

Family Business Survey 2018

Indonesia Report



Report Contents

		Page
1.	Subject	
2.	Background to the FBS 2018 survey	3
3.	Profile of businesses interviewed in Indonesia	5
4.	Headline findings in Indonesia	8
5.	Main findings:	
6.	Organisation performance	10
7.	Organisation challenges	15
8.	Family involvement and succession planning	22
9.	Values > Purpose > Impact > Legacy	30
10.	Gender equality	39
11.	Appendix: Profile of businesses interviewed globally	41

About the Family Business Survey

The Family Business Survey is a global market survey among key decision makers in family businesses within a number of PwC's key territories. The goal of the survey is to get an understanding of what family businesses are thinking on the key issues of the day.



2953

Semi-structured interviews conducted with key decision makers in family businesses with a sales turnover of \$5m+



Interviews averaging 35 minutes primarily conducted by telephone in local language. Some also conducted via an online survey or PwC led face-to-face interviews



Interviews conducted between 20 April and 10 August 2018

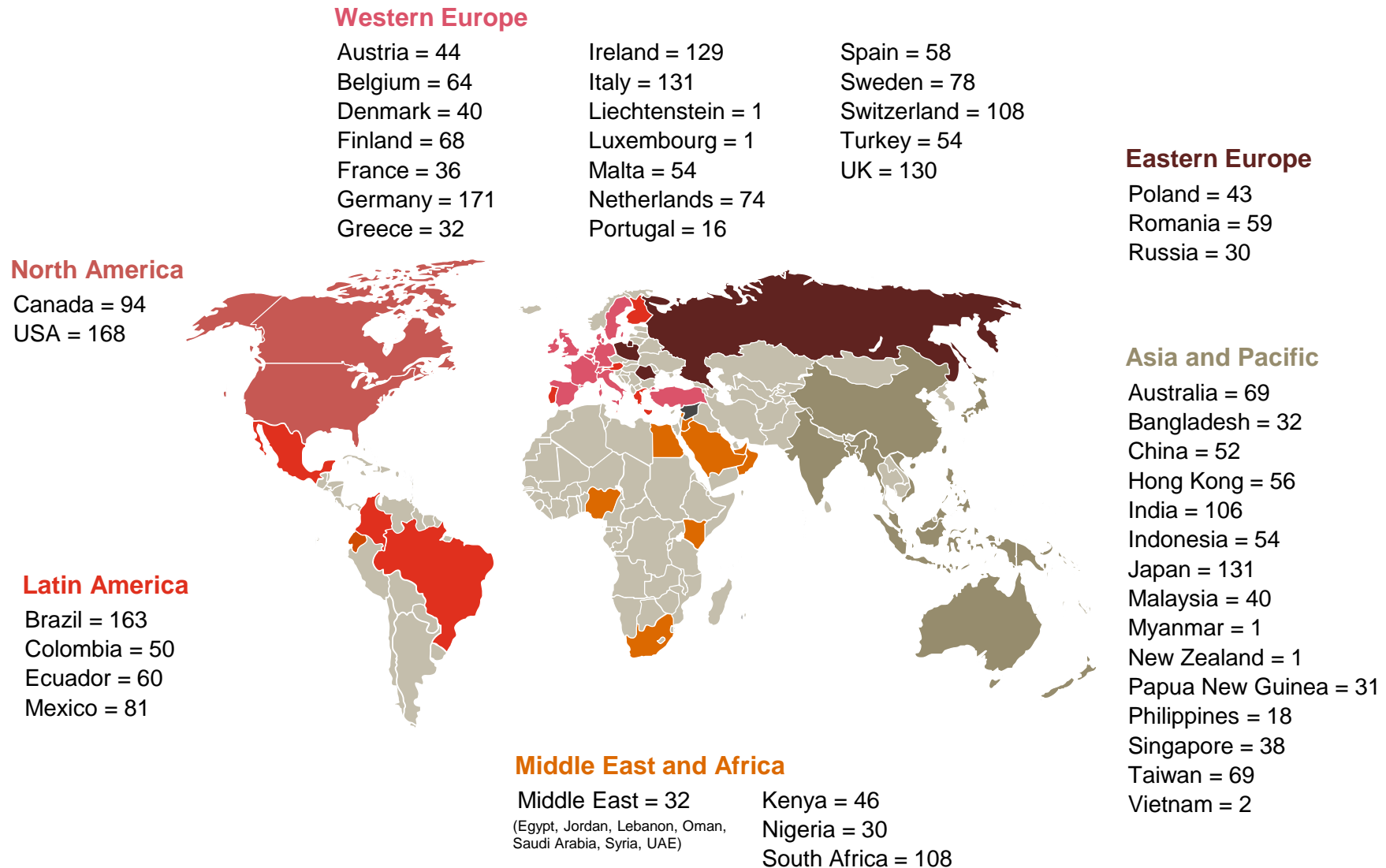


Across **53** countries



54 interviews were conducted in Indonesia in this period

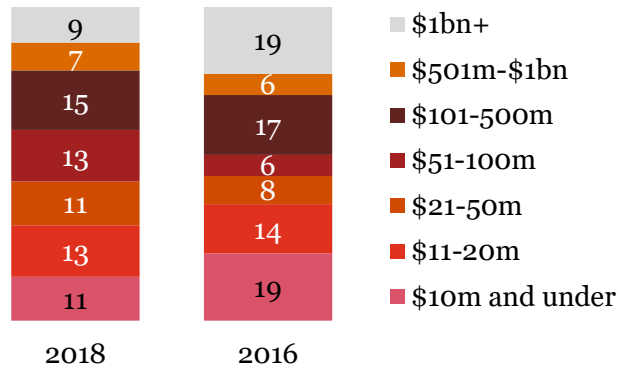
2953 interviews conducted in 53 countries



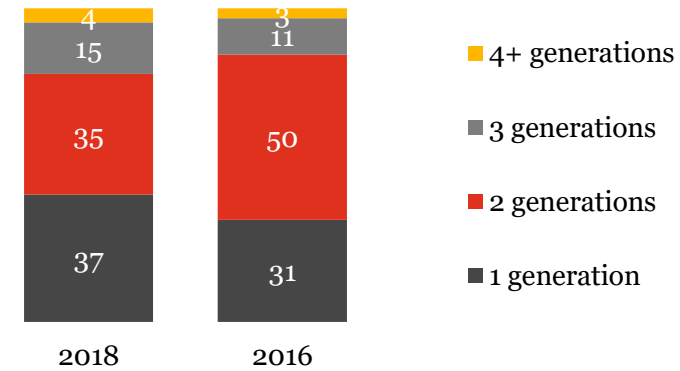
Indonesia company profile – what companies were included?

%

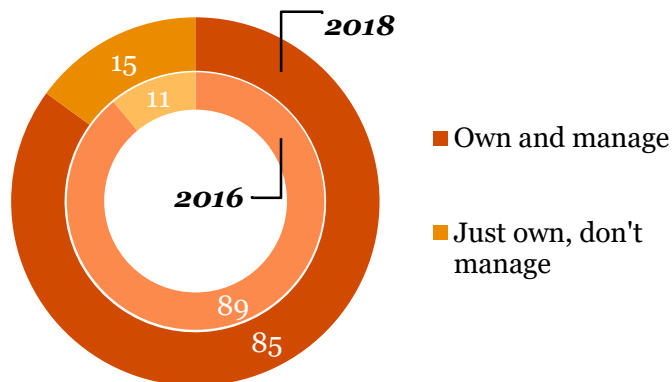
Turnover (sales) (US\$)



