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MARKET INTEGRATION IN ASEAN: SUSTAINABLE GROWTH AND CROSS - CULTURAL ISSUES

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CROSS CULTURAL ISSUES**

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Faculty of Business and Economics, University of Surabaya,
Surabesia**

**University of Social Sciences and Humanities, Vietnam National
University Ho Chi Minh City (USSH, VNU-HCM), Vietnam**

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MARKET INTEGRATION IN ASEAN: SUSTAINABLE GROWTH AND CROSS CULTURAL ISSUES

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FOREWORD

It is with deep satisfaction that I write this Foreword to the Proceedings of *THE 13TH INTERNATIONAL ANNUAL SYMPOSIUM ON MANAGEMENT (INSYMA)* held at University of Social Sciences and Humanities, Vietnam National University - Ho Chi Minh City, Vietnam, March 18 -20, 2016. The 13th Insyma aims to provide a forum for discussion among leading academics, researchers, students, and practitioners from all over the world, experts in economic and social sciences.

The theme for INSYMA 2016 is “**MARKET INTEGRATION IN ASEAN: SUSTAINABLE GROWTH AND CROSS CULTURAL ISSUES**”. This theme represent emerging and highly challenging and opportunities area of research and practice.

There has been tremendous number of researchers investigating the impact of market integration and cultural impacts on economy on several communities. Mainly they found a positive impact on the economic growth as a result on significant increasing of trading for products and services in its country member. Nevertheless, market disstabilization is still main disadvantage of the regional integration. Regional community needed to developed the new model of market integration system that could minimize the disadvantages.

Hundreds of scientific papers are sent to the conference committees in Indonesia and in Vietnam, and the results of a rigorous selection of 160 selected. This paper is derived from a variety of authors, both within and outside Indonesia and Vietnam, academics and practitioners. All the articles are then presented at the symposium and documented in this proceedings.

We thank all authors, participants, sponsors and co-hosts for their contributions and we hope that these proceedings can contribute to the development of science and business practices. Hopefully you can enjoy and gain valuable lessons from this article collection.

Ho Chi Minh, Vietnam, 18th-20th March 2016

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TIERED SME TRAINING IN SURABAYA: STRATEGY FOR STRENGTHENING SME COMPETITIVENESS TO FACE MARKET INTEGRATION IN ASEAN

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Abstract

Economic globalization is a process by which a country's economy will be more integrated with the world economy. The next challenge is how the public is able to prepare and make the most of market opportunities. Delays in preparing and developing a competitive edge in the global market, will create a golden opportunity was taken over by other countries that are more capable, which in turn will have a negative impact on economic development and welfare of the community. Aware about it, Surabaya City Government since 2009 has prepared a strategy to strengthen the competitiveness of micro, small, and medium enterprises (SMEs). SMEs grow in the community, however, has shown a higher durability and a buffer lives of millions of people. SMEs are an important part of the economy of a country or region, including Indonesia. Strengthening the competitiveness of SMEs strategy in the context of market integration in Asia conducted by the Surabaya City Government is through Tiered SME Training. Tiered SME training aims to train groups of poor people in the city of Surabaya in skills for entrepreneurship. At the next level of skills for entrepreneurship was developed into SMEs through training by SKPD Surabaya City Government. Each level of training conducted, will be given to strengthen the competitiveness of SMEs in the context of market integration in Asia. One of the reinforcement given in the tiered training is how the SMEs can make adjustments across cultures, able to deal with cross-cultural issues, and ultimately can achieve sustainable growth.

The research objective was to determine how the tiered training of SMEs in Surabaya can serve as a strategy to strengthen the competitiveness of SMEs in the context of market integration in Asia, particularly in terms of providing the ability to customize cross-culturally, the ability to deal with cross-cultural issues, and can achieve sustainable growth. The subjects in this study is the Surabaya City Government, namely Bappeko who design strategies and tiered management training programs, SKPD (BAPPEMAS and KB, the Department of Labor, Office of Food Security, Department of Cooperatives and SMEs, Department of Trade & Industry, as well as the Department of Health) that play a role in providing this training to generate self-employment, business groups and SMEs, as well as provide strengthening the competitiveness of SMEs, and the trainees who successfully established SMEs

This type of data is primary and secondary. Primary data were obtained through in-depth interviews and focus group discussions, while the secondary data obtained through the analysis of the documents.

