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Digital Transformation in the Internationalization of Beverage MSMEs in East Java: Perspectives of the Uppsala Model, Born Global Theory, and Resource-Based View

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Abstract

This study examines the role of digital transformation in advancing the internationalization of beverage MSMEs in East Java Province. East Java is one of Indonesia's provinces with the largest MSME base, comprising more than 9.7 million business units that contribute approximately 57.5% to regional GDP. Nevertheless, active participation of beverage MSMEs in export activities remains severely limited, accounting for less than 5% of East Java's total food and beverage export value. This study employs a descriptive qualitative approach with a multiple case study method involving 150 respondents from beverage MSME operators across five major cities and regencies Surabaya, Malang, Sidoarjo, Batu, and Gresik. Data were collected through semi structured interviews, questionnaires, and documentation. The study integrates three primary theoretical frameworks: the Uppsala Model, which emphasizes knowledge based incremental internationalization; Born Global Theory, which accounts for the acceleration of global market entry through digital technology; and the Resource-Based View (RBV), which underscores the role of dynamic capabilities and digital assets as sources of competitive advantage. Findings reveal that the principal barriers include low digital literacy, limited global branding capacity, a weak export logistics ecosystem, and insufficient international social capital. Effective strategies encompass the adoption of cross border e-commerce platforms (Shopee International, Amazon, Lazada), strengthening multilingual social media content, and collaboration with digital export aggregators. This study recommends a synergistic policy approach among government,

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academia, and industry stakeholders to build an inclusive digital export ecosystem for East Java's beverage MSMEs.

Keywords: beverage MSMEs, digital transformation, internationalization, Born Global, Uppsala Model, Resource-Based View, East Java.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the Indonesian economy, particularly in East Java Province. According to data from the East Java Provincial Cooperative and SME Agency (2024), the number of MSMEs in East Java has exceeded 9.7 million business units, making it one of the provinces with the largest MSME base in Indonesia. This sector contributes approximately 57.5% to East Java's Regional Gross Domestic Product (RGDP) and absorbs more than 89% of the local workforce. Among the various MSME subsectors, the beverage sector holds significant export potential given East Java's abundant local raw material wealth, encompassing robusta coffee from the slopes of Mount Ijen and Semeru, tea from the highlands of Malang and Blitar, endemic spices, and a diverse range of herbal drinks rooted in jamu's strong cultural heritage.

Despite this potential, the contribution of East Java's beverage MSMEs to exports remains far from optimal. Data from the East Java Central Statistics Agency/BPS (2024) indicate that East Java's food and beverage exports reached USD 2.3 billion in 2023, yet the portion attributable to MSMEs stood at only approximately 4.8%. This gap reflects a structural paradox: a sector that is quantitatively enormous possesses an exceedingly small international footprint. The primary barriers identified include limited digital literacy, weak global branding capacity, an inability to comply with export regulatory standards, and restricted access to international distribution networks.

Digitalization has opened new opportunities for MSMEs to penetrate global markets without traversing the conventionally lengthy stages. The emergence of cross border e-commerce platforms such as Shopee International, Amazon Global Selling, Alibaba, and Lazada enables MSMEs to reach international consumers directly. A report by the Ministry of Trade of the Republic of Indonesia (2024) noted that the value of Indonesia's digital export transactions grew by 34% year on year; however, the participation of East Java's MSMEs in this ecosystem remains relatively low compared to their potential.

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Research on MSME digitalization and internationalization is extensive, yet the majority of studies focus on general manufacturing MSMEs or trade sectors. Studies that specifically integrate the context of beverage MSMEs in East Java within a comprehensive theoretical framework remain scarce. Knight and Cavusgil (2004) laid the foundation of Born Global Theory, while Raharjo (2022) examined MSME export digitalization in general terms; however, neither has integrated the Resource-Based View perspective within the context of digital dynamics. This research gap constitutes the primary justification for the present study.

This study aims to: (1) identify the profile and digital readiness level of beverage MSMEs in East Java; (2) analyze structural and operational barriers in digital based internationalization; (3) map effective digital strategies based on the Uppsala Model, Born Global Theory, and Resource-Based View perspectives; and (4) formulate operational policy recommendations for relevant stakeholders.

