

**COMPARISON OF INTERNATIONAL MARKETING MANAGEMENT  
SYSTEM IN CHINA AND INDONESIA**

**Thesis**

**Submitted in Partial Fulfillment of the Requirements for the Degree of Bachelor in  
Economics**

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**STUDY PROGRAM BACHELOR DEGREE IN MANAGEMENT**

**FACULTY OF ECONOMICS**

**ESA UNGGUL UNIVERSITY**

**JAKARTA**

**2015**



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## ACKNOWLEDGEMENT

In the name of Allah SWT, the beneficent and merciful. All praise is merely to The Mightiest Allah SWT, the lord of the worlds, for the gracious mercy and tremendous blessing that enable me to accomplish this script. This script entitled “Comparison of International Marketing Management System in China and Indonesia”. Is submitted to fulfill one of the requirements in accomplishing the S-1 Degree Program at the Nanjing Xiaozhuang University.

The authors recognize that the purpose of this thesis would not exist without the moral and material support from many parties. To the authors thanked profusely to the honorable:

1. Rector EsaUnggul University Dr. Ir. AriefKusuma A.P., MBA and Rector Nanjing Xiaozhuang University XuChengming.
2. MF Arrozi A, S.E., M.Si, Akt as dean of the economics faculty of the EsaUnggul University and Zhao Tong as dean of the economics faculty of the Nanjing Xiaozhuang University.
3. Drs. Sugiyanto, M.M as head of the economics faculty study program of management of the EsaUnggul University.
4. LaoshiYihong Shan and Drs. Sugiyanto, M.Mas an advisor who have contributed and given their valuable evaluations, comments, and suggestions during the completion and accomplishing of this script.
5. Drs. DihinSeptyanto, S.E.,M.E. and Abdurrahman, M.M. as the examiner who continue to give suggestions for improvement of this thesis.
6. The whole Lecturer EsaUnggul University and Nanjing Xiaozhuang University who has given science to the author during the the writer have studied in Indonesia and China.
7. Special thank fullness is also due to Sophie Mou for support and suggestions.

8. Special gratitude and indebtedness are dedicated to her beloved mother Rita Agusti and her beloved father Rachmaddin, who always give their loves, prayers, supports, and encouragements for every single path the writer chooses in her life.
9. Special thankfulness is also due to her beloved sisters Dita Octaviani and Manda Maulani for support, prayers, loves and suggestions.
10. Special thankfulness is also due to her aunts Tuti Nila Wardhani and Tety Haryani for the support, prayers, and loves.
11. Special thankfulness is also due to her boyfriend Michael Okto Abrian, for their loves, prayers, supports and suggestions.
12. Thankfulness to her all friends, especially her best friends Citra Dwi Anggun Sari, Rifka Nursyifa, and Wiendy Yuniansyah, Iin Indriawati, Rahayu Indah Sulistiyowati, for being such a great support and companion along the way in finishing this script and for the unbreakable friendship and love.
13. All those who can not be mentioned one by one, which as provided assistance either directly or indirectly in writing this thesis.

The author is fully aware that this thesis is far from perfection. Therefore good advice or criticism from readers very authors expect for the sake of improvements for the next. Hopefully, this script would give a positive contribution to the educational development or those who want to carry out further research.

Jakarta, September 2015

Author,  
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## **ABSTRACT**

RAHMA AZILDA. *Comparison of International Marketing Management System in China and Indonesia* (under supervision of Mr. Sugiyanto).

This research is aimed to find out how about development of international marketing management system at SME (small, medium, enterprises) in China and Indonesia and to find out how about comparison of export to world at SME (small, medium, enterprises) between China and Indonesia. This study consisted of two variables, the first variable is the export volume of China and the second variable is the volume export of Indonesia. The analytical method used is descriptive comparative and t-Test: Two-Sample Assuming Equal Variances.

The results research showed that the export volume of China is superior compared to Indonesia, it is supported by the management system of international marketing adopted by China that has a major influence on the success of SMEs (small and medium enterprises), while Indonesia especially the government still needs some improvement in some sectors to boost the development of SMEs (small and medium enterprises) and as well as to increase the volume of Indonesian export in order to compete with China and other countries.

Keywords : China; Indonesia; SMEs (small and medium enterprises); export

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## **CHAPTER I**

### **INTRODUCTION**

#### **A. Background**

Further the expansion of the times, the development of SMEs (small and medium enterprises) led to increasingly competitive industry competition, in which each country vying to develop and market its products as much as possible out of the country. The businessmen continues to work for what they produce and they offer can be accepted by consumer both domestically and abroad, which will then be purchased in the purchase of the maximum level with a high frequency of purchase.

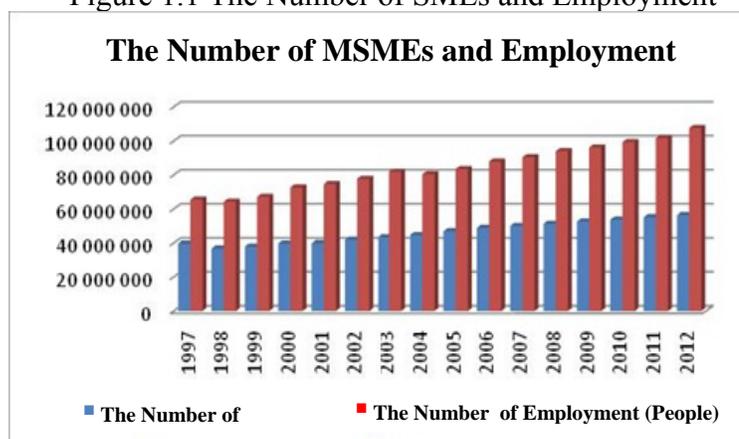
In general the tendency of competition in world trade and marketing international scale today is not only due to competition in price but has developed into a competition quality image from which the product is derived, where each company in each country vying to plug the image quality of their product in order to become top of mine in the minds of consumer. Each product offered by each country has its own characteristics that distinguish the products of competitors. To understand and attract consumers to buy and also to increase the volume of exports in each country should have its own characteristics in addition be supported by a strong quality image in the minds of consumers as well as in every country in conducting the SMEs (small and medium enterprises) development apart from the company itself is also expected that the attention and support of the government in each country can be realized well. Many countries have now applied to businessmen such in a country to deploy an international marketing management system. This is so that a company may widen its wings in a country by plunging into the broader market, namely the market international so companies can have a broader market strategy. Therefore, it has demanded the businessmen in the country especially Indonesia and China to continue to critical

thinking in the face of increasingly competitive, because the competition is not just coming from the local competition but it has been expanded into a global effort. If businesses are not ready to face the competition today, impacts and effects can arise from such competition.

At present some countries have conducted bilateral economic cooperation, thereby reducing regional and global trade barriers such as import taxes, customs duties, tariffs, quotas. Such cooperation can promote free trade import export process so that it goes over easy and cheap, this is the case as between China and Indonesia, particularly in terms of developing SMEs (Small, Medium, and Enterprises) in both countries by comparing the international marketing management system undertaken by China and Indonesia.

SMEs (small and medium enterprises) are a business sector that is often referred to as “small chili” or in the Indonesian names is “*kecil-kecilcaberawit*”. It can be seen from the SMEs contribution to GDP (gross domestic product) Indonesia, which reached 57% and is able to absorb 97% of the total 110.81 million national workforce (Ministry of Cooperatives and SMEs, 2012). Every year of the number of SMEs continues to increase along with an increase in employment. SMEs also increase foreign exchange in the form of export receipts amounted to 27.700 billion or 4.86% of total exports. In national investment, SMEs also demonstrated its role with increased contribution to total investment from year to year since 2000 in 2000 amounted to only SMEs investment Rp. 133.08 trillion and increased to Rp. 275.27 trillion in 2005 and continued to increase until now. SMEs have always been a concern for policy makers in Indonesia, Hal Hill (2001) said that SMEs play an important role in economic growth and improve half of output per sector. Besides, the SMEs become a tool for business ownership by indigenous people and to improve re redistribution of assets. Effective SMEs also able to create a favorable climate for industrial growth and increase flexibility in the structure of the industry.

Figure 1.1 The Number of SMEs and Employment



Source: BPS (2012)

Indonesia faces a challenge in the face of opportunities in ASEAN economic community 2015. The more open markets among ASEAN countries, the competition of products and services lead to broader opportunities to increase sales because it targets a more diverse market. The more dynamic economies among countries also opened up opportunities for easier access to capital and technology that will improve the productivity of SMEs.

Referring to the economic growth and trade of China, many experts say as phenomenal. China's rate of growth was faster than expected by many sector. According to the magazine FOCUS, in December 2005, the government of China able to raise again its GDP amounted to \$285 billion, making economy of China is ranked 6<sup>th</sup> in the world. When combined with Hong Kong, it will be able to same with USA, Japan, and Germany. Over the past few years China's economy grew on average by 9,4%, while GDP per capita increased by 600%, which is the first occurrence in the history of the world. With the export-oriented economic system, China is able to increase the export value of US\$ 267 billion (2001) to US\$ 762 billion (2005). China economy that is strongly oriented towards exports is a challenge for industrialized countries. Competitive pressures from China are rising rapidly not only in the textile sector, but has also penetrated the electronics

industry, telecommunications and even automotive and transportation (Nurul Huda & Zulihar, 2009: 184).

China is one of the main trading partners of Indonesia, in addition of other countries such as the USA and Japan. This was shown by the increasing volume of trade between Indonesia and China from year to year. The following data show how the dynamics of trade between the two sides of the country:

Table 1.1 Trade Balance Indonesia with China, Period: 2005-2010

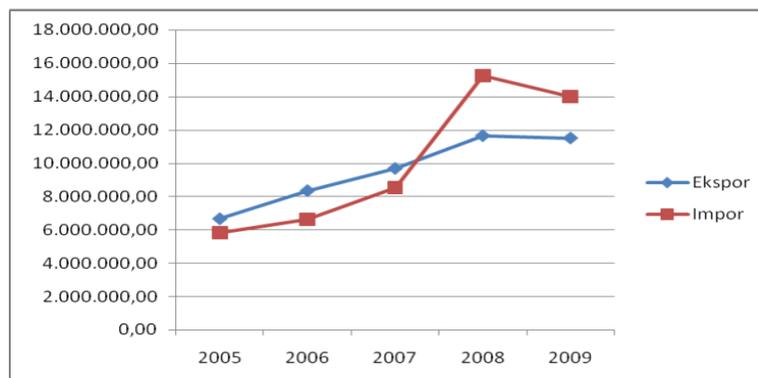
Commentary	2005	2006	2007	2008	2009	Trend (%) 2005-2009	Jan-Juli		Change (%) 2010/2009
							2009	2010	
Number Of Trade	12.505.2 16,0	14.908.4 66,0	18.233.3 89,0	26.883.6 72,0	25.501.4 97,0	22,0	13.109.0 85,0	19.160.6 08,0	46,00
Oil	3.994.18 3,0	4.001.87 3,0	3.612.03 5,0	4.148.60 0,0	3.090.05 2,0	-4,00	1.653.81 9,0	1.219.12 8,0	-26,00
Non-Oil	8.511.03 2,0	10.968.5 92,0	14.621.3 54,0	22.735.0 71,0	22.411.4 45,0	30,00	11.455.2 65,0	17.941.4 79,00	56,00
Exports	6.662.35 3,0	8.343.57 1,0	9.675.51 2,0	11.636.5 03,0	11.499.3 27,0	15,00	5.925.29 5,0	7.737.02 5,0	30,00
Oil	2.702.59 1,0	2.876.96 1,0	3.011.41 2,0	3.849.33 5,0	2.579.24 2,0	1,00	1.471.28 7,0	762.449, 0	-48,00
Non-Oil	3.959.76 2,0	5.466.61 0,0	6.664.09 9,0	7.787.16 8,0	8.920.08 4,0	21,00	4.454.00 7,0	6.974.57 6,0	56,00
Inports	5.842.86 2,0	6.636.89 5,0	8.557.87 7,0	15.247.1 68,0	14.002.1 70,0	29,00	7.183.79 0,0	11.423.5 83,0	59,00
Oil	1.291.59 2,0	1.134.91 2,0	600.622, 0	299.265, 0	510.809, 0	-27,00	182.532, 0	456.679,0 0	150,00
Non-Oil	4.551.27 0,0	5.501.98 2,0	7.957.25 4,0	14.947.9 03,0	13.491.3 61,0	37,00	7.001.25 7,0	10.966.9 03,0	56,00

Sumber : Journal Economic and Islam Business| Vol. VII, No. 1, Desember 2012

Based on data from the past five years, total trade between Indonesia and China continues to increase, as in 2005 valued at US\$ 12.5 billion which increased to US\$ 25 billion in 2009. The economy of China in recent years did show strength in various parts of the world, including in Indonesia. At five years ago, Indonesia still recorded a trade balance surplus (exports>imports). However, in recent years, the value of Indonesian imports>exports to China (trade deficit). This means that Indonesian exports to China are smaller than imports from China.

exports to Indonesia, but the situation turned around since 2008 until now. The following comparison of data exports and imports between the two countries:

Figure 1.2. The Development of Export-Import Indonesia to-from China



Source :Journal Economicand Islam Business| Vol. VII, No. 1, Desember 2012

Since 2008, the values of imports from China already exceed the value of Indonesian exports to the country the bamboo curtain. Even more worryingly, the proportion or ratio of exports and imports showed a significant decline. In the first half of 2009, Indonesia exports worth around US\$ 5.925 billion while imports valued at US\$ 7.183 (exports amounting to 82.84% of imports). This proportion being dropped quite significantly in first semester, 2010 when Indonesian exports only amounted to US\$ 7.737, while imports from China amounted to US\$ 11.423 (exports amounted to 67.72% of imports). Various concerns about the strength of trade hegemony China in various countries, including Indonesia, seems to have demonstrated fact, especially after the implementation of ACFTA (ASEAN-China Free Trade Area).

Based on the description above, the author intends to analyze the system management of international marketing in the SMEs (small, medium, enterprises) in China and Indonesia as well as to find out why SMEs China is superior when compared with Indonesia in the share of International market. Therefore, the authors are interested in conducting a study entitled “Comparison of International Marketing Management System in China and Indonesia”.

## **B. Identification and Restriction Problem**

### **1. Identification Problem**

- a. The development of SMEs (small and medium enterprises) led to increasingly competitive industry competition.
- b. Competition in the business world today do not only come from the local competition but has penetrated the global competition.
- c. The role of SME (small, medium, and enterprises) be the choice of each country to be able to enter and compete in the international market.

### **2. Restriction Problem**

The study is limited in international marketing management system applied to the SME (small, medium, and enterprises) and the development of volume export which occur in China and Indonesia and through comparison between the two countries.

## **C. Formulation of the Problem**

Based on the description above, the formulation of research problems can be formulated as follows :

1. How about comparison development of international marketing management system at SME (small, medium, enterprises) in China and Indonesia?
2. How about comparison of export to world at SME (small, medium, enterprises) between China and Indonesia?

## **D. Objectives Research**

As for the purpose of this study was to :

1. To find out how about development of international marketing management system at SME (small, medium, enterprises) in China and Indonesia.
2. To find out how about comparison of export to world at SME (small, medium, enterprises) between China and Indonesia.

## **E. Usability Research**

Through research by the author, is expected to provide the following benefits :

### **1. For the Author**

For the author of this study as additional knowledge about international marketing management system in an organization, especially SMEs (Small, Medium, and Enterprises) in competing in the global market, and also to gain knowledge by looking at the comparison between the two countries, namely China and Indonesia in the implementation of international marketing management system.

### **2. For the Readers**

For the readers of this study as additional knowledge and references, especially in the field of international marketing.

### **3. For the Organization or Company**

For the organization or company SMEs (Small, Medium, and Enterprises) benefit from the results of this study can be used as consideration and references that support the improvement or development of international marketing management system in the future.

