



**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)
- 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	-	√	-	√	-	√	-	√	-	√	-	√
Eugene Keith Galbraith	Deputy President Director	-	√	-	√	-	√	-	√	-	√	-	√
Armand Wahyudi Hartono	Deputy President Director	-	√	-	√	√	-	-	√	-	√	√	-
Suwignyo Budiman	Director	-	√	-	√	-	√	-	√	-	√	-	√
Henry Koenaifi	Director	-	√	-	√	-	√	-	√	-	√	-	√

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



MANAGEMENT STRUCTURE

Struktur Manajemen

Board Of Commissioners

President Commissioner	Manuel V. Panglinan
Commissioner	Benny S. Santoso
Commissioner	Edward A. Tortorici
Commissioner	Robert Charles Nicholson
Commissioner	Christopher H. Young
Independent Commissioner	Utomo Josodirdjo
Independent Commissioner	Bambang Subianto
Independent Commissioner	Adi Pranoto Leman

Audit Committee

Chairman	Utomo Josodirdjo <i>Independent Commissioner</i>
Members	Adi Pranoto Leman <i>Independent Commissioner</i>
	Handra Susanto <i>External Independent Professional</i>

Board Of Directors



President Director	Anthony Salim
Director	Franciscus Wellrang
Director	Tjhe Tje Fle (Thomas Tjhe)
Director	Darmawan Sarsito (Kevin Slatko)
Director	Taufik Wiraatmadja
Director	Moleonoto (Paulus Moleonoto)
Director	Axlon Salim
Director	Worianty Setiawan
Director	Joseph Bataona *
Director	Josedianto Soejonopostro

Nomination And Remuneration Committee

Chairman	Utomo Josodirdjo <i>Independent Commissioner</i>
Members	Benny S. Santoso <i>Commissioner</i>
	Melita Setiawati <i>Sr. Manager of Corporate Human Resources Division</i>



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.

SOURCE: GAR 2010

SOURCE: EKA TJIPTA FOUNDATION (2008)

SOURCE: GREENPEACE INTERNATIONAL (2010C)

EKA TJIPTA WIDJAJA (FOUNDER)

- PULP AND PAPER** (INDONESIA, CHINA, USA, CANADA, UK, AUSTRALIA, SINGAPORE)
 - ASIA PULP & PAPER (APP)
- LOGGING** (INDONESIA)
 - SINAR MAS FORESTRY (SMF)
 - SINAR MAS PULP (SMP)
 - MUKTAR WIDJAJA (MW)
 - WIDJAJA (W)
- COAL** (INDONESIA)
 - SINAR MAS MINING
 - FUGANTO WIDJAJA (GRANDSON)
- FINANCE** (INDONESIA)
 - SINAR MAS MULTIARTY (SMA)
- PALM OIL** (INDONESIA AND SINGAPORE)
 - GOLDEN AGRICULTURE RESOURCES (GAR)
- FOOD & PROPERTY** (SINGAPORE AND CHINA)
 - FRANKY DESWANI WIDJAJA (SON)
 - INDRA WIDJAJA (SON)
 - ASPIRES FOOD & PROPERTIES

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 reengineered 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