LITERATURE REVIEW

The Uppsala Model and Its Evolution in the Digital Era

The Uppsala Model, introduced by Johanson and Vahlne in 1977, is a foundational theoretical framework in the study of firm internationalization. The model posits that firm internationalization proceeds in a gradual and incremental manner, driven by the accumulation of market knowledge and progressively increasing resource commitment. Johanson and Vahlne (1977) identified four principal stages in the Uppsala Model: (1) no regular export activities; (2) export through independent agents; (3) establishment of sales subsidiaries; and (4) production or manufacturing in the target country. The concept of 'psychic distance' encompassing differences in language, culture, political systems, and education levels plays a central role in determining the sequence of international market entry.

In their fundamental revision of the model in 2009, Johanson and Vahlne updated their framework to accommodate the realities of contemporary international business networks. The revision emphasizes that internationalization is not solely driven by the accumulation of individual knowledge, but also by a firm's position within its network of business relationships. The concept of 'liability of outsidership' the disadvantages experienced by a firm for being outside relevant networks is considered more critical than mere liability of foreignness. In a digital context, the implications of this revision are highly pertinent: digital platforms such as international marketplaces and social media can

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function as network infrastructure enabling MSMEs to enter global business networks without traversing the conventional incremental process.

Nonetheless, criticism of the Uppsala Model in the digital era has intensified. Petersen et al. (2002) argue that the internet and digital technologies have fundamentally altered information search costs, communication barriers, and international supply chain coordination, thereby diminishing the relevance of the Uppsala Model's incremental stages. Madsen and Servais (1997) also noted that many companies particularly those born in the digital era bypass the Uppsala stages dramatically. In the context of East Java's beverage MSMEs, the Uppsala Model remains relevant for explaining the internationalization patterns of MSMEs that adopt conservative, traditional network based approaches, yet needs to be integrated with theories better capable of capturing the digital acceleration phenomenon.

Born Global Theory: Technology Based Internationalization Acceleration

Born Global Theory emerged in response to the empirical phenomenon whereby newly established companies including MSMEs successfully enter international markets at the early stages of formation, or even from inception. Knight and Cavusgil (2004) define born global firms as organizations that view the world as a single market from the outset and develop organizational capabilities enabling them to compete internationally despite limited resources. The defining characteristics of born global firms include: an early global orientation, high innovation intensity, rapid product adaptation capability, and the use of technology as the primary enabler of international expansion.

Rennie (1993), in his study of Australian companies, found that born global firms begin exporting on average two years after establishment, with exports contributing an average of 76% of total sales in stark contrast to traditional firms that require 27 years before actively exporting. This phenomenon is further reinforced by the digital revolution, which enables MSMEs to access global market information, build international brands, and conduct cross border transactions at very low marginal costs.

In the context of East Java's beverage MSMEs, Born Global Theory holds considerable relevance. Platforms such as Instagram, TikTok, and YouTube have enabled some local beverage MSMEs particularly those specializing in specialty coffee and premium herbal beverages to build international consumer communities even before establishing a formal export infrastructure. Oviatt and McDougall (2005) affirm that the internalization of unique knowledge, ownership of intangible assets, and relational networks are key determinants of success for born global firms. The implication for

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beverage MSMEs is that product uniqueness rooted in local wisdom such as jamu, single origin coffee, or East Javanese herbal tea can serve as a source of competitive advantage that is difficult for global competitors to replicate.

Resource-Based View (RBV) and Dynamic Capabilities in the Digital Context

The Resource-Based View (RBV), developed by Barney (1991) on the intellectual foundation of Penrose (1959), provides an internal perspective on the sources of sustained competitive advantage. RBV argues that firms possessing resources that are valuable, rare, inimitable, and non substitutable collectively known as VRIN conditions will be able to sustain their competitive advantage over the long term. In the context of digital MSME internationalization, relevant resources encompass digital technology capabilities, international market knowledge, global brand reputation, digital distribution networks, and product innovation capacity.

