

Marketing Collaboration and SME Strategy Implementation in Blora, Indonesia

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The collaboration between small and medium enterprises (SMEs) and large enterprises (LEs) have been widely researched. Previous research on collaborative marketing strategy has been developed, but the contribution of these strategies for SMEs is still unclear. This research focuses on “marketing collaboration” to clarify the role of collaboration, based on the discussion of the findings that emerged from the qualitative study of SMEs. This is related to the characteristics of creative industries which mostly consist of SMEs with limited knowledge and skills to enter in the field of marketing. To expand the business SMEs is very difficult if done alone. To accelerate the development of its business, SMEs need to collaborate with an LEs which has a marketing network. Marketing collaboration between SMEs and LEs to be one effective way to develop business, as both sides can increase profitability. While LEs can improve technological innovation other hand, SMEs receive various benefits such as access to technology and access to new markets.

Keywords: marketing collaboration, network, access to new market, profitability

Kolaborasi antara perusahaan usaha kecil dan menengah (UKM) dengan perusahaan besar telah banyak diteliti. Penelitian terdahulu tentang strategi kolaborasi pemasaran telah dikembangkan, namun kontribusi strategi tersebut bagi UKM masih belum jelas. Penelitian ini berfokus pada kolaborasi pemasaran, untuk mengklarifikasi peran dari kolaborasi berdasarkan pembahasan temuan yang muncul dari penelitian kualitatif UKM. Hal ini terkait dengan karakteristik industri kreatif yang sebagian besar terdiri dari UKM dengan pengetahuan dan keterampilan yang terbatas di bidang marketing. Untuk memperluas bisnis UKM sangat sulit jika dilakukan sendiri. Untuk mempercepat pengembangan usahanya, UKM perlu berkolaborasi dengan perusahaan besar yang memiliki jaringan pemasaran. Kolaborasi Pemasaran antara UKM dan perusahaan besar menjadi salah satu cara yang efektif untuk mengembangkan bisnis, karena kedua belah pihak bisa meningkatkan keuntungannya. Perusahaan-perusahaan besar dapat meningkatkan inovasi teknologi sedangkan di lain pihak UKM menerima berbagai manfaat seperti akses ke teknologi dan akses ke pasar baru.

Kata Kunci: kolaborasi pemasaran, jaringan, akses pasar baru, keuntungan

Introduction

This study focuses on marketing collaboration in the creative industries, especially among SMEs in the handicrafts sector. Collaboration plays an important role in the growth of creative industries since it can help small entrepreneurs develop marketing networks and relationships. According to Lechner and Dowling (2003) the network is a social resource that can be used to aid interactions and enrich the exchange of information. This opinion supports Liebeskind, Oliver, Zucker, and Brewer (1996) who stated that the network provides an exchange of information about the importance of technological developments and potential marketing opportunities. Meanwhile, Biggerio (2001) stated that small firms' networks tend to be informal and based on personal relationships. The contribution of their networking activities to the success of their business endeavors depends heavily upon the individual they have connected with. Strategic marketing collaboration is related to the development of SME's networks according to Gulati and Nickerson (2008), who demonstrated the positive impact of networking upon innovative activities.

The creative industry is an important sector in the Indonesian economy due to its potential contribution to market creation and job creation. The products of the Indonesian creative industry sector hold a global appeal since they have a unique character that is difficult to

imitate. However, the growth of enterprises in this sector faces several constraints such as the lack of creativity and innovation, which is related to the fact that most businesses in the creative industry are small and medium enterprises (SMEs). Yasa, Sukaatmadja, Jawas, and Marhaeni (2013) state that SMEs may overcome these obstacles by adopting corporate partnership strategies to expand their customer base. Such collaborations can improve an SME's performance by offsetting its weakness in terms of resource-oriented market knowledge. Collaborative efforts reflect the desire to open up new marketing channels through networking activities. SMEs often need to engage in collaborations to overcome their internal weaknesses. Therefore, SMEs should start thinking of collaboration as a reliable strategy for survival in a competitive environment.

To remain competitive, companies need to nurture creativity and innovation. The competitiveness of a company is determined by the increase in market innovation to gain new potential opportunities (Miller, 1987). Cooperation opportunities offer mutual benefits by allowing both companies to explore the market together in a more optimal manner while also facilitating the flow of investment between the companies and improving both companies' marketing network. Collaboration is often necessary since an enterprise can only grow very slowly

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if it only relies upon its own resources. Previous studies have shown that there is a significant relationship between strategic alliance and market orientation. As such, SMEs may find it profitable to collaborate with larger companies (LEs) in order to take advantage of the latter's marketing network.

Previous studies show that collaboration can have either positive or negative effects. Chesbrough and Schwartz (2007) suggests that there are four aspects that greatly influence the success of partnerships: 1. the purpose of the partnership, 2. access to the desired capability, 3. business model alignment, and 4. future collaborations. Most companies collaborate with the aim of increasing profits in the short term and attaining a sustained superior performance in the long term. Of the many attempts to conduct marketing collaboration, only a few have been able to increase profits. This can be attributed to a lack of synergy, trust, and commitment between the two parties, as well as to the lack of constant and effective communication.

Based on the research gaps described above, this study focuses on the research problem of how marketing collaboration can improve profitability. This study identifies the relevant stakeholders, reviews the existing literature, and examines the issues related to collaboration in the creative industries, particularly in the handicrafts sector. We used a qualitative case study approach to gain empirical knowledge on SME management practices in Indonesia (especially the Blora Regency) and also to follow the most natural path of exploration.

Literature Review

The Theory of Collaboration

There are several different definitions for collaboration. For example, Anderson (1995) defined it as a strategic mode of integration between two or more organizations for co-operation on all or part of the production stages from initial research to marketing and distribution.

