



DOI: <https://doi.org/10.38035/gijea.v3i2>  
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## Penetrating Export Markets through Local Products: A Case Study of Airafood SMEs in Indonesia

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**Abstract:** This research aims to analyze the dynamics of Micro, Small, and Medium Enterprises (MSMEs) in penetrating the export market, focusing on strategies, challenges, and integration of social impacts in business operations. Using a descriptive qualitative approach with a hypothetical case study illustration on “Airafood Sejahtera Bersama,” an MSME in the food sector, this research examines how the principle of starting a business from a small and modest scale, as well as gradual internationalization theories such as the Uppsala Model, are relevant in the context of global market expansion by MSMEs. The discussion highlights the challenges faced, including compliance with international standards, market access, and limited resources, while identifying adaptive strategies such as product innovation, utilization of digital marketing, and network building. Furthermore, the study emphasizes the importance of creating shared value and implementing the Triple Bottom Line principle through social impact initiatives, such as empowering local women and farmers and responsible waste management, as crucial elements for the sustainability and increased competitiveness of MSMEs in international markets. In conclusion, the success of MSMEs in the global arena depends not only on product excellence and smart market strategies, but also on a commitment to business practices that are ethical, sustainable and make a positive contribution to the wider community.

**Keyword:** Airafood, Creating Shared Value, Uppsala Model, MSME Internationalization

### INTRODUCTION

Small and Medium-sized Enterprises (SMEs) are globally recognized as fundamental drivers of economic growth, innovation, and employment. Across developed and developing nations alike, SMEs constitute the vast majority of businesses and are significant contributors to Gross Domestic Product (GDP) (OECD, 2021). Their inherent agility allows them to adapt to changing market demands and foster local economic development, creating a resilient economic fabric. The dynamism of SMEs is crucial for fostering competition, promoting innovation through niche products and services, and providing livelihoods for a substantial portion of the global workforce (ITC, 2019).

Despite their domestic economic importance, the participation of SMEs in international trade, particularly in direct exports, is often disproportionately lower than that of large enterprises. However, their role in global value chains is increasingly acknowledged, and their export potential remains a significant area for growth. Engaging in export activities allows SMEs to access larger markets, achieve economies of scale, enhance their competitiveness through exposure to international standards, and contribute to a nation's foreign exchange earnings. Encouraging SME internationalization is therefore a common policy objective for many governments seeking to diversify their export base and improve overall economic performance.

SMEs aspiring to enter or expand in international markets face a multitude of challenges, including limited access to finance, lack of information about foreign markets, difficulties in meeting international standards and regulations, and inadequate managerial and marketing capabilities (Ayyagari et al., 2007). Conversely, the rise of digital technologies and e-commerce platforms has created unprecedented opportunities for SMEs to reach global customers with lower transaction costs (UNCTAD, 2021).

Increasing the participation of MSMEs in the export market is one of the Indonesian government's important agendas to boost national economic growth and improve people's welfare. MSMEs such as PT Airafood Sejahtera Bersama (hereinafter referred to as Airafood) are a clear example of how local potential can be developed to compete in the global arena. Airafood, which was founded in 2015 by Juli Iswandi, focuses on the production of various kinds of chips, such as cassava, potato, and fruit chips, by utilizing original raw materials from Malang and its surrounding areas.

Airafood's journey to penetrate the export market is inseparable from various strategic efforts, product innovation, and collaboration with various parties. Their success in sending their products to countries such as South Korea, shows the great potential of Indonesian processed food MSMEs in the international market. This article aims to document and analyze Airafood's export journey, provide an overview of supporting and inhibiting factors, and present lessons learned for other MSMEs aspiring to go international.

## **METHOD**

The case study research method is a qualitative research approach that focuses on an in-depth and holistic investigation of a contemporary phenomenon in a real-life context, especially when the boundaries between phenomenon and context are not so clear (Yin, 2018). Case studies allow researchers to explore “how” and “why” a decision or series of decisions are made, how they are implemented, and with what results (Schramm, 1971, as cited in Yin, 2018). This method is particularly useful for understanding the complexity and distinctiveness of a particular case (Creswell, 2007). In addition, researchers also conducted a company visit to PT Airafood Sejahtera Bersama, where the business owner gave a presentation about his business and there was a discussion session, as well as making observations in the company's work area.

