

## Diaspora-Driven Networks: An Internationalization Strategy for MSMEs through Global Connections

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### ABSTRACT

This study aims to analyze the role of diaspora-driven networks as an internationalization strategy for MSMEs through global connections. The research approach uses qualitative methods with case studies, through in-depth interviews, observations, and documentation of MSME actors, diaspora, and related associations. The results of the study show that the diaspora plays a role as a strategic intermediary that is able to bridge the information, culture, and regulatory gaps. The diaspora functions as a market connector, demand creator, trust builder, and knowledge provider. These findings confirm that the use of diaspora networks can increase efficiency, reduce risks, and accelerate the process of internationalization of MSMEs. Therefore, the diaspora is a strategic asset in supporting the competitiveness of MSMEs in the global market in a sustainable manner.

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## INTRODUCTION

Economic globalization has opened up wide opportunities for Micro, Small, and Medium Enterprises (MSMEs) to enter the international market. The development of digital technology, e-commerce, and cross-border trade platforms allows MSMEs to reach global consumers without having to have a physical presence abroad (Dallocchio et al., 2024). According to the Organisation for Economic Co-operation and Development, MSMEs play an important role in global trade, but still face limitations in access to markets, information, and international networks (OECD, 2006). In Indonesia, MSMEs are the backbone of the national economy. Data from the Ministry of Cooperatives and SMEs shows that MSMEs contribute around 57.75%–61.07% to the Gross Domestic Product (GDP) and absorb around 96–97% of the national workforce. In addition, the number of MSMEs reaches around 65.5 million business units, making it the most dominant sector in Indonesia's economic structure. However, despite the large number, the participation rate of Indonesian MSMEs in the global market is still relatively low, especially in export activities. This shows that there is a gap between domestic potential and international penetration. One form of network that is getting more attention is diaspora networks, which are socioeconomic networks built by diaspora communities abroad (Dallocchio et al., 2024). The diaspora has access to international markets business information, and social legitimacy that can help MSMEs enter the global market. The diaspora not only plays a role as a liaison (Elo, 2015), but also as a strategic *enabler* in the process of internationalizing MSMEs (Minto-Coy, 2023). Thus, this research is important to understand how diaspora driven networks can be used as an internationalization strategy for Indonesian MSMEs.

### *The Urgency of the Role of the Diaspora*

The diaspora has a strategic role in supporting the internationalization of MSMEs because it is able to bridge limited resources and global market access. First, the diaspora provides **direct access to international markets**, including an understanding of the culture, regulations, and consumer preferences in the destination country (Hansani. & Nawarathna B, 2019). Second, the diaspora functions as a source of **social capital** in the form of trust, business networks, and market information that are urgently needed by MSMEs (Simba & Ojong, 2018). Third, the diaspora helps **reduce the risk of internationalization**, especially in the face of *the responsibility of foreignness* which is often the main obstacle for MSMEs (Dizo-Conteh et al., 2025). Indonesia's MSMEs dominate more than 60% of the contribution to GDP and absorb around 97% of the workforce (Ministry of Cooperatives and SMEs; BPS), the participation rate of MSMEs in exports is still relatively low. Therefore, the use of the diaspora as a **strategic enabler** is an important solution to encourage MSMEs to enter the global market more effectively. Thus, the diaspora is a very valuable source **of social capital** in the strategy of internationalization of MSMEs (Dizo-Conteh et al., 2025).

### ***Problem Formulation***

Based on this background, this research focuses on:

1. How does the diaspora play a role in the internationalization of MSMEs?
2. What is the form and mechanism of diaspora driven networks?
3. What is the strategy of MSMEs in utilizing the diaspora network?