The success (or lack thereof) of collaborations can be explained by two concepts from the theory of integration, namely the "Resource-Based View" and the "Relational Factors View". The Resource-Based view suggests that the collaboration will be successful if both partners can bring complementary resources (such as market orientation) for their mutual development (Gray, 2005; Jap, 1999; Lambe, Speakman, and Hunt, 2002). The relationships between the companies in the partnership would then provide benefits such as the creation of resources and access to resources and competencies (Walter, Ritter, and Gemunden, 2001). On the other hand, the Relational Factors view suggests that the success of the collaboration stems from the relationship, trust, commitment, co-operation and communication between the collaborating companies (Lambe et al, 2002). These features develop rational collaboration processes associated with the interaction between resources (such as market orientation) and relational factors (such as relational capital).

Relationships are significant mediators that can positively affect the achievement of a company's objectives.

Partnerships can be profitable to a company since they offer benefits that can enhance opportunities for resource diversification. Partnerships can provide new solutions to various problems and issues, such as gaining access to new market opportunities or lobbying through the corporate network. Companies constrained by their own limited resources can develop social relations to facilitate the achievement of their goals. Companies must actively manage the partnership to ensure the desired outcome rather than passively relying on their resources (Lefroy & Tsarenko, 2013).

Market Orientation and Performance

Market orientation is defined as a company's response to market and customer needs. The higher the degree of a company's market orientation, the better the quality of the alliance strategy. (Leisen, Lilly, and Winsor, 2002). There is a difference between Enterprise 2.0 and Enterprise 1.0 (traditional enterprise) in terms of corporate security strategy. Enterprise 2.0 is a customer-oriented company that continuously listens to customers and the market to improve its products and services. In Enterprise 2.0, customers are involved in the entire process: design, development, build, test, and marketing. The keywords are sharing, collaboration, and interactivity to harness collective intelligence. Enterprise 2.0 is an enterprise that opens a new pathway to work: bottom-up, open, interconnected, distributed architecture, and agility to market sense. Enterprise 2.0 focuses upon the collaboration, flexibility and mobility while Enterprise 1.0 (traditional companies) presents a closed architecture. In Enterprise 2.0 there is a plethora of information, more than in a traditional company, coming from channels such as Web 2.0, social networking, and the exchange of information with external subjects (Consoli, 2012).

Collaboration will fail in the absence of good communication between partners. Communication behavior is defined as the quality and quantity of information sharing among multiple partners and reflects on the process of interaction that occurs between activities. The concept of Relational Capital can be expressed as a multi-dimensional construct including joint interpersonal trust, joint commitment, and shared values (Kale, Singh, and Perlmutter, 2000).

Previous studies suggest that there are numerous factors that influence the success of collaboration. These factors include coordination, management organizational structure, and the role of stakeholders in terms of engagement, legitimacy, and power. Issues of power and networking (as a key effort to coordinate trust as the basis for collaboration) can potentially affect innovation. (Pinto and Kastenholz, 2012). Collaboration and partnership have a clear relationship with planning and marketing activities. Organizations with established planning and marketing practices tend to behave with more respect in a collaboration or partnership than those without. It can be argued that an organization with adequate planning and marketing activities are more likely to form relationships and will get more benefit than those without. (Pansiri, 2013).

According to Parkman, Holloway, and Sebastiao (2012) performance in the creative industry is influenced by entrepreneurial orientation and innovation. This study focuses upon performance measurement based on indicators for the quality of products and services, relationships with customers and suppliers, and profitability. These results prove that success in the creative industries depends heavily upon creative capabilities. First of all, a company must be able to identify its own internal strengths and weaknesses. A company's competitive strength usually stems from its ability to create a unique product that competitors find difficult to replicate, thus giving the company a source of competitive advantage.

Some countries are in the process of promoting SME growth in order to compete in global trade. SME competitiveness can facilitate the success of market positioning for the national economy in the global market. From both theoretical and practical standpoints, SMEs are an important element in economic and industrial development.

The systematic development of SMEs toward superior performance depends upon the quality of existing resources. In general, SMEs have to face fierce competition with limited access to market information and the need to cope with resource constraints. To overcome the lack of creativity and resources, the SMEs need to cooperate with LEs that possess more resources and creativity. LEs and SMEs both play important parts in the economic growth of developing countries.

In collaboration, market approval can be given for the short term or long term. Rational companies collaborate to gain access to markets, improve efficiency, and gain access to new competencies. Arku (2002) identifies the reason for SMEs to collaborate with LEs is to gain specific knowledge or skills. On the other hand, the primary reason for larger companies to collaborate with smaller ones is to penetrate new geographical or product markets. Collaboration is the new source of competitive advantage. With collaborative and cooperative arrangements in place, the enterprise becomes more efficient and more flexible in listening to its partners, reducing costs, and increasing its corporate knowledge (Consoli, 2012).

According to Tambunan (2008) there are three factors that allow SMEs to survive: 1) the SMEs' ability to create niche markets, 2) the SMEs' contribution to public revenues, and 3) mutual relationships between LEs and SMEs. Business relationships between LEs and SMEs indicate that the trend favors collaboration over competition. As such, SMEs are not likely to compete directly against LEs. There is a relationship between the size of the organization and the choice of interaction mode. Organizations are categorized into three size ranges: large (L), medium (M) and small (S). Organizations of all sizes (large, medium and small) are found to prefer a collaborative approach in inter-organizational interactions. However, larger organizations appear to be more competitively oriented than medium or small organizations, although this difference was not significant. Interestingly, small organizations appear more likely to choose an avoidance strategy compared to medium or large organizations (Atorough and Martin, 2012).

The key to success for SMEs lies with not only product differentiation but also technical capacity building. Some SMEs have begun to rely on exports to foreign countries as a means for the transfer and diffusion of useful knowledge and technologies (Tambunan, 2006). The growth of export-oriented sectors brings about the influence of foreign buyers that may provide important technical, managerial, and marketing assistance. Collaboration has a significant impact on marketing, branding and perception management. Collaboration with other industries can also have a significant effect upon the targeted domestic and international markets (Vrontis, Thrassou, and Czinkota, 2011)

Proposed Development Strategy for Marketing Collaboration

Strategic collaborations formed through geographical proximity can help companies in developing their networks. Resources invested in developing collaborative marketing activities tend to be prioritized for joint promotion strategies (Felzensztein, Stringer, Rea, and Freeman, 2014).