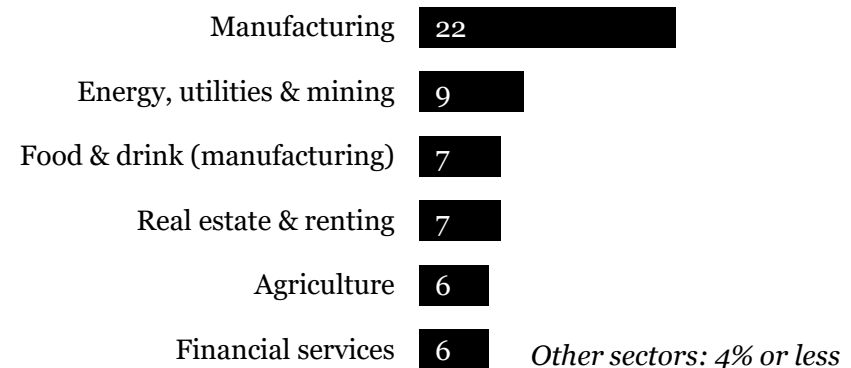
Number of Generations



Family's Role in the Business



* Sector (2018)

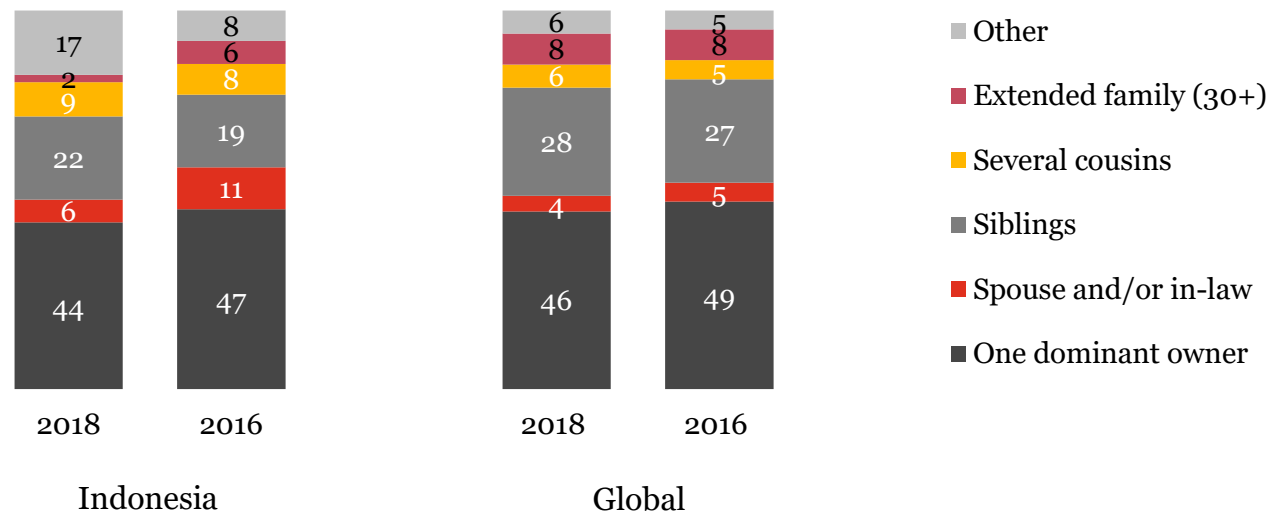


44% of Indonesian family businesses from the 2018 survey have one dominant owner

A further 22% have siblings as owners. Around 10% have ownership shared between cousins or an extended family.

%

Family ownership structure



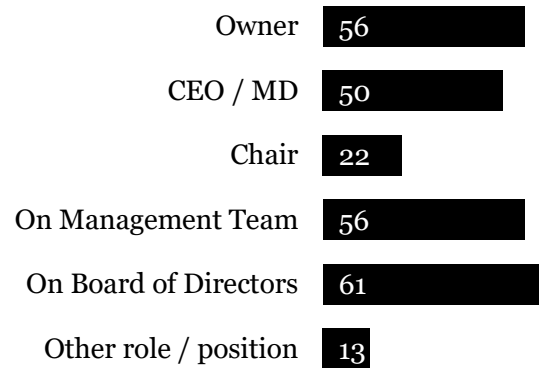
S8. And which one of the following best describes the family ownership structure of your business?