### ***Research Objectives***

This research aims to:

1. Identifying the role of the diaspora in supporting the internationalization of MSMEs
2. Analyzing the forms and dynamics of diaspora-driven networks
3. Developing a diaspora network-based internationalization strategy model

## **THEORETICAL REVIEW**

### ***Grand Theory***

Johanson & Mattsson in their theory Network Theory explains that organizational behavior and performance are not only determined by internal resources, but also by relationships and networks with other actors and this is reinforced by the network model from Johanson & Vahlne (2009) where companies do not stand alone, but are part of a network of global relationships that are interconnected (Hosseini & Dadfar, 2012). Social networks provide trust, knowledge, resources, and opportunities that drive internationalization (Han et al., 2024). Pierre Bourdieu (1986) with his theory Social Capital Theory states that economic and social value does not only come from physical or financial resources, but also from social relationships, networks, beliefs, and norms owned by individuals or organizations. With capital; social capital is able to access information, opportunities, resources and social support (Bourdieu, 2018). Coleman in his research stated that social capital functions as a resource that facilitates individual actions or behaviors in social structures that focus on social functions, norms and beliefs as well as relationships in the community. (Coleman, 2009) putnam in his book *Bowling Alone* states that Social capital refers to features of social organization such as networks, norms, and trust that facilitate coordination and cooperation for mutual benefit (Putnam\_Bowling\_Alone.Pdf, n.d.). Granovetter in his work entitled *The Strength of Weak Ties* (1973) explained that economic and business behavior do not stand alone, but are embedded in social relations between actors. He introduced the concept of Embeddedness, which is that economic activities are influenced by social relations and the Strength of Weak Ties that open access to new opportunities where the Company does not develop individually but through a network that provides information, resources, market opportunities and trust (Granovetter, 1983).

### ***Middle Theory***

Uppsala Model (Revised Network Uppsala Model). This theory was originally developed by Jan Johanson and Jan-Erik Vahlne, who explained that internationalization occurs gradually through the improvement of market experience. In its revision (2009), this model emphasizes that: Internationalization is no longer only based on learning by doing, but is greatly influenced by the company's position in the network. Networking provides access to: market information, business opportunities and trust (Johanson & Vahlne, 2009) Resource-Based View (RBV). This theory was put forward by Jay Barney, who stated that a company's competitive advantage is determined by internal resources that are Valuable, Rare, Inimitable and Non-substitutable (VRIN). The advantages of MSMEs are not only products, but also global relations, cross-border trust and international market access. ("Barney Jay," 1991) Knowledge-Based View (KBV) is a development of RBV that places knowledge as the main resource. The characters include Robert Grant. He wrote in his work entitled *Toward a knowledge-based theory of the firm*. The *Strategic Management Journal* stated; Knowledge is the most strategic asset in an organization and knowledge transfer is the key to competitive advantage (Home, 2009).

### ***Applied Theory***

The Diaspora Network Theory put forward by Kuznetsov in his research entitled *Diaspora Networks and the International Migration of Skills* World Bank states that the diaspora community plays a role as: a cross-border economic link, a facilitator of international trade and a global provider of social capital. The diaspora provides: trust-based networks, access to overseas markets and distribution and marketing support (Kuznetsov & Sabel, 2008). The diaspora is a key actor in accelerating the internationalization of MSMEs. Oviatt in *International Entrepreneurship Theory* explains that companies can directly enter the global market from the beginning (born global) and Internationalization is influenced by; innovation, networking and entrepreneurial orientation. Diaspora allows MSMEs to enter the global market faster and reduce barriers to entry (Oviatt & Phillips McDougall, 1993) Sarasvathy in his theory of *Effectuation Theory* emphasizes starting from the resources owned, utilizing existing networks and adapting to uncertainty. The main principle of this theory is (1). Bird-in-hand (use available resources), (2) Affordable loss, (3) Crazy quilt (build a network of partnerships), (4) Lemonade (take advantage of uncertainty), (5) Pilot-in-the-plane. (Sarasvathy, 2001). In relation to this research, the Diaspora is part of the crazy quilt network and MSMEs use diaspora relationships for market co-creation and expansion without rigid planning.

