

# **INSTITUTIONAL DEVELOPMENT STRATEGY IN THE MARKET ASEAN SMEs.**

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## **Abstract**

The main concept of the MEA is creating ASEAN as a single market entity where there is a production base of free flow of goods, services, factors of production, capital and investment, as well as the elimination of trade tariffs among ASEAN countries. Through the strengthening of this cooperation is expected to reduce the level of poverty and economic disparities among its member states through a number of mutually beneficial cooperation. Environment single market and production base is expected as well, making ASEAN more dynamic, productive and make more powerful segments of the chain of global forces, as well as the bargaining position of ASEAN in the global economy to be strong and competitive.

SMEs in Indonesia to make greater contributions to the National for Economic Employment, GDP and Exports compared to Other Countries. Indonesia has the power to develop the economy in the ASEAN market environment (MEA), among others: the purpose ASEAN investors, potentially becoming the exporting country and others - others.

Environmental ASEAN markets create opportunity and a challenge, especially for SMEs, to be able to compete, In fact, the existence of the market environment of ASEAN, For SMEs still face obstacles in doing business in Indonesia compared to Other Countries, internal barriers include: Institutional and Human Resources, Production and Marketing, as well as capital intellectual. While the External barriers include: access financing, bureaucracy and Infrastructure Services.

SMEs can choose the right business strategy to take advantage of the ASEAN market environment, one of which is the institutional development strategy, which includes the dimensions of the internal changes, the dimensions of intellectual capital, the dimensions of environmental change and the dimensions of the business network.

Indonesian SMEs institutional development strategy can be implemented, would be but need policies and practical proactive support from various Indonesian SMEs institutional development strategy can be implemented, would be but need policies and practical proactive support from various stakeholders.

**Keywords:** Institutional Strategies SMEs, ASEAN Market Environment.

## **PRELIMINARY**

ASEAN Economic Community (AEC) is one of the pillars of ASEAN Integration concept that has been agreed by heads of state from the 10 ASEAN member countries, There are four things that will be the focus of the MEA. **First**, countries in Southeast Asia will be used as a unitary region market and production base. With the creation of the unity of the market and production base that will make the flow of goods, services, investment, large amounts of capital, and skilled labor becomes no barrier from one country to another country in Southeast Asia. Second, the MEA will be established as an economic region with a high level of competition, which requires a policy that includes competition policy, consumer protection, intellectual property rights (IPR), taxation, and E-Commerce. **Thus**, it can create a climate of fair competition; there is protection in the form of a network system of consumer protection agencies; prevent copyright infringement; creating an efficient transport network, secure, and integrated; eliminating the Double Taxation system, and; increase trade with online-based electronic media. **Third**, the MEA will serve as the region has equitable economic development, with priority on Small and Medium Enterprises (SMEs). Competitiveness and dynamism of SMEs will be improved by facilitating their access to the latest information, market conditions, the development of human resources in terms of capacity building, finance, and technology. **Fourth**, the MEA will be fully integrated to the global economy. By building a system to improve coordination of the member states. In addition, there will be increased participation of countries in Southeast Asia in the global supply chain through the development of a package of technical assistance to countries less developed ASEAN members. This is done to improve the industry's ability and productivity so that not only increasing their participation on a regional scale, but also led the initiative for a globally integrated.

On the other hand with the MEA, currently still requires hard work, this is evidenced by the ranking of global competitiveness Indonesia. For more details, the position of Indonesia in the framework of the readiness of the MEA can be seen in the following table:

Tabel.1  
Asean Countries Economic Performance

Country	GDP of US \$ (Billion)	Population (Millions)	Income Per Capita (US \$)	Rank Competitiveness (Global *)
Indonesia	540	237	2.278	38
Malaysia	192	27	7.111	24
Singapore	257,4	4,84	53.180	2
Thailand	264	67,4	3.916	37
Philippines	161	94,6	1.701	59
Brunei	6,985	92,280	47.949	28
Vietnamese	90,1	87,3	1.108	70
Cambodia	11,54	14,22	805	88
Laos	5,54	6,05	886	81
Myanmar	28,67	61,19	468,6	139

Source: Adapted from the State Statistics Data, IMF and World Bank, 2011 and Year 2013/2014

The GDP figures Indonesia among other ASEAN countries, nearly double that of Singapore, but the per capita income is below Singapore, Malaysia, Thailand, and Brunei. The per capita income is in fact a picture of people's purchasing power.