The research found that SMEs tiered training held by the Surabaya City Government plays an important role as a strategy for strengthening the competitiveness of SMEs in the context of

market integration in Asia, providing the ability for sustainable growth and addressing cross-cultural issues

Keywords: tiered SME training, strategy to strengthen competitiveness, market integration in Asia, sustainable growth, cross cultural issues.

JEL Classification: I38

Introduction

The era of globalization and free trade is at door. Economic globalization is a process of increasing the integration of a country's economy with the world economy. The challenge is how we will be able to prepare and make the most of those market opportunities. If we are too late to prepare and develop a competitive advantage in the global market, then the golden opportunity will soon be taken over by other countries that are more capable. Indonesia will eventually become a commodity market of other countries, which in turn will have a negative impact on the economic development and welfare of Indonesian people (Anwar, 1997).

The ASEAN Economic Community (AEC) program, which is rumored to be held by the end of 2015 has become a social phenomenon not only in the ASEAN region, but also globally. AEC also includes integration not only in economy, but also in other sectors such as political-security and socio-cultural, where the Indonesian people should introspect themselves in preparation to compete in a free economy world.

The main concept of the AEC is to create ASEAN as a single market where there is free flow of goods, services, factors of production, capital and investment as well as the elimination of tariffs for trade among ASEAN countries which were then expected to reduce poverty and economic disparities among its member states, through a number of mutually beneficial cooperation. With the hope of all the 10 ASEAN countries have been able to stand independently and compete globally. This objective, in other words, also opens the challenge for each ASEAN country in preparation to face the AEC.

The countries that participated in the ASEAN consists of 10 countries including Indonesia, Malaysia, the Philippines, Brunei Darussalam, Singapore, Thailand, Vietnam, Laos, Cambodia, and Myanmar. These countries joined to form the AEC for the realization of a more real integrated economy (Anya, 2013). Ready or not, nowadays, every society must take the mindset that not only thinks to take an interest on behalf of his country, but placing it on a global basis, which is on behalf of the regional interest (Flores & Abad, 1997).

Indonesia strives to continuously move forward and grow, especially the major cities in it, including the city of Surabaya as the second largest city in Indonesia after Jakarta. "Surabaya is a capital city which is fully-equipped to develop creative and

technology industries, where young people can become the backbone of the regional economy, even nationally," said a representative of the group EMTEK, Yoko Wicaksono, in a written statement received here on Friday, 18 September 2015 (www.bisnis.tempo.co). According to him, Indonesia should move toward a new economy based on knowledge, intellectual asset and human creativity, especially ahead of the ASEAN economic Community (AEC) is.

In addition, by having one of the busiest ports, and becoming a business center in East Indonesia make Surabaya as one of the major cities are taken into account in Southeast Asia. Many industries which were built in Surabaya to make it rich in cultural diversity. Its economic potential is unquestionable with their wide range of facilities and a strategic geographical location.

Seeing the people of Surabaya with high potential in the face of global competition, then one of the first steps in preparing for competent human resources is through education. Dr. Ir. Tri Rismaharini, M.T., as the Mayor of Surabaya, in a speech in the Indonesian Independence Day on August 17, 2015 said, "We will face the real battle that is now going on in the economy. If we lose, then we will experience colonialism again and just be a spectator or even the servant at AEC later. What is the meaning of independence that has been fought with blood and lives if we can not become the master and mistress of their own house. Roll up your sleeves, because Surabaya must be prepared to face the AEC." Because of that, the city of Surabaya, carries a great mission to thoroughly prepare for the AEC and the main concentration is to create quality human resources.

Increasing and improving the quality of human resources is a critical success factor of development and progress of a nation. Lack of working assets, low human resources, and the lack of mastery of science, foreign language and technology are some of the problems that are faced. Efforts to improve the quality of human resources can be reached with the efforts of synergy between government, business, and academia to establish competency standards of professionalism in each sector. Some of the reasons why the development of human resources through training are essential. First, the need for qualified personnel needs to be improved. Demanded specifications for a job are always adjusted in line with the times. Second, training is urgently needed because of changes that occur inside and outside the workplace because of the content of the work will always be changing and evolving in accordance with technological developments. It's just relying on an experience highly risky, because the experience is not synonymous with competence. Therefore, the need for training is becoming increasingly urgent because competition is very sharp. Thus, the government needs to prepare the community who are able to anticipate changes in order to remain able to function optimally (Noviaty, et al., 2013).

