

**STRENGTHENING SMALL AND MEDIUM ENTERPRISES
TOWARD ASEAN ECONOMIC COMMUNITY
(CASE STUDY OF SMES CERAMIC CLUSTER IN KIARACONDONG)**

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Abstract- *This study addressed the issue of the AEC implementation by researching this topic focused into case study of SMEs ceramic cluster which located in Kiaracondong, Bandung. Purposively, this used aimed to strengthen SMEs toward the AEC implementation. To achieve that aim, this study used qualitative analysis by conducting interview into four SMEs respondents in that cluster. Additionally, this study also interviewed two related government institutions. Initially, this study analyzed the internal firm condition through three components, which are firm performance in the domestic market, awareness and readiness toward AEC, and internationalization drivers and barriers. Then, this study also investigated government roles in supporting SMEs toward the AEC. After analyzing and evaluating internal firm condition and government roles, this study also conducted strategy formulation analysis. This used identified and summarized factors in the previous analysis as the main inputs for the strategy. This study conducted PEST, SWOT, and TOWS analysis. As the results, this study recommended SMEs to focus on actively utilizing internet as direct promotional tools and changing their production process from full manual technique into adapting molding technique. This strategies used to be competitive in the current market. Meanwhile, for the government, this study recommended to focus on facilitating SMEs in developing their management skill and knowledge through intensive trainings evenly.*

Keywords: *SMEs, ASEAN Economic Community, Internal Firm Condition, Government Roles, Strategy Formulation*

Introduction

Many literature studies have proven that Small and Medium Enterprises (SMEs) is major components for economic driver in a country (Kementerian Koperasi dan Usaha Kecil dan Menengah Republik Indonesia, 2013). However, similar with other countries, Manurung et al. (2014) stated that in spite of its contribution to economic, SMEs also have some internal and external problems. Then, the next challenges for SMEs in Indonesia has been coming since 2015 with the establishment of ASEAN Economic Community (AEC). According to the AEC Blueprint (2008), there are four pillars within this agreement that are (1) single market and production base, (2) competitive economic region, (3) equitable economic development, and (4) integration into the global economy. Such changes could bring both opportunities and challenges for Indonesian enterprises.

That is the reason why the internal condition of SMEs along with their awareness, readiness and experiences towards AEC is urgently needed to be investigated. It used to develop proper strategies by looking to the current performances of SMEs which many studies as mentioned above revealed that SMEs in Indonesia are still struggling with some problems. Not only by considering factors within SMEs itself, government's roles in supporting SMEs toward AEC also need to be investigated. It is because the preparedness and strengthening of SMEs should be collective efforts for each stakeholders. Therefore, the development of SMEs to improve their competitiveness towards AEC become important issue nowadays for government institution, businesses, and academicians.

Literature review

Internal Obstacles for SMEs Growth

Commonly, the constraints in SMEs growth are about lack of capital, business information, technology, and skilled workers; difficulties in procuring raw materials; marketing and distribution challenges; and government policies and regulations (Tambunan, 2011). Manurung et al. (2014) found that the most crucial problems for SMEs growth is a lack of capital. Huda (2012) stated that this problem generally caused by SMEs inability to fulfill the requirement requested by financial institution and complicated bureaucracy in the government. Internally, low of education level and skill of human resources also become important issue to be considered in developing SMEs. This internal factor led to the lack of use advance technology and lack of concern in research and development (Alamsyah, 2014).

Awareness and Readiness toward AEC

Despite the implementation of AEC has been started since the end of 2015, there is still a question about the readiness of business environment in Indonesia to take advantages. Initially, Narjoko & Amri (2007) have been studied about the development gap of Indonesia with other ASEAN countries. Meanwhile, Mahendrawathi, Herdiyanti, & Astuti (2014) studied about automotive and garment industry in Indonesia which revealed that there is still lack of awareness related to AEC. Rifai et al. (2016) also suggested that the government also need to prepare strategic plans in encouraging SMEs to be ready for more intense competitions with ASEAN countries. Furthermore, SMEs should also try to prepare themselves, especially by focusing in improving their products quality and understanding in the recent technology development for both production and marketing purpose (Rifai, Indrihastuti, Sayekti, & Gunawan, 2016).