Marketing collaboration between LEs and SMEs is a strategy oriented towards the Resource-Based View. The success or failure of a company is determined by the strengths and weaknesses of existing resources within the company. Competitive advantage depends on the existence of different resource that competitors find difficult to imitate or substitute (Rangone, 1999). While this kind of collaboration is generally based on the Resource Based View, it is also supported by the Relational Factors View, which states that commitment to collaboration and communication skills are the factors that influence the collaboration's success. Analysis of the contents of the communication within collaborative relationships indicates that the business owners are constantly looking for suggestions for the development of their business networks.

Information from networks can provide useful suggestions about the most appropriate courses of action. Social networking and geographic proximity facilitates cooperation among companies in marketing activities. The advantages of marketing cooperation include the opportunity to send commercial missions to reach new markets. Other advantages can be gained from joint product sales in both local and international markets, and also from joint distribution strategies (Felzensztein & Gimmon, 2007).

Collaboration has the potential to create a systematic process for sharing information and marketing knowledge. Marketing collaboration can expand the network of relationships that provide SMEs with new market access channels. Past research has shown that the dimensions of networking have been understood as a dimension of interaction in the process of "social networks" (Mitchell, 1983). Therefore, it can be argued that the "network" is a resource and "networking" is the process of transformation of resources.

Networking can only be said to be useful if there is mutual cooperation to maintain good relations and build

a marketing network. One of the key benefits of networking is the ability to get more information about customers and competitors. The effectiveness of marketing cooperation between companies can be enhanced through a strategy to improve the social network formally or informally. Marketing cooperation plays a very beneficial role for marketers, especially in small and medium-sized companies that typically have limited marketing budgets (Felzensztein and Deans, 2013).

Business owners who have cultivated trade relations with professional associations or networks will have a stronger relationship with their competitors than those who do not have a trade or professional association contacts (O'Donnell, 2004). A business owner who joins an association can also gain value for the business by meeting with other people in the industry who have more up-to-date information about current developments in the field. The personal networks cultivated by the owners or managers of small companies play a central role in collaboration, allowing intuitive decision-making and the subconscious accounting of costs and benefits in terms of the resources required and potential profitability. The levels and natural conditions of this activity reflect the underlying trade-offs (O'Donnell, 2014).

Trade associations have the power to facilitate social networking and establish cooperation between companies that can accelerate the growth of the industrial sector. Most companies recognize that marketing cooperation is very important, since it promotes not only the growth of the industrial sector but also the development of new businesses. Cooperation also brings the greater expectation of eventual expansion into the international market in the long term and the strategic development of new products through technological cooperation (Felzensztein and Gimmon, 2008).

According to Felzensztein, Gimmon, and Aqueveque (2012), clustering offers many benefits to SMEs in the effort to develop cooperation. It appears that cooperation is facilitated not only by co-location but also by the configuration of industrial clusters. Managers in clustered industries have a better appreciation of the benefits offered by trade associations in terms of participation in joint exhibitions, joint trade missions to new markets, joint market research and information sharing, and joint distribution strategy. These activities are all associated with market analysis, which is usually too expensive for any single company to do on its own. Therefore, for companies with limited resources, cooperation with a trade association may be the only option. These results indicate that the being part of an industrial cluster is better than remaining as a non-clustered industry.

On the issue of "social networks" for marketing collaboration, there are also some interesting insights about the social behavior of managers. Compared to managers in non-clustered industries, managers of Industrial clusters tend to have higher expectations about marketing cooperation between companies. The development of personal relationships at both the formal and the informal level take place more often in industrial clusters.

In addition, managers of industrial cluster members assign a greater importance to commercial intelligence

and long-term relationships as important factors in potentially beneficial collaboration. In the case of issues with cooperation partners in marketing activities, it was found that managers in industrial clusters are seen as having better cooperation with buyers than non-cluster managers within the same industry. Managers in industrial clusters recognize the benefits to marketing development from inter-company cooperation in various areas such as the promotion of joint strategies, joint technology database, and the use of the Internet to improve communication with customers. Practitioners should be aware that vertical or horizontal cooperation may reduce a company's competitiveness. In contrast, cooperation through social networks can increase the company's strength. The implications for practitioners are associated with the issue of trust. Practitioners should consider that the pursuit of long-term relationships can be beneficial for inter-company collaboration in marketing. To improve the company's strategic position, social networks should be utilized to extract the best results from the company's cooperation in international marketing. Trade associations representing SMEs must be capable of assisting managers in developing countries for the development of inter-company cooperation to gain benefits in external marketing.

Collaborative marketing can enhance networking activities that can in turn help SMEs manage their resource limitations, especially in terms of price management. The collaboration can also provide ideas for products and processes. For example, a company may decide to buy equipment that complements its competitors' capacities instead of buying the same machine. In this way, it avoids direct competition in the same business segment and gains the capability to engage in resource-based cooperation. It may also open the door to raw material exchanges with competitors that produce direct substitutes. One benefit that can motivate companies to engage in networking activities is the access that might give them an advantage based on resource and business relationships (Shaw, 2006).

Relationships with other parties associated with distribution networks should be considered since it may give the company a chance to open up distribution channels. There are great benefits to be gained from such partnerships, including access to capital, resources, and market information. On the other hand, there is the dilemma in that the company risks becoming dependent upon others for critical resources and information. This relationship should be properly managed to maximize the benefits from the distribution network. Strategies that may affect the ability to capture a larger network are determined by management effectiveness in exchange relationships (Ford, Wang, and Vestal, 2012).