Indonesi human resources has increased, the Central Statistics Agency (BPS) in 2014 score Human Development Index (HDI) has increased despite slightly to 68.90 from 68.4 in 2013; Malaysia has reached a score of 77.3. Indonesia's rank compared to ASEAN is positioned below the fifth in Singapore, Brunei, Malaysia, and Thailand although still better than Vietnam, Cambodia and other countries.

Labor productivity based on GDP per capita, still below Singapore, Malaysia, Thailand and Brunei. Although still above the average - average ASEAN (Source: APO Productivity Database 2014 / reference year 2012). Labor productivity is certainly related to wages and the ability to compete, wages of Indonesian workers in the manufacturing sector is only \$ 9 per day, or one-third of the wages of workers in the same sector in Malaysia for \$ 27 per day. While in Thailand has reached \$ 16 per day, this shows the competitiveness of the workforce. (Source: Ministry of Social Affairs of the Republic of Indonesia, 2015).

Seeing the situation must be recognized, that is not easy in the face of MEA with conditions such competitiveness. There are some other things that should be known, among other things: 1) Mind set of people, especially the Indonesian business people who have not been fully able to view the MEA as an opportunity, 2) Lack of Infrastructure, khusnya the fields of transport and energy, resulting in high economic costs, especially the production sector and for the market, businesses that inward-looking. 3) The size of the domestic market encourages businesses as a priority to meet the needs of the domestic market only. 4) The bureaucracy that is not efficient and is not yet fully in favor of the businessman. 5) had a level of high bank interest rates today compared to four main contenders ASEAN countries such as Singapore, Malaysia, Thailand and the Philippines.

This situation will certainly affect the performance of SMEs directly and indirectly to competitiveness, especially in the ASEAN market.

Micro, Small and Medium Enterprises (SMEs) are businesses that is intended to foster and build the national economy and contribute to the ASEAN market environment. Definition of SMEs by Law - Act No. 20 of 2008 on SMEs, outlined as follows: Micro, is a productive enterprise belonging to individuals and / or entities that meet the criteria of individual businesses, Micro, as stipulated in the Act - this Act. Small Business is a productive economic activities that stand alone, carried out by an individual or business entity that is not a subsidiary or not branches of companies owned, controlled, or be a part either directly or indirectly from a medium or large businesses that meet the criteria of business small referred to in this Act. While the medium enterprise is an economic enterprise productive stand-alone, carried out by an individual or business entity that is not subsidiaries or branches of companies owned, controlled, or be a part either directly or indirectly with the Small Business or Large Enterprises with total net assets or yearly sales revenue as stipulated in this Law. The criteria for SMEs as follows:

Table. 2  
Criteria For SMEs

Criteria For SMEs	Micro Business	Small Business	Medium Enterprises
Net Worth (excluding land & buildings)	Most Rupiah. 50 million	More than Rp. 50 million up to Rp. 500 million	More than Rp. 500 million up to Rp. 10 billion
Results of Annual Sales (turnover / year)	Most Rupiah. 300 million	More than Rp 300 million to Rp. 2.5 billion	More than Rp. 2.5 Billion up to Rp. 50 billion

Act No. 20 of 2008 on SMEs

SMEs have been tested in recent times of economic crisis in Indonesia, SMEs sector can become a safety valve of the excesses of the crisis. The contribution of SMEs to be recognized also in many countries. Role in encouraging economic growth and employment is very large. In some cases in some countries, this sector could drive the real sector in various business fields so as to contribute to the formation of Broto Domestic Product (GDP). The following Indonesian SMEs contribution to the national economy compared to other countries:

Table. 3  
Indonesian SMEs contributed Against National Economy Compared to Other Countries

SME share of total employment (%)		SME Contribution to GDP (%)		SME share of total exports (%)	
Japan	70.2	Japan	50.0	Japan	53.8
Korea, Republic of	87.5	Korea, Republic of	49.4	Korea, Republic of	30.9
Malaysia	58.9	Malaysia	31.4	Malaysia	19
Thailand	77.9	Thailand	38.7	Thailand	29.5
Philippines	61.0	Philippines	35.7	Philippines	20.0
Indonesia	97.2	Indonesia	57.8	Indonesia	15.8
Vietnam	77.0	Vietnam	40.0	Vietnam	20.0
India	40	India	17	India	40
Sri Langka	35	Sri Langka	52	Sri Langka	20
Banladesh	40	Banladesh	22.5	Banladesh	11.3
Pakistan	70	Pakistan	30	Pakistan	25
Germany	79	Germany	53.8	Germany	55
United States*	49.4	United States*	46	United States*	33.7
Sumber : ADB Institute, 2015					