Internationalization Drivers and Barriers

In driving SME internationalization, according to the results of several empirical surveys conducted by Organization for Economic Co-operation and Development (OECD) (2009), there are several key factors that motivate SMEs internationalization. It can be divided into 4 motives: (1) growth motives, (2) knowledge-related motives, (3) network/social ties, and (4) domestic/regional market factors. Especially in Indonesia, Wengel and Rodriguez in OECD (2009) found that SMEs internationalization drivers in this country are caused by firm size/resource base, sector-level export intensity, presence of foreign buyers, and firm export orientation. On the other side, Wengel and Rodriguez also investigated top barriers on SMEs internationalization in Indonesia among those ten factors is lack of working capital. This factor also get along with limitation of firm related resources and limited access to key infrastructure become top barriers in most countries as OECD (2009) reported.

SMEs Strategies toward AEC

By looking to these drivers and barriers, it can be concluded that SMEs should be well prepared for the upcoming internationalization trend in this region to gain competitive advantages from AEC integration. According to Li and Dimitratos (2013), firstly firms need to transform its internal to be internationalizing ones. Siriphatrasophon and Saiyasophon (2013) also stated that initially the firms need to analyze their own organizational core competence as readiness assessment before entering the global market. Evaluation such as SWOT analysis which analyzes potential challenges and benefits from external condition in international market also can be conducted as the basis assessment. Hamidizadeh and Zargaranyazd (2014) used another framework which combined factors between internal and external factors. Besides all these factors, external factors which uncontrollable also needed to consider before entering foreign markets (Siriphatrasophon, 2014).

Conceptual Framework

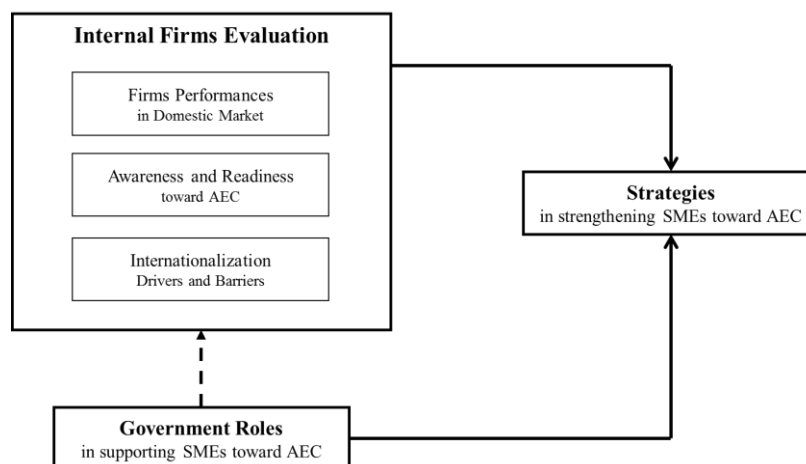


Figure 1 Research Conceptual Framework

As described in the figure above, a conceptual framework was developed according to the research questions. In that proposed framework, there are two units of analysis which will be analyzed later. They are internal firm evaluation and government roles evaluation. This internal evaluation consisted of (1) firm performances in domestic market, (2) awareness and readiness toward AEC, and (3) internationalization drivers and barriers. After being analyzed based on the empirical findings, those two evaluations will be input for the formulation strategy in the end of analysis. This strategy is purposed as the final result of this research.

Methods

Research Design

This study conducts qualitative research strategy in order to deeply understand the issues. It is suggested by Hill and Wright (2001) that a qualitative approach is more appropriate in researching SMEs (Kusumawardhani & McCarthy, 2013). Hence, a qualitative research is more suitable for the objectives of this research since this study purposed to get rich detail and insight perception from respondents in how they evaluate their firm internal condition and government role toward AEC. This study decided to use case study with type of multiple-case study design to compare the findings from the different cases in the research topic. It is applied by investigating several companies who are SMEs in Kiaracandong Ceramic Cluster. Multiple cases study are used to allow the study to get more diversified cases for better analysis in the conclusion.