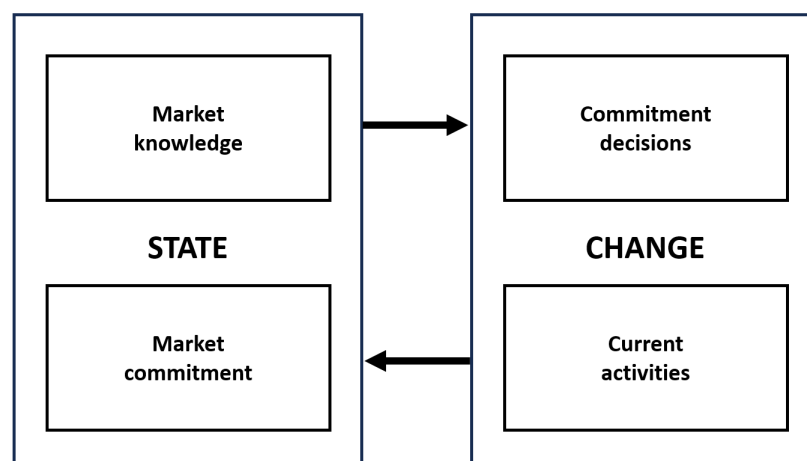
## **RESULT AND DISCUSSION**

Professor Saras Sarasvathy from the Darden School of Business developed the theory of effectuation after researching how expert entrepreneurs think and act. One of the key principles of effectuation is “Bird-in-Hand” (starting with what you have). This means that entrepreneurs tend to start with the resources they currently have (who they are, what they know, and who they know) rather than pursuing big opportunities that require massive external resources from the start. This often means starting a venture on a smaller, more manageable scale (Sarasvathy, 2022). This was also done by Juli Iswandi, the owner of Airafood who started his business from his kitchen.. According to him, from his home

kitchen, he then added assets to support his business until he was finally able to export to various countries.

Another related theory is bootstrapping theory which refers to the practice of starting and growing a business using limited internal resources (such as personal savings or start-up income from the venture itself) with no or very little external funding assistance. This by definition means starting small and growing organically (Bhide, 1992). Based on Airafood Company Profile, Airafood's missions include providing sustainable solutions for food and processed food needs by utilizing local resources native to Malang Regency, East Java, providing benefits and employment opportunities for local community members and contributing to the welfare of the surrounding community and environment in a sustainable way.

The principle of starting small and simple is particularly relevant in the context of the internationalization of Micro, Small, and Medium Enterprises (MSMEs). One of the classic theories that support this gradual approach is the Uppsala Model (Johanson & Vahlne, 1977). This theory states that firms tend to internationalize gradually, starting with markets that are geographically and psychologically close, and with low-risk entry modes such as sporadic exports or through independent agents. These “small” initial steps allow MSMEs to gradually accumulate experiential knowledge and build networks, thereby reducing the uncertainty and risks associated with foreign markets. In other words, MSMEs often do not immediately undertake large investments or complex operations in foreign markets, but rather start with simple steps that allow them to learn and adapt before increasing their resource commitment.



Source: Johanson & Vahlne (1977)

**Figure 1. Uppsala Model/The Basic Mechanism of Internationalization – State and Change Aspects**

Looking at the Uppsala Model in Figure 1, it is known that the process is cyclical, with the firm's market knowledge and market commitment (State) influencing the decision to increase commitment in the foreign market (Commitment Decisions). These commitment decisions are then translated into operational activities (Current Activities) in that market, which in turn increase the firm's market knowledge and market commitment, starting a new cycle of gradual greater expansion.

Airafood's biggest challenge in exporting is related to regulations and standards, not only from within the country but also from export destination countries which can vary. Even so, the owner of Airafood believes that the strength of his business so far has been the good and maintained product quality. In addition, support from the government is also important, such as from the Regional Government, the Micro, Small and Medium Enterprises Departement and the Customs Agency. Currently, there are government agencies that have

more roles to support MSMEs to export, for example Customs agencies which also have an Industrial Assistance function in the form of MSMEs Go Export Assistance.