Micro, small and medium enterprises (MSMEs) are businessmen engaged in various business sectors, which touches the public interest. Based on BPS data (2003), the population of small and medium enterprises (SMEs) amounts to 42.5 million units, or

99.9 percent of all businesses in the country. SMEs provide a significant contribution to employment, amounting to 99.6 percent. Meanwhile, the contribution of MSMEs to the Gross Domestic Product (GDP) amounted to 56.7 percent.

Surabaya City Government is very keen to develop MSMEs seriously through this training, because the role of MSMEs on the national economy is very strategic. MSMEs play an important role in employment, contribute to the national income (GDP) and MSMEs are also resistant to shocks, the savior of the crisis faced by Indonesia in 1998, reducing unemployment and helping the Indonesian economy in the face of the global crisis that originated from the financial crisis in the US.

In the process of economic recovery of Indonesia, the MSME sector has a strategic role and importance that can be viewed from various aspects. First, a large number of industry and found in every sector of the economy. Based on data from the Central Statistics Agency (BPS) in 2002, the number of SMEs recorded at 41.36 million units or 99.9% of total business units. Second, its great potential is employment. Each investment unit in MSME sector can create more jobs than the same investment in large enterprises. MSME sector absorbs 76.55 million workers, or 99.5% of the total labor force works. Thirdly, the contribution of SMEs to GDP is quite significant, amounting to 55.3% of total GDP.

The important role of MSMEs is naturally balanced with the Surabaya City Government's attention to increasing the competencies of the SMEs in Human Resource. The Low education level of the SMEs' Human Resource also becomes a limit that needs to solve by the Surabaya City Government. Various limitations faced by SMEs are, one of which, is a limitation of the market share, knowledge of export, product development, licensing, capital, and so need to be observed.

Since 2009, Surabaya city government has done a tiered training for community empowerment in Surabaya. Community empowerment is one of the important factors to overcome the existing problems. There are several reasons why the development of human resources through training is essential. First, it's the need for qualified personnels. Job specifications are always adjusted in line with the times. Second, training is also needed because of changes that occur inside and outside the workplace because of the content of the work will be always changing and evolving in accordance with technological developments. Basing itself on the experience is a high risk, because the experience is not synonymous with competence. Therefore, the need for training is becoming increasingly urgent because competition is very keen. Thus, the government needs to prepare the community who are able to anticipate changes in order to remain able to function optimally.

MSMEs (Micro, Small and Medium Enterprises)

Businesses that are included in the Micro, Small and Medium Enterprises has been regulated in a legal umbrella. Based on Undang-Undang No. 20 Year 2008 on Micro,

Small and Medium Enterprises (MSMEs) there are several criteria used to define the terms and criteria of Micro, Small and Medium Enterprises. According to Rahmana (2008), several institutions or agencies even provide its own definition in the Small and Medium Enterprises (SMEs), including the Ministry of Cooperatives and Small and Medium Enterprises (Menekop and SMEs), the Central Statistics Agency (BPS), the Ministry of Finance Decree No. 316 / KMK.016 / 1994 dated June 27, 1994. the definition of SMEs given vary between one another.

Meanwhile, according to the Ministry of State Minister of Cooperatives and Small and Medium Enterprises (Menekop and SMEs), that the definition of small enterprises (SEs), including Micro (UMI), is a business entity that has a net worth of Rp 200.000.000, excluding land and buildings, and has annual sales of Rp 1.000.000.000. Meanwhile, Medium Enterprises (FME) is a business entity owned Indonesian citizens who have a net worth of more than Rp 200.000.000 s.d. Rp 10.000.000.000, not including land and buildings.