Data Collection

For the purpose of the research, this study collects the necessary data by using both primary data and secondary data. This study used secondary data that have been collected from books, research journals, internet sources, and government institution official release in order to support the study background, theoretical framework, and analytical process of this research. For the primary data, this study mainly focuses on in-depth interviews to SMEs and related government institution.

Sample Selection

This study is purposively focuses in researching about SMEs specifically in Bandung. It have been decided to more focus deeply in ceramic products that is centered in Kiaracandong cluster. The main consideration is because as studied earlier in the beginning of the research, this cluster have shown a significant decreasing trend. Recently there are only four active SMEs left. Besides, this study also interviewed related government institutions in supporting SMEs toward AEC. It is aimed to enrich the findings with the perspectives of government regarding to this topic which are Center for Ceramics and Department of Cooperative, SMEs, Industrial, and Trade Bandung.

Data Analysis

The interviews results are firstly transcribed to the full text in order for familiarization of the data. Then, the coding is processed according to the relevancy of its theme and content. It is purposed to reduce the large number of individual responses to a few general categories of answers (Zikmund, Babin, Carr, & Griffin, 2009). As follow, the data analysis processes used cross-case analysis technique to compare the findings from four ceramic cluster SMEs in Kiaracandong and two related government institutions. Finally, the results of analysis is concluded through tables and descriptive summary which explained regarding to the research question and literature study.

Results and discussion

Profile of the Respondents

Here described the background profile of the respondents that are the companies and the government institutions.

Table 1 Profile of the Respondents

Respondents	Respondents Characteristics			
	Companies/Institutions	Age (years)	Education	Position
Wawan Ardiana	Gucci Keramik	42	Senior High School	Owner/Manager
Jauhari	Putra Saluyu Keramik	62	Junior High School	Owner/Manager
Oma Rukman	Ceramic Art Home Industry	74	Senior High School	Owner/Manager
Hendi Irmayadi	Sawargi Itong Saputra	42	Senior High School	Owner/Manager
Andi Sukendar	Center for Ceramics	40	Bachelor Degree	Head of Technology Transfer & Incubation
Kurnadi	Dept. of Cooperative, SME, Industrial, and Trade Bandung	53	Master Degree	Head of Division of SMEs

Table 2 Profile of the Companies

	Gucci Keramik	Putra Saluyu	Ceramics Art Home Industry	Sawargi Itong Saputra
Category (BPS definition)	Small Enterprise	Medium Enterprise	Small Enterprise	Small Enterprise
Year of Established	1993	1983	1970	1993
Main products	Big bowl-shaped pottery	Decorated plates	Porcelain	Pottery
Factory (units)	2 in Sukapura	2 in Garut and Ciranjang	1 in Kebon Jayanti	1 in Ciwastra
Monthly production capacity (units)	100	3,400	Not defined	400
Total workers (peoples)	7	20	8	10

Monthly revenues (million rupiahs)	30-35	110-120	50	12
Marketing channel	Jakarta	Papua	Sumatra, Irian Jaya, Kalimantan, Bali, Sulawesi, Jakarta	Stores in Ciwastra & Kiaracondong; tourism objects

Internal Firm Evaluation

As described in the research conceptual framework above, internal firm evaluation will be analyzed through three main aspects. They are; (1) firms performances in the domestic market, (2) awareness and readiness toward AEC, and (3) internationalization drivers and barriers. Those three determined aspects are resulted from summarizing and adapting many researches related to the research topic. In this section, those aspects will be analyzed through interpreting and summarizing the empirical findings from each respondents.

1. Firms Performances in Domestic Market

According to Siriphatrasophon & Saiyasophon (2013), firm capabilities to compete in the domestic market is recommended to be evaluated for readiness to internationalize. Generally, by running businesses efficiently could build competitive advantages over the competitors in the market. Here, firm capabilities are considered as the results of organizational and managerial performances within the companies. . Below will be explained more detailed about important factors regarding to firms performances which have been emerged and summarized from the empirical findings.