Base: all respondents answering (2018: Indonesia=54, Global=2820; 2016: Indonesia=36, Global=2802)

Indonesia respondent profile – who did we talk to?

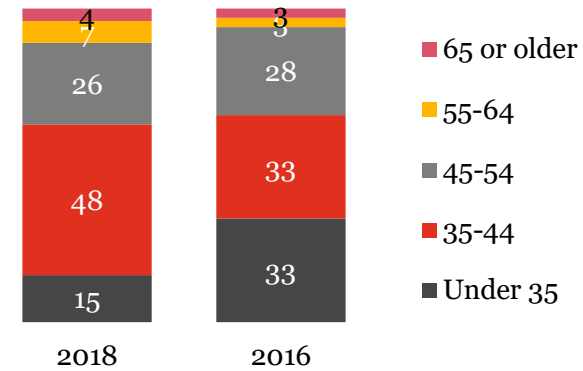
%

* Current Job Role / Position

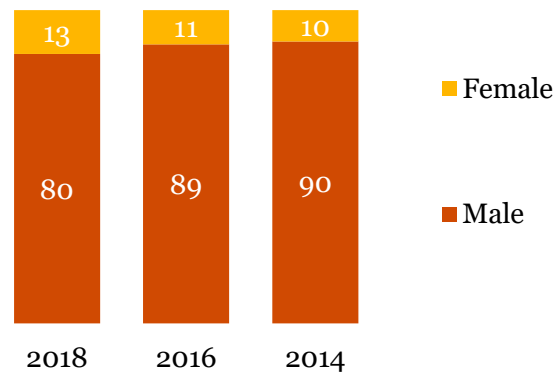


* Question changed from 2016 meaning comparisons not possible

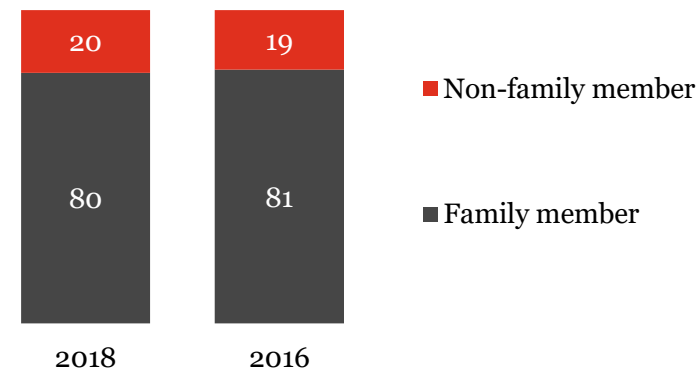
Age



Gender



Family member



Headline findings for Indonesia

1

Growth among Indonesian family businesses over the last 12 months has increased compared with those answering in 2016. 65% have seen growth (vs. 42% in 2016), including 35% who have seen double digit growth. Only 7% have seen a sales reduction (down from 44% of those asked in 2016). Globally, 69% of family businesses grew. 87% of Indonesian family businesses expect to grow over the next two years. Businesses in Indonesia are more likely to say growth will be quick and aggressive (39% vs. 16% globally). International sales currently account for 16% of Indonesian family business turnover and is predicted to account for 27% in five years' time.

2

Key challenges for Indonesian family businesses in the next two years are access to the right skills and capabilities, the need to innovate in order to keep ahead, the economic environment and competition. In terms of important personal and business goals, the maintenance of the best talent (via recruitment and retention) for the business is crucial (89% cite this). Innovation and profitability are also key.

3

Half say they have a formal mid-term strategic plan in place. 17% have no plan. More than a third (35%) of Indonesian family businesses expect to change their business model over the next two years (vs. 20% globally) and 81% say they will bring in professional expertise from outside the family. There is a lower level of diversification in Indonesia than average with only 19% operating in multiple sectors and markets (the global average is 26%) and this level is lower than that recorded in 2016 in Indonesia.