Networking with competitors can also facilitate word-of-mouth marketing among customers. Exhibitions at the national and international levels provide a forum for competitors to meet and assess each other. They bring together competitors from different countries and can be expected to provide a source of new ideas for business development (Kingsley and Malecki, 2004). Networking with competitors can also provide leads to information

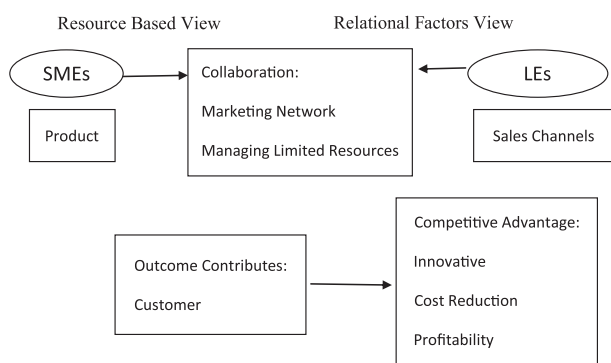


Figure 1. Strategy of Marketing Collaboration

about potential new suppliers. The motivation for seeking information and changing suppliers is the potential for cost savings.

SMEs usually have limited capabilities in the field of sales compared to LEs. One of the reasons why SMEs should collaborate with LEs is the possibility to take advantage of the resources available through the LEs' sales channels. SMEs stand to benefit from access to LEs the sales channel or sales personnel. Meanwhile, the potential benefits to LEs include the dissemination of technological innovation, flexibility, and cost of labor.

Concepts related to why and how marketing collaboration between SMEs and LEs may contribute to the mutual benefit of both parties are illustrated in Figure 1.

Overview and Characteristics of Handicraft SMEs in Blora

Blora covers an area of 1820.58797 km², or 5.59% of the Central Java Province in Indonesia. Most of the regency is forested, and of the rest 25.3% are made up of rice paddies (Bappeda Blora, 2013). Blora's economy grew by 5.03% in 2012, and trade/commerce is one of the most important sectors in the regency's economy. The growth of the trade sector is most clearly seen in export activities, where the wood-based main export commodities are widely available in the form of processed wood, furniture, souvenirs, and wood "gembol" (burls).

Development activities in Blora's industrial sector are still dominated by small and medium industries, most of which are domestic industries. Most SMEs have limited resources, especially in terms of human resources, technological resources, marketing resources, and financial resources. There is not much training being done to improve the quality of human resources, and the involvement of stakeholders in the development of SMEs is still few and far between. Most SMEs tend to use computers only for bookkeeping purposes, and very few utilize it as medium for marketing and communications. Online marketing activities to facilitate business transactions and activities among individuals are still relatively uncommon. However, businesses are beginning to notice that they can not only find customers online, but also online suppliers, competitors, and the government. Demand from online partners is changing the way they do business.

Decision-making for the adoption of marketing and collaboration strategies are largely made by the business owner. Collaborations are largely made on a haphazard

basis, and seldom in the form of marketing collaboration with larger companies. In most cases the owners and their families are responsible for managing the business, so that the management structure is not very sophisticated. The Craftsmen and Entrepreneurs' Association is an organization that can facilitate communication in the development of marketing networks.

Capital investment is relatively meager, and the ownership of production asset remains on a relatively small scale, so there is usually little opportunity for growth in the business. Likewise, access to capital is still lacking, so it is still difficult to expand a business to a more profitable scale. Compared with large enterprises, SMEs still have very limited sales capabilities. However, this wooden craft industry sector contributes significantly to Blora's economic growth.

The majority of the responden (30 SMEs) had been operating for 5 to 10 years (9 firms= 30%) or 11 to 20 years (21 firm = 70%). The number of employees in the SMEs range from 3 to 7 (6 firm =20%), from 8 up to 12 (19 firms=63.4%), and 13 to 17 (5 firms =16.6%). 5 firms have a monthly production output worth \$250 to \$400, 18 firms produce \$450 to \$800 per month, and 7 firms produce over \$800 per month.

Government Support

The government provides aid to SMEs in the form of machinery and equipment such as dynamos, jigsaws, and blades. The government also provides training in such things as craft product design and development, diversification, product collaboration, business management, and motivational training. Government assistance in marketing activities largely takes the form of promotional efforts such as exhibitions, website development, and giving out souvenirs to state guests.

Government intervention has very important implications since most SMEs have limited resources, limited creativity in coming up with innovative products and services, limited (if any) product design expertise, and limited access to market information. Training programs provided by the government can improve their ability to design products that can meet market demands, including collaborative products that involve the addition of non-wood materials. Most respondents expressed the importance of the benefits they stand to gain from such training, especially increased sales. The ability to invest in proper equipment would also increase the capacity and quality of their handicraft production, thus increasing or expanding their market penetration. Finally, technical training can provide them with improved human resources capable of producing goods and services that can fulfill market demands, and also of improving the standards of their service to consumers (timeliness of orders, quality, quantity, and distribution).

The government plays a major role in facilitating SMEs' access to capital through banks and financial institutions, such as with the provision of small business loans. Another example of government support for SME sustainability is in the development of clusters. The government can also make the campaign more effective by

providing a joint showrom. Similarly, the government can also help an SME open a physical store by offering or facilitating credits. This strategy not only leads to the accelerated growth of SMEs but also facilitates the dissemination of market information. It can also reduce costs and increase efficiency by opening the possibility to work together for mutual benefit. It can be concluded that the government intervention plays a very important role in providing appropriate support for technological progress, increased training, access to capital, and marketing promotion.

Methods

This study was conducted in Indonesia, particularly in the craft industry center in the Blora Regency, Central Java Province. It is based on data showing that craft entrepreneurs in Blora are mostly household industries and micro-enterprises, with wood-based handicrafts being one of the major commodities that contribute to the growth of the trading sector. These micro-scale industries have the advantage of being deeply rooted in the community and requiring no more than very simple equipment, so they have a significant impact in directly improving social welfare. We use a qualitative approach to explain how marketing collaboration can support business growth for SMEs.