A. Management

All participated companies in this study are family businesses. Currently most of them are running by third generation. As family business, management functions within the companies is centralized to the family members. Continuity of the company which is given to the children within the family built such advantage in term of ownership feeling to make the business sustainable. However, this centralized management also made the company development depended on the competency and willingness of the family members to continue the business. Briefly, it can be seen that centralized management within the company could be factor that affect the business performances. Furthermore, here management functions that only handled by family members could also be problematic. Thus, lack of knowledge and management skill of the family successor could hamper firm performance.

B. Production

All respondents explained that most of their workers are working in the production with traditional method. This makes the production capacity depended on the number of workers employed. Moreover, labor cost is considered as one of the highest components in the production cost. It means that increasing production require more employees which would lead to increasing production cost. Therefore, here the use of appropriate technology in supporting the production process should be an alternative to be considered. This is purposed to increase the production capacity while reduce the production cost.

C. Marketing

All of the respondents admitted that previously in around 1990s, there were high demands to their product. However as the market condition is changing throughout the time, that experience of getting buyers easily without much marketing efforts get carried away until now. They tend to not giving much focuses in establishing sufficient marketing strategy to expand the business whereas the current market condition is full of competitions. This lack of marketing efforts affected to the growth of the business. Besides, the products mainly distributed to other regions through intermediaries. Here it also can be concluded that most of the respondents are still lack of sufficient marketing strategy. Mainly this problem is caused by lack of knowledge about marketing strategy.

D. Human Resources

Having skilled workers is important factor in order to improve the products quality. Most of the respondents described that they are lack of skilled workers, mainly because of low education level of workers they hired. However, this issue is related to the ability of company to offer sufficient salary to

the workers. Besides, innovation and creativity level is also important issue in order to gain products competitive advantage in the market. However, the increasing of innovation and creativity also became a problem since lack of educated and skilled workers. This issues is emerged, especially in the companies who have difficulties in the marketing aspects. Other companies who already have certain target market with specific product orders and less demands in products variety, they tend to be more passive in improving their products.

E. Finance

Most of the respondents stated that their financing aspects is mainly depended on the internal source of fund. They tend to rely on the firm cash flow rather than utilize external funding, such as banking. However, this could hamper the firm growth when the market is unstable which then will be affected to limited fund available. Furthermore, this financing pattern also limit company ability to invest in necessary technology improvement to be used for improving the production process. Moreover, they also tend to use their revenues for only covering their daily operational rather than concerned on investing. For maintaining the business operational, this financing pattern might be sufficient enough. However, if they aimed to expand their business, they should start considering to access any external source of fund and plan the investment to develop the company.

2. Awareness and Readiness toward AEC

According to Mahendrawathi, Herdiyanti, & Astuti (2014), awareness is considered as one of success drivers within the AEC implementation since lack of awareness resulted to lack of readiness. Although these opportunities and challenges within AEC are such external factors, however the company still able to manage and adjust their strategy which resulted by considering their awareness and readiness toward changes in the market currently. Below will be analyzed significant factors related to this discussion that is emerged from the empirical findings.

A. Competition

All respondents have realized that the AEC implementation brought more intense competition in the domestic market. This competition made some of the respondents adjusted their pricing strategy by reducing their profit margin to be able competing in term of price. Besides of only competing in price, all respondents also urged the importance of maintaining products quality within this current competition. Not only maintain but they also should develop the innovation within the products to offer more competitive products rather than offered quite similar products that make the customers tend to choose the lower price one.

B. Motivation

All respondents described that the benefits related to the motivation theme. Thus, this is giving positive impact in motivating them, especially to increase their competitiveness level in the domestic market by maintaining the product quality. They also realized that the AEC implementation could bring many opportunities for them as long as having competitive products, either by the products quality or products price. The AEC implementation also encourage some of the respondents to get internationalized instead of only being local player. This is especially occurred to the owner with relative young ages. On the other sides, basically old-age owners tend to be passive and focus only in the domestic market but have more optimistic thinking about their company. They hoped that their successors will be more proactive for the opportunities within AEC.