## **METHODOLOGY**

This research uses qualitative research with qualitative case study research Where this research is a research approach that is used to explore and understand a phenomenon in depth in a real-life context, especially when the

boundary between phenomenon and context is not clearly visible. This method is an empirical research research method that investigates contemporary phenomena in a real-life context, using various data sources and case studies focusing on a deep understanding of a particular case in a holistic manner (Stake, 1995). The Data Collection Technique was carried out through In-depth Interviews, namely (1).interviews were conducted with MSMEs who succeeded in exporting their products through the diaspora, diaspora and pertakina business associations, namely the Indonesian Labor Association (PERTAKINA). (2). Observation is by observing the interaction of networks and the export process of MSME products and documentation. Data Validity in Triangulation: government) and Methods (interviews, documents, observations) and member checking, namely confirmation of results to informants

## RESULTS

### *The Role of the Diaspora in the Internationalization of MSMEs*

The diaspora plays a strategic intermediary that helps MSMEs overcome limitations in entering the global market, besides that the diaspora abroad also has a big role as resellers and distributors for Indonesian MSME products. They became an important bridge to introduce products from their countries to the global market.

Diaspora plays the role of:

1. Market Connector, which is the diaspora, opens access to MSMEs to foreign markets and helps distribute and market products.
2. Demand Creator, namely the diaspora, has a preference for Indonesian products and becomes the starting market. Diaspora demand for local products is an opportunity for MSME exports
3. Trust builders, namely the diaspora, are more trusted because they understand local and global cultures and have dual identities
4. Knowledge Providers (Information Providers), namely the diaspora, provide insights into market trends, export regulations and consumer preferences

As tangible evidence of the role of the diaspora, namely the diaspora plays a role as a promoter of activities in Turkey, introducing Indonesian MSME culture and products by holding this activity under the name "Senggol Turkiye Market Festival" which was held at the Sultan Kultur Merkezi Istanbul, Turkiye on September 10, 2023. This activity is in collaboration under the auspices of the Indonesian diaspora who are members of the Creative Senggol Indonesia foundation.

### *Forms and mechanisms of diaspora driven networks*

Diaspora driven networks are cross-border business networks formed due to the social, cultural, and economic ties of the diaspora. The diaspora network is an informal network, namely personal relationships among the Indonesian student community. As a formal network, namely as a global diaspora organization or community and an international business platform. Diaspora as

a Hybrid Network is a combination of formal and non-formal, for example, cooperation between the banking and government diaspora.

The mechanism of diaspora as net-driven is how the diaspora functions as a bridge between the country of origin and the destination country through the flow of information, networks, resources, and cross-border economic activities. The diaspora has a unique position because they live abroad (host country) and remain connected to the country of origin (home country).

Diaspora as Dispersal & Embeddedness. The diaspora is spread across various countries but still has: social, cultural and economic ties with Indonesia. Information Flow Where the diaspora flows information from abroad to Indonesia, such as: global market trends, export regulations and business opportunities. Diaspora as Network Creation is building networks with local business people, with the international community and with institutions (banks, governments, etc.). Foreign buyers trust the diaspora more than MSMEs Where the diaspora is able to create trust because they understand Indonesian culture and understand the culture of the destination country. Network-based internationalization diaspora is a diaspora that bridges or connects MSMEs with buyers, distributors and investors.

### *MSME strategies in utilizing diaspora networks*

The diaspora strategy in entering the international market is (1). Diaspora Engagement Strategy is to build relationships with the diaspora through: events, communities and digital platforms. (2). Diaspora Market Entry Strategy, which is to make the diaspora as: the initial target market and the entrance to the global market. (3). Co Creation Strategy, namely the diaspora as a collaboration between MSMEs and the diaspora in distribution, branding and marketing. (4). Digital Diaspora Strategy by utilizing social media and global e-commerce. (5). Partnership Strategy, namely the diaspora in collaboration with entrepreneurs and the diaspora with investors.

## **DISCUSSION**

The diaspora has a strategic role in the process of internationalization of MSMEs, especially as a strategic intermediary that is able to bridge the limitations of resources, information, and global market access that are often faced by MSMEs. In the context of international business, diaspora networks are understood as transnational actors who have a strong attachment to their country of origin and country of residence (dual embeddedness), so as to be able to create a competitive advantage in the internationalization process (Dizo-Conteh et al., 2025)

The role of the diaspora as a strategic intermediary can be seen from its ability to overcome institutional voids or institutional gaps that are often the main obstacles for MSMEs in entering the global market. (Dizo-Conteh et al., 2025). The diaspora helps MSMEs understand the regulations, business culture, and market systems in the destination country, so that the expansion process becomes faster and more efficient. In addition, the diaspora also plays the role of resellers and

distributors, who directly introduce MSME products to the international market through their local networks (Sirkeci & Zeren, 2018).