Qualitative research can perform detailed exploration through inductive analysis, which helps bridge research gap by providing a degree of flexibility in research design. Gill and Johnson (1991) noted that SMEs cannot be adequately studied through a positivist approach. Our approach allows us to get closer to the participants, comprehend their logic, and interpret their understanding of subjective reality. SME research also needs to take account of the study of human action and behavior, which is basically concerned with the nature of reality and the essence of the social world.

Respondents consisted of 30 SME owners selected through purposive sampling. This method was used to select informants who could provide representative information about collaboration with various parties. The criteria used in selecting SMEs for these case studies were: 1) located close to the Blora district center, 2) had been in operation and trading for a minimum of three years, 3) employed at least 3 people.

The data triangulation method was applied in the use of data sources in the interview process. Information was obtained from various viewpoints to improve credibility. As noted by Creswel, J.W. (2003), the procedures to improve credibility with the use of triangulation over multiple sources of data, theories, methods, and investigators would ensure that the information presented is consistent. The data was collected in three ways: 1) interviews with informants, 2) documentation review, and 3) observation of activities

There were three stages in the data collection process. The first involved conducting semi-structured interviews with SME owners and stakeholders and review subjects. The second phase consisted of a review of relevant documents to support the interpretation of the information

obtained from interviews. In the third phase, researchers made direct observation visits to the field. All of this was done to obtain valid and relevant information. If discrepancies were found in the information, researchers would explore the discrepancies to find the source of the difference, and then return to confirm with the relevant informers. Thus, the method of triangulation combines information from persons and resources of diverse backgrounds.

A Focus Group Discussion (FGD) was conducted to identify the root of the problem and compare opinions from the survey results, with the ultimate goal of formulating the most effective strategy. The FGD was attended by several relevant actors including governments, entrepreneurs, microfinance institutions, associations, academics, public figures, consultants business, craftsmen's forums, and key informants. We also held in-depth interviews with key figures such as community leaders, NGOs, village officials, the Department of Industry, Cooperatives and SMEs of the Blora Regency (DEPERINDAGKOP & SMEs), the Local Government Planning Agency (BAPPEDA) for the Blora Regency, the National Crafts Council (Dekranasda) in Blora, the Blora craft entrepreneurs association, the Department of Economics, and the Forum for Regional Economic Development and Employment Promotion of Blora (FEDEP). The results of the focus group discussion and in-depth interviews with key figures identified the aspects related to collaboration in the field of marketing

The research method used was a qualitative study with the rationalistic deductive perspective for a deep exploration of the phenomenon. This study used a participatory approach to determine the root of the problem, beginning with the analysis of needs. This method of analysis was chosen to assess the "profile or performance and barriers or problems" faced by SMEs in growing their business and to identify the needs in developing their business. Preliminary research was conducted by identifying the relevant stakeholders. Primary data was collected through interview instruments such as a Focus Group Discussion (FGD) with primary and secondary stakeholders about the best way to coordinate the desired collaboration. Respondents generally exhibited a favorable attitude during the primary data collection process through interviews, and were quite willing to explain in detail the views, ideas, experiences and issues related to marketing collaboration.

Another data collection instrument we used was interviews with craftsmen, owners, government agencies, consultants, and researchers. In addition to the purposive sampling method, we sought to confirm and complete the necessary interviews through the "snowball principle". The questions were posed in a semi-structured manner in order to draw the focus upon existing problems while allowing the respondents to express their views freely. Furthermore, the interviews were extended using the "snowball principle" to other interested parties as important stakeholders. The data was further supplemented by secondary data publicly available in print or on the Internet.

Data analysis is based on the theory of conducting the overall interpretation by comparing findings with other

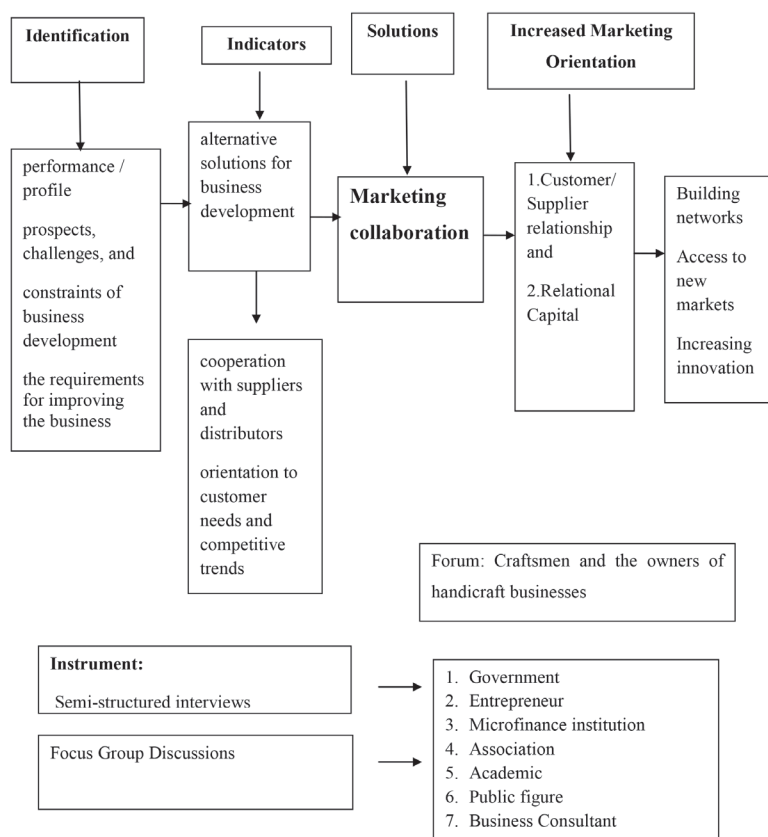


Figure 2. The flow chart of Research Approach and Design

parties. Every piece of information was verified to ensure its credibility, and the validity of every finding was checked through discussions with the people who are familiar with the issue of why SMEs may be interested in marketing collaboration. The research findings are then consulted with external parties to assess the credibility of the data collection methods, findings, and interpretations we made. These external parties were chosen from among people who understood the research subject and could maintain an independent perspective. The flow chart of our research approach and design is shown in Figure 2.

