

## The Impact of Local Culture on the Internationalization of MSMEs: Analysis of Statue Craftsmen in Trowulan

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**Abstract,** This study explores the impact of local culture on the internationalization process of Micro, Small, and Medium Enterprises (MSMEs), especially statue craftsmen in Trowulan, East Java. MSMEs in Indonesia face various challenges, including low productivity and access to technology. However, statue craftsmen in Trowulan are able to utilize the richness of Majapahit culture to differentiate their products in the global market. Using a qualitative approach through in-depth interviews and participant observation, this study found that local culture not only plays a role as a product identity, but also as a strategy to attract international consumers. Adaptation to the needs of the global market, especially in Europe, shows the ability of craftsmen to innovate and collaborate. This study provides important insights into how the integration of local culture can improve the competitiveness of MSMEs in the era of globalization, and offers recommendations to support the development of MSMEs through cultural preservation and skills improvement. The results can be used as a reference for local economic policies and the promotion of Indonesian cultural heritage.

**Keywords:** Local Culture, MSME Internationalization, Trowulan

### 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the private sector in Indonesia, with around 66 million business entities, of which 9 million are officially registered. However, the contribution of MSMEs to the national economy is still limited, with low productivity. According to the World Bank, although MSMEs dominate the wholesale, retail, and investment services sectors, they only produce 3 percent of total national output and provide 11 percent of full-time employment. This indicates a gap in productivity and integration into international markets, with less than 2 percent of MSMEs using imported raw materials (Putri, 2024).

Many Micro, Small, and Medium Enterprises (MSMEs) in Indonesia have not fully adopted digital technology, so they lag behind in efficiency and innovation. They also face obstacles in accessing funding from formal financial institutions due to inadequate collateral and credit track records. In addition, competition with cheaper and higher-quality imported products makes it difficult for MSMEs to maintain market share. The low quality of human resources, especially in managerial and innovation skills, as well as inconsistent regulations and complicated bureaucracy, further hamper their development, especially in exports and wider market access. Therefore, effective strategies are needed, such as improving skills,

utilizing technology, and better access to financing, so that MSMEs can survive and thrive in the era of globalization (Ariani, 2025).

Sculpture craftsmen in Mojokerto, especially in Trowulan, reflect the richness of cultural heritage that continues to be preserved. Sculpture craftsmen in this area not only produce beautiful works of art, but also preserve local wisdom through traditional techniques and designs. With increasing demand, craftsmen strive to develop creativity and innovation in their products, so that they can attract the interest of a wider market, both domestically and internationally (Rijal, 2012).

Local culture in Mojokerto, especially in Trowulan, plays an important role in the development of MSMEs of sculpture craftsmen, creating a unique identity for their products. By utilizing local wisdom and technology, craftsmen are expected to increase competitiveness and expand markets, providing a positive impact on the local economy (Sansiri, 2024).

Local culture plays an important role in shaping the behavior of MSME owners, giving a unique color to their business strategies and decisions (Alkaabi, 2024; Iswari et al., 2024). The strong cultural identity in Brittany encourages MSMEs to be more proactive in seeking international opportunities, using culture-based marketing strategies that increase product attractiveness. Local culture plays an important role in shaping the attitudes, motivations, and success of MSMEs in the global market (Bowen, 2020).

Research that examines the impact of culture on the internationalization of MSMEs by highlighting the influence of cultural values and attitudes towards risk on risk management strategies and export intentions. Through a comparative study of MSMEs in the Czech Republic, Slovakia, and Hungary, it was found that differences in culture and local norms contribute to variations in risk management approaches, which ultimately affect the level of MSME export success (Civelek et al., 2024).

Culture influences the way consumers perceive what a product offers. Lack of understanding of cultural-cognitive legitimacy can lead to market expansion failure. MSMEs need to adapt their offerings to local norms and expectations in order to be accepted in new markets. Entrepreneurs who understand and integrate local culture tend to be more successful, while those who ignore it risk failure. Therefore, awareness of cultural diversity in each market is key to formulating an effective internationalization strategy (Wei et al., 2024).

Based on the description above, this study is very important to conduct to determine the role of local culture in supporting the internationalization of MSMEs, especially for statue craftsmen in Trowulan. By understanding how local culture can be a valuable asset in marketing products in the global market, we can identify effective strategies to increase

competitiveness at the international level. In addition, this study is expected to provide in-depth insights into the interaction between tradition and innovation, and its impact on MSME desires. Therefore, the results of this study will not only be beneficial for craftsmen, but can also be a reference for development policies that support local economic growth through cultural preservation.