## **F. Writing System**

The purpose of the systematic manufacture of this paper is to provide concise and clear picture of the contents and chapter by chapter. systematic discussion are as follows :

### **CHAPTER I : INTRODUCTION**

In this chapter will outline the background, problem identification and problem limitation, the formulation of problem, objectives and benefits of the research, as well the systematic writing.

**CHAPTER II : THEORETICAL BASIS**

In this chapter outlines the theories that are used as the basis for research to look at the extent to which the theory can be applied in a real implementation and support troubleshooting.

**CHAPTER III : RESEARCH METHOD**

In this chapter describes the method used in this study.

**CHAPTER IV : RESEARCH OBJECT**

In this chapter outlines the general picture of the object being studied.

**CHAPTER V : RESEARCH RESULT AND DISCUSSION**

In this chapter discusses the results of research conducted in this paper.

**CHAPTER VI : CONCLUSION AND SUGGESTIONS**

In this chapter contains the conclusions of the discussion conducted in the previous chapters and useful suggestions for related parties.

## **CHAPTER II**

### **THEORETICAL BASIS**

#### **A. Definition About International Marketing and International Marketing Management**

Domestic and international marketing are similar in nature but not in scope, meaning that international marketing is nothing but domestic marketing on a larger scale. Domestic marketing which involves the company manipulating a series of controllable variables such as price, advertising, distribution and the product/service attributes in a largely uncontrollable external environment that is made up of different economic structures, competitors, cultural values and legal infrastructure within specific political or geographic country boundaries. International marketing is the process of planning and undertaking transactions across national boundaries that involve exchange. Its forms range from exporting to licensing to joint ventures to wholly owned acquisitions to management contract. Because the transaction takes place across national boundaries, the international marketer is subject to a different set of macro-environmental factors and constraints deriving from different political systems, legal frameworks, cultural norms, societal expectations and economic circumstances.

International marketing is the performance of business activities designed to plan, price, promote, and direct the flow of a company's goods and services to consumers or users in more than one nation for a profit. International marketing is the multinational process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives.

**International Marketing:** International marketing is the export, franchising, licensing or full direct entry of a marketing organization into another country. This can be achieved by exporting a company's product into another country;

entry through franchising or licensing in the target country; or direct investment in a foreign country. The development of the marketing mix for that country requires international marketing. This can be as straightforward as an extension of existing marketing strategies to a total customization of the marketing mix (product, price, place and promotion) for a specific country.

International marketing is much more complex because a marketer faces two or more sets of uncontrollable variables originating from various countries. The marketer must cope with different cultural, legal, political, and monetary systems. There are several definitions of international marketing.

International marketing management is the organizational discipline which focuses on the practical application of marketing orientation, techniques and methods inside enterprises and organization and on the management of a firm's marketing resources and activities. Globalization has led firms to market beyond the borders of their home countries, making international marketing highly significant and an integral part of a firm's marketing strategy. Marketing managers are often responsible for influencing the level, timing, and composition of customer demand accepted definition of the term. In part, this is because the role of a marketing manager can vary significantly based on a business's size, corporate culture, and industry context. For example, in a large consumer products company, the marketing manager may act as the overall general manager of his or her assigned product. To create an effective, cost-efficient marketing management strategy, firms must possess a detailed, objective understanding of their own business and the market in which they operate. In analyzing these issues, the discipline of marketing management often overlaps with the related discipline of strategic planning.

## **B. Process of International Marketing**

This definition is not completely free of limitations. By placing individual objectives at one end of the definition and organizational objectives at the other, the definition stresses a relationship between a consumer and an organization. In effect, it fails to do justice to the significance of business to business marketing, which involves a transaction between two organizations. In the world of international marketing, governments, quasigovernment agencies, and profit-seeking and nonprofit entities are frequently buyers. Nonetheless, the definition does offer several advantages by carefully describing the essential characteristics of international marketing. First, what is to be exchanged is not restricted to tangible products (goods) but may include concepts and services as well. When the United Nations promotes such concepts as birth control and breast feeding, this should be viewed as international marketing.

Second, the definition removes the implication that international marketing applies only to market or business transactions. International nonprofit marketing, which has received only scant attention, should not be overlooked. Governments are very active in marketing in order to attract foreign investment. Religion is also a big business and has been marketed internationally for centuries, though most people prefer not to view it that way.

Third, the definition recognizes that it is improper for a firm to create a product first and then look for a place to sell it. Rather than seeking consumers for a firm's existing product, it is often more logical to determine consumer needs before creating a product. For overseas markets, the process may call for a modified product. In some cases, following this approach may result in foreign needs being satisfied in a new way (i.e., a brand new product is created specifically for overseas markets).

Fourth, the definition acknowledges that "place" (distribution) is only part of the marketing mix and that the distance between markets makes it neither

more nor less important than the other parts of the mix. It is thus improper for any firms to regard their international function as simply to export (i.e., move) available products from one country to another.

Finally, the “multinational process” implies that the international marketing process is not a mere repetition of using identical strategies abroad. The four Ps of marketing (product, place, promotion, and price) must be integrated and coordinated across countries in order to bring about the most effective marketing mix. In some cases, the mix may have to be adjusted for a particular market for better impact.

### **C. International Marketing Management System**

#### **1. Planning for International Marketing**

Planning is a systematized way of relating to the future. It is an attempt to manage the effects of external, uncontrollable factors on the firm’s strengths, weaknesses, objectives, and goals to attain a desired end. Furthermore, it is a commitment of resources to a country market to achieve specific goals. In other words, planning is the job of making things happens that might not otherwise occur. Planning allows for rapid growth of the international function, changing markets, increasing competition, and the turbulent challenges of different national markets. The plan must blend the changing parameters of external country environments with corporate objectives and capabilities to develop a sound, workable marketing program. A strategic plan commits corporate resources to products and markets to increase competitiveness and profits. Planning relates to the formulation of goals and methods of accomplishing them, so it is both a process and a philosophy. Structurally, planning may be viewed as corporate, strategic, or tactical. International corporate planning is essentially long term, incorporating generalized goals for the enterprise as

a whole. Strategic planning is conducted at the highest levels of management and deals with products, capital, research, and the long- and short-term goals of the company. Tactical planning, or market planning, pertains to specific actions and to the allocation of resources used to implement strategic planning goals in specific markets. Tactical plans are made at the local level and address marketing and advertising questions.

**a. Company Objective and Resources**

Defining objectives clarifies the orientation of the domestic and international divisions, permitting consistent policies. The lack of well-defined objectives has found companies rushing into promising foreign markets only to find activities that conflict with or detract from the companies' primary objectives. Foreign market opportunities do not always parallel corporate objectives and resources; it may be necessary to change the objectives, alter the scale of international plans, or abandon them. One market may offer immediate profit but have a poor long-run outlook, while another may offer the reverse. Only when corporate objectives are clear can such differences be reconciled effectively.

**b. International Commitment**

The planning approach taken by an international firm affects the degree of internationalization to which management is philosophically committed. Such commitment affects the specific international strategies and decisions of the firm. After company objectives have been identified, management needs to determine whether it is prepared to make the level of commitment required for successful international operations commitment in terms of dollars to be invested, personnel for managing the international organization,

and determination to stay in the market long enough to realize a return on these investments.

**c. The planning Process**

Whether a company is marketing in several countries or is entering a foreign market for the first time, planning is essential to success. The first time foreign marketer must decide what products to develop, in which markets, and with what level of resource commitment. For the company that is already committed, the key decisions involve allocating effort and resources among countries and product(s), deciding on new market segments to develop or old ones to withdraw from, and determining which products to develop or drop. Guidelines and systematic procedures are necessary for evaluating international opportunities and risks and for developing strategic plans to take advantage of such opportunities.

First, Preliminary analysis and screening: Matching company/country needs. Whether a company is new to international marketing or heavily involved, an evaluation of potential markets is the first step in the planning process. A critical first step in the international planning process is deciding in which existing country market to make a market investment. A company's strengths and weaknesses, products, philosophies, modes of operation, and objectives must be matched with a country's constraining factors and market potential. In the first part of the planning process, countries are analyzed and screened to eliminate those that do not offer sufficient potential for further consideration. The next step is to establish screening criteria against which prospective countries can be evaluated. The environment consists of the uncontrollable elements discussed previously and includes both home-country and

host-country constraints, The results, provide the marketer with the basic information necessary to evaluate the potential of a proposed country market, identify problems that would eliminate the country from further consideration, identify environmental elements that need further analysis, determine which part of the marketing mix can be standardized and which part of and how the marketing mix must be adapted to meet local market needs, and develop and implement a marketing action plan.

Second, Defining Target Markets and Adapting the Marketing Mix Accordingly.

Product : Adaptation, Brand name, Features, Packaging,  
Service, Warranty, Style, Standards

Price : Credit and Discounts

Distribution : Logistics and Channels

Promotion : Advertising, Personal Selling, Media,  
Message, Sales  
Promotion

Third, developing the marketing plan. At this stage of the planning process, a marketing plan is developed for the target market whether it is a single country or a global market set. The marketing plan begins with a situation analysis and culminates in the selection of an entry mode and a specific action program for the market. The specific plan establishes what is to be done, by whom, how it is to be done, and when. Included are budgets and sales and profit expectations.

Fourth, implementation and control. All marketing plans require coordination and control during the period of implementation. An evaluation and control system requires performance-objective

action, that is, bringing the plan back on track should standards of performance fall short. Such a system also assumes reasonable metrics of performance are accessible. A global orientation facilitates the difficult but extremely important management tasks of coordinating and controlling the complexities of international marketing. Utilizing a planning process and system encourages the decision maker to consider all variables that affect the success of a company's plan. With the information developed in the planning process and a country market selected, the decision regarding the entry mode can be made. The choice of mode of entry is one of the more critical decisions for the firm because the choice will define the firm's operations and affect all future decisions in that market.

**d. Strategies Entry International Market**

A company has four different modes of foreign market entry from which to select: exporting, contractual agreements, strategic alliances, and direct foreign investment. The different modes of entry can be further classified on the basis of the equity or nonequity requirements of each mode.

**1. Exporting**

Exporting accounts for some 10 percent of global economic activity. Exporting can be either direct or indirect. With direct exporting, the company sells to a customer in another country. This method is the most common approach employed by companies taking their first international step because the risks of financial loss can be minimized. In contrast, indirect exporting usually means that the company sells to a buyer (importer or distributor) in the home country, which in turn exports the product. Customers include large

retailers such as Wal-Mart or Sears, wholesale supply houses, trading companies, and others that buy to supply customers abroad. Exporting is also a common approach for mature international companies with strong marketing and relational capabilities.

## **2. Contractual Agreement**

Contractual agreements are long-term, non-equity associations between a company and another in a foreign market. Contractual agreements generally involve the transfer of technology, processes, trademarks, and/or human skills. In short, they serve as a means of transfer of knowledge rather than equity.

### **1. Licensing**

A means of establishing a foothold in foreign markets without large capital outlays is licensing. Patent rights, trademark rights, and the rights to use technological processes are granted in foreign licensing. It is a favorite strategy for small and medium-sized companies, though by no means limited to such companies.

### **2) Franchising**

Franchising is a rapidly growing form of licensing in which the franchiser provides a standard package of products, systems, and management services, and the franchisee provides market knowledge, capital, and personal involvement in management.

### **3. Strategic International Alliances**

A strategic international alliance (SIA) is a business relationship established by two or more companies to cooperate out of mutual need and to share risk in achieving a common objective. Strategic alliances have grown in importance over the last few decades as a competitive strategy in global marketing management. Strategic international alliances

Are sought as a way to shore up weaknesses and increase competitive strengths that is, complementarity is key. Firms enter into SIAs for several reasons: opportunities for rapid expansion into new markets, access to new technology, 48 more efficient production and innovation, reduced marketing costs, strategic competitive moves, and access to additional sources of products 49 and capital. Finally, evidence suggests that SIAs often contribute nicely to profits.

#### **a. International Joint Venture**

A joint venture is different from other types of strategic alliances or collaborative relationships in that a joint venture is a partnership of two or more participating companies that have joined forces to create a separate legal entity. Joint ventures are different from minority holdings by an MNC in a local firm.

#### **b. Consortia**

Consortia are similar to joint ventures and could be classified as such except for two unique characteristics is They typically involve a large number of participants and

they frequently operate in a country or market in which none of the participants is currently active. Consortia are developed to pool financial and managerial resources and to lessen risks. Often, huge construction projects are built under a consortium arrangement in which major contractors with different specialties form a separate company specifically to negotiate for and produce one job. One firm usually acts as the lead firm, or the newly formed corporation may exist independently of its originators.

#### **4. Direct Foreign Investment**

A fourth means of foreign market development and entry is direct foreign investment, that is, investment within a foreign country. Companies may invest locally to capitalize on low-cost labor, to avoid high import taxes, to reduce the high costs of transportation to market, to gain access to raw materials and technology, or as a means of gaining market entry. Firms may either invest in or buy local companies or establish new operations facilities. The local firms enjoy important benefits aside from the investments themselves, such as substantial technology transfers and the capability to export to a more diversified customer base. As with the other modes of market entry, several factors have been found to influence the structure and performance of direct investments is timing first movers have advantages but are more risky, the growing complexity and contingencies of contracts, transaction cost structures, technology and knowledge transfer, degree of product differentiation, the previous experiences and cultural

diversity of acquired firms, and advertising and reputation barriers. This mix of considerations and risks makes for increasingly difficult decisions about such foreign investments. But as off-putting legal restrictions continue to ease with WTO and other international agreements, more and more large firms are choosing to enter markets via direct investment.

#### **D. Criteria for Micro, Small and Medium Enterprises (MSME) in Indonesia**

##### **1. Criteria for Micro, Small and Medium Enterprises According to Law No. 20 of 2008 (UU Nomor 20 Tahun 2008)**

Criteria for Micro, Small and Medium Enterprises (MSME) According to Law No. 20 of 2008 Article 6 (*UU Nomor 20 tahun 2008 Pasal 6*) is classified based on the amount of assets and turnover are owned by a business. An MSME criterion based on Law No. 20 of 2008 article 6 is as follows:

- 1) The Criteria for Micro-Enterprises are as follows :
  - a. Have a net worth of at most Rp.50.000.000,00 (fifty million rupiah) excluding land and buildings; or
  - b. Have annual sales of at most Rp.300.000.000,00 (three hundred million rupiah).
- 2) The Criteria for Small-Enterprises are as follows:
  1. Have a net worth of more than Rp.50.000.000,00 (fifty million rupiah) up to at most Rp.500.000.000,00 (five hundred million rupiah) excluding land and buildings; or
  2. Have annual sales of more than Rp.300.000.000,00 (three hundred million rupiah) up to at most Rp.2.500.000.000,00 (two billion five hundred million rupiah).

- 3) The Criteria for Medium-Enterprises are as follows:
1. Have a net worth of more than Rp.500.000.000,00 (five hundred million rupiah) up to at most Rp.10.000.000.000,00 (ten billion rupiah) excluding land and building; or
  2. Have annual sales of more than Rp.2.500.000.000,00 (two billion five hundred million rupiah) up to at most Rp.50.000.000.000,00 (fifty billion rupiah).
- 4) Criteria referred to in paragraph (1) letter a, letter b, and paragraph (2) letter a, letter b, and paragraph (3) letter a, letter b nominal value can be changed in accordance with the economic development that is regulated by a presidential decree.”<sup>47</sup>

Tabel 2.1. Criteria of MSME in Indonesia

No.	Enterprises	Criteria	
		Assets	Turnover
1.	Micro-Enterprises	Max. 50 million	Max. 300 milion
2.	Small-Enterprises	>50million– 500million	>300million– 2.5billion
3.	Medium-Enterprises	>500million– 10billion	>2.5billion– 50billion

Sources: Ministry of SME and Cooperatives of the Republic of Indonesia, 2012.