C. Adaptation

A half respondents who are old-age owners evaluated that they are ready while another half feel not ready yet. Implicitly, those statements is affected by their firm current performances. Those readiness statement, either ready or not, followed by different attitudes and approaches to their adaptation strategy. Owners who stated that they are ready tend to be more conservative by maintaining their current strategy with no specific different strategy. Meanwhile, the other owners stated that they are not ready yet tend to be more aggressive by planning to change current strategy. Briefly, those planned adaptation strategy as explained above is affected by knowledge and experience of each owner regarding to the current firm performance and market condition.

3. Internationalization Drivers and Barriers

All of the respondents have described that previously their products have been exported until America and Europe. From their experiences, here it can be gathered information about their

internationalization drivers and barriers. Understanding drivers and barriers are necessary to be analyzed to formulate public policy in stimulating firms to internationalize (Da Rocha et al., 2008).

A. Drivers

All of the respondents stated that their export drivers is because of there is the foreign buyers and third parties who acted as the intermediary. Based on the classification of export stimuli by Leonidou, et al. (2007), these drivers are defined as encouragement by brokers/agents/distributors in intermediaries' category and receipt of unsolicited orders from foreign customers in customers' category. Both of them are all categorized as external stimuli which is reactive motives. This also supported the research findings from Wengel & Rodriguez (2006) which found that one of the internationalization main drivers in Indonesia is the presence of foreign buyers.

B. Barriers

As mentioned by the respondents, the barriers are considered as internal barriers. Specifically, these are themed under marketing and functional aspects according to Uner et al. (2013). Briefly, the functional barriers are considered as the main barrier in this study since it has been highlighted by most of the respondents which actually ready to internationalize. The functional barriers are lack of excess capacity for export and shortage of working capital to finance exports. According to Wengel & Rodriguez (2006), he also evidenced that shortage of working capital to finance exports is the main barrier for SMEs in Indonesia.

Government Roles

According to Rifai et al. (2016), the problems within SMEs need serious attention since SMEs are potential sector for the economic growth and development in Indonesia which should make the government establish precise policy to dealt with AEC. Therefore, here will be described the interview result from government institutions related to this topic.

1. Perspectives toward AEC

All of the respondents from government institutions agreed that the AEC implementation should be addressed by SMEs through increasing their competitiveness level. This would happened by the upcoming foreign products which could have lower price, varied products, and relative similar quality. The respondents described that this is necessary to advance the production technology within SMEs ceramic cluster in Kiaradondong. By utilizing technology for the production process could reduce the production cost and increase the production efficiency which in the end resulted in low prices.

2. Perspectives on SMEs Condition

According to the respondent, there are still many constraints faced by SMEs to be ready taking advantage in the AEC implementation. Arguably, SMEs are difficult to get skilled workers due to low appreciation given. Besides, the respondent also explained that the entrepreneurship mental also need to be encouraged more to SMEs. Furthermore, the respondent also explained that it is quite difficult to encourage SMEs to be internationalized since they have small industry scale. Access to the technology is one of the factors that should be considered. However, such changes also followed by huge investment needed to be allocated.

3. Strategies in Supporting SMEs

Each institution have conducted some programs to support SMEs toward the AEC implementation. Department Cooperatives, SMEs, Industrial, and Trade Bandung mainly supported in assisting and empowering SMEs through development training and facilitate the marketing effort through trade fairs to neighbor country in 2-3 times per year. Meanwhile, Center for Ceramics which is research and development institution served as bridge in knowledge transfer and technology research for ceramic industry. For SMEs, this institution mainly supported through a funding program which purposed to accelerate technology advancement within industries. This institution also provide research assistance for the company. Any research results and information are provided openly to the public.