Results and Discussion

Based on the identification of the characteristics of SMEs in both the internal and the external analysis, it can be concluded that collaboration can be a temporary solution for overcoming limitations in terms of resources and creativity. There are various types of collaboration, but the most urgently needed is a marketing collaboration that benefits all partners.

Marketing collaboration between SMEs and LEs will effectively create a synergy of human resources development, particularly in terms of competence in marketing knowledge since intangible resources are difficult to imitate and are the most likely to increase competitiveness. It is empirically demonstrated that effective policy measures for SMEs can be developed through coordination with relevant stakeholders such as government departments, agencies, and organizations in the long run. The challenges faced by SMEs in the creative industries,

especially the increasingly competitive environment, can be overcome through collaboration with LEs.

Collaboration is a strategic decision to overcome the abovementioned challenges by gaining access to new markets, new competences, and new technology. The limitations that plague creative industry SMEs in the handicraft business (particularly the lack of skilled workers and technological resources that enable optimal economic growth) can be eliminated with the benefits of collaboration.

These results support the concept of the integration between the Resource-Based View and the Relational Factors View, which states that collaboration can produce favorable results when increased competence of intangible resources in improving a company's market orientation is combined with strong commitment, trust, and communication among all partners. Market development to align more closely with customer orientation can significantly affect the collaboration SMEs and LEs in the creative industry.

Creativity in products, markets, and processes is an intangible asset that is difficult to imitate. According to Barney (1991) intangible resources have a unique potential to enhance a company's competitive advantage. The creative industries (including the handicraft industry) are required to innovate continuously in order to fulfill customer demands. Unfortunately, the creative industries are largely made up of small and medium enterprises that suffer certain weaknesses stemming from their simple and unsophisticated management structure.

In order to incorporate marketing innovations, SMEs need to collaborate with another company that can pro-

vide shared resources to improve their efficiency. Collaboration with large companies is considered to be one of the most effective ways to overcome resource limitations. The reason why this study focuses on the wooden handicrafts industry is because the industry has unique characteristics such as sculptural forms and raw material types that cannot be easily imitated by competitors. Both large enterprises (LEs) and small/medium enterprises (SMEs) have much to contribute towards accelerating the process of Indonesia's industrial growth and development.

Since SMEs play an important role in domestic job creation, it is necessary to formulate a strategy to help them build a global marketing network. This would allow them to benefit from the expansion of both domestic and export markets. Networking is an aspect of the collaborative strategy between LEs and SMEs that can have a positive effect on promotion. Government intervention is needed to create a favorable business climate that would provide SMEs with development process initiatives. Empirical evidence shows that SMEs capable of innovation are also more successful in expanding their network, despite lower productivity compared to a large enterprise (LE).

Good communication between group members has a positive impact on the performance of LEs and SMEs. It increases the enterprise's bargaining power in negotiations when the customer tries to make new requests or change their decisions. Collaboration will expand the companies' network and it takes communication and trust to build a successful relationship in this regard. Interview subjects repeatedly mentioned the importance of having a network and having connections that can support creative development and access to financial capital.

Based on the abovementioned results, we can empirically conclude that efficient communication is one of the most important requirements for successful management. For example, communication with customers plays a crucial part in making sure that the producer can understand the customer's wishes. Some collaboration failures have been caused by inadequate communication and inefficient coordination between partners. In order to improve communication, it is necessary to focus not only on the quality but also the frequency of communication. Communication can be performed weekly or daily with a variety of methods such as face-to-face, e-mail, fax, or telephone. Dyer (1997) stated that the presence of any form of communication between the supplier and the buyer can be considered as an important source of "information change".

Strategy of Marketing Collaboration

The results of focus group discussions (FGD) and in-depth interviews showed that small-scale businesses can enter or start up an open collaboration network to access new market channels. The networking process provides them information about access to capital and markets. A company that wants to improve its networking efforts should seek to increase the cooperation and involvement of stakeholders. A large company can increase coopera-

tion by creating a network that helps other businesses enhance their marketing resources. This requires the active participation of all parties, including government, private, and community elements in the craft businesses. The government agency with the appropriate jurisdiction to issue policy that affects the development of small and medium enterprises is the Department of Industry and Cooperatives. We find that a collaborative marketing network can promote the growth and development of SMEs. Although many SMEs engage in cooperation, only a few have been able to open up lucrative new market channels. A small number of SMEs have been able to synergize with larger companies, particularly in building cooperation regimes that help them increase their marketing capabilities and knowledge. This is deemed necessary since changes in market trends are taking place faster and faster, so it takes more effort to keep up with customers' desires. Collaborative marketing can be considered as a way to encourage SMEs to consider acquiring technical upgrades. Collaboration can also facilitate networking to get access to new inputs and to build connections with buyers and suppliers. Marketing collaboration helps companies widen their marketing horizons and expand the reach of their marketing efforts.

Networking creates partnerships that can bring benefits in the form of innovative processes that can reduce transaction costs. Reductions in operating costs are expected to have an impact on the efficiency of SMEs, which in turn can cumulatively improve the competitiveness of these enterprises. SMEs with a smaller pool of existing resources can conduct marketing collaboration more effectively than those with more resources. The owner's personal, familial, and political relationships contribute to the development of the business. The contribution of the collaboration according to the Resource-based view is reflected by the improvement in the SME's human resources due to the process of mutual learning between LEs and SMEs. These findings indicate that the collaboration in the field of marketing will create networks that can contribute to the enhancement of SMEs' resources. It can be said that SME marketing activities can be enhanced by the outcomes of networking efforts. Pages and Garmise (2003) explained that the consequences of networking are based on the existence of a couple of marketing-related network actors in the roles of brokers, customers, potential suppliers, and competitors.

