfortunately, some major cons existed

on this process such as broken roe that does not meet the standard quality of export. Other cons are the training and new machine operator additional costs. Both parties thus keep the traditional tool, which is the application of wire or solid plastic net.

Subsequently, after the detachment process, Mr. Makkah then collects all the roe from Takalar that has been packed using the traditional bags and brings to Makassar. At this stage, Mr. Makkah, under his own SME, severely controls Tobiko quality before repacking the product. Mr. Makkah then hired some labors and educated them how to repack Tobiko using the sterilized-plastic bag through the application of wrapping machine. Furthermore, the next process is to measure again the weight of repacked-Tobiko and then ready to be exported. During the export process, Mr. Makkah and partners provide all the export documents and are required to inform both Japanese firms using Telex machine in order to get the payment through the letter of credit application.

CONCLUSION

This study assumes that, on the one hand, through the innovation process, the improvement of (1) process and (2) product of SMEs eventually offers a more quantity and a better quality of Tobiko. This is also followed by the improvement of the (3) position and (4) paradigm of SMEs. All the improvements performed due to the more competitive market of Tobiko as well as the increasing demand of better Tobiko product. This later motivates local SMEs to discover a new harvesting spot of flying fish roe that previously has been suggested by Kanetoku Corporation and Kanematsu Corporation. As such, the managers of SMEs and their fishermen later perform learning process on the behavior and habitat of the flying fish frequently

within few years. The learning process is to investigate where such schools of fish swim after leaving the West Coast of Sulawesi. Through their learning process, they suggest that in every September or at the end season of harvesting, the schools of flying fish tend to surround Sulawesi Island after the spawning season and every February to March those schools of fish are back again to the West Coast of Sulawesi. They later imply that during surrounding the Sulawesi Island, some of the schools actually surround Sulawesi Island, nonetheless, some of them temporarily stop in Mamuju, and some of them swim to Papua Island. Hence, the managers of SMEs and their fishermen argue that since the behavior of the flying fish tend to surround the Sulawesi Island after the spawning season ends in Takalar, the fishermen then move to Mamuju and Papua to find another Tobiko. This event is also followed by the initiation of some new SMEs located in Mamuju and Papua, which are specialized as Tobiko suppliers. As a result, the Tobiko harvesting season does not solely depend on the West Coast Sulawesi anymore especially in Takalar and Mamuju, nonetheless, there is a chance to harvest Tobiko outside Sulawesi Island which is Papua Island.

This study also assumes that during the positive improvement of SMEs' process, product, position, and paradigm, both Japanese firms, on the other hand, provide some training or education for local SMEs such as new tools application training (plastic robe, packaging, Telex machine, and so on). This may result the existence of the transfer knowledge activity among Kanematsu Corporation and Kanetoku Corporation and SMEs including managers, fishermen, as well as administration officers. This is theoretically supported by the study of Argote and Ingram (2000) which denotes

that knowledge transfer in organizations manifests itself through the changes in the knowledge or performance of the recipient units. Knowledge transfer hence can be measured by assessing the changes in knowledge or the changes in performance.

In sum, this study implies that through the application of innovation and knowledge transfer activity, there is a crucial role played by Kanetoku Corporation and Kanematsu Corporation on the development of SMEs in Indonesia. Their roles are not only participating on the development of South Sulawesi SMEs, including (1) internationalization process; (2) knowledge; and (3) wealth, but also (4) the contribution on the remarkable discovery of a new harvesting spot of Tobiko outside the South Sulawesi.

IMPLICATION AND SUGGESTION

According to the literature (Freeman & Cavusgil, 2007) many scholars are still struggling in understanding on the way small firms behave and perform during their internationalization. In addition, literature also shows that knowledge transfer and innovation play important role during the internationalization process of SMEs (Cassiman & Golovko, 2011; Filatotchev et al., 2009). Consistent with this view, this study is later motivated to offer suggestion to fulfill a big research gap found in SMEs' internationalization literature as indicated by O'Cass and Weerawardena (2009) who suggest that that the body of small firms' internationalization research suffers from several theoretical and methodological problems. In doing so, this study provides the explanation about the internationalization process of SMEs in Indonesia based on the effects of knowledge transfer and innovation theory through the application of RBV. As a result, this study offers several theoretical implications in the previous

section of this paper to explain the dynamic nature of SMEs' behavior including the improvement and learning process during internationalization process generally as well as the roles of foreign firms on the development of local SMEs particularly. Besides, this study also delivers the explanation regarding the motive that stimulates locals to initiate new SMEs that are specialized in Tobiko only. To this view, this study therefore expects that the findings of this study offer a shed light for the owners/directors/managers/policy makers of internationalizing SMEs towards international expansions especially the expansion of Papua Island.

Despite the theoretical and managerial implications offered by this study, however, this study is also limited by several critical reasons. Firstly, one of the efforts that this study aims to explain is to investigate the relation between the role of foreign firms on the development of local SMEs including their internationalization from the perspective of 4P's innovation theory and knowledge transfer. The result of this study is considered as very immature in the framework of the characters inside the system as a whole. Yet, both the conceptual and empirical studies construct the innovation and knowledge transfer structure (Filatotchev et al., 2009; Gil & Carrillo, 2016; R. Mustafa, Syahputra, Mustafa, & Sadeli, 2014). Secondly, the internationalization of firms particularly from emerging countries such as Indonesia is at a relatively early stage of development (Bianchi, 2014). Finally, the data that have been collected within this study should be investigated in more depth and quantitatively. Thus, further work is required to investigate the effect of other aspect that is new and unique on SMEs development in Indonesia.

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