4. Evaluation on Government Roles

The information regarding to the government supports still not distributed evenly. This had been admitted by related institution that they still have limited scope of SMEs to be supported due to their limited ability within the institution. From the government perspectives, this is also caused by inability to fulfill required legal aspects within SMEs, especially for accessing financial aid. Related to this issue, Department Cooperatives, SMEs, Industrial, and Trade Bandung actually has made it easier to take

care of the legal aspects. Regarding to the AEC implementation, most of SMEs respondents mentioned that there is no socialization and preparation from the government. This make them lack of awareness and readiness to the upcoming market change which bring intense competition in the domestic market. Summarily, the evaluation is highlighted two-ways communication which should be optimized and proactively build by both parties.

Strategy Formulation

Here the strategic analysis tools will be using PEST, SWOT, and TOWS analyses. PEST analysis is used to evaluate external factors within macro-environment by understanding the political, economic, socio-cultural, and technological environment (Downey, 2007). Meanwhile, Franz & Schall (2004) described that SWOT analysis used as framework to identify internal and external factors within the companies. Then, TOWS analysis as situational analysis tool is purposed to develop strategy plannings by matching the external threats and opportunities with the internal weaknesses and strengths of the orgnization (Weihrich, 1982).

1. PEST Analysis

Political Factor – the AEC implementation which is started from December 2 015 is purposed to make single market and production within the regional. As the consequence, the AEC implementation lead to intense competition within the region.

Economic Factor – Economic growth in Indonesia is moderately stagnant at 4.8% in 2015 for four years along with the inflation rate which is in 6.4% by 2015. This decreasing economic growth also affect the purchasing power of consumers and tendency to savings.

Social Factor – the Indonesian also categorized as lower middle income and the third most confident consumers in the world based on Nielsen Global Consumer Confidence Survey in Q1 2016 which indicated growing appreciation for premium offerings, brands, and luxury.

Technology Factor – The internet use which grow significantly in recent year affect to the business strategy which use it mainly as the marketing channel. Meanwhile, the technology advancements also shift the production process in many industries from traditional method with manual technique into automation process by utilizing machinery equipment.

2. SWOT Analysis

Figure 2 SWOT Analysis of SMEs in Kiaracandong Ceramic Cluster

STRENGTH	OPPORTUNITIES
<ol style="list-style-type: none"> 1. Well-known products quality 2. High art value of the products 3. Family business management 4. Distinctive products 	<ol style="list-style-type: none"> 1. No barriers entry to neighbor countries 2. Government supports 3. Consumer internet awareness 4. High consumer confidence
WEAKNESS	THREATS
<ol style="list-style-type: none"> 1. Passive marketing efforts 2. Lack of advanced technology 3. Lack of skilled workers 4. Limited financing ability 	<ol style="list-style-type: none"> 1. Expansion of foreign products 2. Price competition in the market 3. Decline of economic growth 4. Increasing gas fuel prices

Internal Factor – Strength

1. Well-known products quality: the products has been recognized in the domestic market
2. High art value of the products: using hand-painting motives rather than printing-machine
3. Family business management: build ownership and responsibility to sustain the company
4. Distinctive products: able to produce different kind of products which others can not

Internal Factor – Weakness

1. Passive marketing efforts: rely on the existing marketing channels through intermediaries
2. Lack of advanced technology: cause high production cost and less price-competitive

3. Lack of skilled workers: cause lack of innovation and creativity in developing the product
4. Limited financing ability: cause inability to expand and improve the production process

External Factor – Opportunity

1. No barrier to entry neighbor countries: encourage to export the products
2. Government supports: facilitate trainings, trade fair, and assistance in research
3. Consumer internet awareness: increasing the use of internet in daily life
4. High consumer confidence: indicate high willingness in spending intentions

External Factor – Threats

1. Expansion of foreign products: caused increased competition in the domestic market
2. Price competition in the market: force to adjust the price followed the competitors
3. Decline of economic growth: may affect to the purchasing power of consumers
4. Increasing gas fuel prices: fuel is considered as the highest component in production cost