## 2. Criteria for Small and Medium Enterprises (SMEs) Based Development

In addition based on the Act (*Undang-Undang*), from the standpoint of its development Rahmana (2008) classifying MSMEs in several criteria, namely:

- a. Livelihood Activities, the small and medium enterprises which are used as an opportunity to work for a living, which is more commonly known as informal sector. For examples are street vendors.
- b. Micro Enterprise, the small and medium enterprises that have properties craftsmen still do not have an entrepreneurial nature.
- c. Small Dynamic Enterprise, the small and medium enterprises being entrepreneurial spirit and able to accept work subcontracted and export.
- d. Fast Moving Enterprise, the small and medium enterprises who have entrepreneurial spirit and the will to transform into a big business.

#### **E. Criteria Small and Medium Enterprises (SMEs) in China**

Criteria Small and Medium Enterprises (SMEs) in China based on data from NDRC (National Development and Reform Commission), Interim Categorizing Criteria on Small and Medium-sized Enterprises (SMEs), published in 2003 and based on the SME Promotion Law of China, sets the guidelines for classifying SMEs.

Table 2.2. Criteria of SMEs in China

<b>Size Category</b>	<b>Industries</b>	<b>Employment Based</b>	<b>Total Assets</b>	<b>Business Revenue</b>
Small	Industry	< 300	< ¥ 40million	< ¥ 30million
	Construction	< 600	< ¥ 40million	< ¥ 30million
	Wholesale	< 100		< ¥ 30million
	Retail	< 100		< ¥ 10million
	Transport	< 500		< ¥ 30million
	Post	< 400		< ¥ 30million
	Hotel and Restaurant	< 400		< ¥ 30million
Medium	Industry	300 – 2000	¥ 40million – 400million	< ¥30million – 300million
	Construction	600 – 3000	¥ 40million – 400million	< ¥30million – 300million
	Wholesale	100 – 200		< ¥30million – 300million

	Retail	100 – 500		< ¥30million –
	Transport	500 – 3000		300million
	Post	400 – 1000		< ¥10million –
	Hotel and Restaurant	400 – 800		150million
				< ¥30million –
				300million
				< ¥30million –
				300million
				< ¥30million –
				150million

Source : LIU Xiangfeng, “SME Development in China: a Policy Perspective on SME Industrial Clustering,” Economic Research Institute for ASEAN and East Asia, Chapter 2, pp. 38-40, <http://www.eria.org/research/images/pdf/PDF%20No.5/No,5-2-China.pdf>(accessed on May 12, 2010).

The guidelines mainly cover the payrolls, revenue and total assets of enterprises (see Table 2.2). Specific criteria apply to the industrial sector, construction, transportation, wholesale and retail business, and hotels and restaurants. Guidelines for the industrial sector requires SMEs to employ a maximum 2,000 people, and to have an annual revenue not exceeding RMB300 million. Their total assets should not exceed RMB 400 million. Medium-sized enterprises should employ a minimum of 300 people. Their annual revenue and total assets should not exceeding RMB30 million and 40 million respectively. The rest are classified as small enterprises. The definition of an SME in China is quite complex and can include relatively large firms. In APEC (Asia-Pacific Economic Cooperation) economies, the definition of an SME also varies, but is generally most commonly is based on the number of employees. SMEs commonly employ 100 to 500 people. But the vast bulks of SMEs, comprising around 70 percent, employ five people or less or are run by self-employed individuals. SME definition in China depends on the industry category and is defined based on the number of employees, annual revenue, and total assets comprising a company. An industrial SME is defined as having up has up

to 2,000 employees; while a medium-sized business has between 301 and 2,000 employees; and a small business has less than 300. Consequently, what is regarded as an SME in China may be quite large relative to an SME in other countries.

## F. Previous Research

Previous research is a literature review of derived from studies that have been done. In this previous study systematically outline the research results obtained by previous authors and related to the research conducted. Previous studies were used as reference literature reviews of this study are as follows:

Tabel 2.3. Previous Research

No	Title	Researcher	Variable	Research Tool	Research Result
1.	Economic Globalization and the Export of Indonesian Small and Medium Enterprises	Tulus Tambunan; LP3E-Kadin Indonesia	i(Country), w(number of world), m(number of manufacture goods), k(1:labor intensive, 2:capital intensive, 3:innovation intensive)	Index Revealed Comparative Advantage (RCA): $RCA = \frac{X_{ik}}{X_{im}} / \left( \frac{X_{wk}}{X_{wm}} \right)$ Index Coefficient Competition (ICC): $ICC = (\text{export} - \text{import}) / (\text{export} + \text{import}).$	SMEs China superior to Indonesia, China increasingly excels in electronic products, communications equipment and semi-conductors, Indonesia only in manufactured products. Indonesia tend to be importing country when compared China, Indonesia promising industry and the relatively few who do not have a lot of competitiveness relative.
2.	MSMEs Development Opportunities in Yogyakarta After the Implementation of the ASEAN-China Free Trade Area	Joko Setyono, SE., MSi.		Quantitative analysis with different test methods on average.	The growth of imports (9,36%) from China in Indonesia is greater than the growth of Indonesian exports (6,1%) to China.

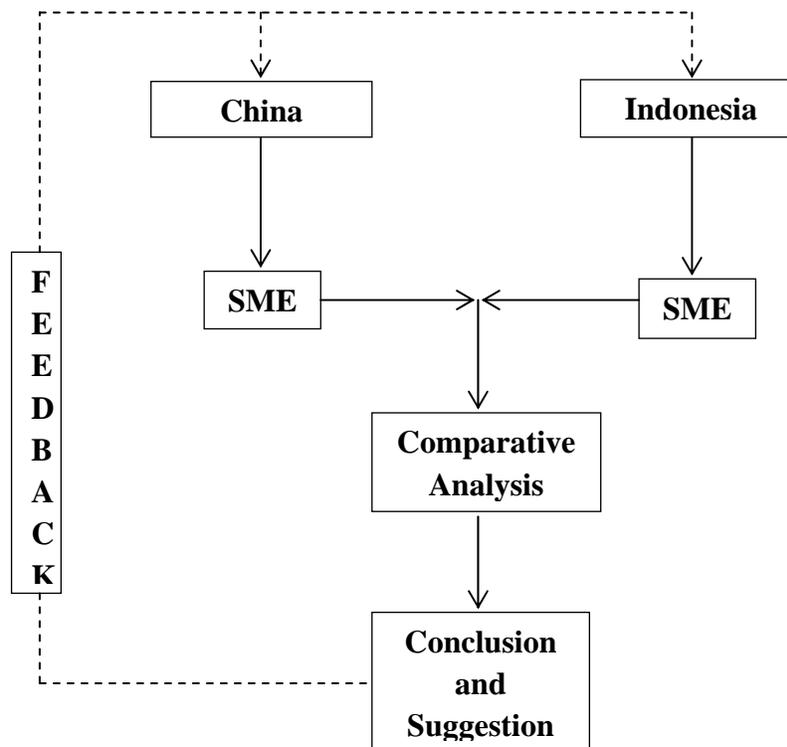
	(ACFTA)				
3.	Strategic Management in East Asia SMEs : The Case Study of SMEs in China and Indonesia	Qihong Jiang and Tiorini Alis			The evidences show that there are also some different characteristics of strategic management of SMEs in the two countries. Firstly, the Chinese companies we interviewed focus on differentiation strategy, while the Indonesian companies focus on niche strategy. Secondly, Chi-nese companies not just focus on their core business, but also implementing new strategy to seek for now opportunity, but Indonesian companies, they only concentrate on their core business due to the companies scale and external environment.

Source: Data Processed of Authors

### G. Framework Research

In this paper, the author wanted to know how the comparison of international marketing management system in China and Indonesia to see applied to SMs (Small and Medium Enterprises) development that occurs between the two countries and also with a view of the export of SMEs products in these countries as a comparison to see which better and superior.

Thus can be used as a framework research into the mindset of the picture seen as follows:



**Figure 2.1**  
**Framework Research**

## H. Hypothesis

The hypothesis is temporary answer to the question of researchers whose truth will be tested based on data or information gathered and by observation.

1. Tulus Tambunan; LP3E-Kadin Indonesia Research, SMEs China superior to Indonesia, China increasingly excels in electronic products, communications equipment and semi-conductors, Indonesia only in manufactured products. Indonesia tend to be importing country when compared China, Indonesia promising industry and the relatively few who do not have a lot of competitiveness relative.

$H_{a_1}$  : Allegedly SMEs in China superior than Indonesia

$H_{a_2}$  : Allegedly China SMEs production is better than Indonesia

2. Joko Setyono, SE., Msi research, The growth of imports (9,36%) from China in Indonesia is greater than the growth of Indonesian exports (6,1%) to China.

Ha<sub>3</sub> : Allegedly China import growth in Indonesia is greater than the growth of Indonesian exports to China.

## **CHAPTER III**

### **RESEARCH METHOD**

#### **A. The Types and Sources of Data**

##### **1. The Types of Data**

The type of data used in this study is qualitative data that is to be quantitative. In this study from secondary data on variables withdrawal China and Indonesia by using existing data, where the data obtained is both qualitative, and quantitative data to see the results of calculations in each variable and also this data can use words to describe the facts and phenomena observed.

##### **2. Data Sources**

Secondary data is data obtained from existing literature reference data that is already available based on the theoretical approach or concept that is done according to several sources, such as books, scientific journals, worldbank, and the internet, which can be used as a reference for this study.

#### **B. Method of Data Collection**

Research to the library to complete and finish writing of this research, the author uses the method of data collection by research libraries to the research that studied the books relating directly or indirectly with the problem to be researched. This method is intended to get a theory that support and assists in writing of this research.

## C. Data Analysis Method

The author used qualitative data to do the analysis descriptive comparative of this research.

### 1. Descriptive Comparative Method

#### a. Descriptive Method

According to Whitney (1960), descriptive method is a fact-finding with a correct interpretation. Descriptive study to study the problems in society as well as specific situations, including on relationship, activities, attitudes, views and processes are ongoing and the effects of a phenomenon. The descriptive method, researchers could compare certain phenomena so that a comparative study. Type of descriptive method used in this research is the development of the research done to obtain reliable information.

#### b. Comparative Method

The comparative method is descriptive research seeking answer fundamentally about cause and effect, by analyzing the factors that cause the occurrence of a particular phenomenon.

### 2. t-Test: Two-Sample Assuming Equal Variances

In this research used test statistic for hypothesis test about t-Test: Two-Sample Assuming Equal Variances.

$$t = \frac{(\bar{X}_1 - \bar{X}_2) - D_0}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}$$

Note :  $X_1$  : Sample Mean China

$X_2$  : Sample Mean Indonesia

$n_1$  : Sample Size Export China

$n_2$  : Sample Size Export Indonesia

$S_1$  : Sample Standard Deviation China

$S_2$  : Sample Standard Deviation Indonesia

$D_0$  : Hypothesized Difference

#### D. Definition of Operational Variables

Based framework and hypotheses that have been presented previously, the research variable consists of two variables is China export volume ( $X_1$ ) and Indonesia export volume ( $X_2$ ).

**Tabel 3.1 Definition of Operational Variables**

No.	Variable	Measurement Scale	Size
1	China Export Volume ( $X_1$ )	Ratio	US\$ (thousand)/year
2	Indonesia Export Volume ( $X_2$ )	Ratio	US\$ (thousand)/year

**CHAPTER IV**  
**RESEARCH OBJECT AND DESCRIPTIVE ANALYSIS**

**A. Research Object of China and Indonesia**

**1. China**

**a. Small and Medium Enterprises (SMEs) in China**

China is no stranger to financial turmoil. In 1997, the country faced down the Asian financial crisis, responding with increased privatization and an emphasis on building the export economy. While the central government has successfully steered the country through many difficult periods, the current global recession continues to send ripples through the domestic economy. Many of the country's small- and medium-sized enterprises (SMEs) are bracing for a rough landing and some are struggling for their very survival.

With fewer internal assets than large companies, SMEs are among the worst hit by the poor economic environment and many will inevitably close, experts say. For well positioned companies however, the future could be promising. Loans for domestic enterprises are on the rise and China's RMB4 trillion stimulus plan may offer opportunities and resources for SMEs to prosper.

**1) Development of SMEs**

China's economic landscape has changed significantly since the Asian financial crisis. At the time, privatization of its small- and medium-sized businesses was taking place and an SME department was created in the State Economics and

Trade Commission. A credit system was also starting to take shape, helping to further the growth of new companies.

Today, there are five recognized SME sectors in China – industrial, construction, retail, transportation and hospitality. The classification system defines SMEs as companies with sales between RMB30 million and RMB400 million with a workforce ranging from 400 to 3,000 employees.

Companies that fit this profile in China are vital to China's economy as generators of employment, revenue and innovation. By 2007, China had 42 million SMEs, which accounted for 99.7 percent of the total number of enterprises in the country. SMEs also accounted for more than 68 percent of China's exports and 75 percent of the new jobs created nationwide each year, while registering more than 65 percent of China's patents.

Unfortunately, a large percentage of SMEs happen to be operating in the markets that have suffered the most during the economic downturn, particularly import and export companies. "Some companies have been hit hard," says Tom Ward, president of PIM, Ltd., a consulting company focusing on industrial markets in China. "Any company that is in a transactional business, such as logistics, or relying on exports, is suffering."

Even before the tipping point of the current financial downturn last fall, the National Development and Reform Commission (NDRC) estimated that 67,000 SMEs went out of business in the first half of 2008 – as many as 10,000 of which were concentrated in textile and apparel manufacturing.

## 2) **Financing Trouble**

To go back even further, before 2008, when hints of the coming crisis had yet to appear, SMEs already faced tough conditions. Even with a booming market, capital was hard to come by for smaller companies. “Go back a year and a half ago, and there were austerity measures in place,” says Stephen Ip, a financial advisory services partner at KPMG in Shanghai. “The government said to banks, ‘You need to adhere to these rules – you can’t make more loans this year than you made last year’.”

Loan quotas tied the hands of Chinese banks and put SMEs at a competitive disadvantage, says Ip. Domestic loans tend to be short-term in nature and larger companies have exhibited a better record in terms of debt repayment. The loan restrictions were so tight that in some areas, unofficial credit companies emerged to begin offering loans at outrageous rates. Even with interest rates of up to 30 percent, many SMEs had no other choice for funding.

For foreign-owned companies, the situation was no less difficult. Many foreign SMEs look to banks in their home countries for loans to fund operations in China, says Ward, who is also chair of the AmCham Shanghai SME Committee. “That can be very difficult, as foreign banks don’t always understand the Chinese market.” While Chinese banks can lend to foreign-run SMEs, the banks generally focus on the domestic market.

### 3) **Opportunities in Crisis**

While it may seem counterintuitive, new financing opportunities have presented themselves as the financial crisis has taken hold, particularly for domestic companies. The caps on bank lending were eased and the central government began pushing its large financial institutions in the opposite direction. At the annual National People's Congress meeting in March, Chinese Premier Wen Jiabao promised enough additional stimulus measures, including new loans if necessary, to achieve economic growth of 8 percent in 2009. "As long as we adopt the right policies and appropriate measures and implement them effectively, we will be able to achieve this target," Wen said at the meeting.

Early statistics indicate Chinese banks have ramped up lending efforts, with the amount of new loans exceeding RMB1 trillion in both January and February of this year. According to official statistics, domestic banks doled out RMB1.62 trillion in new loans in January – double the amount lent during the same period last year, and lending in February remained brisk, reaching RMB1.07 trillion for the month.

Even when the market is flush with new capital, SMEs must develop a solid strategy to secure funding. "There has been a trend allowing banks to have more money available to lend, but overall there is still a limit to how much they can lend and that's where I think it will be trickier for SMEs," says Ip.