Teece et al. (1997) extended RBV by introducing the concept of Dynamic Capabilities the firm's ability to integrate, build, and reconfigure internal and external competencies in response to rapid environmental changes. The three principal components of dynamic capabilities are sensing, seizing, and reconfiguring. In the era of digital transformation, MSMEs capable of developing digital dynamic capabilities encompassing data analytics, platform algorithm adaptation, digital content development, and online reputation management will hold a significant competitive advantage in international market competition.

Applying RBV and Dynamic Capabilities to East Java's beverage MSMEs yields a rich analytical perspective. Locality based resources such as exclusive access to Ijen coffee varieties, time honored jamu recipes, or halal and organic certifications represent VRIN assets that cannot be easily replicated by competitors. However, the ability to convert these local assets into global value propositions requires digital dynamic capabilities encompassing: digital storytelling, cross cultural brand identity management, content optimization for international marketplace algorithms, and data driven customer relationship management capabilities.

Digital Marketing Theory and International E-Commerce

The advancement of digital marketing has opened a new dimension in MSME internationalization strategies. Chaffey and Ellis Chadwick (2019) define digital marketing as the application of digital technologies that form online channels contributing to marketing activities aimed at achieving profitability and retaining customers. In the

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internationalization context, digital marketing encompasses multilingual Search Engine Optimization (SEO) strategies, geographically targeted digital advertising, cross cultural social media marketing, and localization content management.

Turban et al. (2018) identify international e-commerce as a fundamental enabler for MSMEs penetrating global markets, by reducing traditional entry barriers such as the costs of establishing representative offices, negotiating distribution contracts, and investing in physical infrastructure. The marketplace business model wherein third party platforms provide transaction infrastructure, payment systems, and consumer trust has proven to be the most efficient bridge for MSMEs embarking on their digital export journey. In the East Java context, the adoption of platforms such as Shopee International, Tokopedia Global, and Amazon FBA (Fulfillment by Amazon) opens concrete opportunities for beverage MSMEs to market their products to consumers in Malaysia, Singapore, Australia, the United States, and Europe.

The integration of the four theoretical frameworks above the Uppsala Model, Born Global Theory, RBV/Dynamic Capabilities, and Digital Marketing Theory provides a comprehensive analytical foundation for understanding the complexity of the beverage MSME internationalization phenomenon in East Java. This study adopts an integrative perspective that does not view these theories as mutually exclusive alternatives, but rather as complementary analytical lenses that jointly explain the differences in internationalization patterns and strategies across MSME groups.

RESEARCH METHODOLOGY

Research Design

This study employs a descriptive qualitative approach reinforced with descriptive quantitative elements. The research strategy adopted is a multiple case study, in accordance with Yin's (2018) recommendation for complex phenomena requiring deep contextual understanding. The research paradigm adhered to is interpretivist constructivist, viewing reality as a social construction shaped by the specific context of business actors, the local digital ecosystem, and global market dynamics.

Research Location

The study was conducted in five cities and regencies in East Java Province with the highest concentrations of beverage MSMEs: Surabaya City, as East Java's primary trading and export hub; Malang City and Batu City, renowned as centers of specialty coffee and herbal beverages; Sidoarjo Regency, an industrial zone with rapidly

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developing food MSME clusters; and Gresik Regency, which has a long tradition in spice and herb based beverage production. Site selection was based on MSME export potential data from the East Java Industry and Trade Agency (2025) and relatively higher digital platform penetration rates compared to other cities and regencies in East Java.

Population, Sample, and Sampling Technique

The research population comprises all beverage MSMEs in the five cities and regencies that have, or are in the process of, utilizing digital platforms for marketing and/or export activities. Based on data from the East Java MSME Association (2025), the estimated population meeting these criteria amounts to approximately 2,400 business units. The research sample was set at 150 respondents, selected using purposive sampling with the following criteria: (1) MSMEs that have actively used at least one digital platform for marketing (social media, marketplace, or website); (2) possess at least one transactional experience with overseas consumers or buyers, whether directly or through an agent; (3) have been in operation for at least two years; and (4) produce processed beverages, not merely bulk drinks. The distribution of the sample across locations is presented in Table 1.

