



# The decision taken by the SME *Kopi Malam Jumat* (Friday Night Coffee) towards improving their culture by adopting E-Commerce as a vehicle towards Internationalisation

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## Abstract

Technological development requires MSMEs (Micro, Small & Medium Enterprises) to adopt technologies such as e-commerce as a means to reach the international market, and this includes the MSME Friday Night Coffee owner. This research aims to find out the behaviors that influence the decision of the MSME Friday Night Coffee owner to adopt e-commerce as a means of going international. This research was conducted using qualitative descriptive methods. Data collection technique was carried out by interviews with key informants. This study results showed that e-commerce technology can improve the economy of the community by providing the convenience of the transaction process that can be done online. By the time saved, this convenience also increases the market share. E-commerce is able to make transactions faster, safer, more practical, and more efficient. The MSME Friday Night Coffee owner has been proven to dare to challenge the Madurese culture. The role of the business owner is very important for every business, because he or she must devise a good strategy for the business as it moves move towards an e-commerce platform.

**Keywords:** e-commerce, enhancing culture, go international, MSME, decision-making.

## Introduction

Advances in technology are moving faster and faster, especially after the advent of the internet and the emerging Fourth Industrial Revolution (4IR). The Internet makes changes and developments happen fast. The business world is not free from this impact and influence. E-commerce is one application that allows sales and purchases to occur through electronic media, namely the Internet. E-commerce can accommodate the process of buying and selling, advertising, law, the negotiation process until the conclusion of a contract (Simpson & Docherty, 2004).

Kartavianus (2012) says that E-Commerce can connect people widely without being confined by geographical location. Consumers can order goods or services from virtually anywhere, 24 hours a day, 7 days in one week without limited by the working hours of shops, as well as the distance to reach the store. It becomes an answer to the problems faced by businesses in Indonesia. As we know Indonesia is an archipelagic country with uneven distribution and so we have recorded that 60% distribution industries are concentrated in Java (CBS, 2015).

The development of Internet media also and expectedly brings change to the pattern of Indonesian society. Internet users in Indonesia reached 82 million, or about 30% of the total population of Indonesia. In 2013 MCIT noted that the use of e-commerce transactions reached Rp 130 trillion. Bolton Consulting Group (BCG) recorded in the year 2013 there were 74 million people of Indonesia in the middle class and is predicted to increase by 54% or some 141 million



people by 2020 (Sidarta & Sidh, 2014). Baron (2013) found that the use of the Internet can create new opportunities for business developments. Mpofu and Nicolaidis (2019) state that:

...4IR brings opportunities and also threats for individuals and industries in which they operate. The world is currently in a Fourth Industrial Revolution which is a technological revolution that will essentially and progressively alter the way we live, and work. The scale, scope and complexity of this revolution is clearly unlike all prior revolutions and there will be increasing ambiguity, volatility, chaos, disruptive innovation and uncertainty...

In line with what is written in RPJMN, there are some recommendations that can be used in accordance with the policy of the OECD Review on Indonesia SME and Entrepreneurship Policies 2018. Broadly speaking, these recommendations are divided into two terms. (1) The policy is expected to encourage SME arranged in exploiting the use of digital technology, in addition to the use of e-commerce. Use of the software program expected to be implemented in SMEs as a medium that can support the professionalism and performance of SMEs. (2) Increased support for SMEs on programs that can stimulate the development and productivity (eg, managerial training, human resource training, the development of innovation, internationalization). Increased productivity of SMEs is closely related to an increase in government spending.

There must be an easing in of existing technologies to be perceived as a great opportunity for businesses to expand, including in SMEs. SMEs make a significant contribution in the world economy, and almost 90% of growth has been contributed by SMEs (Lin, 1998). SMEs in Indonesia are an important business sector. Most of the existing business sector is dominated by SMEs, amounting to 99.99%. Small volumes of capital were needed to make SMEs into the business sector that was able to survive the crisis of 1998. They tend to use their own capital that does not rely on foreign currency fluctuations. Even after the crisis, the growth of SMEs has increased dramatically (LPPI & BI, 2015). Micro, Small and Medium scale industries often operate in households and the number of employees can be as much as 1-19 people for Small Business, and 20-99 people to Medium Enterprises. This time it was noted that 97.16% of the total workforce in the industry amounted to 107.66 million Indonesians who are absorbed by the Micro, Small and Medium Enterprises, while the rest are absorbed by Large Enterprises (CBS, 2010) such as corporations.