SMEs are at a natural disadvantage in competing for loans because of the perception that it is safer to lend to a big company. Given the economic realities, simply a clever idea or business concept may no longer be enough. “It is best if they can demonstrate they’ve got a good business plan,” says Ip. “They can at least tell a good story to the bank and say, ‘we have made these improvements to our business and we are trying to make cuts to ensure our costs are under control.’ ”

This task will be even tougher for foreign-owned SMEs, as foreign banks are looking more carefully at the loans they are making, says Ip. “I think there is a heightened awareness among the local branches of foreign banks. They have an obligation to improve their governance and avoid writing off bad loans.”

#### **4) Adapting to the Market**

Even though funding may be scarce, there are many opportunities in the crisis, maintains Ward. In some sectors, even foreign-owned SMEs can find a boost in China’s stimulus package. “There are tremendous opportunities in energy infrastructure, rail transportation, wastewater treatment and air quality improvement,” says Ward. “China’s stimulus package, unlike the U.S. stimulus package, is wide open.”

Local governments are also offering SMEs additional support. Many governments are still looking to attract companies that can bring technology and high standards to their region. Companies that are focused on China’s domestic market and have a good track record are at an advantage.

Ip suggests companies look at tax refunds, incentive programs or relocation assistance. “We do know that there are a lot of cities that are still trying to attract the right kind of businesses,” he says.

The current economic conditions offer one other advantage for small businesses – attracting talent. “Right now you can recruit local personnel that wouldn’t talk to you a year ago,” says Ward. Those companies that cannot find relief through the stimulus program or a bank loan face the grim reality of adjustment for survival. Ip calls this “right-sizing”. “You can’t affect the demand,” he says. “You have to see what you can do yourself.” Right-sizing means examining the size of a company and adjusting it to a sustainable scale. The process can be painful and sometimes may require a company to shrink its workforce. Some companies, however, can choose to buy themselves time. “Maybe the market will come back,” adds Ip.

Some SMEs are cutting salaries, offering reduced working hours or increasing leave time to help keep a larger staff busy. In some cases, however, Ip sees this as delaying the inevitable. “For some it is best to take your medicine, cut your business into the right size and then move on,” he says. However they do it, the SMEs that are still standing after the dust has cleared will be all the stronger for it, says Ward. The upgrades that China is implementing to its infrastructure, technology and even its business environment offer opportunities not found in the U.S. or Europe. “As China goes through the process of raising its standards, it is a shot in the arm for the whole world,” says Ward. A smart company with

a good business plan will have the chance, financial crisis or not, to benefit.

## **2. Indonesia**

### **1. Small and Medium Enterprises (SMEs) in Indonesia**

The definition of ‘Small & Medium Enterprises’ under Indonesian law differs from the generally accepted definition of ‘Small & Medium Enterprises (UKM—Usaha Kecil dan Menengah)’. The country’s definition of ‘Small & Medium Enterprises’ was set out in the Small Enterprise Act No. 9 of 1995 (*Undang-Undang Republik Indonesia Nomor 9 Tahun 1995 Tentang Usaha Kecil*), where companies that would generally be considered medium sized are included under the definition for “small enterprises” and the definition for “medium enterprises” under Indonesian law roughly equates to the Japanese definition of “medium enterprises”.

The definition of small enterprises under Act No. 9 is as follows:

- a. A business that owns net assets worth 200 million rupiahs or less. However these assets shall not include land or buildings.
- b. Annual Sales of 1 billion rupiah (net) or less.
- c. Owned by a citizen of Indonesia.
- d. An independent economic entity, which is not a subsidiary or branch of a large or medium enterprise, and is not directly or indirectly controlled (including where the operator is dispatched from a large or medium enterprise) by a large or medium enterprise.
- e. The business is managed by an individual, an unincorporated entity, or a cooperative organization.

Definitions a and b may change according to changes in economic conditions. Also, there are no distinctions according to the type of industry. In addition to this Act, the various related Ministries have their own definitions. In addition to the definitions under this Act, Bank Indonesia has also set out the following in its “Bank Indonesia 2005 Micro, Small and Medium Enterprise Development Technical Directive 7/39/PBI”. (*Peraturan Bank Indonesia Nomor: 7/39/2005 Tentang Pemberian Bantuan Teknis Dalam Rangka Pengembangan Usaha Mikro, Kecil Dan Menengah*). Micro enterprises are considered those with annual sales of less than 100 million rupiah. Small enterprises have net assets (not including land or buildings) of up to 200 million rupiah and annual sales of no more than 1 billion rupiah. And medium enterprises, in accordance with Presidential Order No. 10 of 1999, can have between 200 million and 10 billion rupiah in net assets (not including land or buildings).

In the 1997 Minister’s Determination No. 257/MPP/Kep/7/1997, the Ministry of Industry defined medium and small scale industries as those with assets of less than 5 billion rupiah, including land and factories.

The Central Statistics Agency classifies medium sized enterprises and industries in three ways, micro enterprises with household industries made up of three employees or less (including non-paid laborers), small enterprises consisting of 5-9 employees, and medium enterprises consisting of 20-99 employees.

The 1995 Small Enterprise Act No. 9 is due to be amended in 2008 as the “Minor, Small & Medium Enterprise Act (*Undang-Undang Republik Indonesia Nomor....Tahun....Tentang Usaha*

*Mikro, Kecil, Dan Menengah*)". The proposed definitions under this revision as of February 2008 were as follows:

- a. A micro enterprise is based in a traditional industry and is managed privately, and has net assets of no more than 50 million rupiah (not including land or buildings) and annual sales of no more than 300 million rupiah.
- b. Small enterprises are managed privately or by a corporate entity, but are independent from and are not the subsidiary or branch office of a medium or large enterprise. They have net assets of at least 50 million rupiah, and no more than 500 million rupiah (not including land or buildings), and they have annual sales of between 300 million and 2.5 billion rupiah.
- c. Medium enterprises have net assets of between 500 million and 10 billion rupiah (not including land or buildings), and have annual sales of between 2.5 billion and 50 billion rupiah.

Note that the net asset and annual sales figures defined herein are subject to change according to conditions, by directive from the President.

### **Financial Support for Small & Medium Enterprise Policies**

The jurisdiction for small and medium enterprise policies is not limited to the Ministry of Cooperatives and Small and Medium Enterprises, but also involves the Finance Ministry, the Industry Ministry, and the Commerce Ministry, etc., and since each of these Ministries individually administer policies for small and medium enterprises, the full picture of government expenditure is not clear. The only documents that can explain the expenditure are in the budgets allotted to each Ministry and agency.

The allotment to the Ministry for Cooperatives and Small & Medium Enterprises for 2008 (Accounting period from January to December) is 1.1116 trillion rupiah. The total 17 amount allotted to Ministries and Agencies is 285.4829 trillion rupiah, which amounts to a total of 564.6231 trillion rupiah when added to interest on debt payments, subsidies, etc. So the amount allotted to the Ministry of Cooperatives and Small & Medium Enterprises is only about 3.9% of the amount allotted to the other Ministries and Agencies, and just 0.2% of the total allotted budget. In addition, the central government also allots fund to the regional governments for the purpose of funding small and medium enterprises, which, according to a survey carried out by the Ministry for Cooperatives and Small & Medium Enterprises, was budgeted at about 118.5 billion rupiah for 2008.

## **B. Descriptive Analysis of China and Indonesia**

### **1. China's International Marketing Management**

#### **China's Planning for International Marketing**

When an economy develops to a certain stage, taking the path of internalization is an inevitable strategic choice in today's sweeping tide of globalization. Many Chinese companies are finding they must have their tentacles extend to foreign countries to the international large-scale environment to gain the initiative. This part of the thesis do some research in Chinese enterprisesinternational marketing management strategies, using the theory discussed above.

**a. Company Objective and Resources**

Since China's reform and opening up, the market-oriented reform of the country's economic system has gradually engendered labor and capital markets, which have promoted an organic combination of rich labor resources and increasingly expanded capital resources. The development of SMEs, especially the sharp rise in non-state owned and non public-owned enterprises, have provided a vast space and permanent vehicle for this type of combination. Although the overall size of the state-owned economy is still increasing in terms of number of enterprises and developmental potential, non-state-owned SMEs have become a main part of these Chinese economy and played an increasingly important role in the national economy and social development.

**b. International Commitment**

China's commitment to financial service market accession reflects its basic stance of "opening while restricting" on foreign-funded financial institutions' accession into the financial service industries after China's accession to WTO. While the opening of financial service market is gathering momentum, proper restriction over specific financial service departments or service means is inevitable within a certain period of time. China's entry into WTO has brought great influence to its domestic agriculture, while the exploitation and utilization of agricultural land form the base of agricultural production, operation and management. Through the analysis on the conflict between China's commitment to WTO and the current situation, the author puts forward some principles as well as the countermeasures for sustainable utilization of regional

agricultural land. With the ever-growing integration of global economies and china's commitment to open market after its admission to WTO, modern logistics Industry, as a new economic growing point, will play an important part in the new centennial economic development. Though high-tech innovation and integration with conventional Industries, logistics industry is expanding rapidly around the world regarded as a huge "gold mine". A key point is that China's commitment to promote competition is less credible with no antitrust authority.

**c. The Planning Process**

**China's Enterprises in the Inevitability of International Marketing**

Market economy requires enterprises to conduct international marketing. As the market economy, establishment and improvement of business as a separate legal status is more clear, market-oriented business and development has become the center of the introduction of competition, the business-to-market control power greatly diminished. To compete for survival and development of China's enterprises have to look to international markets.

Advance science and technology, management experience and strong financial markets to attract companies to expand abroad, the modern competitive technology and management is good or bad for economic efficiency plays a key role. In addition, enterprise development funds has long been a major constraint, through international marketing, not only can earn foreign exchange, and can attract foreign investments.

Development encouraging enterprises to the international market for international marketing. China has joined WTO, the

domestic and international markets closer together, more and more foreign companies enter the Chinese market, some of China's enterprises will be motivated, with its own power into the international market.

Improve the China's international marketing strategy with establish the concept of global marketing, strengthening product innovation, improve the international competitiveness of the product, to strengthen market innovation and expanding market development, government to deepen reform of foreign trade. The government should further deepen reform of foreign trade, encourage enterprises to the extraordinary number of state-owned enterprises are export-oriented way to go, full delegation. For enterprise to the market, enterprises must be cards separate, a radical change in foreign direct intervention, intervention in its business practices, improve motivation and initiative. The government should regulation, policies to guide, encourage enterprises to carry out intensive management, and promote qualified enterprises to international, group, development of a comprehensive trading company. Finally, he reform of the corporate import and export management system. Down part of the right to operate in conducive to feed keep out, to carry out, promote domestic production, implementation of the countervailing, anti-dumping measures to protect the domestic market and the infant industries.

#### **d. Planning Marketing Mix of China**

##### **1) Product**

Product positioning is another important strategy for China's SMEs in entering the international market. This is

because most of the SMEs in China at the present time do not have the technological advantage in the world. So, in order to produce products with lower prices and better quality, China's SMEs have been focusing on utilizing the comparatively cheaper domestic resources to occupy the international market. For instance, the use of comparatively cheap human labor in the domestic market environment is regarded as one important element for the business success of China's enterprises in the global market. The most representative industries that depend on cheap and massive human labor include clothing processing industry, food process industry and toy production so and so forth.

Products sold in China are basically consumer products, such as shoes, textile, toys, clothing, DVD players, desktop computers, televisions, mobile phones, car stereos, and so on. Although exports of goods showed a higher technology content, such as other computers and, but still in the category of consumer products. China has begun producing cars, such as Geely, but still in the early stages of market penetration. However, in General, it can be concluded that exported goods have been moved from items that contain the resources and manpower-intensive, low value-added and technologically inferior, in the direction of goods containing technology and higher value-added.

## **2) Price**

Since China's SMEs do not have brand advantage in the international market, a lot of enterprises choose the lower prices as one main strategy in order to occupy the international market. Take clothing production for instance,

since these businesses in China can not compete against those international giants in France and Italy, these enterprises usually target the lower-end customers in the international market. So, lower prices can be regarded as the important strategy to gain the potential to develop these businesses in the more and more intensified international clothing market. However, in the future, how to build up national brands will one day become an important issue of business development in the international background.

### 3) **Place**

With the more and more diversified international communication and interaction, there have been a lot of new channels for China's SMEs to enter the international market (Kulendran and Witt, 2007). For example, with the greater and greater impact of the Internet, China's SMEs have been utilizing this new communicational channel to influence the international market by conveying more information of these enterprises and to enhance their international influence. Also, with the more and more active interchange of academics studies, many experts with international background can also be used by China's SMEs to collect and analyze the information of international supply and demands. In this way, the channels of international business of China's SMEs will be greatly broadened at the present time and in the near future. The intended market of originally is a market bottom a global market, then moves to the developed countries. Then, market developments are Africa, the Middle East, Asia, and the emphasis on America began to diminish.

#### 4) **Promotion**

International marketing promotions, many for the specific situation of China's enterprises with to do the publicity work, business to consumer loyalty, partner trust and government support, in addition to leading technology and reliable quality of products, to establish and consolidate the good corporate image is important. Business can take advantage of China in the international political arena more and more influence on the implementation of the official promotion. Customer management of China's enterprises in international ackground mainly includes the collection and analysis of the trends of customer needs. For instance, the change of the consuming style of the international customers can be regarded as an important issue. This necessarily includes the study of the cultural and social influence upon the preference of the local customers in the targeted marketplace (kofman, et al., 2008). This is very important in influencing the choice of the development route of these enterprises in the more and more intensified international market. Take food industry for example, the diversified tastes of the different local customers in different places of the world are important in influencing the production of food products in the international marketplace. For China's SMEs, how to study the changes of the international customers and how to cater for these customers according to their special features and crucial to their business management in the international market.

**e. Strategies for China's Entry into International Market**

However, due to the comparatively free structure of the SMEs of China at the present time, these business organizations in the meanwhile have also a great advantage in choosing the mode of entering the international market. And since most of the SMEs are not powerful enough to expand their international market by independent investment, a lot of them have chosen the way of cooperating with some influential international organizations so as to gain, the technological support in the world. The development of China's automobile industry can be regarded as a typical example. For some automobile businesses, cooperation is one of the main strategies to enter the international market. This is convenient in utilizing the available technology to compete against their international rivals. To select a suitable entry mode into the international business society is one chief element of effective management of the international business by China's SMEs. At the present time, there are mainly two major aspects of entry modes. First, cooperation is still considered to be the chief way for China's SMEs to enter the global market. This is because of the fact that China is nowadays in the lower level of technological development. Obviously, the main advantage of cooperation (and especially regional cooperation with the neighboring countries in Asia) is the convenient way of absorbing the technology, business resources and management experience in the international market. In the second place, FDI (i.e., foreign direct investment) is also adopted by some SMEs in some developing markets such as the countries in South Asia and African countries. China's strategy to get into the market using the international export and import mode. In addition, china

has a contractual agreement with the ACFTA (ASEAN-China Free Trade Association). China also uses mode SIA (Strategic International Alliances) as a joint venture for making it easy to conduct international business.

## **2. Indonesia's International Marketing Management**

### **Planning for International Marketing**

According to The Global Competitiveness Report in 2013/2014, created by the World Economic Forum (WEF), the competitiveness of Indonesia ranked 38th. Meanwhile, the quality of infrastructure of Indonesia was ranked the 82nd from 148 countries or ranked 5th among the core countries of ASEAN.

#### **a. Company Objective and Resources**

Objectives Ministry of Cooperatives and SMEs in general is to make MSMEs as the main economic actors in the national economy competitive. Capable of realizing the condition stimulation, dynamization and facilitate the emergence and development 70,000 (seventy thousand) units of a quality cooperative efforts and 6,000,000 (six million) of new SME business units, growing a business climate conducive to the development of cooperatives and SMEs at different levels of government, Improve productivity, competitiveness and independence of cooperatives and SMEs in the local market and abroad, developing synergy and community participation and business in the empowerment of cooperatives and SMEs, and providing quality public services, rapid, accurate, transparent and accountable.

