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SME's Distribution Strategy Implementing Among Indonesia and Philipines (A Comparative Analysis)

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Purpose: This research is aims to know how the Entrepreneur's to the development are specific area of strategy use by MSMEs in Indonesia and the MSMEs in Philippines. **Research design, data and methodology:** this research is collaborative research between Indonesia and Philippines so that it describes the results of two data obtained from two countries Indonesia and the Philippines, which are then compared. **Results:** The research if this study found that MSMEs in Indonesia and the Philippines had almost the same distribution strategy in developing their businesses, from the results it was found that MSMEs in Indonesia and the Philippines preferred to develop MSMEs with innovation strategies **Conclusions:** The Implementation distribution of an innovation strategy is able to develop MSMEs in Indonesia & Philippines, from the data show that almost 90 percent of SME's in Indonesia and Philippine use the Innovation Strategy to improve their Income level. distribution of innovation strategy used by MSMEs in dealing with the conditions of Covid 19 is Innovation Strategy from both countries improve income of MSMEs, it indicates that many of SME's from Indonesia and Philippine still lack of Innovation, because of the liberation of knowing strategy from SME's Indonesia and Philippines is low.

Keywords : Distribution Strategy, Innovation, Small Medium Entreprise's

JEL Classification Code: L10, L26, D41

1. Introduction

Two developing countries that feel the big impact of the presence of the pandemic Covid-19 in the world is Indonesia and the Philippines. An epidemic of disease has struck the economies of both countries.

The impact is that many good economic factors giants and micro, small and medium enterprises (MSMEs) must fall due to not being able to survive against the existing conditions. According to statistical data in Indonesia, 62.60% of people experienced a decrease in income, 63.9% of MSMEs experienced a decrease in turnover, only 3.8% experienced increase in turnover and most of these MSMEs have to close because they don't able to survive the shock of Covid-19. According to the conditions in Indonesia, the pandemic has also had fatal consequences in the Philippines. Outbreaks of this disease cause The Philippines is in the worst economic recession in 2020 and Domestic Product Gross (GDP) shrank by -9.5%. The level of distribution sales and distribution profitability of MSMEs in the Philippines have fallen sharply, providing business conditions that are not far off different from Indonesia.

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Both in Indonesia and in the Philippines, MSMEs are believed to have a very important role important and strategic in terms of several aspects.

First, it can be seen from the relatively large number of industries and these industries are found in every economic sector. Second, MSMEs have enormous potential for employment. Third, the contribution of SMEs in the formation of GDP is considered significant because it reaches more than 50% of the total GDP. SMEs are seen as a collection of businesses that are heterogeneous in size and nature, which if used and properly cared for by the authorities will have significant direct and indirect participation in national production Lo et al. (2021).

It is a big task for the two countries Indonesia and the Philippines to recover conditions of SMEs, especially in Kendari City (Indonesia) and Manila City (Philippines). Both pf the city can be a reflection of the platform of the SMEs of the two countries because Kendari (Indonesia) as one of the big cities in eastern Indonesia has the number of MSMEs is 42,000 recorded in data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, while Manila City (Philippines) has almost three times the number of MSMEs in Kendari City (Indonesia).

According to Markovic et al. (2021), that is one thing that needs attention as a savior strategy for the survival of MSMEs during and after covid-19 is innovation. Innovation strategy is an important factor in the industry whether small, medium or medium, especially to improve reliability operational. Innovation is a new idea that is applied to initiating or updating a product or process and service. innovation expert, Everett M. Rogers in his book explains that innovation is not something one-time activity (one-time phenomenon), but a process that long and cumulative covering many decision-making processes by business stakeholders starting from the discovery of ideas to implementation in the market (Kivimaa et al., 2021). Further explained according to (Fuenfschilling & Stål, 2020) that innovation is classified into 2 different types based on changes made, namely radical innovation and incremental innovation.