Increased MSME growth is directly proportional to the increase in the contribution of SMEs to the revenue of the State. During the period 2007 - 2012, Indonesia's GDP growth averaged at 18.33% per year or the amount of GDP increased from Rp 2,107,868 to Rp 4,869,568 Billion Billion. The high figure was made by SMEs in the business sectors that contribute the largest to the GDP (Hapsari, et al, 2014). Various positive impacts of SMEs are making these a critical and strategic business sector for development.

Researchers on strategic management such as Eisenhardt & Zbaracki (1992), Papandakis et al. (1998), Gilmore and Carson (2000) suggested that the process of decision-making by entrepreneurs in small organizations differ from the decision-making process in large organizations. In a small organization, an entrepreneur is the highest decision-making body. They carry out strategic decision making and all operational decisions are theirs (the overall levels of strategy, the corporate strategy, business strategy and functional strategy) so that the decision-making process has become a very crucial and important for the survival of any organization.

MSME development relies heavily on business owners. This is because the SMEs management key position is in the hands of the business owners, and almost all decisions are taken by them.



The decision making process contributes significantly to the development of SMEs. Robinson and Pearce (1983) suggested that the success of small businesses or SMEs are very dependent on the decision-making practices carried out by the organization. However, it seems that any decisions in small organizations or SMEs are slightly different from the decision-making in large organizations and international or multinational organizations. Decision-making in a small organization is often done by the owner of the organization and rely on their entrepreneurial spirit.

SMEs seek to be implementing a new system, and the role of the owners of SMEs is thus crucial in the decision to join in the trends followed by business start-ups which are currently emerging. In addition the decision of the owners can also be influenced by the culture of a country. In the example of Hofstede (2001), some cultural dimensions of Indonesian people show that Indonesia is difficult place to develop in a positive direction, and a aspects things need to be fixed, for example, aspects of which Individualism, Uncertainty Avoidance, Long Term Orientation, Masculinity and Power Distance. The owner's role in the development of small and medium enterprises is very important because it is the hierarchical structure of business in which owners have the discretion to determine the competitive strategy efforts. The owners have a variety of options to determine the pace of their business so as to be more competitive or not. Any strategic move will certainly have an impact on future income received by each SMEs. Besides, the mindset of people in developing countries becomes an important factor that supports or even often inhibits the owner/s to determine the correct attitude to compete or not to compete, to adopt technology or not.

## **Literature review**

### **Micro, Small and Medium Enterprises (SMEs)**

As stated earlier, every Micro, Small and Medium Enterprise (SME) has a strategic role to play in the Indonesian economy. The definition and criteria of the Micro, Small and Medium Enterprises (SMEs) in Indonesia are contained and regulated in Law No. 2 of 2008. Micro Enterprises in question are undertakings belonging to individuals and / or entities owned by individuals who meet the criteria as set by the Micro Act. Small Business is a productive economic activity that stands alone, carried out by an individual or entity that is not a subsidiary or not branches of companies owned, controlled, or may be a part, either directly or indirectly of other medium or large businesses that meet the criteria referred to in the Act. A medium enterprise is defined as an undertaking that is economically productive and stands-alone and is carried out by an individual or entity that is not a subsidiary or branch of the company, and importantly is not owned, or controlled by others.

In principle, the distinction of Micro, Small and Medium Enterprises are generally based on the amount of wealth, assets, turnover / sales per year and the number of people in the workforce. In terms of total net assets held (excluding land and buildings), the Micro has a maximum asset Rp. 50,000,000.00; Small businesses have assets above Rp. 50,000,000.00 - Rp.500,000,000.00; and Medium Enterprises have assets above Rp. 500,000,000.00 - USD 10,000,000,000.00. In terms of turnover / sales per year, totaling a maximum of Micro Rp300,000,000.00; Small Business turnover exceeding Rp300,000,000.00 - USD 2,500,000,000.00 while the Small Business turnover exceeding US \$ 2,500,000,000.00 - Rp 50,000,000,000.00 (Act No. 20 of 2008). Labor which is owned by the Micro numbering 1-4 people.