The table above shows the contribution of SMEs to the provision of employment opportunities is very high at 97.2%. By contributing to GDP include high compared to most countries - Other countries in Asia, namely 57.8%. Although the tendency of Indonesian SMEs are still serving the local market, as evidenced by the low value of exports was only 15% below the Philippines, Thailand, or Malaysia. It is actually quite reasonable because of the extent of the domestic market in addition to understanding businesses to export activity is still limited. Number of SMEs dominate Indonesia's economy, based on data from the Ministry of SMEs -RI, (2014) as much as 99.99% of the units of all business actors nationally, or as much as 57.895.721.Unit. SMEs Indonesia has a role in the form of contributions which did little against the national economy, is associated with the presence of MEA, SMEs still face barriers - barriers to business, on the other hand the creation or existence of the new market environment in the Member States

of the MEA, such as customers, the company that provides the raw materials, workers competitors and other companies and not competitors. To be competitive Indonesian SMEs must be able to have the right business strategy to take advantage of ASEAN's market environment.

### **WRITING PURPOSE :**

The purpose of writing this article to find out the barriers to SMEs, Strengths and Opportunities and strategies for SMEs to take advantage of the ASEAN market environment in the era of the MEA.

### **METHOD OF LITERATURE**

In the analysis of the problem of scientific articles, the author uses the method of literature. The author uses a wide variety of reference sources or literature and data from various Internet news sources related to the Institutional Development Strategy for SMEs in the ASEAN market.

### **DISCUSSION**

#### **1. Barriers to Development of SMEs**

Growth or development of SMEs as a business unit is determined by many factors, both factors supporting or inhibiting factor. The following shows the barriers to the development of SMEs in Indonesia, compared to other ASEAN countries.

Table. 4  
Barriers to Development of SMEs in ASEAN Countries

<b>Barriers</b>	<b>BN</b>	<b>CA</b>	<b>IN</b>	<b>LA</b>	<b>MA</b>	<b>MM</b>	<b>PH</b>	<b>SG</b>	<b>TH</b>	<b>VN</b>
Laws And Regulations		✓	✓	✓	✓				✓	✓
Product quality	✓	✓	✓	✓		✓	✓		✓	✓
Taxation			✓				✓		✓	✓
Consumer purchasing power			✓				✓		✓	
Support From Government (Local)			✓	✓			✓		✓	✓
imagery Employers			✓							
Procedural difficulties In Starting A Company			✓	✓			✓			
Difficulties in Accessing Credit	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
HR Quality	✓	✓	✓	✓		✓		✓	✓	✓

Government Programs For SMEs			✓						✓	
Market information	✓	✓	✓	✓	✓		✓	✓	✓	✓
Management skills	✓		✓	✓			✓	✓	✓	✓
Production costs / Mgt			✓				✓		✓	✓
Marketing skills	✓	✓	✓	✓	✓	✓	✓		✓	✓
Coordination Between the SME Supporting Organizations		✓	✓	✓					✓	✓
Sumber : Survei : NUS, 2012										

The table above, shows there are 15 aspects that hinder the development of SMEs is based on survey results NUS in 2012, Indonesia in identifying SMEs face barriers in all these aspects. But not so with other ASEAN countries, Thailand faces as many as 13 obstacles, while Vietnam 12 obstacles. While the lowest is Myanmar, Singapore, and Malaysia each - each face four barriers. Barriers of SMEs in Indonesia, can be classified into internal obstacles and barriers that are external, as follows:

### **Internal problems:**

#### **1. Institutional and Human Resource Issues**

Efforts to develop the SMEs can not be separated from the problem of institutional and human resources (HR). Increased capacity and competence of entrepreneurs become a major milestone in the advancement of SMEs.

Age is very bervariasi SMEs. Based on the survey MARS (2012), known Indonesian businessmen in general there who started his business at the age of 17-20 years, by 0.6%, while the majority of Indonesian business people start their business from the age of 31-45 years, as much as 57.5%. The rest at the age of 46 to 55.5% by 28.5%. This shows the activities of SMEs do not as previously utama choice and not attract much interest in the younger group.