Source: Researcher Documentation (2025)

**Figure 2. Photos of production process and various variants of Airafood products**

Airafood Sejahtera Bersama, in running its business operations, does not only focus on achieving economic benefits, but also consciously integrates the creation of positive social impacts as part of the “shared prosperity” philosophy. This effort is manifested in several concrete initiatives, such as the women empowerment program in the community around the production unit, where most of the workforce in the processing and packaging line are women who are given skills training and opportunities to increase family income. Furthermore, Airafood Sejahtera Bersama forges strategic partnerships with local farmers, ensuring the purchase of crops at fair prices and providing assistance for sustainable agricultural practices. This positive cycle is reinforced by innovations in production waste management; leftover organic materials from the food processing process are turned into compost fertilizer that is redistributed to partner farmers, as well as partially processed into animal feed, creating a more circular and less wasteful production system.

The practice carried out by Airafood Sejahtera Bersama is in line with the concept of “Creating Shared Value” (CSV) popularized by Porter & Kramer (2011), where companies create economic value in a way that also generates value for society by addressing its needs and challenges.. Empowering local farmers not only improves their welfare but also ensures the supply of quality raw materials for Airafood, while empowering women contributes to improving the quality of human resources and social stability in the community. Processing waste into fertilizer and animal feed is a clear example of how companies can turn environmental problems into opportunities that support efficiency and sustainability, in line with the “Triple Bottom Line” principle (Elkington, 2013) which emphasizes the balance between profit, people and planet. These initiatives also directly support the achievement of several UN Sustainable Development Goals (SDGs).

In the future, export-oriented MSMEs will face increasingly complex and multifaceted challenges. One of the key issues is the increasing global geopolitical uncertainty and protectionist tendencies that can disrupt supply chains and market access abruptly. In addition, the inevitable acceleration of digital transformation requires MSMEs to not only adopt new technologies such as artificial intelligence (AI) and big data analytics for marketing and operational efficiency, but also to continuously improve cybersecurity capabilities in the face of intensifying global competition on e-commerce platforms. MSMEs



that fail to adapt to this speed of technological change and digital market dynamics risk losing their competitiveness significantly.

The next challenge that will come to the fore is the pressure to meet stricter environmental, social, and governance (ESG) standards from export destinations as well as from increasingly environmentally and ethically conscious global consumers. This includes demands related to carbon footprint reduction, use of environmentally friendly raw materials, fair labor practices, and supply chain transparency. In addition, global economic volatility, including inflation and exchange rate fluctuations, will continue to challenge cost planning and pricing of export products, further complicated by the need to build more resilient and diversified supply chains to cope with potential future disruption .

## CONCLUSION

Based on a series of discussions, it can be concluded that the journey of Micro, Small, and Medium Enterprises (MSMEs) such as Airafood Sejahtera Bersama in penetrating the export market is a complex, dynamic, and challenging process, but also full of potential. The success of MSMEs in the international arena often does not happen instantly, but through strategic stages that are in line with the principle of starting small and simple, and developing gradually along with increased market knowledge and resource commitment, as illustrated by the Uppsala Model. Case studies of entities such as Airafood show that product adaptation, deep understanding of destination markets, utilization of digital technology, and persistence in overcoming obstacles such as international standards and logistics, are key factors in achieving export success.

Furthermore, the success of MSMEs in the modern era is not only measured by their economic achievements, but also by their ability to create positive social and environmental impacts. The hypothetical case of Airafood Sejahtera Bersama underscores the importance of integrating responsible business practices, such as the empowerment of women and local farmers, and prudent waste management, into the company's core strategy. This approach is aligned with the concepts of Creating Shared Value (CSV) and Triple Bottom Line (TBL), where sustainable business success is built on a balance between profitability, social welfare and environmental sustainability. Thus, MSMEs that are able to combine the competitive advantages of products with a commitment to social and environmental responsibility have a greater chance of not only surviving but also thriving and making a more meaningful contribution on a global scale.

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