The diaspora also plays a role as a Market Connector, which opens MSMEs access to global distribution networks and assists in international marketing activities. This is in line with network theory which states that social and business relations are the main source of market access for MSMEs in internationalization (Dabić et al., 2020). With the network owned by the diaspora, MSMEs can reduce market search costs and accelerate foreign market penetration (Dizo-Conteh et al., 2025). In addition, the diaspora also functions as a Demand Creator, which creates initial demand for MSME products. The diaspora has a preference for products from their home countries, thus acting as a stable and potential niche market. In many cases, the success of MSMEs in the diaspora market is the first step before entering the wider global market (Sirkeci & Zeren, 2018). Another important role is as a Trust Builder. The diaspora has an advantage in building trust because it understands local and global cultures at the same time. This trust is very important in international transactions, especially for MSMEs that often face limited reputation and legitimacy in the global market. Research shows that the diaspora is able to increase the credibility of MSMEs and facilitate access to international business networks (Dizo-Conteh et al., 2025). The diaspora also functions as a Knowledge Provider that provides insights related to market trends, consumer preferences, and export regulations. This knowledge transfer is a key factor in increasing the competitiveness of MSMEs in the global market, as it allows MSMEs to adapt products and marketing strategies more effectively (Hilmersson & Johanson, 2020)

The role of the diaspora can be seen in the promotion activities of Indonesian MSMEs in Istanbul through the "Türkiye Senggol Market Festival" event in 2023. This activity shows how the diaspora plays a role as a cultural promoter as well as a business facilitator who introduces MSME products to the international market through a cultural and community approach. The role of the diaspora in the internationalization of MSMEs is not only limited as an economic intermediary, but also as a strategic actor that integrates networks, knowledge, and trust in a single system that supports global expansion. By integrating these strategies, MSMEs can utilize the diaspora as a global network asset that is able to increase competitiveness and accelerate internationalization in a sustainable manner.

## **CONCLUSIONS AND RECOMMENDATIONS**

The diaspora plays a strategic asset in the internationalization of MSMEs through transnational networks (diaspora-driven networks). The diaspora is able to bridge the limitations of MSMEs in access to information, markets, and regulations, while functioning as a market link, demand generator, trust builder, and knowledge provider. Through informal, formal, and hybrid networks, diaspora helps accelerate global market penetration, reduce barriers, and increase expansion efficiency. Therefore, the use of diaspora-based strategies makes the internationalization of MSMEs more adaptive, effective, and relationship-based than conventional approaches.

### ***Recommendations***

#### **1. For MSMEs**

MSMEs need to proactively utilize the diaspora network as the main strategy to enter the international market, both as an entry point and a partner in distribution, marketing, and branding. These efforts must be balanced with strengthening internal capacity, especially in product adaptation, digital marketing, and understanding of international standards in order to be able to compete in the global market.

#### **2. For the Government**

The government needs to strengthen the strategic role of the diaspora through targeted policies and the development of integrative platforms that connect MSMEs, diaspora, and global investors. In addition, strengthening programs such as international business matching and diaspora business forums is important as an effective bridge for MSMEs to penetrate the global market.

#### **3. Financial Institutions and Institutions**

Financial institutions and educational institutions have an important role in supporting the internationalization of MSMEs through the use of diaspora networks. Banks can serve as financial bridges and support network-based export financing, while universities and research institutions need to develop diaspora-based collaborations to strengthen innovation and the development of relevant models.

### **FURTHER STUDY**

To strengthen the research model on diaspora, it is hoped that further research will need to strengthen the study of diaspora driven networks through a quantitative approach (SEM/PLS), as well as expand exploration on the digital role of the diaspora and its impact on the export performance of MSMEs. In addition, the development of variables such as diaspora engagement, network strength, and international performance is important to produce a more comprehensive and measurable model.

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