Headline findings for Indonesia

4

63% of Indonesian family businesses feel they will have made significant steps in terms of digital capabilities in the next two years. 46% of businesses feel vulnerable to digital disruption (more than twice as many as in 2016, and higher than the 30% citing this globally). A third (31%) feel that they are vulnerable to a cyber-attack (less than the 40% globally who feel vulnerable).

5

13% of businesses have a robust, documented and communicated succession plan in place (similar to the global average of 15%). 81% of family businesses in Indonesia plan to pass on management and/or ownership to the next generation. However a third (30%) have not involved the next generation in preparations for these changes and only 57% currently have next gen working in the business.

6

72% of Indonesian family businesses have a clear sense of agreed values and purpose as a company, although only half have these values or a company mission in a written format. It is felt that such values benefit the company; notably in terms of the bottom line with more than seven in 10 agreeing that values and purpose have created a competitive advantage or increased revenue and profitability.

7

Women average 24% of board members in Indonesian family businesses (vs. a global average of 21%) and 27% of people on the management team (24% globally).

1

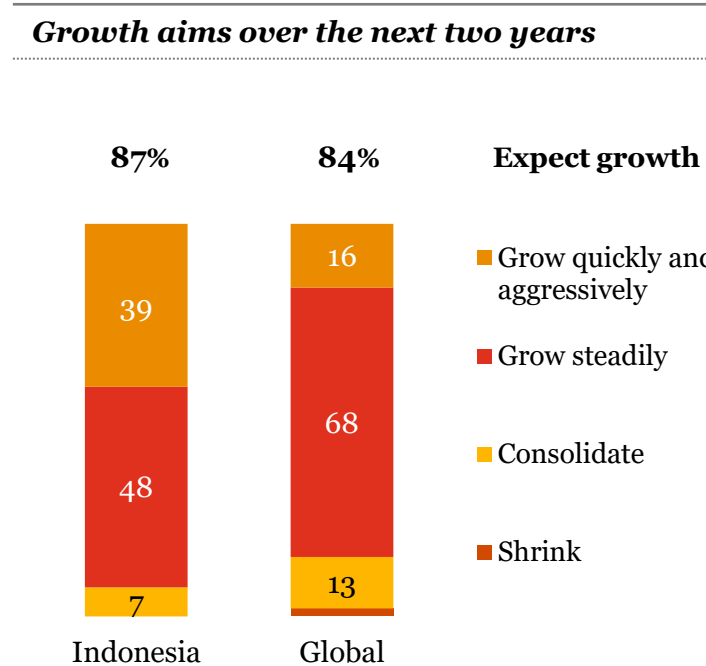
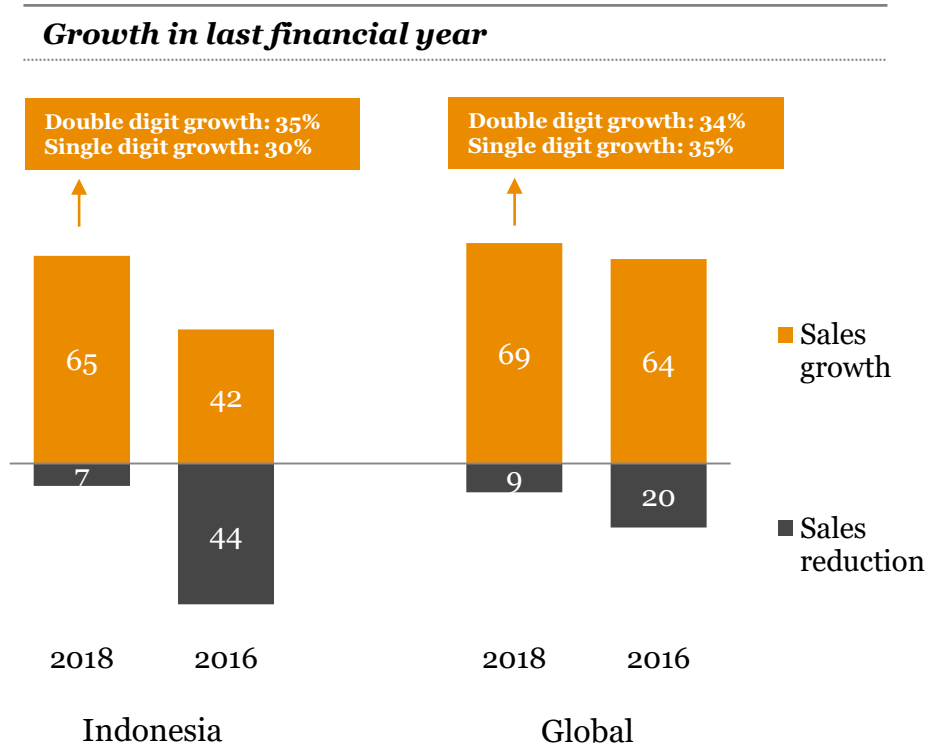
Organisation performance

