INDONESIA FAMILY BUSINESS WITH THEIR LOCAL WISDOM DEALS WITH DISRUPTIVE ERA

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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)
- o 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

Name	Position	Family Relationship with:						Financial Relationship with:					
		The Board of Commissioners		The Board of Directors		Controlling Shareholders		The Board of Commissioners		The Board of Directors		Controlling Shareholders	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Jahja Setiaatmadja	President Director	-	√	-	٧	-	٧	-	√	-	√	-	√
Eugene Keith Galbraith	Deputy President Director	-	√	-	√	-	√	-	√	-	√	-	√
Armand Wahyudi Hartono	Deputy President Director	-	٧	-	√	V	-	-	٧	-	√	V	-
Suwignyo Budiman	Director	-	٧	-	√	-	٧	-	٧	-	√	-	٧
Henry Koenaifi	Director		√	-	√	-	٧	_	√	-	٧	-	√

Son of Robert Budi Hartono: 3rd Gen

TOP 3 INDONESIAN FAMILY BUSINESS

- o 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

MANAGEMENT STRUCTURE

Struktur Manajemen

Board Of Commissioners

Manuel V. Pangilinan President Commissioner Commissioner Benny S. Santoso Commissioner Edward A. Tortorici Robert Charles Nicholson Commissioner Commissioner Christopher H. Young Independent Commissioner Utomo Josedirdjo Independent Commissioner Bambang Subtanto Independent Commissioner Adl Pranoto Leman

Audit Committee

Chairman Utomo Josodirdjo

Independent Commissioner

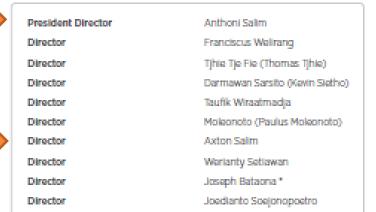
Members Adi Pranoto Leman

Independent Commissioner

Hendra Susanto

External Independent Professional

Board Of Directors



Nomination And Remuneration Committee

Chairman Utomo Josodirdjo

Independent Commissioner

Members Benny S. Santoso

Commissioner

Melta Settawati

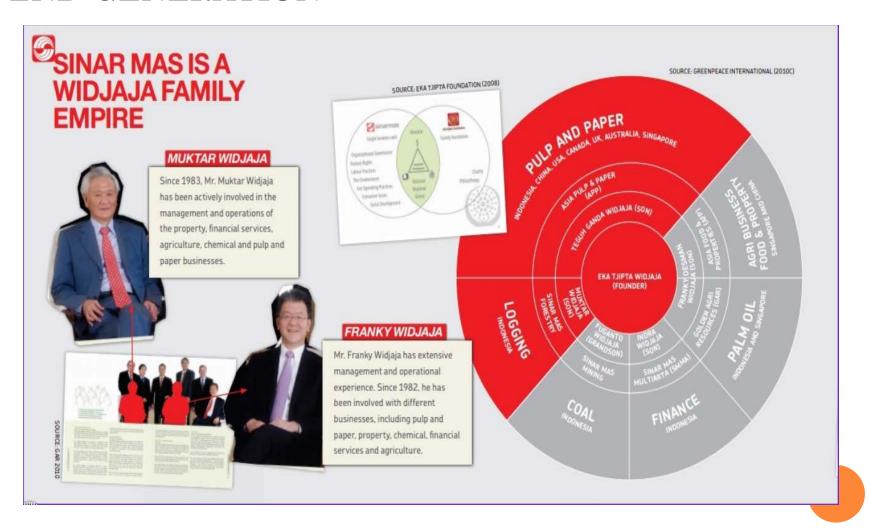
St. Manager of Corporate Human

Resources Division

TOP 3 INDONESIAN FAMILY BUSINESS

- Eka Tjipta Widjaya, come to Indonesia (Makasar) on 1932
- o 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



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
 - 2. Memayu Hayuning Bawana, Ambrasta dur Hangkara: higher growth for better future, welfare, and security, without greedy, and wrath.

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 reenginered their existing business to digitali business

STRATEGY OF FAMILY BUSINESS IN DISRUPTION ERA

- Diversifying business to deals with different market segment, especially millenials:
 - 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