With regards to the content of communications, information is the most dominant among the networking contents. This study focuses on collaborations based upon networks that can describe the communication and exchange of resources. Past research on collaboration, fueled by the Relational Factors View, underlined that the success of the collaboration results from the relationships that develop trust, cooperation, and communication between companies. However, previous studies have not explained how the collaboration can benefit the companies and from whom the information was coming and in what form. This study indicates that the information was coming from potential customers, existing customers, and competitors. The information is received in various forms, either directly from market intelligence or

through the sharing knowledge about competitors. Information and knowledge come from customers, suppliers and competitors.

Networking efforts are conducted to attract financing and assist personnel who ultimately contribute to the planning and management of limited marketing resources. It presents a simple model of resources exchanged in a deliberate manner. These findings also indicate that the presence of professional associations can aid networking efforts and thus provide increased opportunities for collaboration. As an example, SME owners who joined handicraft business associations indicated that they can share information and knowledge in the process of networking. SME owners who participated in the Association of Entrepreneurs and Craftsmen either as board members or as ordinary members will benefit from the motivation of SME owners who are more open with each other about the prospects for their business.

Confirming the Findings on Implementation Strategies for SMEs

Observations have been made in the town of Jepon, Blora's handicrafts center, with the aim of clarifying and further exploring the actual situation in the field. We sought to deepen our understanding of marketing collaboration through observation to follow up information obtained from interview respondents. The implementation of the collaboration strategy in SMEs is illustrated by presenting the real situation at the start of the research phase in both specific and general terms. The data obtained from this observation took the form of observations on actions taken and recorded in the field and discussions with relevant stakeholders such as government figures, banks, owners, managers and craftsmen. Stakeholder participation was found to be a crucial element in the successful implementation of the strategy. Opinions from the chairman of the craftsmen's forum also proved quite helpful in pointing out the basic direction of strategic plans for the future.

Results of observations support the proposition that the framework for the implementation of collaborative marketing strategies is associated with competitive advantage. The implication of the proposition shows that increasing competitive advantage resulted in gains for most SMEs. The advantage comes from investment collaboration to optimize joint market exploration. Collaboration changes the strategic mindset towards a more market-oriented direction.

The collaboration will enhance the sustainability of SMEs by improving their ability to manage limited resource. Indications on the ground show that, on average, business units that have been operating for more than 15 years tend to have a greater variety of products. They do not only make handicraft products from wood-based materials but have also begun to differentiate their products by incorporating non-wooden raw materials. In addition, these craft products have more distinctly unique characteristics since the human resources producing them are more artistically skilled and innovative. There is also the factor that raw material in the form of teak is easily avail-

Table 1. Volume of Product Exports from Blora

Commodity Type	Unit	2010	2011	2012
Processed Wood	M3	273	280	285
Furniture	piece	4955	5075	5070
Handicraft/Souvenirs	piece	9975	10,070	10,075
Wood Burls	piece	211	220	242
Bird Nest	Kg	502	477	454

Source: Regional Planning Agency Blora 2013

able, which is not something that can be said for many other regions.

Secondary data in the form of relevant government documents about the growth of the craft sector in the Blora Regency is presented in Table 1.

Table 1 shows that the main export commodities in the form of wood products are widely available, including treated wood, furniture, handicrafts for souvenirs, and wood *gembol* (burls). Of these, handicraft souvenirs make the largest contribution to the value of exports.

Industrial sector activity in Blora is currently dominated by small and medium industries. The empowerment of SMEs has proceeded apace with help from the government, universities, private institutions, NGOs, and private companies through their CSR and environmental development programs. Facilities are provided through a variety of activities in the form of training/education and assistance, all of which have had an impact on the progress and growth of SMEs' independence.

Business development of SMEs will proceed steadily if there is a strong commitment accompanied by intensive communication. This is consistent with the theory underlying this study that the factors of relational commitment, communication, cooperation, and trust will affect the success of the collaboration (Lambe et al, 2002). This view of relationship factors sees the commitment of the owners and craftsmen to implement business strategies as the main factor that affects the success of the collaboration. Networking efforts by the owner to empower members of the group can help establish market distribution channels. The commitment to introduce new product designs incorporating non-wood materials is currently one of the top priorities.

Based on secondary data and observation, we attempt to discuss internal and external conditions to support the proposed SME development strategy. Taking advantage of internal forces in order to seize new opportunities constitutes the "strengths and opportunities" (SO) strategy, which utilizes the craftsmen's strong motivation to aggressively seize unclaimed market share. Utilizing internal strengths and anticipating threats is the basic formulation of the "strengths and threats" (ST) strategy, which capitalizes on a unique product variation to win the competition by adjusting swiftly to meet shifting consumer tastes. Overcoming the enterprise's weaknesses is the main point of the "weakness and opportunities" (WO) strategy, which overcomes the lack of production capital and technology by taking advantage of a collaboration to gain access to new markets and complementary resources. Lastly, the solution for overcoming a lack of market distribution channels is the "weakness and threats" (WT) strategy, which circumvents the lack of marketing skills by collaborating with large companies that possess better

Table 2. Data on SMEs in districts Blora

Type of SMEs	Number (people)	Asset (\$US)	Revenue (\$ US)	Employees (people)
Micro	5,729	8,498,016,666	51,140,873,334	15,596
Small Business	183	511,344,445	1,746,573,334	761
Medium Enterprises	17	55,583,334	167,233,334	261
Number	5,929	9,064,944,445	53,054,680,002	17,618
Centers	489	1,278,334	1,783,556	1,279

Source: Dinperindagkop & UKM Blora 2013

sales channels.

From the profitability standpoint, the handicrafts business has strong future prospects. Therefore, one of the strategic issues in Blora's regional development plan for 2015 is how to improve the management of local economic potentials, with a focus on strengthening local enterprises' competitiveness, market access and capital expansion, improvement of product quality, and production facilities. The Department of Industry, Trade, Cooperatives and SMEs is agency has been provided with a budget of US\$ 1,207,522.223 in the Blora Regency's Local Government Action Plan in 2013 for the purpose of promoting the development of SMEs and cooperatives. The data on SMEs in Blora district is shown in Table 2.