HR issues would have implications for the institutional SMEs, little access to goods / services to the export market is not free from institutional problems. Group of Indonesian SMEs are still oriented on the local market. It is not simply a matter of consumer confidence world against Indonesian goods and services, but of mindset (the mindset) Indonesian business people to see the market opportunity to the outside (out ward), and it relates to access to information that is less controlled as a result of institutional problems faced,

Based on the view of institutional economics, health institutions SMEs ideally have traits: a) adhering to the rules of the game (role of the game) that dikonsensuskan, b) have discouraged the legality of a strong, good institutions and kegiatannya, c) easy access to information relevandengn effort of stakeholders, d) have the ability to finance business operations in accordance with the scale, and e) has a network of upstream and downstream as good. Traits are difficult to be owned by each individual SMEs. But this can be overcome, if the association has been running well. Association basically has the potential to establish patterns of integration and synergy of SMEs to overcome the problem of institutional business.

## 2. Production and Marketing Problems.

The demand to follow the standards, design, and product quality to match the terms, demanding a change in the production and marketing of SMEs. In the era of the MEA, the agreed Member States to implement the ISO-26000 standard. Likewise for the market, the Indonesian government has issued the Indonesian National Standard (SNI) through the Government Regulation NO. 102 of 2000 on the Indonesian National Standard. However SMEs still face barriers related Indonesia penerpan this rule.

Marketing problems still face problems. Marketing problem comes from the quality of packaging, promotion, innovation, and determination of pricing strategies, or the use of marketing channels including mastery of information technology for marketing purposes. All that disgorge from the fields reseacr and not optimal functionality and limited development of intellectual capital owned.

## 3. Issues of Intellectual Capital.

Both internal problem that has been alluded to, really comes down to the lack of intellectual capital among SMEs. CEO smartPLUS Consulting, Yuszak M.Yahya (2014) stated that more than 60% of the SMEs matter knowledge (knowledge). Mastery of information technology is a form of intellectual capital is still very limited exploited by SMEs. A system based on the network (network) becomes a component in determining business success in the era of globalization, but the fact still limited to be used and still very weak dominated by SMEs in Indonesia.

### **External problems:**

#### 1. Access Issues Financing.



Most SMEs appears logical serviced bank credit has not been feasible. It must be admitted that not all banks are committed to serve the SME segment because it has different characteristics with corporations. Known attitude of lending to SMEs by banks and institutions of the financial non-banks, due to, among other things: a) the limited provision of collateral for SMEs, b) formal financial institutions are constrained rules and should be operational prudently, c) the need for effort (effort) which is more in assess the feasibility of SME customers, d) the procedures and requirements that are incompatible with the business cycle run SMEs, and e) culture and growing Mind Set on the SMEs.

## 2. Bureaucracy Service Problems.

The main obstacle for the business world in Indonesia is corruption, (WEF, 2014-2015). Bureaucracy is the root of the problem of corruption, the problem of corruption necessarily directly related to the quality of service bureaucracy, such as the procedures and duration of the maintenance effort. The following table shows the comparison of the procedures and duration of the maintenance business in Indonesia, more and longer than with some ASEAN members.

Table. 5  
Handling procedures and duration of Enterprises

Country	Number of Procedures Starting a business		Number of days Starting a business	
	Number of Procedures	Rangking	Number of days	Rangking
Singapore	3	10	2,5	5
Malaysia	3	10	6	21
Thailand	4	22	27,5	108
Vietnam	10	118	34	118
Indonesia	10	118	48	129
Philippines	15	141	35	119

Source: WEF 2014 – 2015.

## 3. Infrastructure Problems.

Infrastructure has a positive effect on the rate of motion of SMEs for infrastructure facilities and infrastructures have a strategic role in the process of production, distribution, or marketing. Infrastructure as part of physical capital is no less important than other capital. The quality of infrastructure in Indonesia is still low both in the quality of roads, ports, and airports, where rank-quality infrastructure is still below Singapore, Malaysia and Thailand (WEF 2014 - 2015).