This section provides an overview of growth, how growth is financed and diversification

Growth among Indonesian family businesses over the last 12 months has increased hugely (when compared with those answering in 2016).

87% expect to grow over the next two years findings for Indonesia

%



*In 2016, 88% of businesses in Indonesia and 85% of Global businesses expected to grow over the next **five years***

Q1a. Looking back over the last financial year would you say your sales have...?

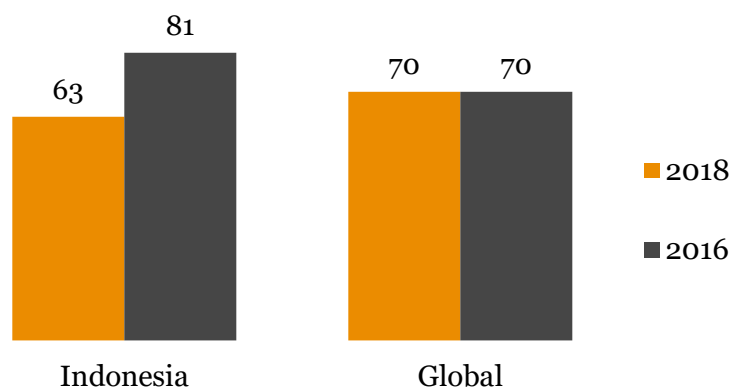
Q1b. Which of the following best describes your aims for growth over the next two years?

Base: all respondents answering (2018: Indonesia=54, Global=2950/2951; 2016: Indonesia=36, Global=2802)

63% of family businesses in Indonesia currently export their goods or services (down from 81% in 2016), now lower than the global average

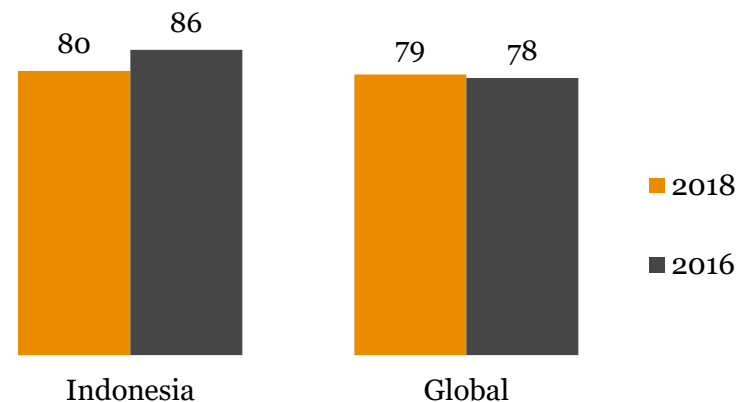
%

Any current international sales



On average, foreign sales accounts for 16% of turnover in Indonesia. This average includes all businesses (even those not exporting at all).

Any future international sales (five years' time)



On average, it is estimated that foreign sales will account for 27% of turnover in Indonesia in five years' time. Again, this average includes all businesses (even those expecting that they won't be exporting at all in five years' time).