Kind of innovation different course requires different knowledge and skills and have a different impact on relationships between customers and business competitors. Radical innovation is one that is very different and as the main solution in an industry. On the other hand, incremental innovation is an innovation that makes small changes and make adjustments to existing practices Harjadi et al. (2020). On the other hand, (Kivimaa et al., 2021) describes that technological developments, disruptive innovation, competition regulations, changes in government regulations and shifts in industry structure become a tough challenge for every business person because it causes business faced with discontinuity or powerlessness in continuing business activities. Emphasized in the gap research that the innovation strategy can lead to business progress or it could also have an impact on the death of that business run.

1.1. Distribution Strategy Management

Every business needs to implement the distribution strategic management that can become a strength to run a business in uncertain conditions. Strategy management needed by every business person to be able to find out if each decision decisions made are in accordance with its vision and mission. According to (Carland et al., 1984) the scope of strategic management is larger than any area of management. Strategic management deals with the complexity that arises from ambiguous and non-routine situations with organization-wide rather than specific implications operation. This is a big challenge for business people who are used to it manage the resources they control on a day-to-day basis. (Usmara, 2003) explains in more detail that strategic management means creating adjustments among the activities carried out by a company. Success a strategy depends on doing many things well, not only several, and integrating them well. As described in (Pearce & Robinson, 2014) strategic management has a variety of purposes that make it must be applied in business.

1.2. Innovation Strategy

The first thing to understand is what innovation is. Innovation is application systematic of new ideas or improvements in providing a service or product and thus add value to existing products or services. Explained by Ekasari et.al (2023) (Fuenfschilling & Stål, 2020) that innovation is defined as an iterative process from the development, production and marketing of products and/or services as response to the perception of new opportunities and in relation to success business with high aspirations. According to (Lendel & Varmus, 2011) that high level of innovation tends to drive national business opportunities to developing, increasing their capacity to deal with uncertainty contexts globally and even contribute to the creation of new markets. Innovation strategy is a form of development strategy for the category services, new business models or products that will change the market and provide new value for users. Innovation strategy is often positioned as the backbone for company competitiveness and overall economic growth (Raaij et al., 1988).

Types of innovation strategies according to (Fuenfschilling & Stål, 2020) that can be applied to a business, including the following:

1. Product innovation strategy versus process innovation. Product innovation embodied in the

outputs of the organization are goods or services, while innovation processes are often directed at increasing the effectiveness or efficiency of production process by reducing the level of product damage or increase the quantity of product that can be produced in a certain time. Although product innovation is often more visible than process innovation, however Both are very important for the competitiveness of an organization Nurhilalia et all. (2019).

2. Radical innovation strategy versus incremental innovation. Radical innovation is innovation that are new to the business and very different from the products and pre-existing processes. For example product launches wireless telecommunications is an example of this type of radical innovation. Unlike the case with incremental innovation is defined as a type of innovation that produce less change. Incremental innovation is impersonal really new or extraordinary, it could be that the innovations that have been made are already known previously by the company or industry and only involve a small change from existing practices. As an example, change the configuration of a mobile phone from a phone that has the open keyboard becomes a phone that has a cover (Panjaitan, et al. 2021).
3. Competency-enhancing innovation strategies versus competency-destroying innovations. An innovation is considered to be able to increase competence from a perspective a particular company if it is built on the existing knowledge base the company. On the other hand, an innovation is considered to damage competence from the perspective of a particular company if the technology is not built above the existing competencies of the company or causing those competencies to become obsolete (Pranata et al. 2022).
4. Architectural innovation strategy versus component innovation. Component innovation is an innovation in one or several components that are not give a significant influence on the overall configuration of the system. The architectural innovation is an innovation that changes the overall design of a system or the way in which its components interact with one another.

1.3. Hypothesis

The hypothesis is a temporary answer to the formulation of a research problem where the formulation The research problem has been stated in the form of a question sentence. It says while because the new answers given are based on relevant theories, not yet based on empirical facts obtained through data collection. After identifying the problem and based on the theories and research earlier, then the following is the formulation of the research hypothesis.