Table 1. Distribution of Research Sample by Location

City/Regency	MSME Population	Sample Size	Proportion (%)
Surabaya City	780	46	30.7
Malang City + Batu City	620	38	25.3
Sidoarjo Regency	540	35	23.3
Gresik Regency	460	31	20.7
Total	**2,400**	**150**	**100**

Instruments and Data Collection Procedures

Data were collected through three principal instruments. First, a semi structured interview guide developed based on the three theoretical dimensions (Uppsala, Born Global, RBV), comprising 32 open ended questions exploring digital experience, export barriers, international marketing strategies, and perceptions of company digital capabilities. Second, a structured questionnaire measuring digital literacy levels, platform usage intensity, and export readiness in a descriptive quantitative manner. Third,

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documentation analysis encompassing export reports, social media content, product reviews on international marketplaces, and MSME assistance policy documents from relevant agencies. Data validity was maintained through source triangulation, method triangulation, and member checking, in accordance with Lincoln and Guba's (1985) trustworthiness standards.

Data Analysis Techniques

Data analysis was conducted using Braun and Clarke's (2006) thematic analysis approach, comprising six stages: data familiarization, initial code generation, theme search, theme review, theme definition and naming, and report writing. Additionally, cross case synthesis analysis was used to identify consistent and contrasting patterns across cases. Descriptive quantitative data from questionnaires were analyzed using descriptive statistics (frequency, percentage, mean, standard deviation) to provide an aggregate digital profile of the MSMEs.

RESULTS AND DISCUSSION

Respondent Profile and MSME Characteristics

Of the 150 participating respondents, the demographic and business characteristics are presented in Table 2. The majority of respondents are male (62%), though the proportion of female respondents (38%) is higher than in previous studies conducted at different locations, reflecting increased engagement of female entrepreneurs in East Java's beverage sector. The dominant age range is 25 to 44 years (61.3%), indicating that digitally active beverage MSME operators are predominantly millennials who are relatively tech savvy. In terms of business scale, 48.7% are micro enterprises, 38.0% small enterprises, and 13.3% medium enterprises.

Table 2. Respondent Profile

Category	Description	Frequency	%
Gender	Male	93	62.0
	Female	57	38.0
Age	< 25 years	14	9.3
	25–34 years	52	34.7

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Category	Description	Frequency	%
	35–44 years	40	26.7
	> 44 years	44	29.3
Business Scale	Micro Enterprise	73	48.7
	Small Enterprise	57	38.0
	Medium Enterprise	20	13.3
Business Age	< 2 years	18	12.0
	2–5 years	49	32.7
	5–10 years	55	36.7
	> 10 years	28	18.6

Digital Literacy and Adoption Levels Among East Java Beverage MSMEs

Analysis of the 150 respondents reveals a diverse profile in terms of digital literacy and adoption. Table 3 presents the distribution of digital platform usage by respondents. Overall, WhatsApp Business (87.3%) and Instagram (81.3%) are the most widely used platforms, followed by Tokopedia (68.7%) and Shopee (64.0%). Export oriented platforms such as Shopee International (28.7%), Amazon (17.3%), and Alibaba (12.0%) are used by relatively small proportions, indicating that the majority of MSMEs remain in the domestic digital marketing stage and have yet to fully leverage their digital export potential.

Table 3. Distribution of Digital Platform Usage

Digital Platform	No. of Respondents	Percentage (%)
WhatsApp Business	131	87.3
Instagram	122	81.3
Facebook / Facebook Marketplace	108	72.0
Tokopedia	103	68.7

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Digital Platform	No. of Respondents	Percentage (%)
Shopee (Domestic)	96	64.0
TikTok Shop	79	52.7
YouTube	54	36.0
Website / Independent Online Store	43	28.7
Shopee International / Shopee Export	43	28.7
Amazon / eBay	26	17.3
Alibaba / 1688 / Made in China	18	12.0

These findings are consistent with the BRI Mandiri Digital MSME Index report (2024), which recorded that e-commerce export penetration among East Java MSMEs remains in the range of 15-30%, well below other ASEAN countries such as Thailand (42%) and Vietnam (38%). From an RBV perspective, the limited use of digital export platforms reflects a deficiency in the digital dynamic capabilities of MSMEs in terms of sensing global market opportunities. Many respondents acknowledged familiarity with Shopee International or Amazon, yet felt they lacked sufficient technical knowledge to effectively register and manage stores on those platforms.