## **2. Opportunities Era SMEs in MEA.**

1. The market is wide open, the economy is rising, GDB increases, welfare increases.
2. Depletion of the economic chasm developed countries and developing countries, the liberal democratic state and a socialist state. Togetherness and collective problem solving synergy opportunities and strengthening the economic face of globalization.
3. The amount of FDI fosters foreign investment brings positive effects: competence, local labor, industry restructuring, competition tight.
4. Opportunities workforce needs to grow.
5. Work and positive synergy, not only with other daeah or national investors, but also in the region (ASEAN) and international, diplomatic activity, negotiation, communication.
6. Competition encourages increased efficiency, innovation, creativity, endurance effort.
7. Policy Blueprint for SME's. Chances of giving growth in the number and quality of SMEs that successfully compete in his country and who managed to penetrate the ASEAN regional market.
8. Indonesia likely to be the target of investment and the most attractive business destinations / targeted number of population, unique commodity, abundant natural resources, a lot of potential workforce with competitive pricing, creative industries, a diverse and unique.
9. Many industries are prospective: the fishing industry, food and beverage, automotive, creative industry, military industry, sports equipment industry, construction sector, employment sector, processing of seafood / fisheries, health, agriculture and energy sectors.
10. Indonesian export commodities to Singapore, among other things: oil and gas, precious metal jewelery, aircraft parts, paper, crude palm oil, vegetables and fruits fresh late, agricultural products (taro, taro, cassava ), plantation products (coffee, cocoa, cashews), fish, processed food products, footwear products, spa products / aromatherapy, cosmetics, handicraft products, furniture products, fishery products and hotel equipment.
11. Some Indonesian export commodities to the Philippines, among others: urea products, components and automobile parts, helmets, plastic processed products, food and beverages (coffee, tea, cocoa, soy sauce, cocoa powder, flour, meises), vehicles motorized, coal, nickel, quartz, and furniture.

12. Commodities Indonesia's exports to Brunei Darussalam, among others: rice, vegetables, fruits, tractors, doctors, nurses, refined products marine / freshwater, labor and construction sectors.

Besides the above opportunities Indonesia has other strengths to develop their economies in the arena of MEA, Strength owned, among others:

1. The total population of 237 million merupakan 40% of the total population in Southeast Asia, a large number of prospective markets memuncukkan,
2. The middle class (Class Midlee) Indonesia continues to increase, from only 37.7% in 2003 to 56.6% in 2010, reaching 134 million people (World Bank).
3. The total GDP of Indonesia The ASEAN and the 16th in the world (one - the only ASEAN country which is a Member of the G20)
4. Indonesia is the goal of ASEAN, ASEAN investment proportions in Indonesia reached 43%, or nearly three times the ASEAN investment in other ASEAN countries by 15%.
5. The premises has the potential to become the exporting country. Currently, the number of Indonesian exports to ASEAN countries only 18-19% only, while the remaining 80-82% outside ASEAN.
6. Bonus demographic make productive age premises by 38% of the population of ASEAN.

### **3. Institutional Development Strategy for SMEs.**

SMEs as a business unit needs to be directed has the right business strategy and encouraged the efforts to resolve the structural problems faced independently. Thus the pattern of support is to educate, facilitate and advocate for a viable business strategy taken by SMEs. Proactively planning and problem solving carried out continuously, without leaving the character, history, and the competitive advantages already owned SME.

In the current ASEAN market environment, SMEs are dealing with a changing strategic environment and are always facing a change that requires a new attitude and culture in the management strategy. Without it difficult to flourish, even to survive though.

Strategy is defined as a plan put together, comprehensive, and integrated linking the strategic advantages of the company with environmental challenges, designed to ensure that the main purpose of the company can be achieved through proper execution by the organization. SMEs must be able to choose the strategy of competitive advantage on three main activities of

business organizations, namely a) the institutional business, b) development human resource capacity, and c) marketing. In these discussions, the strategy that will be discussed is the Institutional Strategy of Business.

The scope of the problem, associated with institutional strategy forming SME business strategy dimension, ranging in: a) the face of internal change, b) find and optimize capital intelektual, c) blend with the natural environment, and culture, and d) networking and cooperation.

#### A. Dimensions Internal Changes.

This dimension for SMEs is answer the problem of the emergence of the internal dynamics of change or may interfere with the rate of growth of the business, is as follows:

1. Focus on Core Business, an exaggerated response on the apparent opportunities often lead to the emergence of symptoms of bias, in determining the direction of the business and not infrequently leave and tend to forget the core business focus. Focus on the core business is critical amidst the various limitations and importance of efficiency measures. Dana minimal, limited management capacity, business experience is not yet mature, restricted network, the perpetrators to select the priority activities or programs. Priority on core business should be managed intensively first, before penetration on other business. Thought that by developing businesses in many programs can create value good efficiency, it is not wrong. However, it should be corrected for SMEs with the capacity, as well as for core market is still very disturbed by competitors.

2. Rather preparing Generation, SMEs need to prepare over the generations. One SMEs disruption over the generations and the inability of SMEs business pioneers to continue its work, often lead to stagnation or a discontinuity in SMEs.