1. The distribution of innovation strategy used by MSMEs in dealing with the conditions of Covid 19 is developing MSMEs.
2. Implementation distribution of innovation strategy is able to develop MSMEs in Indonesia & Philippines.
3. There are differences in the distribution of innovation strategy that develops SMEs in Indonesia & Philippines.

2. Methodology

2.1. Location and Time of Research

This research was conducted on SMEs in Kendari City (Indonesia) and Manila City (Philippines). The research time will be carried out for 3 months.

2.2. Types of Research

This research is a type of quantitative research with descriptive statistics and comparative statistics by conducting interviews using a questionnaire manual and questionnaire in the form of google form.

2.3. Data Types and Sources

The type of data used is quantitative data in the form of the number and results of the questionnaire MSMEs in Kendari City (Indonesia) and Manila City (Philippines), as well as qualitative data in the form of an overview of MSMEs in Kendari (Indonesia) and Manila (Philippines). The data sources used in this study are primary data and data secondary. Primary data is data obtained directly from the informants research through questionnaires, while secondary data is data or reports that obtained from the Central Bureau of Statistics.

2.4. Collection Techniques

Data Data collection techniques used in this study namely using a questionnaire, where according to (Gujarati, 2003) states that questionnaire is a data collection technique that is done by giving a set of questions or written to the respondent to be answered. This questionnaire is a data collection technique used by researchers to determine perceptions as well as information from MSME entrepreneurs in Kendari and Manila. In this study, a Likert scale was used to measure respondents' perceptions. According to (Gujarati, 2003) measuring the perceptions and opinions of a person or a group of people about social phenomena is called the Likert scale. This data collection technique involves a series of related statements with the attitude of the respondent, and asked to state:

A. Strongly Agree (SS): score 5

B. Agree (S): score 4
C. Doubtful (RR): score 3
D. Disagree (TS): score 2
E. Strongly Disagree (STS): score 1

2.5. Population

Population is a group of people or events for something that is used researchers to draw conclusions (Gujarati, 2003) The target population used in this study namely Micro, Small and Medium Enterprises (MSMEs) in Kendari City (Indonesia) and Manila City (Philippines).

Sample

The researcher followed the recommendations put forward by Roscoe (Sekaran, 2000), namely sample size is greater than 30 and less than 500. The number of samples to be studied in this study were 100 Micro, Small and Medium Enterprises (MSMEs) each in Kendari City (Indonesia) and Manila City (Philippines).

2.6. Characteristics of Respondents

Respondent characteristics are criteria used by researchers for determine the respondents to be studied. As for the respondents in this study determined by purposive technique, namely the technique of determining the subject (respondent) based on the criteria and objectives of this study. This criterion is determined by the researcher, where the researcher chose is related to MSMEs that have been established since 5 the last (five) years.

The stages in obtaining respondents are:

1. Researchers are looking for respondents, namely MSMEs whose criteria are in accordance with researcher needs.
2. Researchers then select the prospective respondents by how to evaluate the suitability of the criteria, and also based on the nature of openness respondents to the needs of researchers.
3. Then the researcher gave a willingness sheet to the respondent as evidence or basis for conducting interviews.

Research Instruments

The instrument or research measurement tool used is in the form of open questions,The question begins with the identification of the informant. questions asked is a question that leads to the innovation strategy used by MSMEs in Indonesia and the Philippines. Further questions are possible from the description given by the informant in addition to the main questions as described Previously, the informant was also equipped with a demographic questionnaire including: name, age, gender, type of business, started business establishment owned. As for The main questions asked are as follows:

1. What are the distribution of innovation strategies used by MSMEs in dealing with conditions Can Covid-19 develop MSMEs?
2. How to implement the MSME distribution of innovation strategy that is able to develop MSMEs in Indonesia & the Philippines?
3. What are the differences distribution of innovation strategies that are able to develop MSMEs in Indonesia & Philippines?