**b. International Commitment**

As a middle-income country with a population of around 230 million, Indonesia faces a distinctive set of challenges relating to aid, and more broadly to development effectiveness. The Government of Indonesia's relationship with international aid agencies is changing; the financing mechanisms at its disposal are taking new forms; and its development cooperation with other low and middle income countries is being further articulated. Given the country's development successes and its position as a large Middle Income Country, Indonesia has a strong contribution to make to efforts aimed at improving the international aid architecture for all recipients including both Low Income Countries (LICs) and Middle Income Countries (MICs). Indonesia is a signatory to the Paris Declaration on Aid Effectiveness, and has committed to the aid effectiveness principles and commitments contained in the Declaration. Indonesia has been an active participant in the regional preparations for the Third High Level Forum on Aid Effectiveness, including through engaging with global mechanisms and through dialogue with other countries in the Asia region. The Government is committed to take forward the Accra Agenda for Action as well as the Monterrey Consensus, and the 2008 Doha Declaration on Financing for Development.

**c. Planning Process**

The planning process undertaken by Indonesia in international marketing is Indonesia doing SME development in Indonesia. It aims to make Indonesia can compete in international markets. In the APBSD have included that the development of SMEs is carried out through five programs, namely: (1) entrepreneurship development programs; (2) improvement of marketing capabilities; (3) access to

finance; (4) access to technology; and (5) creating a conducive policy. Driven by innovation / knowledge; supported by digital technology; sources of competition on innovation, quality, time, and costs; prioritizing research and development; and develop alliances and collaborations with other businesses. Some effort needs to be made by the government to empower SMEs are:

**1) Improving the quality and standard of products**

In order to be able to take advantage of opportunities and potential markets in the ASEAN region and the global market, then the products of SMEs must meet quality and standards in accordance with the agreement of ASEAN and the countries of destination. Within that framework, the SME should begin facilitated with quality requirements and product standards required by the ASEAN market and outside ASEAN. The role of technological support for improving the quality and productivity as well as the design introduction to SMEs who want to take advantage of the ASEAN markets is urgently needed.

**2) Improving access to finance**

A financial issue in the business development of SMEs is very classics. So far, not many SMEs can take advantage of financing schemes provided by banks. The survey results Regional Development Institute says that there are three gaps encountered with regard to access to finance for SMEs, (1) the aspect of formality, because many SMEs which do not have legal status; (2) aspects of the business scale, which often put up banking credit scheme is not in line with the business scale of SMEs; and (3) aspects of information, where banks do not know which ones should be funded SMEs, while

the SMEs also do not know what financing schemes available in the banking system. Therefore, the third of this gap must be addressed, including by upgrading the human resources of SMEs, banks, as well as companion SMEs. On the other hand, must also be given extensive information about financing schemes owned by banks.

**3) Improving the quality of human resources and entrepreneurial spirit of SMEs**

In general, the quality of human resources of SMEs in Indonesia is still low. What's more entrepreneurial spirit. If it refers to the data of SMEs in 2008, the level of entrepreneurship in Indonesia is only 0.25% and in 2011 is estimated at 0.273%. Indeed this is very far behind the other countries in the world, including in Asia and ASEAN. As in Singapore, the level of entrepreneurship in Singapore more than 7% as well as in the USA, entrepreneurial level has reached 11.9%. Therefore, to strengthen the quality and entrepreneurial SMEs in Indonesia, it is necessary for education and skills training, management, and other appropriate technical training, in accordance with needs. Entrepreneurship development also needs to be improved. Launching of National Entrepreneurship Movement on February 2, 2011 and should be followed up with concrete steps, such as preparation of grand strategy in the field of entrepreneurship development and implementation carried out in relation to and responsibility. It is also important to note is the need to support the initial capital, especially for novice entrepreneurs.

**4) Strengthening and improving access to and transfer of technology for SMEs for the development of innovative SMEs**

Access to and transfer of technology for SMEs is still a challenge faced in Indonesia. The role of incubators, research institutions, and the cooperation between research institutes and universities and the business world for the transfer of technology should be encouraged. Cooperation or partnership between large companies, both from inside and outside the country with SMEs should be encouraged to transfer of technology from large enterprises to SMEs. This practice has been a lot of walking in some developed countries, such as USA, Germany, England, Korea, Japan and Taiwan. Cluster development models should also be developed, because the model will occur through the transfer of technology to and among SMEs.

**5) Facilitate SME access to information and promotions relating abroad**

The most important part of the production process is a matter of the market. No matter how good the quality of the products, if the public or the market does not know, then it will be difficult to marketed products. Therefore, the provision of information and promotion of the products of SMEs, in particular to introduce in the ASEAN market should be improved. Promotional products, can be done through cyberspace or follow the activities of overseas exhibitions. In the promotion of products abroad should also be noted the readiness of SMEs in the supply of the product to be marketed. Should be avoided invites SMEs abroad, even though they are

not yet ready to export their products abroad. In this regard not only the quality and design of products that must be considered, but also on quantity and continuity of its products.

**d. Planning Marketing Mix of Indonesia**

**1) Product**

The products will be marketed by Indonesia into international markets include several sectors, including the oil and gas sector and non-oil and gas, such as agriculture, forestry, fishing, and handicrafts.

**2) Price**

Due to the impact of the low level of infrastructure in Indonesia which has an effect on the high cost of logistics in Indonesia compared to ASEAN countries and China, resulting in less efficient Indonesia product prices.

**3) Place**

Place as a logistics and channels for Indonesia to enter the global market by joining ASEAN and the ACFTA. By having this allows Indonesia to be known by other countries, especially the ASEAN countries and China to do international business. Indonesia also exports its products to many countries, such as the Japan, United States, South Korea, the Netherlands, Germany, Australia, Italy, the United Kingdom, the United Arab Emirates, Brasilia, Saudi Arabia, Spain, Belgium, France, Turkey, Bangladesh, Egypt, Canada, Dominican South Africa, Iran, and the Federation of Russia.

**4) Promotion**

Form of promotion conducted by Indonesia as a form of international marketing undertaken by an institution that is

DGNED (Directorate General for National Export Development). The Institute also conducts international marketing by performing the export promotion, the export promotion in General discuss about Exposure on activities for Indonesian suppliers to promote their products and is connected with the available export opportunities. The export promotion through several activities like Indonesia trade shows exhibits, trade shows, promote your products and Finding Buyers.

**a. Indonesia Trade Event**

Discussion on Indonesian products exhibition held in Indonesia and also the assistances provided by DGNED for the export practitioners who are willing to participate. Indonesia Trade Event show activities consist of Trade Expo Indonesia and Indonesia Trade Fair and Expo.

**b. International Trade Promotion**

Description of promotional activities to foreign countries held by DGNED, review on the foreign trade exhibition potential to be attended by domestic exporters, and the assistance provided by DGNED to the export practitioners who intend to promote the product abroad.

**a. In Store Promotion**

One of the promotions offered by DGNED to the exporter is in-store promotion, which is a promotion of export products by displaying and selling the products in the store in cooperation with DGNED. One example of this activity is in-

store promotion at Harrods in August 1-31, 2011. This type of promotion is expected to attract candidate buyers because the selected location is very strategic to be visited, especially by those who want to shop.

**b. Trade Mission**

Trade mission is the activity of bridging the candidate buyer in a region (in this case the foreign buyers) with the candidate exporter from Indonesia. This activity is G to B (Government to Business) activity and B to B (Business to Business) because the Government seeks to bridge both parties to achieve a business deal.

**c. International Trade Exhibition**

Apart from domestic trade exhibitions, foreign trade exhibitions are also required to expand the promotion area, and this type of exhibition is divided into two types, namely active exhibitions and independent exhibitions. Active exhibition is exhibition fully supported by DGNEP, so that the participation is larger than independent exhibition. While the independent exhibition is the exhibition with minimum participation compared to active exhibition, therefore only sending representatives to participate in the exhibition. Usually independent exhibition is the recommendation from ITPC, TPO or KBRI in the country where the exhibition is held.

**c. Promote Your Product**

Description of procedure and facility for uploading supplier product proposal to be displayed in *www.nafedve.com*.

**a. Virtual Exhibition**

Directorate General of the National Export Development under the Ministry of Commerce has developed a website *www.nafedve.com* to support the development of business between exporters and suppliers and foreign buyers. *Nafedve* is the website available for supplier to promote the product so that the foreign buyers can be assisted in finding the product they want. The requirements and way to register your company and products in *www.nafedve.com* are as follows:

1. The registration is free of charge
2. The membership is open for the company domiciled in Indonesia, especially SMEs
3. Completing the registration form correctly this consists of two parts Company profile form and Product profile form.

**d. Finding Buyers**

Procedure of importer data search as well as the opportunity provided by DGNED to the export practitioners.

**e. Strategies for Indonesia's Entry into International Market**

Indonesia's strategy to enter into international markets through export and import mode, while also performing contractual

agreement that Indonesia with ASEAN, ATA, APEC, WTO, CAFTA which aims to do free trade with some countries incorporated in it, one of which is China. And besides also Indonesia cooperating with countries outside ASEAN and of the ACFTA.

### **3. Sources Differences of International Marketing Management Between China and Indonesia**

#### **1. Culture**

##### **a. General Observation of Chinese Cultural Characteristics**

China has the largest population of any country: 1,133,682,501 people were counted during the census taken in 1990. This population had grown rapidly in recent times, expanding by approximately 15 million each year, an increase equal to the total population of Australia. Between 1964 and 1982 China added 313 million to its population, more people than lived in the Soviet Union during that time. This rapid growth has occurred because the death rate has dropped sharply. The birthrate has also fallen, but the total population is enormous, and there are many young people. Thus, without extreme means of population control, the outlook is for continued rapid increase.

The problem of providing an acceptable quality of life for a society this large and growing ever larger is a major concern in China. In an effort to reduce the rate of population growth, the Chinese government since 1978 has promoted the one-child family among the Han. Married couples are urged to have only one child. Rewards such as better opportunities for one child are offered. Family-planning advice and birth-control techniques are easily available and commonly used.

## 1) **Ethnic and Language Groups**

The concept of being Chinese is not based on race. Rather, it is a cultural concept. To speak and behave like a Chinese--in short, to accept the Chinese system of cultural values is to be Chinese. The Chinese refer to themselves as Han or sons of Han (as in Han Dynasty, a period of great historical significance). Throughout history, small ethnic groups that came into contact with the Han Chinese have adopted Chinese culture and have been absorbed into the mainstream. This process continues, though there are legal guarantees designed to protect the rights and culture of minority nationalities.

Traditionally, the definition of a minority nationality in China is a group of people who speak a common language, occupy a common area, and share a common sense of social values. Although the minority nationalities represent a comparatively small proportion of the total population (approximately 67 million people, or 6.7 percent of China's population), they have an importance in Chinese society beyond their numbers because of the strategic territories they occupy. Most minority nationalities live along China's sparsely populated frontiers and have cultural relationships with minority groups in neighboring countries, such as Kazakhstan, Kyrgyzstan, Russia, North Korea, Mongolia, Thailand, and Myanmar (formerly called Burma). If these groups became hostile toward the

central government it could affect China's national security.

Guarantees protecting the minority nationalities are expressed in the structure of China's administrative system. In addition to the 22 provinces, there are five autonomous regions, based on the location of five of the larger and more important minority nationalities. In addition, smaller units such as autonomous prefectures, leagues, and banners (equivalent to British counties) are based on their occupancy by even smaller minority groupings. This administrative system is designed to give the minorities' political equality with the Han people and to help them maintain their distinctive identities. At the same time, Putonghua (based on the Mandarin dialect spoken in the Beijing area) is being promoted as the official spoken language of the country. All minority peoples are urged to learn it. Generally, all minorities live harmoniously with the Han. The government has adopted measures to promote economic development among minorities to enable them to catch up with the Han.

## **2) Cultural Values**

Chinese culture is highly complex but scholars across the world agree that despite the diversity of Chinese communities many shared characteristics persist. These derive largely from the pervasive influence of Confucian philosophy of the Chinese culture and they are at very core of Chinese identity.

Indeed, since Confucian thought has dominated the Chinese way of life for 2,000 years, it is unlikely to cease its influence, even after two or three generations of participation in British society.

The most important values of Chinese culture include the: importance of the family, hierarchical structure of social life, cultivation of morality and self-restraint, and the emphasis on hard work and achievement. Chinese culture and society can be defined as 'collectivist'. In many ways the family unit takes precedence over its individual members. Children must learn not to answer back to their parents or other elders. It is assumed that the family as a whole will thrive and prosper if harmony prevails at home. In other words the basic rules of obedience, moderation and self-restraint amongst family members should be observed. Expectations related to family life account for many of the difficulties faced by Chinese immigrants. The second generation finds it hard to cope with the demands of their parents. They want to fulfill their own potential like opting out of the catering business. And, stripped of their traditional position, deprived of respect, abandoned and isolated, the first generation feels unable to shape their children's way of life. Guilt on the children's part and shame on the parents' may result (Background Note, 2009).

### **3) Religion**

The Chinese Government recognizes five official religions which are Buddhism, Islam, Taoism, Catholicism, and Protestantism. China seeks to regulate religious groups and worship. Religious believers who seek to practice their faith outside of state-controlled religious venues and unregistered religious groups and spiritual movements are subject to intimidation, harassment, and detention. In 2006, the Secretary of State again designated China as a "Country of Particular Concern" under the International Religious Freedom Act for particularly severe violations of religious freedom (Background Note: China, 2009).

Chinese religious beliefs are wide-ranging and eclectic, deriving from several religious traditions (Chinese folk religion, Confucianism, Taoism and Buddhism). But several religious concepts are characteristic of general Chinese religious thought. Chinese religion is generally dualistic, emphasizing the two opposed and complimentary principles of the universe: yin and yang. But the yin and yang are the double manifestation of the single, eternal cosmic principal the Tao. Also important is the concept of heaven (*T'ien*), which is sometimes described in terms of an impersonal power or fate, other times as a personal deity, and can also be equated with the Tao.

**b. General Observation of Indonesian Cultural Characteristics**

The Indonesian national motto “Unity in Diversity” points to one of the greatest attractions of your host country, Indonesia. There are some 300 ethnic groups, a result of both the country's unique geography and history. Many Indonesians may see themselves first by their ethnic and cultural group and secondly as Indonesians. The glue that binds the people together is the usage of the *Bahasa Indonesia*, the national language, and *Pancasila*, the national philosophy, which stresses the doctrine of unity and universal justice for all Indonesians.

253,899,536 (2014) Indonesia is the fourth most populous nation in the world after China, India and the United States. Over two thirds of the population resides in Java, the center of the country's economic and political power. Visit the UNICEF website for some very interesting statistics covering population, health, economics, etc. The annual population growth rate was 1.2% in 2012 (World Bank). 2013 figures show that 11.4% of the population lived below the national poverty line (*gariskemiskinan*). In September 2013, the Governor of Jakarta estimated the poverty level of Jakarta's to be 3.72 percent of the total population. Life expectancy is 70.6 years (2012). Indonesia's population problems center mostly around the issue of population density. Together with the adjoining smaller islands of Madura and Bali, Java accounts for just over 7% of the Indonesia land area, but these islands are populated by some 135 million inhabitants. The population of the special district of Jakarta was 10,188,000 (12/2013). By contrast, the province of Papua represents 22% of the total land mass, yet has only 1% of the population. The

total population of the island of Sulawesi was over 17.4 million in 2010. So vast areas of Indonesia have very low population levels, while the majority of the people live in the island of Java and Bali.

### 1) **Ethnic and Language Groups**

The majority of Indonesians are of Malay extraction. The remainder of the “*pribumi*” (natives) is Melanesian (in Papua and the eastern islands). There are ethnic Chinese, Indians and Arabs concentrated mostly in urban areas throughout the archipelago. Major Ethnic groups: *Javanese* 45%, *Sundanese* 14%, *Madurese* 7.5%, Coastal Malays 7.5%, and others 26%.

