INDONESIA FAMILY BUSINESS WITH THEIR LOCAL WISDOM DEALS WITH DISRUPTIVE ERA
Dr Putu Anom Mahadwartha
FAMILY BUSINESS IN INDONESIA

Top Business objectives:
- Product and Service Quality
- Cash Flow
- Net Profit

Top Family objectives:
- Financial security for the family
- Personal challenge, satisfaction and rewards
- Quality of life outside of work
HIGH PERFORMING FAMILY BUSINESSES

- Have a CEO who is between 51 and 60 years of age
- Utilise governance mechanism that facilitate agreement and communication of expectations of the family, the business and shareholders
- Have an entrepreneurial culture
- Have diversity in their leadership or governance team
- Adopt business management practices that focus on what is happening outside the business
- Are able to access the financial resources necessary to implement their strategies
MANAGING AND RESOLVING CONFLICT

Sources conflict:
1. Vision, goals, and strategy
2. Balancing the needs of the business vs the family
3. Lack of family communication

Firm with family council less experienced conflict
EFFECT OF TECHNOLOGICAL CHANGES

- The way they manage their business
- Their internal business process
- The way they interact with customers
- The viability of their current business model
- The way they interact with their suppliers
- The changes of Entrepreneurial Vision
THE CHANGES OF ENTREPRENEURIAL VISION

- A long term orientation and a diversified portfolio

- This advantage weakened by:
  - Emotional attachment
  - Risk aversion

- Challenging part:
  - Developing the next generation that maintaining entrepreneurial vision and also responsive to changes (embrace changes)
FUTURE OUTLOOK FOR TECH CHANGES

- Future growth prospect
- Creating disruption with positive impact
- Increasing level of competition
- Increasing cost of doing business
TOP 3 INDONESIAN FAMILY BUSINESS

- Robert Budi Hartono and Michael Bambang Hartono: 2nd generation of Oei Wie Gwan
- Djarum, BCA, Grand Indonesia, Polytron, Digital media: Kaskus, and Blibli.com; game company: Razer (go-public at Spore stock exchange)
- Estimates $8.7 Billion of wealth (Forbes, 2015)
- Origin: Kudus, Central Java, Indonesia
- Chinese Indonesian, with strong relationship with Javanese culture:
  - Urip iku Urup → life should have useful purposes
## Table of Affiliated Relationships of the Board of Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Family Relationship with:</th>
<th>Financial Relationship with:</th>
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<td>The Board of Commissioners</td>
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<td>Jahja Setiaatmadja</td>
<td>President Director</td>
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<td>Eugene Keith Galbraith</td>
<td>Deputy President</td>
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<td>Director</td>
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<td>Armand Wahyudi Hartono</td>
<td>Deputy President</td>
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<td>Suwignyo Budiman</td>
<td>Director</td>
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<td>Henry Koenai</td>
<td>Director</td>
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Son of Robert Budi Hartono: 3rd Gen
TOP 3 INDONESIAN FAMILY BUSINESS

- Sudono Salim, Fukien China 1916: Salim Group
- Kudus region
- 2nd Gen: Anthony Salim
- Firstpacific, Indofood, Indomobil Sukses, etc
- Previous owner of BCA (now owned by Hartono family)
- Wealth: $6.7 Billion
- 2nd Gen Chinese Indonesian, with strong Javanese culture:
  - Aja Milik Barang Kang Melok, Aja Mangro Mundak Kendo; humble life, and optimist
**TOP 3 INDONESIAN FAMILY BUSINESS**

- Eka Tjipta Widjaya, come to Indonesia (Makasar) on 1932
- 2nd Gen: Teguh and Franky Widjaja
- Sinar Mas: Pulp and paper; Agribusiness and Food processing; Financing; Real estate; Telecommunication; Energy; Health and Education
- Estimate Wealth $5.6 Billion
- Cases of deforestation of Sinar Mas Pulp
2ND GENERATION

**SINAR MAS IS A WIDJAJA FAMILY EMPIRE**

**MUKTAR WIDJAJA**
Since 1983, Mr. Muktar Widjaja has been actively involved in the management and operations of the property, financial services, agriculture, chemical and pulp and paper businesses.

**FRANKY WIDJAJA**
Mr. Franky Widjaja has extensive management and operational experience. Since 1982, he has been involved with different businesses, including pulp and paper, property, chemical, financial services and agriculture.

Sources: IDX
LOCAL WISDOM OF FAMILY BUSINESS

- Bamboo Philosophy (Lao Tse):
  1. The first 4 years strengthened the roots
  2. The fifth year began to grow

- Top three family business in Indonesia, which are Chinese origin also have the same philosophy and mixed it with Javanese value which aligned
  1. Alon-alon asal kelakon: slow growth at the beginning to strengthened business especially network, market, product/services, brand image
The changes to Digital era

Disruption occurs:

- Leading incumbent displaced by new approach
- Gradual process
- New entrant focused on market that overlooked by market leader
- New entrant services or products become mainstream then disruption occurred
STRATEGY OF FAMILY BUSINESS IN DISRUPTION ERA

- Empowerment the Local Wisdom to more innovative business practices:
  - Djarum and BCA: localized business with globalized impact: venture capital, fintech business
  - Sinar Mas: Focused differentiation through technological based product and services
  - Salim Group: Focused differentiation with reengineered their existing business to digital business
STRATEGY OF FAMILY BUSINESS IN DISRUPTION ERA

- Diversifying business to deals with different market segment, especially millennials:
  - Astra Land Indonesia: property and office building (Astra International)
  - Brahmayasa Bahtera: joint venture of Astra and Hongkong Land (Jardine Matheson Group)

- Focusing more on revenue growth and scale rather than profit margins:
  - Astra and Djarum invested on Gojek: IDR2 Trillion; high growth digital company, with upscale big data analysis model and business intelligence.
THANK YOU

- Discussion session