## **2. METHOD**

This study uses a qualitative approach with a strategic case study to explore the influence of local culture on the internationalization process of MSMEs, focusing on statue craftsmen in Trowulan, East Java. This approach was chosen because it allows for a deep understanding of the dynamics of culture, business practices, and export strategies carried out by business actors in a unique local context that is full of historical value.

Data collection was conducted through in-depth interviews with MSME owners and managers engaged in the production and marketing of statues based on Majapahit cultural values. Informants were selected purposively with the following criteria: (1) have been running a business for at least five years, (2) are involved in direct export activities or through intermediaries, and (3) have an understanding of the local cultural values inherent in their products. In addition to interviews, researchers also conducted participatory observations at production locations and collected documents such as product catalogs, sales archives, and documentation of international exhibition activities.

Data were analyzed using thematic analysis techniques, starting from interview transcriptions, open coding processes, to identifying key themes related to local culture and international strategy. The researcher iteratively compared data between informants and between sources to ensure consistency and depth of analysis. To maintain the validity of the data, source and method triangulation techniques were used, as well as member checking of key informants to confirm the findings obtained.

With this case study, the research seeks to uncover how Majapahit cultural heritage is not only a local identity, but also plays a role as a selling point in penetrating the international market, as well as how MSME actors navigate between tradition and the demands of globalization.

## **3. DISCUSSION**

This paper emphasizes the importance of local culture in supporting the internationalization of Micro, Small, and Medium Enterprises (MSMEs), especially for statue

craftsmen in Trowulan, East Java. In this context, local culture is not just a heritage, but also a strategic resource that can increase product competitiveness in the global market.

### **1. The Role of Local Culture in Product Identity**

Local culture provides a unique identity to MSME products, which distinguishes them from other products. In Trowulan, previously many craftsmen focused on copper crafts, in addition to statue craftsmen. However, along with the decreasing demand for copper products, many of them switched to statue crafts. This shift reflects the adaptation of craftsmen to market dynamics and consumer needs. In the case of statue craftsmen in Trowulan, techniques and designs influenced by Majapahit cultural values are a special attraction for consumers. By utilizing cultural richness, MSMEs can create products that not only have aesthetic value, but also historical and cultural value. In an effort to stay relevant and develop their business, statue craftsmen are now utilizing techniques and designs that are rich in Majapahit cultural values.

In addition to being influenced by cultural elements, statue craftsmen in Trowulan also adapt to meet the needs of the European market. In this effort, they not only rely on techniques and designs that are rich in cultural values, but also accept various designs or models according to market demand. By understanding the tastes and trends that are developing in Europe, craftsmen can create products that are more relevant and attractive to international consumers. This shows their ability to innovate and collaborate, so that the products produced not only reflect local cultural heritage, but also meet the expectations and needs of the global market. With this approach, statue craftsmen strive to expand their market reach and increase the competitiveness of their products in the international arena.

### **2. Challenges Faced by MSMEs**

Despite having great potential, MSMEs in Indonesia, including statue craftsmen, face various challenges. Lack of access to digital technology, financing, are significant obstacles. Therefore, an effective strategy in developing expertise and innovation is needed so that MSMEs can compete in the international market.

The challenge faced by statue craftsmen in Trowulan is the lack of participation in statue exhibition events in the European market, which is very important to expand the reach of their products. Participation in exhibitions not only serves as a marketing tool, but also as a platform to introduce original Majapahit and Nusantara statue designs or models to international consumers. Unfortunately, without adequate support, many craftsmen find it difficult to participate in these events. Therefore, there needs to be a

facility from the government to help craftsmen in participating in exhibition events. With this support, craftsmen are expected to be able to display their work, increase product visibility, and strengthen Indonesia's cultural identity in the global market. This is not only beneficial for craftsmen, but can also make a positive contribution to the promotion of Indonesia's cultural heritage as a whole. In addition, sculpture craftsmen in Trowulan are starting to face serious problems related to the lack of the next generation. Many craftsmen who have dedicated their lives to the art of sculpture are now worried, because fewer and fewer young people are interested in continuing this tradition. As a result, many of them are now switching to the molding method, which is considered easier and faster. However, this threatens the authenticity and cultural value contained in traditional sculpture. Without efforts to preserve the carving techniques that have been inherited, this cultural wealth has the potential to be lost. Therefore, it is important to encourage the interest of the younger generation in sculpture, through education and training programs that can maintain traditional skills while remaining relevant to current developments.