Primary Barriers in the Digital Internationalization of Beverage MSMEs

Thematic analysis of the interview data identified six primary barrier themes that consistently emerged across locations and business scales. Table 4 presents a summary of these findings along with their frequency of occurrence across interview transcripts.

Table 4. Primary Barriers in Digital Internationalization

Barrier Theme	Frequency (n=150)	Key Finding Description
Digital Literacy & Capability Limitations	127 (84.7%)	Difficulty managing export platforms, SEO, and multilingual content

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Barrier Theme	Frequency (n=150)	Key Finding Description
Weak Global Branding Strategy	119 (79.3%)	Brand unknown outside Indonesia; inconsistent brand identity
Export Regulatory & Certification Barriers	112 (74.7%)	Difficulty meeting international halal standards, FDA, and HS Code
Export Logistics & Supply Chain Limitations	108 (72.0%)	High international shipping costs; packaging below standard
Capital & Digital Export Financing Constraints	97 (64.7%)	Limited access to export financing; digital advertising costs deemed high
Lack of International Network (Social Capital)	89 (59.3%)	No connections with foreign buyers, distributors, or export aggregators

Digital literacy and capability barriers (84.7%) constitute the most dominant obstacle. This finding is consistent with Raharjo (2022) and the OECD (2024) report, which identify the digital skill gap as the primary bottleneck of MSME internationalization in developing countries. From an RBV perspective, this condition indicates a deficiency in the human capital resources component, which is a prerequisite for developing digital dynamic capabilities. Many respondents in Sidoarjo and Gresik typically first generation, family based MSMEs disclosed that they rely on young family members (Generation Z) to manage social media, yet do not possess a structured digital management system. Global branding barriers (79.3%) emerge as a particularly prominent theme, especially among herbal beverage and jamu MSMEs. Paradoxically, these products possess a uniqueness that theoretically qualifies as VRIN within the RBV framework, yet has not been effectively communicated to international consumers. Content analysis of respondents' social media revealed that most content remains entirely in Indonesian, employing local aesthetics not yet optimized for a global audience. The absence of a brand story capable of bridging East Java's local wisdom context with international market needs represents a significant strategic gap.

Regulatory and certification barriers (74.7%) reflect institutional challenges that MSMEs cannot overcome independently. International halal certification (such as JAKIM in Malaysia or MUI LPPOM for the Middle East market), product registration with

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destination country food authorities (the U.S. FDA, the European EFSA), and mastery of the Harmonized System Code and other export documentation represent techno bureaucratic barriers requiring institutional support. Within the Uppsala Model framework, these barriers represent psychic distance in its regulatory dimension, which tangibly impedes MSMEs' export commitment.