## E-Commerce

The emergence of the internet created a new world for human activity. Many companies are using the Internet to facilitate the application and improve their performance, one of which is "e-commerce". E-commerce illustrates a modern economic growth (Pankaj, 2015). In the business world, e-commerce is capable of imposing an IT revolution on a system. This technology is able to break the distance of space and time, changing patterns of trade, increasing the circulation of goods, capital and information, and it also helps a company to gain added value by lowering the cost of production. E-commerce is able to transform a company into a bigger, faster, agile, better and more economically viable entity (Mpofo & Nicolaidis, 2019; Qin, 2009).

A rapidly emerging information technology today is the deployment, purchasing, sales, marketing goods and services over electronic systems such as the Internet, television or computer network (e-commerce). The definition of e-commerce, according to Kotler et al (2012: 460) is the use of a website to transact or facilitate the sale of products and services online and it can also be used as a tool to buy and sell products or services over the Internet using a computer system to improve the efficiency of the overall company. It usually consists of trading that occurs through the sellers and buyers visiting the website to make online transactions. Electronic Commerce describes the process of purchase, sale, transfer, or exchange of products, services and information via computer networks, including the Internet (Sutanto, 2000: 9).

## Hofstede Cultural Theory

Culture is the knowledge that is used by individuals to interpret experience and generate a social behavior. According to Kluckhohn and Kroeber (in Dowling et al, 2013:41), culture consists of mindset, feelings and reactions which are obtained and transmitted by symbols, and it is a distinctive achievement of human groups. Additionally cores consist of traditional culture, ideas and especially the value contained therein There is a cultural dimension according to Hofstede (in Dowling et al, 2013) which describes the effect of the cultural dimension of culture on the values of its members and how these values may affect behaviour, using a structure derived from a variety of factor analysis. Hofstede (2001) speaks to the notion of cultural dimensions as:

1. Distance Power concerns the level of equality of people in power. Small power distance indicates equal society. Small power distance cultures the people on the easy to accept responsibility. While the large power distance, then people are more disciplined because of the fear of power.
2. Individualism vs. collectivism concerning ties in the community. In some societies individually, each party is expected to take care of himself and his family independently. Collectivism then people / employees in the culture are permitted to give inputs.
3. Masculine vs. Femininity concerns the differences in style between genders. In the masculine culture the highlighted items are firmness and being competitive, while the woman is the one expected to be courtesy and pay attention. In the culture of the people in Indonesia, Masculinity is considered to be suitable for mass production and efficiency. While the feminine culture is more suitable for the personal care industry, the production of which can be tailored to customer needs, agriculture and biochemistry.
4. Uncertainty Avoidance (Uncertainty Avoidance) which show a sense of comfort to a culture against uncertainty. Great uncertainty avoidance culture of the people in that



culture suited to the demands of precision. While small uncertainty avoidance cultures on which to perform basic innovation.

5. Long Term Orientation concerns the public mindset. In the long-term-oriented society one may enjoy the status, thrift and perseverance in taking an action and have a high sense of shame when delaying to think ahead.

## **Madura Culture**

The Madurese are an ethnic group initially from the island of Madura and they are now found in many parts of Indonesia, and remain the third-largest ethnic group by population. Common to most Madurese is the Islamic religion and the use of the Madurese language. They are a very set in their ways group of people and do not approve of new challenges that will disrupt their ways of doing things. Consequently, the owner of Friday Night Coffee has boldly dare to challenge the status quo concerning how things are done in his SME.