The Central Statistics Agency (BPS) provides a definition of SMEs based on the quantity of labor. Small businesses are business entities which have a workforce 5 s.d 19 people, while medium businesses are entitias business has a workforce of 20 s.d. 99 people. Based on the Decree of the Minister of Finance No. 316 / KMK.016 / 1994 dated June 27, 1994, the small business is defined as an individual or business entity who have engaged in activities / businesses that have sales / turnover per year maximum of Rp 600.000.000 or assets / assets tall - of Rp 600.000.000 (excluding land and buildings occupied) consists of: (1) badang effort (Fa, CV, PT, and cooperatives) and (2) the individual (craftsmen / industrial households, farmers, ranchers, fishermen , forest dwellers, miners, merchants of goods and services)

Criteria for Micro, Small and Medium Enterprises (MSMEs) in accordance with UU No. 20 of 2008 are classified based on the amount of assets and turnover is owned by a business.

Table 1. Criteria for SMEs

No	Types of Business	Criteria	
		Asset	Omzet
1	Micro Business	Max. 50 Million	Max. 300 Million
2	Small Business	> 50 Million – 500 Million	> 300 Million – 2,5 Billion
3	Medium Business	> 500 Million– 10 Billion	> 2.5 Billion – 50 Billion

Source: Ministry of Cooperatives and Small and Medium Enterprises, 2012

Obstacles of MSMEs to Face Market Integration in Asean

Some of the obstacles experienced by MSMEs in many developing countries, including Indonesia, among others is the lack of raw materials must be imported from other countries for the production process. Besides that, marketing of goods, capital, availability of energy, infrastructure and information are also problems that often arise then, including non-physical problems such as high inflation, skill, labor regulations and so forth.

In addition, there are several types of constraints or concerns often expressed by MSMEs, namely: (1) The quality of human resources of MSMEs are still low and the lack of knowledge and competence of entrepreneurship resulted in low productivity of businesses and labor. It's also noticeable at their inability in terms of business management, especially in the disciplines of accounting / bookkeeping; (2) Many MSMEs do not have clear legal entities. Some MSMEs also lack knowledge about the legality and licensing, including requirements that must be met and the procedures adopted in the submission process; (3) Lack of product innovation. MSMEs are judged to be insufficient to master the technology, management, information and markets. Meanwhile, to meet these needs, MSMEs require relatively large costs, especially if managed independently; (4) MSMEs are still facing obstacles in terms of access to capital and financing. As a result, MSMEs are having difficulty in increasing its capacity or develop products that can compete. Most MSMEs have not been sufficiently touched by formal financial services institutions (banks). So it is not only a few of MSMEs that are forced to use the services of traditional microfinance institutions-although the burden and risk quite burdensome, in order to maintain the viability of its business; (5) Lack of assistants in the field led to many MSMEs are untouched by consulting services and assistance. Thus, it is required for the presence of business development agencies to facilitate SMEs and provide services according to their needs (Nuhung, 2012).

Especially for MSMEs in Indonesia, the main constraint is owned related to raw materials, capital, marketing, energy, and information (Tambunan, 2009).

In addition, some of the things that often cause obstacles for SMEs to face in the Asean market integration is the ability to customize cross-culturally, the ability to deal with cross-cultural issues, and can achieve sustainable growth.

Tiered SME Training in Surabaya: Strategy for Strengthening SME Competitiveness

Surabaya City Government made tiered MSMEs Training in Surabaya, with the aim of empowering Surabaya community through the establishment of SMEs in Kampung Usaha Unggulan, where in every level of the training have been given reinforcement, so that SMEs have a competitive edge, especially to face free competition.

Preparation of the ideal scheme for community empowerment is essential as the scheme given previously did not show success. Renewal of community empowerment scheme was carried out through empowerment schemes are implemented across SKPD. In the early stages of training aimed at training productive activities such as training the manufacture of handicrafts, sewing, baking and various businesses with SKPD whos responsible are Bapemas and KB, the Department of Labor and Food Security Office. In the next phase, the trainees that had received training are directed to building up the community with a new micro enterprises guided by the Department of Cooperatives and SMEs and the Department of Health. The communities are then directed to the realization of the kampung usaha unggulan with SKPD person in charge is the Department of Trade and Industry, Cooperatives and SMEs and the Department of Health (Noviaty, 2015).

The following figure is an empowerment scheme in the city of Surabaya through The Tiered SME Training.



Figure 1. Schematic for Tiered SME Empowerment in Surabaya Methods

The approach used in this study is a qualitative exploratory, Because The research objective was to determine how the tiered training of SMEs in Surabaya can serve as a Strategy to Strengthen the competitiveness of SMEs in the context of market integration in Asia, particularly in terms of providing the ability to customize cross-culturally, the ability to deal with cross-cultural issues, and can achieve sustainable growth how tiered SME Training in Surabaya become a strategy for strengthening SME competitiveness to face market integration in Asean.