Effective Digital Strategies: Evidence from Successful Cases

Among the 150 respondents, 38 MSMEs (25.3%) successfully completed at least one digital export transaction within the preceding 24 months. An in depth analysis of this group revealed three clusters of effective digital strategies. The first cluster is the Digital Born Global strategy, adopted by 12 MSMEs (primarily specialty coffee enterprises from Malang Batu). These MSMEs built a global brand identity from the outset through compelling single origin narratives, high quality English language content on Instagram and YouTube, and a presence on Amazon FBA and Etsy (for artisanal coffee products). This pattern aligns closely with Born Global Theory they did not traverse the Uppsala stages sequentially, but instead directly targeted global consumers through digital channels. Export revenues for some of these MSMEs exceeded 40% of total sales, with primary markets in Australia, Singapore, Japan, and the United States. The second cluster is the Digital Uppsala Accelerated strategy, adopted by 16 MSMEs that took an incremental approach but accelerated by digital means. They began exporting to psychically proximate markets (Malaysia, Singapore, Brunei) via Shopee International, then gradually developed the capability to enter more distant markets (Hong Kong, Taiwan, Europe). This pattern reflects a synthesis of the Uppsala Model and Born Global Theory Uppsala's psychic geographic stages are retained but accelerated and facilitated by digital infrastructure. This strategy is predominant in Surabaya and Sidoarjo, where MSMEs possess Indonesian diaspora networks that function as informal first market agents. The third cluster is the Aggregator Mediated Digital Export strategy, adopted by 10 MSMEs partnering with digital export aggregators such as inaExport.id, BNI Xpora, and several government initiated collaborative export platforms. In this strategy, MSMEs focus on improving product quality and certification, while the technical aspects of digital export are handled by the aggregator. Although margins are lower, this approach has proven effective for micro scale MSMEs that do not yet possess adequate digital export capabilities.

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Analysis of Digital Export Readiness Based on Three Theoretical Frameworks

Integrating empirical findings with the theoretical frameworks employed, this study identifies three MSME types based on their digital export readiness profiles. The first type, Digital Laggards (49.3%, n=74), comprises MSMEs whose digital usage remains very limited to internal communication and domestic marketing. They have no international orientation and use only WhatsApp Business and Instagram for local sales. From the Uppsala Model perspective, this group resides at stage zero or one (no regular exports). The policy implication is the provision of basic digital literacy training and facilitation of marketplace export registration. The second type, Digital Adopters (25.3%, n=38), consists of MSMEs already active on domestic marketplaces and beginning to explore international platforms, yet without a systematic export strategy. Some have received orders from international buyers who organically discovered their products on domestic platforms. From a Born Global Theory perspective, this group has the potential to become born global firms if provided with appropriate knowledge and capabilities. Recommended strategies include digital export mentoring programs and international brand story development. The third type, Digital Export Pioneers (25.3%, n=38), comprises MSMEs already actively exporting digitally with measurable export revenues. From an RBV and Dynamic Capabilities perspective, this group has successfully developed digital sensing and seizing capabilities enabling them to identify and leverage global market opportunities. This group can function as a peer learning model for other groups within East Java's MSME ecosystem.

CONCLUSIONS

This study concludes that digital transformation plays a crucial yet suboptimally leveraged role in the internationalization of beverage MSMEs in East Java. Of the 150 respondents, only 25.3% have successfully engaged in active digital export, while the majority remain constrained by limited digital literacy, weak global branding, regulatory certification barriers, and insufficient international networks. The integration of three theoretical frameworks the Uppsala Model, Born Global Theory, and Resource-Based View yields a richer and more nuanced understanding of this phenomenon. The Uppsala Model remains relevant for explaining the incremental internationalization patterns still widely adopted by traditional MSMEs, particularly through diaspora markets. Born Global Theory captures the internationalization acceleration phenomenon occurring among specialty coffee and artisan beverage MSMEs grounded in strong local narratives. Meanwhile, RBV and Dynamic Capabilities identify that the uniqueness of local resources

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(endemic raw materials, traditional recipes, organic/halal certifications) constitutes the foundation of competitive advantage not yet fully mobilized by MSMEs to enter global markets.

RECOMMENDATIONS

Based on these findings, this study recommends three strategic policy directions. First, the strengthening of an integrated digital export assistance ecosystem involving the East Java Industry and Trade Agency, Chambers of Commerce, universities, and international e-commerce platforms. Second, the development of an integrated export certification program that prioritizes high potential beverage MSMEs, encompassing international halal facilitation, FDA ready labeling, and HS Code training. Third, the establishment of a digital export pioneers community as a peer learning vehicle enabling knowledge and experience transfer between MSMEs that have succeeded and those still in the development stage. Future research is recommended to further investigate the effectiveness of specific digital strategies for each MSME cluster using a longitudinal approach, thereby providing insights into long term internationalization trajectories. Comparative studies across provinces are also needed to identify contextual factors distinguishing the success of digital MSME export ecosystems across different regions in Indonesia.

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