The conflict between Palestine and Israel has had a major impact on international trade routes, especially in the Suez Canal area. The ongoing tensions have caused cargo shipments to be hampered and unable to pass through this route, so that shipments of goods to Europe have to take a detour through South Africa. This alternative route not only extends shipping times but also drastically increases operational costs. This increase in costs is certainly a challenge for entrepreneurs, including sculpture craftsmen in Trowulan, who are highly dependent on the international market.

### **3. The Importance of Adapting to the Global Market**

Studies show that MSMEs that are able to understand and integrate local culture tend to be more successful in increasing their market share. This success does not only depend on the quality of the product, but also on the ability to adapt to the cultural environment in which they operate. Therefore, it is important for entrepreneurs to increase their awareness of cultural diversity in the target market, so that they can design more targeted strategies.

The Trowulan statue market is growing with a focus on exports to Europe, where demand for high-quality art products continues to increase. The statue craftsmen in Trowulan not only produce works based on local traditions, but also actively adapt their designs and styles to suit the tastes of the European market. By understanding consumer preferences in countries such as the UK and Germany, they are able to create more

modern and contemporary statues, without losing their inherent cultural values. This adjustment allows them to attract more customers and expand their distribution network, thus increasing the desirability of their business in the global market.

MSMEs must be able to adapt their products and marketing approaches to local norms and expectations, which is a very crucial step. This includes developing products that are relevant to local consumer preferences and using language and symbols that are acceptable to the community. In this way, MSMEs can not only meet market needs but also build stronger relationships with consumers, which in turn can increase loyalty and sales.

The sculpture exhibitions in Birmingham, England, held every February, and in Frankfurt, Germany, in June, are important platforms for Trowulan craftsmen to promote their works. These events not only attract collectors and art enthusiasts, but also provide opportunities to establish strategic business partnerships. The demand for these sculptures usually increases towards the end of the year until June, when many consumers are looking for unique products for gifts or decoration. By focusing on these two main markets, craftsmen can optimize their production and marketing strategies, thereby meeting diverse consumer expectations and increasing sales volume. Active involvement in these exhibitions also helps them to get direct feedback from customers, which is very valuable in the process of design innovation and product development.

#### **4. Recommendations for MSME Development**

To increase the competitiveness of MSMEs, synergy between the government, financial institutions, and business actors is very important. The government can play an active role by designing policies that support the development of MSMEs, such as providing incentives for businesses that adopt new technologies. In addition, financial institutions need to provide easier and more affordable access to financing, so that business actors can invest in innovation and the development of higher quality products. With this collaboration, MSMEs will be better prepared to face challenges in the international market.

Training programs are also a key element in strengthening the position of MSMEs. Through training, entrepreneurs can improve the managerial and technical skills needed to manage their businesses effectively. This training should cover aspects of digitalization, modern marketing, and financial management, so that MSMEs can utilize technology to increase efficiency and save energy. With better skills, MSMEs will be able to adapt quickly to changing market needs.

In addition, the promotion of local culture as a selling point must continue to be encouraged to attract wider market interest. Products that contain elements of local culture are not only attractive to domestic consumers, but also have appeal in the international market. By prioritizing local uniqueness and wisdom, MSMEs can create a strong identity for their products. This effort can be done through participation in international exhibitions, collaboration with designers, and marketing that emphasizes cultural uniqueness. With the right strategy, MSMEs can leverage their cultural richness to achieve success in the global market.

#### 4. CONCLUSION

This study shows that local culture has a significant impact on the internationalization of Micro, Small, and Medium Enterprises (MSMEs), especially for statue craftsmen in Trowulan, East Java. By utilizing the richness of Majapahit culture, the craftsmen can create unique and attractive products for international consumers. Despite facing various challenges, such as access to technology and financing, the statue craftsmen show the ability to adapt and innovate according to the needs of the global market.

The synergy between the government, financial institutions, and business actors is very important to increase the competitiveness of MSMEs. Training programs and access to technology need to be strengthened so that craftsmen can improve their skills and operational efficiency. In addition, the promotion of local culture as a selling point must continue to be encouraged to expand market reach, both domestically and internationally.

Overall, this study provides important insights into the role of local culture in the internationalization strategy of MSMEs. The results of the study can be a reference for development policies that support local economic growth through cultural preservation, as well as increasing competitiveness in the global market. Efforts to integrate tradition and innovation will be the key to success for statue craftsmen and MSMEs in general in this era of globalization.

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