3. TOWS Analysis

<div>INTERNAL FACTORS</div> <div>EXTERNAL FACTORS</div>		STRENGTH		WEAKNESS	
		S1	Well-known products quality	W1	Passive marketing efforts
		S2	High art value of the products	W2	Lack of advanced technology
		S3	Family business management	W3	Lack of skilled workers
		S4	Distinctive products	W4	Limited financing ability
OPPORTUNITIES		SO STRATEGY		WO STRATEGY	
O1	No barriers entry to neighbor countries	1. Actively involved in promoting through trade fairs in neighbor countries (S1, S2, S4, O1, O2) 2. Actively utilized internet for direct promotion by empathizing product value (S1, S2, S4, O3, O4) 3. Branding the products as luxury goods (S2, O4)		1. Seek for government assistance in researching and developing the technology (W2, W4, O2) 2. Develop knowledge and management skill by participating in related trainings (W1, W3, O2) 3. Build network with the exporters (W1, O1)	
O2	Government supports				
O3	Consumer internet awareness				
O4	High consumer confidence				
THREATS		ST STRATEGY		WT STRATEGY	
T1	Expansion of foreign products	1. Make a collaboration between each firms in the cluster to strengthen products brand image and position in the market (S1, S2, S3, S4, T1, T2) 2. Increase product competitiveness through innovating the products (S1, S2, S4, T1, T2)		1. Adapt molding technique from manual by to reduce the production cost (W2, W3, T1, T2) 2. Adjust the product price with the competition and market condition (W1, W2, W3, T1, T2, T3) 3. Maintain product quality (W1, W2, W3, T1, T2)	
T2	Price competition in the market				
T3	Decline of economic growth				
T4	Increasing gas fuel prices				

Figure 3 TOWS Analysis of SMEs in Kiarcondong Ceramic Cluster

Weaknesses and Threats Strategy – This strategy is aimed to minimize the negative impacts of both weaknesses and threats. SMEs in Kiarcondong ceramic cluster should consider to change their production process from manual technique into semi-automatic technique by using molding. Otherwise, they also can maintain their current production process due to their limitations. Consequently, they need to adjust their product price with the competition and market condition currently which could reduce their profit margins.

Weaknesses and Opportunities Strategy – This strategy is purposed to minimize the weaknesses while maximize the opportunities. In considering the weaknesses, actually all of that factors caused by lack of knowledge and management skill to run the company properly and sustainably. Here the government should take roles in supporting SMEs in Kiarcondong ceramic cluster through facilitating management trainings, especially about marketing strategy and how to develop workers capacity. Then, SMEs in this study also should build networking with the exporters as main partner.

Strengths and Threats Strategy – This strategy is based on the strengths of the companies to deal with threats within the business environment. Intense competition in the current market by the upcoming foreign products should be treated as common threats for the cluster. Therefore, they should deal this threat together as Kiarcondong ceramic cluster not only as individual enterprise. Establishing a supportive collaboration between each firms within this cluster should be mainly considered. Such collaboration is purposed to strengthen their product brand images and competitive position in the market.

Strengths and Opportunities Strategy – This strategy is kind of growth strategy by maximizing strengths to take advantage the opportunities. Active marketing strategies should be considered as main strategy to gain larger market. Here the government should facilitates them through intensive

trade fairs into neighbor countries to boost export activity within the AEC implementation. SMEs should also utilize the internet as direct promotional tools.

Conclusions

The purpose of this research was to strengthen SMEs toward ASEAN Economic Community with case study of ceramic cluster in Kiaracondong, Bandung. Finally, TOWS analysis provided comprehensive strategies through several situational analysis which purposed to strengthen SMEs in Kiaracondong ceramic cluster toward AEC. From several strategy options that have been analyzed by matching the internal and external factors, here will recommend main strategies for both SMEs and government. This recommendation is obtained by considering current condition within the firms and recent condition in the market.

For SMEs, they should actively utilize internet as direct promotional tools to the customers by emphasizing their product values and qualities. Then, they also should change their production process from full manual technique into adapting molding technique which can reduce the production cost. For the government institution, they should focused in facilitating more intensive training in the field of management skill and knowledge for SMEs. This is due to the finding that shown lack of management skill and knowledge is the main problem within SMEs to take advantage in the AEC implementation.

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