Data collection methods used are: (1) The study of literature in the form of data assessment (review policy) or information from the literature data, especially related to the implementation of the training activities of SMEs Spaced In the city of Surabaya; (2) Depth Interview with 6 SKPD which are the Department of Labor, Bapemas KB, Food Security Office, Department of Health, Department of Cooperatives and SMEs, as well as the Department of Trade and Industry.

Sources of data in this study are primary data and secondary data. Primary data, the data obtained from the first source, ie from SKPD Bapemas and planning, the Department of Labor, Office of Food Security, Department of Cooperatives and SMEs, Public Health Service, Department of Trade and Industry, and trainees. This data can be obtained through interviews. Secondary data, data taken from a research and primary research data support. Secondary data were taken from the data contained in SKPD that Bapemas KB, the General Guidelines for the Economic Empowerment of Poor Families in 2012. In addition, secondary data taken from Surabaya city government web site (www.surabaya.go.id) and related SKPD website.

Discussion

Scheme for SME Empowerment in the city of Surabaya, which aims to Determine how the tiered training of SMEs in Surabaya can serve as a Strategy to Strengthen the competitiveness of SMEs in the context of market integration in Asia, particularly in terms of providing the ability to customize cross -culturally, the ability to deal with cross-cultural issues, and can Achieve sustainable growth continued to formulate goals, directions and policies SME training Tiered developed indicators and each SKPD, which is responsible for implementation. Details of indicators and public policies related to SME training Tiered outlined in table 2.

Table 2. Goals, Objectives, Strategy and Policy Direction Tiered related to SMEs Training

Goals	Objectives	Strategies	Policy Directions
Turning commitment on employment creation based on independence and creativity of individual citizens housed in institutional-based community;	Increase employment opportunities and labor protection	expansion of employment opportunities supported by the increase of competence, creativity, independence, and entrepreneurship and optimization of labor protection	Increase employment opportunities and encourage labor mobility in order to reduce unemployment Increasing efforts of labor protection as well as the harmonization of relations industrial
Ensure the functions of	Improvement of living	Reduction of the	Speeds up poverty

management policy in the context of regional finance improvement of living standard and welfare of the citizens, especially associated with reduction unemployment and poverty alleviation	standard and welfare	burden of household expenditure, increased capacity and incomes of poor families	reduction through the provision of basic needs and the development of sustainable community development
		Increase the independence of productive businesses in the fields of agriculture and marine	strengthening democratic economy based on agriculture and marine
		Increasing the accessibility of productive resources for businesses	Strengthening democratic economy by improving the competence and competitiveness of cooperative enterprises and SMEs
Optimizing the utilization of economic resources in order to accelerate the economic development of the city-based community, in particular through the implementation of investment strategies and support the institutional resources of the municipality;	Improving the competitiveness of community-based local economy	Boost the tourism industry	Increase the potential and opportunities of tourism

Source: RPJMD Daerah Kota Surabaya Th. 2010-2015
<http://www.surabaya.go.id/dinamis/?id=3721>

Goals, Objectives, Strategies and Policy Directions related training SMEs Spaced above, is helping to prepare a scheme to increase the competence of the SME trainees, especially to face many obstacles for SMEs to face market integration in Asean is the ability to customize cross-culturally, the ability to deal with cross-cultural issues, and can Achieve sustainable growth.

Conclusion

Based on the discussion that has been done, it is known that through the tiered training of SMEs in Surabaya, Surabaya City Government has a strategic goal to strengthen SMEs in

the city of Surabaya to face in the Asean market integration is the ability to customize cross-culturally, the ability to deal with cross-cultural issues, and can Achieve sustainable growth.

Tiered SME training was conducted by divided into three levels where each level has a depth of interest level of competence and competitiveness of SMEs which the higher the education level, the more in strengthening the competence given.

Advice that can be given for further research is to measure the success of SME training tiered in Surabaya is mainly related to its ability to face market integration in Asean is the ability to customize cross-culturally, the ability to deal with cross-cultural issues, and can achieve sustainable growth.

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