3. Establish Performance Measures,

There are still many SMEs in Reviews their business running using the method - the conventional way of example, Rely on feelings and experiences, rather than doing a good strategic planning. It needs to be clarified, especially if the business has begun the road and require the development of better. In traditional management, performance is only measured by the achievement of financial targets as Easily done in measurement and Easily obtainable data. Though the performance was very complex business and involves the non-financial aspects, such as customers' confidence in the business is run, to increase

of the competence and commitment of human resources, business environment and relations with stakeholders, and increased productivity. The size tends to be overlooked because of the difficult measurement and data will be hard to come by. SMEs can use performance measurement by utilizing Balanced Scorecard as a tool.

#### B. Dimensions of Intellectual Capital.

Intellectual capital is the capital owned by the business organization form of skill, intelligence, and control of devices for business excellence. The first stage facing SMEs should find identifying intellectual capital of the organization efforts. Intellectual capital is basically divided into three parts: 1) human capital, such as: the ownership of an employee who has the competence, loyalty and attitude, 2) capital of organizations such as: organizational structure and culture, and 3) capital information such as: its set of data, information and network system both inside the organization and out like capital information of customers, potential customers, business partners or other stakeholders.

Nowadays, there are many SMEs that do not have accurate information about its position in the correlation of competition in the perspective of its intellectual capital. Policy support in the development of SMEs, the intellectual capital is the recognition, facilitation, habituation, and measurement systematically. SMEs development of intellectual capital is the business development efforts by using *orientasi kebaruan* (novelty), as we know SMEs have limited resources and capabilities. They often deal with a lot of pressure on businesses associated with innovation. There are two things that need to be attentive innovation in the development of SMEs, which need support and facilitation in the short term, namely the adoption of technology and build a climate of creativity and the protection of the law.

#### C. Environmental Dimension

The third strategy for SMEs is a strategy that began to look out (outward looking), both internal environmental and socio-cultural environment. *Esesnsinya* is answering the question of how SMEs can thrive by taking into account its strategic environment. This environment for SMEs is an attempt inspire, raw material suppliers, and employees, supporting business processes, a provider of consumer, business continuity to the guarantor in the long term.

#### D. Dimension Business Network.

Fourth dimension answered the question of how SMEs can thrive in a long time through the efforts of development cooperation and building a network node. SMEs should be aware that they are in a business community, where it can interact and cooperate with each other, between one another for the betterment of the business. Some forms of cooperation can be developed by SMEs as follows:

##### 1. Teamwork for Quality

One of the usefulness of cooperation and collaboration is the emergence of concern for quality standards. Standardization is basically the willingness of companies to meet certain specifications to meet the recognition criteria, and the emergence of the community or the public trust, the formal purpose is to improve competitiveness. With these demands of SMEs is still difficult, to achieve the standards otherwise require, this requires a proactive policy support from various parties, especially the government, in view of SMEs in general still face technical and non-technical obstacles to achieve it.

##### 2. Cooperation Horizontal.

This form of cooperation is the collaboration between similar businesses or have a functional link to the business community in a concentrated (agglomeration). So far, Indonesia has been familiar with the area Cibaduyut (shoes) Bandung, Trusmi (batik) Cirebon, Purwakarta (Ceramics) and others. The purpose of this cooperation among others: a) the operational costs of production, b) the use of technology with the high costs jointly, c) establish a brand image, and d) conduct joint marketing.

##### 3. Cooperation Vertical.

Other forms of cooperation that could be developed by SMEs in order to strengthen competitiveness are running Supply Chain Management, or Supply Chain Management. The concept of supply chain management is implemented based on the vision of companies that focus on customer needs so as to change the linkage activities of the company both internally and externally.

Implementation of supply chain as a business strategy of SMEs are faced with several problems that can intervene to reach a solution by implementing development policies, namely: a) the availability of information about the cast node that may be involved in the network, b) distribution network configuration and estimated the financing of the network,

c) problems of bureaucracy governing the movement of material, d) the quality of infrastructure, and e) organize the terms a While in the macro dimension, the strategy is disturbed by: limitations infrastruktur, (ports, railway lines, highways, traffic, airports , warehouses, old conveyance facilities, connectivity, assurance policies (the fuel price hike, Increase in electricity), the input side weakness, lack of coordination between ministries and agencies; as well as the coordination of central and local Governments.

### **CLOSING REMARKS.**

The existence of the ASEAN market environment, creating opportunities and challenges for Indonesian SMEs to be competitive. SMEs can and will be able to choose the right business strategy to take advantage of ASEAN's market environment, but need the support of policies and practical proactive support from various stakeholders.

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