Madurese culture can be classified into two characteristics of uncertainty avoidance namely, low and high. Consequently Hofstede's notion in this feature cannot be indicated in one type only, because the Madurese people can be low and high depending on the couple adaptation of other cultures that it is faced with. Generally, the Madurese chose to create an independent individual, one who is individualistic and believes in oneself rather than an individual who is communal and cooperative in orientation. For a man in Madura, since childhood it is instilled in his mind by his parents that men should never dare to leave their hometown, and a man is not a 'real man' if you dare to go abroad. They are thus very difficult people to accept changes in life and are threatened by such things as technological Solidarity and internal communication between each member of the group is a very strong aspect. Such characteristics views have sadly led to stereotypes of the Madurese as hard and fierce by other ethnic groups. Such stereotypes, of course, are not always entirely true. From the perspective of Madurese, real Madurese can also be as good as other tribal groups. Madurese can be loud and fierce when they intersect with self-esteem issues. For the Madurese, self-esteem is the most important aspect in social life. It causes people of Madura offence if their dignity is affronted. In this culture, inheritance (traditional house, land, and inheritance) is a heritage that must be protected and preserved. Each family member must maintain the legacy. For the Madurese, inheritance diindentikkan with self-esteem is vital, both for individuals and for the whole family (Rochana, 2012).

More than half of the ethnic Madurese people are now presently living outside of their habitual homeland have established themselves in many regions of Indonesia, where many communities of previous transmigrants and their progenies still preserve their Madurese individuality. The power distance in Madura is classified as unequal, where there is power distance based on social groups (Rifai, 2007). Fundamentally the distance of power to organizations, groups, and ethnic groups in Indonesia is considered to be high.

Assessing Madurese people classified as masculine in cultures can be seen that the carefulness of Madurese who work hard is proven for the men who are responsible for improving the welfare of life together. The element of masculinity shown is found when the earnestness of work, the firmness of action, the firmness of the attitude, and the courage of facing the uncertainty of the environment to pass the challenges in the midst of infertile nature, motivate the Madurese to wander (Dharmawan et al., 2018).



In real terms, difficult economic times have led to human movement to other regions either permanently or temporarily. This happened on the island of Madura due to a lack of income from the agricultural sector and low educational background which also influenced the process. Thus some residents chose to become nomads and sought some informal employment as a primary goal of their movement. Then high levels of migration of Madurese were due to a lack of technology development, especially in the agricultural sector and in agriculture such as livestock, textiles, industry and others. Agriculture among the Madurese people on the island of Madura is poorly established owing to low fertility and very meagre soil conditions, so farming is not significant in Madurese culture. Madurese migrants are a large number, and as immigrants they cannot be separated from their original work ethic, ranging from work with a small income as a parking guard up to the entrepreneur or some may work in government. Faraby (2014) says the Madurese are known as enterprising people with a spirit of hard work, that endeavor in every effort, to develop solidarity and cooperation in work and should thus be able to drive and improve their culture by adopting E-Commerce as a vehicle of the 4IR. The Madurese inhabitants of large cities, predominantly in eastern Surabaya are enthusiastically involved in modern economic sectors.

## Research Methods

This study used a qualitative approach. The method used in this research was a descriptive analysis. Sources of data in this study were the result of interviews with key informants of SMEs at "Friday Night Coffee". The data in this study comprised of story units of quotations in accordance with the purpose and focus of the research. This research data collection techniques were read carefully and repeatedly, identifying, recording, checking or selecting, and concluding what each respondent said.

## Results and Discussion

The cultural approach according to Hofstede has six dimensions: power distance, individualism, masculinity, uncertainty avoidance, long term orientation, and indulgence. Each country has a different culture. Broadly speaking Indonesian cultural dimensions based on Hofstede's approach can be viewed as follows: (1) power distance, (2) long term orientation, (3) uncertainty avoidance, (4) masculinity, (5) indulgence and (6) individualism. The image can be seen in Figure 1 below.