The results of the main questions are arranged in a questionnaire and become some indicator questions that describe the outline in the question main filed.

3. Results & Discussion

3.1. Test Validity& Reliability

Validity Test Data is used to indicate the extent to which a question is a questionnaire is able to reveal something that will be measured by the questionnaire. This validity test ensures that each question will classified on the variables that have been determined (construct validity). If a question is able to reveal something to be measured by the questionnaire, the data is called valid.

Reliability test is used to measure whether a respondent's answer consistent or stable over time. If the respondent is consistent in answer the questions in the questionnaire, then the data is reliable. Something the construct or variable is said to be reliable if the SPSS statistical test gives a value of $\alpha > 0.60$.

Normality testing is important for testing the normal distribution, because the distribution is normal make a straight diagonal line, separate independent variables and dependent variables from a normal distribution.

Comparison Test

The analytical tool used in this study is the Paired Sample T Test technique. with the window period (window period) is to compare the results data that has been obtained from MSMEs located in Kendari City (Indonesia) and City of Manila (Philippines). According to (Gujarati 2004: 165), the Paired Sample T Test is done in a different way compares the difference between the two mean values with the standard error of difference in the mean of the two samples, to measure and analyze this study SPSS tools were used. Paired Sample T Test is used to find out is there a difference between the use of innovation strategies in SMEs that located in Kendari City (Indonesia) and Manila City (Philippines)

Table 1: Annual Gross Income Level SME's Indonesia

Annual Gross Income Level	Indonesia	
	Frequency (n=50)	Percentage (%)
Micro – Less and Equal to Rp. 5 million	4	8
Small – Rp. 5,000,001 to Rp. 10,000,000	36	72
Medium – Rp. 10,000,001 to Rp. 50,000,000	10	20
Total	**50**	**100**

Table 1 indicates that majority of the Annual Gross Income of SME's participated on the study in Indonesia is on the range 5.000.001 to 10.000.000 million Indonesia Rupiahs and to be categorize as Small Level Type with the total percentage of 72%.

Table 2 : Annual Gross Income Level of SME's in Philipines

Annual Gross Income Level	Philipines	
	Frequency (n=50)	Percentage (%)
Micro – Less and Equal to Php. 3 million	35	70
Small – Php. 3,000,001 to Php. 15,000,000	14	28
Medium – Php. 15,000,001 to Php. 100,000,000	1	2
Total	**50**	**100**

Table 2 indicates that majority of the Annual Gross Income of SME's participated on the study in Philippines is on the range of Less and Equal to Php. 3 million Philippine Pesos and to be categorize as Micro Income Level Type with the total percentage of 70%.

Table 3: Validity Test

Variable	Pearson Correlation	R-Table	Explanation
Product Innovation Strategy	0.837	0.254	Valid
Radical Innovation Strategy	0.957	0.254	Valid
Competency Innovation Strategy	0.849	0.254	Valid
Architectural Innovation Strategy	0.842	0.254	Valid

Table 4: Reliability Test

Variable	Cronbach Alpha	Standard	Explanation
Product Innovation Strategy	0.857	0.6	Reliable
Radical Innovation Strategy	0.982	0.6	Reliable
Competency Innovation Strategy	0.859	0.6	Reliable
Architectural Innovation Strategy	0.857	0.6	Reliable

Table 3 and Table 4 shows the outcome of the reliability analysis and tests of convergent validity. The factor loading of all indicators onto their intended constructs was found to be greater than 0.6. The Cronbach's coefficient alpha is used to test the internal uniformity of the constructs. All latent variables in this study show value of Cronbach's alpha coefficient greater than 0.75, which indicates a high internal consistency in the indicators. Table 4 shows the results of Cronbach's Alpha, Standard and Explanation. To find pieces of evidence for convergent validity, the study has computed average variance extracted (AVE) for all the latent variables. AVE > 0.05 confirms the convergent validity as suggested by [44], supporting evidence for convergent validity.