Approximately 50% of Blora's territory is covered in high quality teak forests that may benefit its people by facilitating growth in the handicrafts industry through the easy availability of raw materials in the form of teak wood. The superior qualities of these products are renowned not only in Blora and Central Java but also throughout the nation, especially since it has been able to provide an influx of foreign currency from export revenues.

A collaboration strategy can provide increased competitive advantage by enhancing a company's market knowledge and providing it with skills to tackle the export market. Groups clustered SMEs in Jepon can increase their income with additional investment from a partnership. Thus, the focus for collaboration policies is to create an environment that will promote innovation and competitiveness. Access to key markets and technological progress would increase investment opportunities and may provide a solution to social problems. Capital marketing, particularly in the form of online shopping, has been shown to be an effective way to circumvent the saturation of local markets.

One of the indicators that can be used to measure competitiveness is *added value*. When there are 25 artisanal businesses in the craft center with an investment value of about US \$ 25,000 and a monthly production value of US \$ 15,000. The raw materials for this monthly production cost US \$ 9,000, so the monthly added value is US \$ 6,000. Creativity can also give birth to many ideas that create added value. SMEs saddled with the problem of limited resources can improve their performance through collaboration with partners that have better resources. This conclusion is consistent with the view that the underlies this study, whereby the Resource-Based View states that anyone can gain competitive advantage by processing resources into a more valuable kind of resource.

The results of our observations support the concept that new ideas acquired and exchanged through crafts-

men's associations play a crucial role in promoting innovation to reduce operational costs. Most SMEs are already thinking about steps to improve their planning methods, although few of them have carried this process to the implementation stage. Our observation also confirmed that the formation of a strategic collaboration in particular helps companies improve just-in-time delivery, Internet-based promotion, and online marketing.

Theoretically, our findings confirm the Resource-Based View's statement that the one of the most effective kinds of competitive advantage is based upon resources. These results also confirm that SMEs can become successful through the development of strategic capabilities including management capabilities, market knowledge, and technical capabilities. Collaboration has not only resulted in productivity gains, but also had visible effects through labor, distribution, technology improvements to process, and technology transfers from partners, suppliers, or large companies with Research & Development functions.

Some respondents have reported that changes in machinery are associated with the need for more technical sophistication. Highly skilled workers are a critical component in ensuring the creation of long-term added value. The asset value of investments is a simple measurement that indicates the presence of a collaborative investment effort. These explanation help explain the central idea of why we chose to integrate the two concepts of the Resource-Based View and the Relational Factors View. When a company has a broad base of relationships, it can generally be attributed to the company's abundance of social resources. The assumption in this study is that networking is a highly significant factor in the cultivation of additional resources. The natural desire to expand a company's network to encompass friends, relatives, customers, suppliers, bankers, and others is a key resource for companies

Conclusion

This study aims to understand how collaboration in marketing activities between SMEs and LEs can contribute to a company's growth. The method involved an analysis of previous studies on collaborative activities through marketing networks for SME products. Although these previous studies have pointed out the potential contribution of collaborative marketing, there have been few real and visible results for SMEs in the handicraft industry. This study suggests that collaborative activities can help businesses make the best use of their networking efforts to improve their competence in resource access. Networks can transform a useful resource to contribute to marketing activities in developing the SME's business.

In other words, collaboration can occur as a result of interaction between network actors. These results indicate that a company that takes a proactive attitude to collaboration activities is more likely to reap benefits, especially from the desired resources for marketing activities.

A qualitative approach has proved useful for this study, especially in order to provide multiple views about the motivation behind marketing collaboration. This study has limitations in that the interviews were only done within a relatively brief span of time. Therefore, the conclusions cannot be generalized too far since it is too early to conclude; the external validity of our conclusions must still be tested in multiple contexts and industries. Therefore, this study does not make the assertion that marketing collaboration should be recommended for all SMEs. Although this study does not cover the range of larger SMEs, this study contributes to the interactional dimension of collaboration, especially in the case of network marketing companies where Coviello (2005) and Hoang and Antoncic (2003) have recommended that future research should attempt to explore the subject through a simulation of network structures and interactions since it might produce useful results for the development of SMEs.

The theoretical implications of our findings support the theories of both the Resource-Based View and the Relational Factors View by concluding that collaboration in the field of marketing will expand relationships through networking. The network is an intangible resource that cannot be easily substituted for, and Penrose (1959) names it as a source of competitive advantage. Collaborative marketing thus far has only made small and partial enhancements to marketing networks. What this means for policy is that the creation of handicraft marketing opportunities at the local, national, and an international level requires the involvement of stakeholders. The government should be more active in building coordination between interested parties for marketing collaboration. The growth of handicraft business can be promoted from the marketing side of things by providing as much information as possible about the market and facilitating the formation of partnerships.

Strategic marketing collaboration between LEs and SMEs is expected to create attractive opportunities for both sides. Collaboration can have a positive strategic role if it can provide such things as the sharing of assets and facilities or the exchange of resources, knowledge, and technology that can improve the profitability of the company. For business continuity in the creative industries sector, collaboration is a solution that can create a culture of market orientation. Strategic marketing collaboration between SMEs and LEs in the creative industries generates a win-win solution because both sides benefit from business development. SMEs stand to benefit from the collaboration in overcoming the weakness of their resources in order to develop the market. On the other hand, LEs are often less capable of quickly developing creative products and bringing them to the market. Thus the contribution of this study is the answer to the problem, which is that collaboration is the process to get superior performance because it is how SMEs can ex-

pand their penetration into domestic and export markets, which would take a long time and a great deal of difficult effort if they have to do it solely with the use of their own resources. The limitations of this study can be corrected in future studies by replicating the methodology to explore marketing collaboration in different sectors and locations. A quantitative approach is recommended in order to provide a rigorous basis for the generalization of results about the contribution of marketing collaboration to the growth of SMEs. Future research can explore the reason why some companies are more likely to enjoy the benefits of collaborative marketing than others.

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