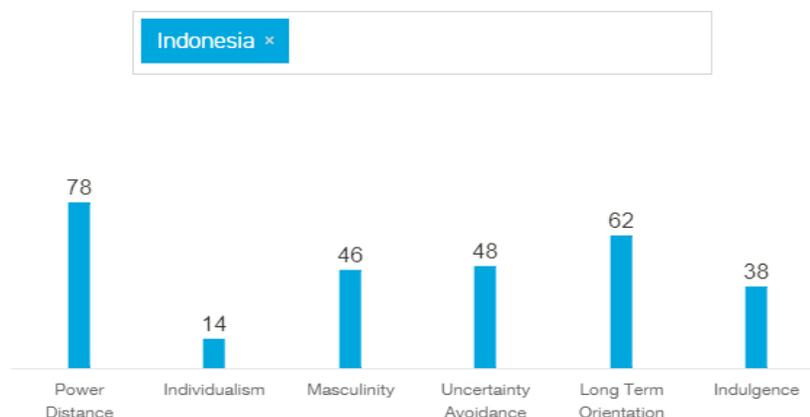


Figure 1. Indonesian culture using Hofstede



The dimensions of power distance have a high enough value that is equal to 78 which proves that the hierarchy is still very strongly interested in an organization. Power distance (PD) is a cultural dimension which measures the extent to which individuals in a social environment receive the gap against the social status. High PD are likely to see that the supreme power is held by the highest position. Meanwhile, the low PD have thought of a more democratic way and respect the opinion of each individual (Hofstede, 2014).

Lower individualism proves that the Indonesian people tend to have a high communal nature, as evidenced by a point or a low level of individualism. Individualism (IDV) is a cultural dimension that measures how an individual sees himself as an independent individual or as an individual who is part of the group (Liu & Tang, 2007). Collectivism is a cultural dimension that represents the low IDV, which is more concerned with the interests of individuals or community groups.

Masculinity in Indonesia is quite high but not significant, and it has been proved that the people of Indonesia appreciate the value of work performance and firmness, but Indonesia also arguably respects gender equality in leadership. Masculinity (MAS) is a cultural dimension that measures whether the individuals place more emphasis on achievement, competition and ambition as a comparison between individuals. At a high MAS, the male character must be personally tough, while the female character is supposed to be gentler. Meanwhile, a low MAS cultural dimension is called femininity. This dimension emphasizes the gender differences that distinguish how the two are supposed to have any thought or viewpoint (Hofstede & Bond, 1984).

Uncertainty Avoidance (UAI) is a cultural dimension which measures the extent to which people feel comfortable or not against uncertainty, and how confident individuals tend to avoid uncertainty (Liu & Tang, 2007; Hofstede and Bond, 1984). A high UAI can be seen from how individuals use the law or regulations in the face of changing circumstances or conditions so that the individual can control the changes that occur. While a low UAI will create an environment that is more tolerant of change. Environments which are formed from a low UAI are more flexible and convenient, so that new ideas or changing circumstances are a natural thing. Related to uncertainty avoidance, Indonesia has considerable value in this regard. Long-term Orientation (LTO) is a cultural dimension in which individuals think about long-term consequences that will occur when they are now doing something. Individuals with a low cultural dimension LTO-called Short-term orientation (STO) represent the culture of the community oriented towards the short term, that is more focused on the past and the present (Hofstede, 2015).

The point is that sizable Indonesian SMEs are planning for major long-term orientation. Careful planning needs to become the focus for the organization. Organizations must have strategic long-term planning which, if utilized properly, will be useful for the progress of the organization and its ultimate sustainability. The employees of a business like Friday Night Coffee will need to be tuned in to the latest technology and learn the necessary skills. This means that these employees will require higher quality education that integrates general knowledge in both the food service sector with emerging technologies. Employees will need upskilling and required to be capable in service quality provision using technology (Mpfu & Nicolaidis, 2019).

Business owners have great authority in determining the progress of each of their businesses, not least of all small and medium businesses. Small businesses, especially medium ones in Indonesia have a big challenge which they need to surpass. The site [industri.bisnis.com](http://industri.bisnis.com) mentions that there are at least three barriers faced by SMEs, among others, capital, administration and technology. The main obstacle faced by SMEs is the capital. Many micro and small businesses, do not need banking institutions. SMEs which are usually associated with the administration still find it difficult to record everything related to sales and administration. In addition the technology



is also becoming something new faced by SMEs. Capital constraints also make it difficult to grow SMEs. The role of business owners in every SME should be the same but not necessarily identical between one business unit and another. Some of the factors that inhibit moves towards the concept of SMEs in e-commerce, among others, include:

- There are bigger profits earned when doing normal commerce systems in the business.
- Compatibility of SMEs with startup businesses create the perception that it is good to do e-commerce system.
- The greater the costs could be, thus the SME does not need to use an e-commerce system so its business as usual.
- Acceptance of big risk perceptions tends to cast doubt on a deepening of an e-commerce system.
- The level of knowledge of the technology and business owners IT skills levels affect the non-use of an e-commerce system.
- The greater the innovation of a business owner, the better if he is able to direct the business towards an e-commerce system.