The official language is *Bahasa Indonesia*. The written and spoken form is based on the Malay trade dialect which was used throughout the region in the past. *Bahasa Indonesia* is a strong unifying factor in a country where more than 300 distinct regional languages are still spoken. *Bahasa Indonesia* is not a difficult language to learn and many expatriates quickly learn the language sufficiently to succeed in meeting every day needs. More formal *Bahasa Indonesia* is expected to be used in high level business meetings. Newspapers and television news use formal *Bahasa Indonesia*. English may be spoken in international and high level business contexts in large cities. You may be able to converse with some Indonesians in Jakarta in English. In rural areas it may be difficult to find people who speak English, unless the locale is a widely visited

tourist destination. Many employees of international hotels and limousine drivers speak English. You may have difficulty finding an English speaking taxi driver or household staff. Dutch may be understood by older Indonesians, who may have attended Dutch schools.

## 2) Cultural Values

Indonesia is made up of 17,500 islands, and thirty-three provinces, meaning that the cultural landscape is also a diverse one, mixing both foreign and indigenous customs. Estimates put the number of different ethnic groups at three hundred or more, and these include indigenous populations such as the *Asmat* people of New Guinea, and the *Mentawai* tribe living in the rainforest of an island near Padang. They live a hunter/gatherer lifestyle that is a far cry from the city life of an expat in Jakarta.

The largest ethnic group within Indonesia is that of the Javanese people, estimated to make up around 45% of the country's population. Native to Java, their populations can also be found all over the country, as well as in Singapore and Malaysia. The Javanese dialect is spoken, and has two forms *Ngoko*, for speaking to familiars, and *Krama*, which is used when speaking among people who are unknown to each other, or of a higher social status. The *Sundanese* are another ethnic group, from the Western part of Java, and are the country's second largest ethnic population. Other groups include Chinese and Malay Indonesians and the

*Madurese* people, to name but a few. With this broad range of populations comes just as broad a mix of cultures, languages, religions, traditions and histories. As a taster, *Madurese* bull-racing, *KerapanSapi*, is a festival that takes place annually on the island of Madura, whilst the traditional *Sundanese* marriage ceremony involves nine formal stages, and many Javanese people do not typically have surnames. People may identify themselves according to their ethnicity, birthplace or family, and hundreds of languages are spoken throughout the country, however most Indonesians are united through the national language, *Bahasa Indonesia*, as well as through the national philosophical foundation of *Pancasila*. These five principles come from age-old traditions and are said to define Indonesia's nationhood is Belief in the one and only God, Just and *civilised* humanity, The unity of Indonesia, Democracy guided by the wisdom of deliberations among representatives, and Social justice for all the people of Indonesia.

In addition to these national philosophical principles, social values play a role in Indonesian life. Family, for example, is given importance, with traditional structures and defined roles for family members. The experiences and advice of elders are meant to be respected, as is caring for parents in old age, and it's not uncommon in areas outside the main cities for the nuclear family unit to be comprised of grandparents as well as parents & children. Marriage is

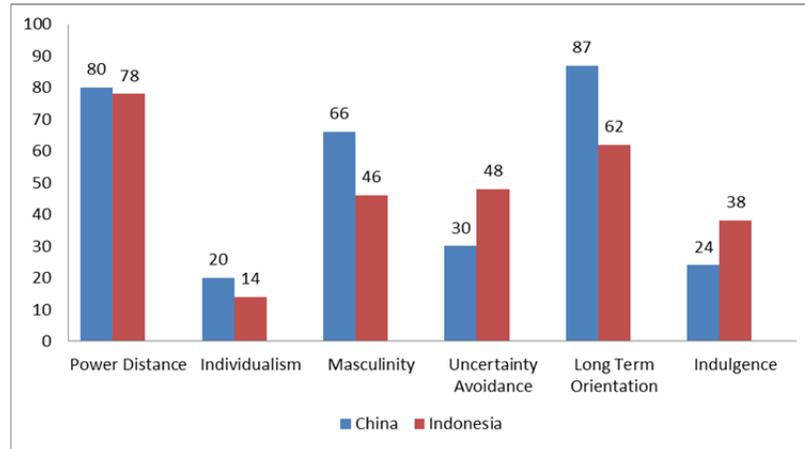
seen as being how a person enters full adulthood, and the question of whether you are married may often be put as ‘Are you married yet?’. Value is also placed on social hierarchy, with positions of status, position and age respected and maintained. The use of ‘*bapak*’ and ‘*ibu*’ (‘Sir’ and ‘Madam’/‘Mr’ and ‘Mrs’) may often be more commonly used in the workplace than you are accustomed to. The cultural value of face is also important. It involves avoiding causing shame to others, meaning care should be taken to avoid criticism of others in public and in the workplace. ‘Forgive and forget’ may be an appropriate motto to bear in mind if wanting to avoid causing any cultural offense. Answers and communications may be more indirect than you are used to, for this same reason. For more information on customs and etiquette in Indonesia, see our section on Social customs.

### **3) Religion**

About 88% of the population is Muslim. Roughly 10% is Christian (Protestant and Roman Catholic) and approximately 2% is Hindu and Buddhist. All five of these religions are formally recognized in Indonesia and have official national holidays commemorating events of importance to their followers. While the country is predominantly Muslim, the government is secular and therefore is not based on a single religion. Read about religious holidays in Indonesia.

## 2. Comparison of Hofstede Indexes Between China and Indonesia

Figure 4.1 Hofstede Index



Source: <http://geert-hofstede.com>

### a. China

#### 1) Power Distance

At 80 China sits in the higher rankings of PDI – i.e. a society that believes that inequalities amongst people are acceptable. The subordinate-superior relationship tends to be polarized and there is no defense against power abuse by superiors. Individuals are influenced by formal authority and sanctions and are in general optimistic about people's capacity for leadership and initiative. People should not have aspirations beyond their rank.

#### 2) Individualism

At a score of 20 China is a highly collectivist culture where people act in the interests of the group and not necessarily of themselves. In-group considerations affect hiring and promotions with closer

in-groups (such as family) are getting preferential treatment. Employee commitment to the organization (but not necessarily to the people in the organization) is low. Whereas relationships with colleagues are cooperative for in-groups they are cold or even hostile to out-groups. Personal relationships prevail over task and company.

### **3) Masculinity/Femininity**

At 66 China is a masculine society success oriented and driven. The need to ensure success can be exemplified by the fact that many Chinese will sacrifice family and leisure priorities to work. Service people (such as hairdressers) will provide services until very late at night. Leisure time is not so important. The migrated farmer workers will leave their families behind in faraway places in order to obtain better work and pay in the cities. Another example is that Chinese students care very much about their exam scores and ranking as this is the main criteria to achieve success or not.

### **4) Uncertainty Avoidance**

At 30 China has a low score on uncertainty avoidance. Truth may be relative though in the immediate social circles there is concern for Truth with a capital T and rules (but not necessarily laws) abound. None the less, adherence to laws and rules may be flexible to suit the actual situation and pragmatism is a fact of life. The Chinese are comfortable with ambiguity; the Chinese language is full of ambiguous meanings that can be difficult for Western people to follow.

Chinese are adaptable and entrepreneurial. At the time of writing the majority (70% -80%) of Chinese businesses tend to be small to medium sized and family owned.

**5) Long Term Orientation**

China scores 87 in this dimension, which means that it is a very pragmatic culture. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invests, thriftiness, and perseverance in achieving results.

**6) Indulgence**

China is a restrained society as can be seen in its low score of 24 in this dimension. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to indulgent societies, restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong.

**b. Indonesia**

**1) Power Distance Indicator**

Indonesia scores high on this dimension (score of 78) which means that the following characterizes the Indonesian style: Being dependent on hierarchy, unequal rights between power holders and non power

holders, superiors in-accessible, leaders are directive, management controls and delegates. Power is centralized and managers count on the obedience of their team members. Employees expect to be told what to do and when. Control is expected and managers are respected for their position. Communication is indirect and negative feedback hidden. High Power Distance also means that Indonesian co-workers would expect to be clearly directed by the boss or manager it is the classic Guru-Student kind of dynamic that applies to Indonesia. Westerners may be considerably surprised with the visible, socially acceptable, wide and unequal disparity between the rich and poor.

## 2) **Individualism**

Indonesia, with a low score of (14) is a Collectivist society. This means there is a high preference for a strongly defined social framework in which individuals are expected to conform to the ideals of the society and the in-groups to which they belong. One place this is visible clearly is in the aspect of the Family in the role of relationships. For example, In Indonesia, if one wishes to marry, it is important to meet a woman's family because the family is so important to her. If a man wants to be taken seriously by a woman, he has to visit the latter's family and introduce himself formally to the parents of the girl. It is inappropriate to court a woman and formalize the relationship without informing the parents of the girl first. Another example of collectivist culture of

Indonesia is in the equation between child and parent. Indonesian children are committed to their parents, as are the parents committed to them all their growing lives. Their desire is to make their parents' life easier. There is a desire to take care of parents and give them support in their old age. There is an Asian saying that is accepted in Indonesia, "You can get another wife or husband but not another mother or father". This family loyalty is also apparent in the fact that Indonesian families keep elders (such as grandparents) at home instead of sending them to any institution. In individualistic societies the focus is on the nuclear family only.

### 3) **Masculinity/Femininity**

Indonesia scores (46) on this dimension and is thus considered low Masculine. While not entirely like most North European countries who are very low in Masculinity and thus considered Feminine, Indonesia is less masculine than some other Asian countries like Japan, China and India. In Indonesia status and visible symbols of success are important but it is not always material gain that brings motivation. Often it is the position that a person holds which is more important to them because of an Indonesian concept called "*gengsi*" loosely translated to be, "outward appearances". It is important that the "*gengsi*" be strongly maintained thereby projecting a different outward appearance aimed at impressing and creating the aura of status. In feminine countries the focus is on "working in order to

live”, managers strive for consensus, people value equality, solidarity and quality in their working lives. Conflicts are resolved by compromise and negotiation. Incentives such as free time and flexibility are favored. Focus is on well-being, status is not shown. An effective manager is a supportive one, and decision making is achieved through involvement. In contrast, Masculine countries and to an extent lower Masculine countries that do not score too low on the scale to be called Feminine countries, display the traits of the Masculine societies but in a lesser degree.

#### **4) Uncertainty Avoidance**

Indonesia scores (48) on this dimension and thus has a low preference for avoiding uncertainty. This means that there is a strong preference in Indonesia toward the Javanese culture of separation of internal self from external self. When a person is upset, it is habitual for the Indonesian not to show negative emotion or anger externally. They will keep smiling and be polite, no matter how angry they are inside. This also means that maintaining work place and relationship harmony is very important in Indonesia, and no one wishes to be the transmitter of bad or negative news or feedback. Another aspect of this dimension can be seen in Conflict resolution. Direct Communication as a method of conflict resolution is often seen to be a threatening situation and one that the Indonesian is uncomfortable in. A tried and tested, successful method of conflict diffusion or resolution is to take the more familiar route

of using a third party intermediary, which has many benefits. It permits the exchange of views without loss of face as well as since one of the main manifestations of Indonesia's uncertainty avoidance is to maintain the appearance of harmony in the workplace; an intermediary removes the uncertainty associated with a confrontation. Perhaps one very key phrase in Indonesia that describes how this works is "*AsalBapakSenang*" (Keep the Boss Happy). The reason is multifold; but if you extrapolate to UAI dimension you can see that keeping the boss happy means you will be rewarded and if you are rewarded you have no economic or status uncertainty as you will keep being a valuable member of the company.

**5) Long Term Orientation**

Indonesia's high score of 62 indicates that it has a pragmatic culture. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results.

**6) Indulgence**

The low score of 38 in this dimension shows that Indonesia has a culture of restraint. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to indulgent societies, restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People

with this orientation have the perception that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong.

### **3. PEST Analysis**

#### **a. China**

##### **1. Political**

China is a socialist state lead by the Communist Party of China (CPC) and its mission focuses on developing a prosperous and competitive economy. Primary organs for government are the National Peoples Congress (NPC), the President and the State Council. This central government must build consensus for new policies among party members. Local and regional leaders influence non-party members, and the population at large. In general, China has a stable political environment (Doing Business in Beijing, 2004). Stable political environment is fundamental to the economic growth (Chinese General Chamber of Commerce, 2007) China is moving towards a fully established market economy. But the political system has remained the same (ICMR Centre for Management Research, 2008). The government is responsible for guiding the transition. There is a growing willingness by central government to devolve executive powers down the administrative chain, granting ever-greater powers to local authorities. The overall effect of this process is to increase the number of opportunities in the market (Chinese Marketing & Communication, 2008). There are

more chances for enterprises to survive and develop as long as they can seize these opportunities and make best use of them.

## **2. Economics**

With the favorable external environment, a steady pick up in private consumption, and the recent strong industrial production, the growth momentum in China has become stronger and more broad-based with insulation from the recent global stock market slump. Besides this, China's economy will remain well supported by strong exports and the government's expansionary fiscal and monetary policies (HKTDC Economic Forum, 2008). The open-door policy is an essential element of the economic reform process. It has introduced a modern managerial system, business practices, and a legal framework for conducting business transactions. In addition, it has provided competition in the domestic market, and competition has forced domestic enterprises to become more efficient (Chow, G. C., 2000). The access into WTO is a milestone in China's process of reform and opening up. China's economy, in particular, its foreign trade has greatly evolved. Since its entry into WTO, China strictly follows every regulation, provision and agreement. In the past years, China was growing at a high speed (Shang Linaiyi 2009); however, there are some problems accompanied by such fast speed. Since there are many foreign competitions entered into the Chinese market, Chinese producers and enterprises are

facing more challenges and economy environment in Chinese market is becoming fiercer than before. Moreover, Global financial crisis continues to spread and get worse. China is also greatly affected by the crisis. Chinese Premier, Wen Jiabao, admitted that the country is facing unprecedented difficulties and challenges, with continuous drops in economic growth rate due to the impact of the global financial crisis becoming a major problem, has resulted in excess production capacity in some industries, caused some enterprises to experience operating difficulties and exerted severe pressure on employment (Xinhuanet, 2009). In order to survive and develop, enterprises need to pay more efforts to compete with domestic and foreign competitors and improve their ability to handle ambiguity of market & situation at the same time it's also very important for them to have a whole picture of the current situation and have an insight on their future.

### **3. Social**

The development pattern of economy in China has been remarkably changed since the economic reform, and private enterprise has become an important part of impelling the development of the economic society. This is due to the more and more remarkable contributions to the development of social economy, the Chinese government begins to pay attention to the development of private enterprise and makes great efforts in improving the social environment of the development of private enterprise, which have made

some obvious achievements. In order to promote a healthy development of SMEs, Chinese government pay great effort to expedite the construction of credit guarantee system, improve socialized service system, create an external environment for fair competition, and strengthen organization and guidance (Chen, 2006). As a whole, great changes have taken place in the social environment of the development of private enterprise. However, at present there are still some deficiencies in the social environment of the development of private enterprise, such as the enterprise internal institutional constructions which are related to social environment of the development of private enterprise are expected to have further improvement (Juhe8 , 2007).

#### **4. Technological**

Technology plays an import role in economic growth and social development. China government pays great effort to help and encourage company to develop new technology. Chinese Premier Wen Jiabao has called on enterprises and officials to place priority on industrial upgrading and innovation (Xinhuanet, 2009). Wen emphasized that efforts should be especially stepped up to develop new products while the government must cut burdens for enterprises and provide an easy environment for their innovation. Chinese government encouraged both public and private actors to further stimulate technological innovation (Xinhuanet, 2008) China has the world's second largest R & D (research and development) budget (aging and

work 2008) and Chinese government continues to create greater public awareness of innovation, reforming financial and tax system to promote growth in cutting-edge industries. Since January 2006, China has been making transition from a manufacturing-based economy to an innovation-based one. They develop new research in gene therapy stem cell research that some of western world see as controversial. China is actively developing software, semiconductors, energy industries and nuclear reactors (Xinhuanet, 2008). On the one hand, since China is moving towards an innovation-based economy, for these hi-tech enterprises, they will get more support from the government, that is, these hi-tech companies are more likely to survive and thrive than other types of companies. On the other hand, especially for these low-tech companies, it's becoming more difficult for them to develop due to less support from government as well as lack of technology to build competitive advantage.