3.2. The Distribution of Innovation Strategy Results

Table 5: Innovation Strategy Results of SME's in Indonesia

Strategy Variables	Indonesia	
	Weighted Mean	Descriptive Rating
Product Innovation	3.81	A
Radical Innovation	4.02	A
Architectural Innovation	4.02	A
Competency Innovation	3.99	A

Table 6: Innovation Strategy Results of SME's in Philippines

Strategy Variables	Indonesia	
	Weighted Mean	Descriptive Rating

Product Innovation	4.21	A
Radical Innovation	4.15	A
Architectural Innovation	4.18	A
Competency Innovation	4.18	A

Table 5 and Table 6 demonstrates how effective the Product, Radical, Architectural and Competency Innovation Strategy to the improvement of the Business Operations of SMEs in the Indonesia and Philippines. The Descriptive rating from both Countries show A level, it has an interpretation of being agreed on the Impact of Innovation Strategy Results to the success of SMEs Operations in the Indonesia and Philippines.

3.3. The Distribution of Innovation Strategy Different

Table 7 : Difference Innovation Strategy Results of SME's in Indonesia & Philippines

Strategy Variables	Variance		Two Tail Level
	Indonesia	Philipppines	
Product Innovation	0.0377	0.0379	0.000
Radical Innovation	0.0057	0.4390	0.209
Architectural Innovation	0.1698	0.1118	0.595
Competency Innovation	0.2171	0.1369	0.874

Table 7 demonstrates how the difference between Product, Radical, Architectural and Competency Innovation Strategy to the improvement of the Business Operations of SMEs in the Indonesia and Philippines. The Descriptive rating from both Countries show only Product Innovation has significant similarity between all strategy of Indonesia and Philippine SME's.

5. Conclusion

From the results, distribution of innovation strategy used by MSMEs in dealing with the conditions of Covid 19 is Innovation Strategy from both countries improve income of MSMEs, it indicates that many of SME's from Indonesia and Philippine still lack of Innovation, this is because of the literation of knowing strategy from SME's Indonesia and Philippines is low.

The Implementation distribution of an innovation strategy is able to develop MSMEs in Indonesia & Philippines, from the data show that almost 90 percent of SME's in Indonesia and Philippine use the Innovation Strategy to improve their Income level.

Almost there is no differences in the distribution of innovation strategy that develops SMEs in Indonesia & Philippines, only product Innovation have a significant differences SME's from Indonesia and Philippine, other like Radical Innovation, Architectural Innovation and Competency Innovation was no difference from both countries.

4. Implication

Competitive Disadvantage: MSMEs that do not embrace innovation may face a competitive disadvantage in the market. Innovation is often crucial for adapting to changing conditions, and businesses that fail to innovate may struggle to keep up with competitors who are more agile and responsive.

Resilience Challenges: Lack of innovation may make MSMEs more vulnerable to external shocks, such as the impact of the COVID-19 pandemic. Innovative strategies can help businesses pivot, find new revenue streams, or adapt their operations in the face of unexpected challenges.

Income Disparities: The statement suggests that innovation strategies are linked to improved income for MSMEs. Therefore, those businesses that are not adopting innovative approaches may miss out on potential income growth opportunities, leading to income disparities among MSMEs.

Need for Education and Support: The observation points to a need for increased literacy and awareness about innovation strategies among MSMEs in Indonesia and the Philippines. This implies that there may be a role for government bodies, industry associations, or educational institutions to provide support, training, and resources to enhance the innovation capabilities of MSMEs.

Policy Considerations: Governments and policymakers may need to consider initiatives to promote a culture of innovation among MSMEs. This could include creating incentives, providing financial support, or developing policies that encourage and reward innovative practices.

Collaboration Opportunities: There may be opportunities for collaboration between MSMEs, larger enterprises, and innovation-focused organizations. Collaborative efforts can help MSMEs access resources, knowledge, and expertise that can contribute to their ability to innovate.

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