Some of these perceptions are actually faced by all SMEs that exist here. Doubts about some of these factors actually occur in SMEs in Indonesia, and are experienced by every business owner when they want to promote their business units to more advanced levels. In fact, not only Indonesia but other developing countries in the world notice these things, coupled with the state of the developing countries which so far can be considered related to infrastructure lags behind developed countries. If you are connecting from the cultural dimensions of Hofstede, it can be concluded that Indonesia has a tendency of developing countries in which power still has a clear hierarchical boundary, and where the 'boss' still has a very clear total rule approach. This is shown in the cultural dimensions Hofstede where power distance Indonesia is quite high, if it is linked with the role of owner in the development of SMEs the owner / owners have more power which makes subordinates more of a receiver of tasks and there is no discussion on decision-making between subordinates and superiors. But it is seen generally in SMEs in Indonesia. The downside of it is, the owner will be alone in this SME emmentukan direction heading toward the betterment as part of an e-commerce system. If in snagkut pautkan the owner's role in the development of SMEs is based on power which makes others only subordinate assignees and there is an absence of decision-making and related discussions between subordinates and superiors, then there is no room for flexibility. But this is seen generally in SMEs in Indonesia. The downside of this is that the owner will be alone in this SME emmentukan direction heading toward the better all e-commerce system. The role of SMEs owners is also based on a need to face the risk factors which are present when a business unit is moving towards e-commerce. Some of the factors mentioned in the above discussion, for example, the level of risk and the cost tend to be a greatly feared by the owners of SMEs when judging them from the cultural dimensions of Hofstede, mainly associated with uncertainty avoidance.

Developing countries such as Indonesia have a fairly high certainty avoidance population who have a cultural dimension of uncertainty avoidance (high uncertainty avoidance) and who tend to be more emotional. They try to minimize the occurrence of unknown circumstances or unusual things. Thus changes occur carefully, step by step with planning and implementing for example laws and regulations. For instance in deciding to continue into a business unit that has an e-commerce system, the high costs and risks of the future such as the use of partners, payment systems, delivery systems also are things to think about. Business owners, especially in Indonesia have thought that despite the uncertainty that exists, it will be fought and thought out carefully, though it may be stressful, emotional and promote anxiety, but most owners of SMEs fight for



being able to advance their business units. Other things like the influence of the hierarchy has caused intolerance of different ideas and distorted some, because the related uncertainties may have an adverse impact on their growth. Madurese value their personal honour (Rosantini, 1990). A man will not go to any place where he has not been invited (De Jonge, 1995). He will not ask for support from anyone outside his direct family. Men will not collaborate with each other before fixing the precise division of labour and terms of compensation. They prefer to use go-betweens in conducting negotiations. Their strong sense of personal dignity makes them standoffish and unwilling to change how things are done (De Jonge, ed.,1988).

## Conclusion

How ready is Indonesia to compete in a digital future? Are the others like Friday Night Coffee who are willing to step into the IT development and positioned to establish a sustainable competitive position in the 4IR landscape? The fundamental economic impacts in terms of employment, and technology are critical to address. It is Indonesia's 2030 dream to "To become a global top 10 economy in 2030 by regaining net export advantage, driving share of GDP from manufacturing, and competing in productivity, as a result from advancement in technology and innovation...For Indonesia, successful execution of 4IR blueprint requires this to be a national agenda" (ATKearney, n.d.)

Culture does indeed influence the decision-making of every business owner, including the Small and Medium entities that are developing their businesses and trying to keep running in the midst of limited business and capital resources. The role of the business owner is very important for every business because the business owner must adopt a good strategy for any efforts to move towards e-commerce. E-commerce makes it easier for every transaction, but the challenges faced by SMEs in developing countries are not easy. The role of the owner is the key to the success of every SME and so tact is needed when trying to instil new ideas and operational methods on people who are headstrong and who do not like change due to various reasons as expressed earlier. The cultural dimension proves that Indonesia as a developing country has the potential to empower SMEs through the respective roles of owners and especially when SMEs seek to develop through e-commerce systems. It is not impossible that SMEs will still be a major contributor to GDP in Indonesia the next few years.

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