**b. Indonesia**

**1) Political**

Indonesia was one of the countries that had a large, negative, impact caused by the Asian Financial Crisis in 1997 and 1998. There have been four governments after the crisis. After the financial crisis began, Indonesia achieved political reform, ending the authoritarian-ism into democracy, which replaced the highly centralized from the previous regime. In the start of the second millennia, there was emerging performance of export-

oriented, SMEs and large corporatism. However, the political change created unpredictable investment environment for business in Indonesia. Recently, the positive trends in Indonesia, the governments have done some reformation in many sectors, such as decreasing fuel subsidies, initiated for anticorruption, launching infrastructure reform, service reform, and peaceful resolution of conflicts such as in Aceh. (Asian Development Bank, 2006).

## **2) Economic**

Indonesia has the fourth most population in the world (238 million) after China, India and United States. A third of the population resides in Java Island, which is the center of the country's economic and political power (Overview of Indonesia, 2008). This economy recovery started since 1999, and there is positive development of a Small and Medium-sized Enterprise (SME) sector together with the large and well develop conglomerate businesses (Food Exporters Guide to Indonesia, 2004). Overall, the economy development has performed well in recent times. Indonesia's estimated Gross Domestic Product (GDP) grew from 5.5% (2006) to 6.3% (2007) (Asian Development Bank, 2008). The importance of SMEs in terms of GDP contribution is always less than their role as a source of employment since the largest GDP contribution of SMEs was in agriculture, not in manufacturing industry such as other APEC countries (Japan, South Korea & Taiwan). As we know SMEs in Indonesia, particularly concentrate in agricultural sector

and the majority in manufacturing industry are in processing agricultural commodities such as food, beverages and tobacco (Tambunan, 2006). Today situation will face challenge for SMES in domestic economic activities, since there is still lack of market-oriented access to credit, protection agreement to credit, protection for state-owned enterprise & large firms that receive strong support & enjoyed privileges, concession and benefits through special agreements. The ministry of Cooperatives and SMEs was established in 1993 by means of supporting the development of SMEs, and the purpose is to strengthen the capacity and capability of SMEs in order to promote them as economic factors (Bali International Consulting Group, 2008). In this case, Indonesian government support the promotion of SMEs by adopting a clustering strategy since businesses are scattered throughout archipelago and SMEs tend to gather according to similarities in their input, out-put, technology, machinery and other factors. Moreover, after being hit by financial crisis, the economic growth and the poverty rate has decreased from 17.7 % in 2006 to 15.4 % in March 2008 and this reduction occurred because the government was supporting SMEs and providing loans for small business. Thus, this improvement has affected the business climate recently according to President Susilo Bambang Yudhoyono (People's daily online, 2008).

### **3) Social**

Social factors include population growth rate. Population growth rate is 1.18% (2008) and the population is slowly becoming older, increased life expectancy and lower fertility (number of children is no longer increasing). The age of dependency ratio has decrease since there is shift age transition, which is shift in dependency from youth to old age in working age population. Thus, the government of Indonesia has employed various mechanisms to assist with employment creation, education and health access, as well as community empowerment (worldbank.org)

#### **4) Technological**

As we know, in the 2004, the Indian Ocean tsunami caused massive devastation in Indonesia. The Aceh province (part of Sumatra) was worst hit, where more than 150.000 people were killing (The World Bank, 2004). Ergo, it became government consideration that the sea is dangerous even though it was an essential element in economic division of labour in Indonesia since it creates job creation for people who live in the sea shore. Indeed, the sea is a source of resources such as fish & minerals that benefit to the economy and society for long term. On the other hand, the sea can be source of pollution, storms, and retrospectively, tsunamis. Nowadays, governments pay more attention by preparing enough information before natural disasters happen. Throughout history, technological advances at sea such as ship-building technology, improvements in technology of locating and capturing

fish or minerals under the sea, development in mapping and navigation, and refinement in the legal regime covering the seas are needed to understanding the complexity of physical and biological systems within the sea and their influence upon the land (Ross McLeod, 2008).

**CHAPTER V**  
**DATA ANALYSIS AND DISCUSSION**

**A. Result of Data Analysis**

**1. Descriptive Comparative**

**a. International Marketing Management System**

	<b>China</b>	<b>Indonesia</b>
<b>Company Objective and Resources</b>	The market oriented reform of the country's economic system has gradually engendered labor and capital markets, which have promoted an organic combination of rich labor resources and increasingly expanded capital resources.	To make MSMEs as the main economic actors in the national economy competitive.
<b>International Commitment</b>	China's commitment to financial service market accession reflects its basic stance of "opening while restricting" on foreign-funded financial institutions' accession into the financial service industries after China's accession to WTO.	Indonesia is a signatory to the Paris Declaration on Aid Effectiveness, and has committed to the aid effectiveness principles and commitments contained in the Declaration.
<b>The Planning Process</b>	Improving with establish the concept of global marketing, strengthening product innovation, improve the international competitiveness of the product, to strengthen	Improving the quality and standard of products, Improving access to finance, Improving the quality of human resources and entrepreneurial spirit of

	<p>market innovation and expanding market development, government to deepen reform of foreign trade, encourage enterprise to the extraordinary number of state-owned enterprise are exported-oriented way to go, full delegation.</p>	<p>SMEs, Strengthening and improving access to and transfer of technology for SMEs for the development of innovative SMEs, and Facilitate SMEs access to information and promotions relating abroad.</p>
<p><b>Planning Marketing Mix</b></p>	<p>1.Product: clothing processing industry, food process industry, electronic industry and toy production so and so fourth.</p> <p>2. Price: a lot of enterprise chooses the lower prices as one main strategy in order to occupy the international market.</p> <p>3.Place: China's SMEs have been utilizing this new communicational channel to influence the international market by conveying more information of these enterprise and to enhance their international influence, and with the more activity interchange of academics studies, intended market of originally is a market bottom a global market then move to the developed countries.</p>	<p>1. Product: oil and gas sector and non-oil and gas, such as agriculture, forestry, fishing and handicrafts.</p> <p>2. Price: impact of the low level infrastructure in Indonesia which has an effect on the high cost of logistics if compared to China.</p> <p>3. Place: Asean China Free Trade Area and to the world.</p> <p>4. Promotion: Direktorat General for National Export Development as an institution of performing the export promotion in general discuss about exposure on activities for Indonesian suppliers to promote their product and is connected with the available export opportunities.</p>

	4. Promotion: with to do the publicity work, business to consumer loyalty, partner trust and government support, in addition to leading technology and reliable quality of products, to establish and consolidate the good corporate image is important.	
<b>Strategies Entry Into International Market</b>	Through export and import mode, foreign direct investment mode and cooperating with some influential international organizations so as to gain, the technological support in the world.	Through export and import mode, while also performing some contractual agreement with some organization and countries.

Based on the above data, comparative between China and Indonesia of international marketing management system is China's success in the world of international trade, and in the country to attract foreign investment, it was sustained by the main elements of a strategic nature, i.e. the amount of labor which is great, but it can create higher productivity, thus creating a valuable goods, cheap but good quality. Domestically, these strategic elements coupled with a good law enforcement. The high productivity associated with the work ethic, which is endogenous and owned by the Chinese community, as well as applied to hereditary until now. This work ethic is part of the teaching of Kong Fu Chu, which places emphasis on education and training from an early age. And the assessment of Indonesia in international marketing is Indonesia still has many shortcomings in various areas, so that there is still much that needs

to be repaired by Indonesia. However the Government management system in Indonesia doing planning for international marketing has been very good, if planning is really applied to Indonesia can become a strong country in competing in international trade.

**b. Culture Analysis**

	<b>China</b>	<b>Indonesia</b>
<b>Ethnic and Language</b>	Ethnic : Chinese is not based on race. Rather, it is a cultural concept. To speak and behave like a Chinese in short, to accept the Chinese system of cultural values is to be Chinese. National language: Mandarin	Ethnic : Malay extraction, Chinese, Indians and Arabs. Javanese 45%, Sundanese 14%, Madurese 7.5%, Coastal Malays 7.5%, and others 26%. National language : Bahasa Indonesia
<b>Culture Values</b>	The most important values of Chinese culture include the: importance of the family, hierarchical structure of social life, cultivation of morality and self-restraint, and the emphasis on hard work and achievement.	Indonesia is made up of 17,500 islands, and thirty-three provinces, meaning that the cultural landscape is also a diverse one, mixing both foreign and indigenous customs.
<b>Religion</b>	Chinese religious beliefs are wide-ranging and eclectic, deriving from several religious traditions (Chinese folk religion, Confucianism, Taoism and Buddhism).	About 88% of the population is Muslim. Roughly 10% is Christian (Protestant and Roman Catholic) and approximately 2% is Hindu and Buddhist.

Based on the above data, comparative between China and Indonesia of culture analysis is China and Indonesia both has a diverse culture. They had the same national language and also have local language. But the difference is in Indonesia has five legally recognized religions and gives freedom to people to embrace the

religion according to their beliefs. But in China are more likely to communism, which is where everything is regulated by the government and people embrace some understanding as Confucianism, Taoism, and Buddhism. Cultural values in China and Indonesia have equally strong similarities which still hold some of the teaching is done for generations, except Indonesia because it has so many different cultures and customs in the region so that each region has a difference.

**c. Hofstede Index Analysis**

	<b>China</b>	<b>Indonesia</b>
<b>Power Distance</b>	At 80 China sits in the higher rankings of PDI – i.e. a society that believes that inequalities amongst people are acceptable. The subordinate-superior relationship tends to be polarized and there is no defense against power abuse by superiors.	Indonesia scores high on this dimension (score of 78) which means that the following characterizes the Indonesian style: Being dependent on hierarchy, unequal rights between power holders and non power holders, superiors inaccessible, leaders are directive, management controls and delegates.
<b>Individualism</b>	At a score of 20 China is a highly collectivist culture where people act in the interests of the group and not necessarily of themselves.	Indonesia, with a low score of (14) is a Collectivist society. This means there is a high preference for a strongly defined social framework in which individuals are expected to conform to the ideals of the society and the in-groups to which they belong.

<b>Masculinity</b>	At 66 China is a masculine society success oriented and driven.	Indonesia scores (46) on this dimension and is thus considered low Masculine.
<b>Uncertainty Avoidance</b>	At 30 China has a low score on uncertainty avoidance. Truth may be relative though in the immediate social circles there is concern for Truth with a capital T and rules (but not necessarily laws) abound.	Indonesia scores (48) on this dimension and thus has a low preference for avoiding uncertainty. This means that there is a strong preference in Indonesia toward the Javanese culture of separation of internal self from external self.
<b>Long-Term Orientation</b>	China scores 87 in this dimension, which means that it is a very pragmatic culture.	Indonesia's high score of 62 indicates that it has a pragmatic culture.
<b>Indulgence</b>	China is a restrained society as can be seen in its low score of 24 in this dimension. Societies with a low score in this dimension have a tendency to cynicism and pessimism.	The low score of 38 in this dimension shows that Indonesia has a culture of restraint. Societies with a low score in this dimension have a tendency to cynicism and pessimism.

Based on the above data, comparative between China and Indonesia of Hofstede analysis is China and Indonesia are countries with the high power distance, this case illustrates that workers in China and Indonesia tend to regard the determination of the destination is less important and the boss who should set goals for employees. China has a high score individualism, while Indonesia has a low score, which means the needs that are considered important by workers in Indonesia is to establish close relationships with and coworkers. China has a high score in masculinity, while

Indonesian workers lack motivation to work for high achievers only pursue peace. China and Indonesia have a low score in uncertainty avoidance it is characterized by its workers who like to take risks, more like a challenging job and motivated to pursue higher career. China and Indonesia have a high score in the long-term orientation in society means they are pragmatic, believing that the truth is very dependent on the situation, context and time. China and Indonesia have a low score in indulgence which means they have tendency to cynicism and pessimism.

**d. PEST Analysis**

	<b>China</b>	<b>Indonesia</b>
<b>Political</b>	China is a socialist state lead by the Communist Party of China (CPC) and its mission focuses on developing a prosperous and competitive economy.	There have been four governments after the crisis; Indonesia achieved political reform, ending the authoritarianism into democracy, which replaced the highly centralized from the previous regime.
<b>Economics</b>	China has become stronger and more broad-based with insulation from the recent global stock market slump. Besides this, China's economy will remain well supported by strong exports and the government's expansionary fiscal and monetary policies.	Indonesia economy recovery started since 1999, and there is positive development of a Small and Medium-sized Enterprise (SME) sector together with the large and well develop conglomerate businesses
<b>Social</b>	The development pattern of economy in China has been remarkably changed since the economic reform, and	Social factors include population growth rate. Thus, the government of Indonesia has employed various mechanisms to

	private enterprise has become an important part of impelling the development of the economic society, the Chinese government begins to pay attention to the development of private enterprise and makes great efforts in improving the social environment of the development of private enterprise, which have made some obvious achievements	assist with employment creation, education and health access, as well as community empowerment.
<b>Technology</b>	Technology plays an import role in economic growth and social development. China government pays great effort to help and encourage company to develop new technology.	Indonesian government made a major effort to assist and encourage companies to develop new technologies, especially for technological advances to boost the economy in Indonesia.

Based on the above data, the comparative between China and Indonesia with PEST analysis is China has the worlds second largest research and development budget and Chinese government continues to create greater public awareness of innovation, reforming financial and tax system to promote growth in cutting edge industries. Since January 2006, China has been making transition from a manufacturing-based economy to an innovation-based one. They develop new research in gene therapy stem cell research that some of western world see as controversial. China is actively developing software, semi conductors, energy industries and nuclear reactors. On the one hand, since China is moving towards an innovation-based economy, for these hi-tech enterprises,

they will get more support from the government, that is, these hi-tech companies are more likely to survive and thrive than other types of companies. On the other hand, especially for these low-tech companies, it's becoming more difficult for them to develop due to less support from government as well as lack of technology to build competitive advantage. While Indonesia has a political system that is democratic where every citizen is entitled argued. And the Indonesian government made a major effort to assist and encourage companies to develop new technologies, especially for technological advances to boost the economy in Indonesia.

**e. Comparative Total Export Trade Value Period: 1992-2013 (US\$: Thousand)**

Based on data from the World Bank, it can be seen from China export growth rate is faster when compared to the Indonesian export growth rate. The following data show how the dynamics of trade between the two sides of the country:

No.	Year	China	Indonesia
1.	1992	84,940,013.57	33,966,981.12
2.	1993	91,743,944.70	36,822,753.28
3.	1994	121,006,260.22	40,053,415.94
4.	1995	148,779,499.52	45,417,963.52
5.	1996	151,047,454.72	49,814,695.94
6.	1997	182,791,585.79	53,443,579.90
7.	1998	183,808,983.04	48,847,519.74
8.	1999	194,930,778.54	48,665,419.48
9.	2000	249,202,551.02	62,124,006.94
10.	2001	266,098,208.59	56,316,866.70
11.	2002	325,595,969.77	57,158,751.15
12.	2003	438,227,767.36	61,058,187.39
13.	2004	593,325,581.43	71,582,468.12
14.	2005	761,953,409.53	85,659,947.50

15.	2006	968,935,601.01	100,798,615.67
16.	2007	1,220,059,668.45	114,100,872.80
17.	2008	1,430,693,066.08	137,020,424.40
18.	2009	1,201,646,758.08	116,509,991.78
19.	2010	1,577,763,750.89	157,779,103.47
20.	2011	1,898,388,434.78	203,496,619.19
21.	2012	2,048,782,233.08	190,031,839.23
22.	2013	2,209,007,280.26	182,551,754.38

Source: wits.worldbank.org

Based on the above data, the export volume of China increased in every year, although in the year 2008 to 2009 the export of China decreased from 1,430,693,066.08 into 1,201,646,758.08, but China managed to increase its export back in 2010 until 2013 continued to increase. While Indonesia as a country comparison, the volume of Indonesia exports have increased, although Indonesia experienced ups and downs in the volume of exports that occurred several years as in the year 1998-1999 from 48,847,519.74 into 48,665,419.48 and in 2000-2001 of 62,124,006.94 became 56,316,866.70. Then Indonesia continues to increase in volume exports in 2002-2008, in 2009 Indonesia again experienced a decrease in export volume originally in 2008 amounted to 137,020,424.40 to 116,509,991.78 in 2009. But in 2012 through 2013, Indonesia did not experience an increase in the volume exports, but Indonesia continues to decline.

## 2. t-Test: Two-Sample Assuming Equal Variances

On this research, t-Test: Two-Sample Assuming Equal Variances used to determine the ratio of export volume between Indonesia and China. With this comparison, can determine between Indonesia and China which is more in the international market share in exports of SMEs

(Small and Medium Enterprises). This result of t-Test: two-sample assuming equal variances to be valid if:

$H_0$ : China = Indonesia

$H_a$  : China > Indonesia

$H_0$  : Reject

$H_a$  : Accept

Implication:

	China	Indonesia
Mean	743124036,4	109237353
Variance	4,99215E+17	1,04209E+16
Observation	22	22
Pooled Variance	2,54818E+17	
Hypothesized Mean Difference	0,05	
Df	42	
t Stat	4,164787329	
P(T<=t) one-tail	7,57768E-05	
t Critical one-tail	1,681952357	
P(T<=t) two-tail	0,000151554	
t Critical two-tail	2,018081703	

t-Test: Two-Sample Assuming Equal Variances

From the result, if P-value > t-Crit we reject the  $H_0$ . And the results of the best obtained is p-value = TDIST ( $t$ ,  $df$ ) = TDIST (4.16, 42) = 0.00015 < 0.05 =  $\alpha$ , or if  $t_{obs} = 4.16 > 2.02 = t_{crit}$  (or p-value = 0.00015 < 0.05 =  $\alpha$ ). In this case alpha is 0.05, we accept the  $H_a$  because 7,57768E-05 > 0.05, and we reject the  $H_0$  because 0,000151554 < 0.05. It

can be concluded that the export volume of export China is superior to export volume of Indonesia.

## **B. Discussion**

Based on the results of the above analysis, the results of this study provide evidence that China is superior when compared with Indonesia. Both in terms of international marketing management system and also in terms of exports. It is seen that Indonesia is not prepared to undertake the development of SMEs abroad either within the company itself or the SMEs from the government side. Whereas China already from the beginning to prepare the development of SMEs abroad so that China can catch up delays and shortcomings from the beginning he was opening up, when compared to Indonesia far more used to export out of the country than China, but due to delays in development policies that make Indonesia often experience ups and downs in the rate of export volume even until 2013. Indonesia continues to decline. However the current Indonesian government, especially the ministry of cooperatives and SMEs has conducted programs and policy development for Indonesian SMEs, medium-term development plan as follows:

1. The first policy is to improve the cluster or central areas for SMEs to develop regional eminent products through the one village one product or OVOP approach.
  - a. A strategy that focuses on improving the quality of human resource.
  - b. Increase the capacity of knowledge and technology absorption.
  - c. Strengthen economic competitive advantage.
2. The second policy, the Indonesian government will encourage to improve the quality of human resources and entrepreneurship among the Indonesian people.

- a. Creating an enabling environment, provide legal or regulatory and supports the SMEs.
  - b. Improving access to productive resources by providing modern production facilities.
  - c. Improve product development and market access by building infrastructure that provides opportunities MSMEs and cooperatives.
  - d. Improving the quality of the competitiveness of human resources to cope with the business venture.
  - e. Strengthening the institutional development of cooperatives and SMEs.
3. The third policy will be an effort to improve the quality and standard rating of SMEs products with program framework covering output.
- a. Impose new cooperative law, to develop cooperatives based participation of members.
  - b. Set of government regulations and ministerial regulations as detailed guidelines to empower cooperatives and MSMEs.
  - c. Provides a scheme by establishing a revolving fund to support cooperative financial institutions and SMEs.
  - d. Providing small loans scheme which is a special credit for SMEs and new entrepreneurs with a framework guarantee from the government.
  - e. Product promotes cooperatives and SMEs via trading house facilities in overseas exhibitions.
4. The fourth policy will help to provide a funding scheme and loans on low interest rates through the revolving fund management agency of the ministry. The agency is preparing funding policies for the micro and SMEs.

The government will coordinate with the regional development bank and several loan guarantee agencies to prepare the funding for the micro and SMEs

sector. In order to support export access to the international market, minister of cooperatives and SMEs will cooperate with the Indonesian export funding agency. The government will also intensify its monitoring efforts in border areas to suppress the entry of illegal products into the Indonesian market. Meanwhile, the ministry will coordinate with the national standardization agency to implement halal and standard rating status for the micro and SMEs.

## **CHAPTER VI**

### **CONCLUSION AND SUGGESTIONS**

#### **A. CONCLUSION**

Based on research results that have been obtained by the authors, it can be concluded as follows:

1. The result showed that the comparison of the development of SMEs (small and medium enterprises) international marketing management system in China is better when compared with Indonesia. Indonesian international marketing management system still needs some improvement in some sectors such as government bureaucracy, infrastructure, transportation, human resources, technology and information, as well as the whole development of SMEs is largely determined by the attention and support from the government.
2. The result showed that the ratio of the volume of exports between China and Indonesia to the world is volume export China is superior compared to the volume export of Indonesia.

#### **B. SUGGESTIONS**

Based on the conclusion obtained in this study, the proposed suggestions for the government to promote the development of SMEs (small and medium enterprises) in order to compete with China and other countries are as follow:

1. Suggestions from the author to Indonesian government and SMEs company

To assess product quality improvement efforts need to be looked at, so that Indonesia still able to compete in the economy following the global market. Indonesia has natural resources that can be used the results to increase the amount of product to be exported and increase State

revenues were reviewed from various fields, e.g. products in agriculture, plantation, fisheries and home products industry (crafts). State of Indonesia needs to improve the condition and maintain economic stability, as well as strengthening the fundamentals of the national economy. Strategy management system that needs to maintain Indonesia in following the global market is put through increased investment in the country to cover the export level if declining, domestic market potential must be optimized, as well as the cost of logistics costs must be kept unloaded, healthy controls fuel subsidies amid rising the decline in world oil prices, should also be done without harming the people. Restrictions and saving fuel that has been announced Government to burden the state budget can be reduced, should continue to be pursued gradually achievement. Thus, the allocation of subsidies can be used to increase infrastructure development and other economic development sectors. Additionally, most importantly, with the restrictions and the fuel savings, Indonesia may have Energy Security in the future, efforts to increase competitiveness Indonesian state by utilizing information technology for the benefit of the progress of the trade so that Indonesia could be "Outward looking" in the face of the global market economy with in need of legal guarantees, the need for pro-people government, protective policy for the domestic industry, changes people's budget allocation to the sector, the domestic market, and public facilities, and the expansion of business development joint cooperative control of raw materials management industry human resources results Indonesia (nationalization).

2. Suggestions from author to the next researcher

For the next researcher, preferably plus other variables that may affect the study allows. The research sample is expanded; add more country for the volume export and import.

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## APPENDIX

### 1. Comparative of International Marketing Management System Analysis China and Indonesia

	<b>China</b>	<b>Indonesia</b>
<b>Company Objective and Resources</b>	The market oriented reform of the country's economic system has gradually engendered labor and capital markets, which have promoted an organic combination of rich labor resources and increasingly expanded capital resources.	To make MSMEs as the main economic actors in the national economy competitive.
<b>International Commitment</b>	China's commitment to financial service market accession reflects its basic stance of "opening while restricting" on foreign-funded financial institutions' accession into the financial service industries after China's accession to WTO.	Indonesia is a signatory to the Paris Declaration on Aid Effectiveness, and has committed to the aid effectiveness principles and commitments contained in the Declaration.
<b>The Planning Process</b>	Improving with establish the concept of global marketing, strengthening product innovation, improve the international competitiveness of the product, to strengthen market innovation and expanding market development, government to deepen	Improving the quality and standard of products, Improving access to finance, Improving the quality of human resources and entrepreneurial spirit of SMEs, Strengthening and improving access to and transfer of technology for SMEs for

	reform of foreign trade, encourage enterprise to the extraordinary number of state-owned enterprise are exported-oriented way to go, full delegation.	the development of innovative SMEs, and Facilitate SMEs access to information and promotions relating abroad.
<b>Planning Marketing Mix</b>	<p>1. Product: clothing processing industry, food process industry, electronic industry and toy production so and so fourth.</p> <p>2. Price: a lot of enterprise chooses the lower prices as one main strategy in order to occupy the international market.</p> <p>3. Place: China's SMEs have been utilizing this new communicational channel to influence the international market by conveying more information of these enterprise and to enhance their international influence, and with the more activity interchange of academics studies, intended market of originally is a market bottom a global market then move to the developed countries.</p> <p>4. Promotion: with to do the publicity work, business to consumer loyalty, partner trust and</p>	<p>1. Product: oil and gas sector and non-oil and gas, such as agriculture, forestry, fishing and handicrafts.</p> <p>2. Price: impact of the low level infrastructure in Indonesia which has an effect on the high cost of logistics if compared to China.</p> <p>3. Place: Asean China Free Trade Area and to the world.</p> <p>4. Promotion: Direktorat General for National Export Development as an institution of performing the export promotion in general discuss about exposure on activities for Indonesian suppliers to promote their product and is connected with the available export opportunities.</p>

	government support, in addition to leading technology and reliable quality of products, to establish and consolidate the good corporate image is important.	
<b>Strategies Entry Into International Market</b>	Through export and import mode, foreign direct investment mode and cooperating with some influential international organizations so as to gain, the technological support in the world.	Through export and import mode, while also performing some contractual agreement with some organization and countries.

## 2. Comparative of Culture Analysis China and Indonesia

	<b>China</b>	<b>Indonesia</b>
<b>Power Distance</b>	At 80 China sits in the higher rankings of PDI – i.e. a society that believes that inequalities amongst people are acceptable. The subordinate-superior relationship tends to be polarized and there is no defense against power abuse by superiors.	Indonesia scores high on this dimension (score of 78) which means that the following characterizes the Indonesian style: Being dependent on hierarchy, unequal rights between power holders and non power holders, superiors inaccessible, leaders are directive, management controls and delegates.
<b>Individualism</b>	At a score of 20 China is a highly collectivist culture where people act in the interests of the group and not necessarily of themselves.	Indonesia, with a low score of (14) is a Collectivist society. This means there is a high preference for a strongly defined social

		framework in which individuals are expected to conform to the ideals of the society and the in-groups to which they belong.
<b>Masculinity</b>	At 66 China is a masculine society success oriented and driven.	Indonesia scores (46) on this dimension and is thus considered low Masculine.
<b>Uncertainty Avoidance</b>	At 30 China has a low score on uncertainty avoidance. Truth may be relative though in the immediate social circles there is concern for Truth with a capital T and rules (but not necessarily laws) abound.	Indonesia scores (48) on this dimension and thus has a low preference for avoiding uncertainty. This means that there is a strong preference in Indonesia toward the Javanese culture of separation of internal self from external self.
<b>Long-Term Orientation</b>	China scores 87 in this dimension, which means that it is a very pragmatic culture.	Indonesia's high score of 62 indicates that it has a pragmatic culture.
<b>Indulgence</b>	China is a restrained society as can be seen in its low score of 24 in this dimension. Societies with a low score in this dimension have a tendency to cynicism and pessimism.	The low score of 38 in this dimension shows that Indonesia has a culture of restraint. Societies with a low score in this dimension have a tendency to cynicism and pessimism.

### 3. Comparative of Hofstede Analysis China and Indonesia

	<b>China</b>	<b>Indonesia</b>
<b>Power Distance</b>	At 80 China sits in the higher rankings of PDI – i.e. a society that believes	Indonesia scores high on this dimension (score of 78) which

	that inequalities amongst people are acceptable. The subordinate-superior relationship tends to be polarized and there is no defense against power abuse by superiors.	means that the following characterizes the Indonesian style: Being dependent on hierarchy, unequal rights between power holders and non power holders, superiors inaccessible, leaders are directive, management controls and delegates.
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#### 4. Comparative of PEST Analysis China and Indonesia

	<b>China</b>	<b>Indonesia</b>
<b>Political</b>	China is a socialist state lead by the Communist Party of China (CPC) and its mission focuses on developing a prosperous and competitive economy.	There have been four governments after the crisis; Indonesia achieved political reform, ending the authoritarianism into democracy, which replaced the highly centralized from the previous regime.
<b>Economics</b>	China has become stronger and more broad-based with insulation from the recent global stock market slump. Besides this, China's economy will remain well supported by strong exports and the government's expansionary fiscal and monetary policies.	Indonesia economy recovery started since 1999, and there is positive development of a Small and Medium-sized Enterprise (SME) sector together with the large and well develop conglomerate businesses
<b>Social</b>	The development pattern of economy in China has been remarkably changed since the economic reform, and private enterprise has become an important part of impelling the	Social factors include population growth rate. Thus, the government of Indonesia has employed various mechanisms to assist with employment creation, education and health access, as well as

	development of the economic society, the Chinese government begins to pay attention to the development of private enterprise and makes great efforts in improving the social environment of the development of private enterprise, which have made some obvious achievements	community empowerment.
<b>Technology</b>	Technology plays an import role in economic growth and social development. China government pays great effort to help and encourage company to develop new technology.	Indonesian government made a major effort to assist and encourage companies to develop new technologies, especially for technological advances to boost the economy in Indonesia.

### 5. Comparative Total Export Trade Value Period: 1992-2013

(Value: US\$ Thousand)

No.	Year	China	Indonesia
1.	1992	84,940,013.57	33,966,981.12
2.	1993	91,743,944.70	36,822,753.28
3.	1994	121,006,260.22	40,053,415.94
4.	1995	148,779,499.52	45,417,963.52
5.	1996	151,047,454.72	49,814,695.94
6.	1997	182,791,585.79	53,443,579.90
7.	1998	183,808,983.04	48,847,519.74
8.	1999	194,930,778.54	48,665,419.48
9.	2000	249,202,551.02	62,124,006.94
10.	2001	266,098,208.59	56,316,866.70
11.	2002	325,595,969.77	57,158,751.15
12.	2003	438,227,767.36	61,058,187.39
13.	2004	593,325,581.43	71,582,468.12
14.	2005	761,953,409.53	85,659,947.50

15.	2006	968,935,601.01	100,798,615.67
16.	2007	1,220,059,668.45	114,100,872.80
17.	2008	1,430,693,066.08	137,020,424.40
18.	2009	1,201,646,758.08	116,509,991.78
19.	2010	1,577,763,750.89	157,779,103.47
20.	2011	1,898,388,434.78	203,496,619.19
21.	2012	2,048,782,233.08	190,031,839.23
22.	2013	2,209,007,280.26	182,551,754.38

#### 6. t-Test Equal Assuming Variances

	China	Indonesia
Mean	743124036,4	109237353
Variance	4,99215E+17	1,04209E+16
Observation	22	22
Pooled Variance	2,54818E+17	
Hypothesized Mean Difference	0,05	
Df	42	
t Stat	4,164787329	
P(T<=t) one-tail	7,57768E-05	
t Critical one-tail	1,681952357	
P(T<=t) two-tail	0,000151554	
t Critical two-tail	2,018081703	

t-Test: Two-Sample Assuming Equal Variance