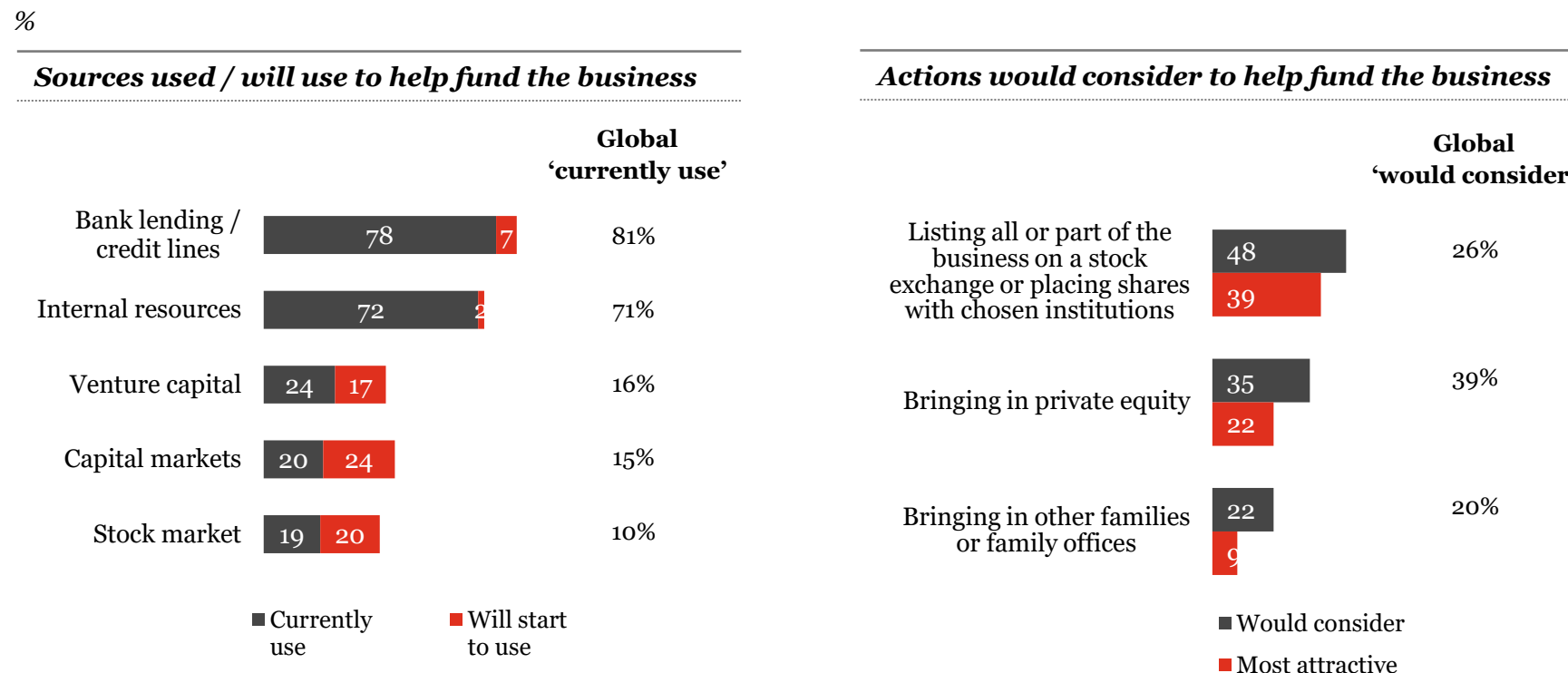
Q28a. Approximately what percentage of your sales comes from exporting or selling goods and / or services in foreign countries at the moment?

Q28b. And approximately what percentage of your sales do you think will come from exporting or selling goods and / or services to foreign countries in 5 years' time?

Base: all respondents answering (2018: Indonesia=54, Global=2932/2924; 2016: Indonesia=36, Global=2802)

Bank credit and internal resources are mostly used to fund the business Branding updates - refereshed PwC branding

Almost half of Indonesian FBs would consider bringing listing on a stock exchange or placing shares with chosen institutions



Q14p. Which of the following sources, if any, do you currently use to help fund the business?

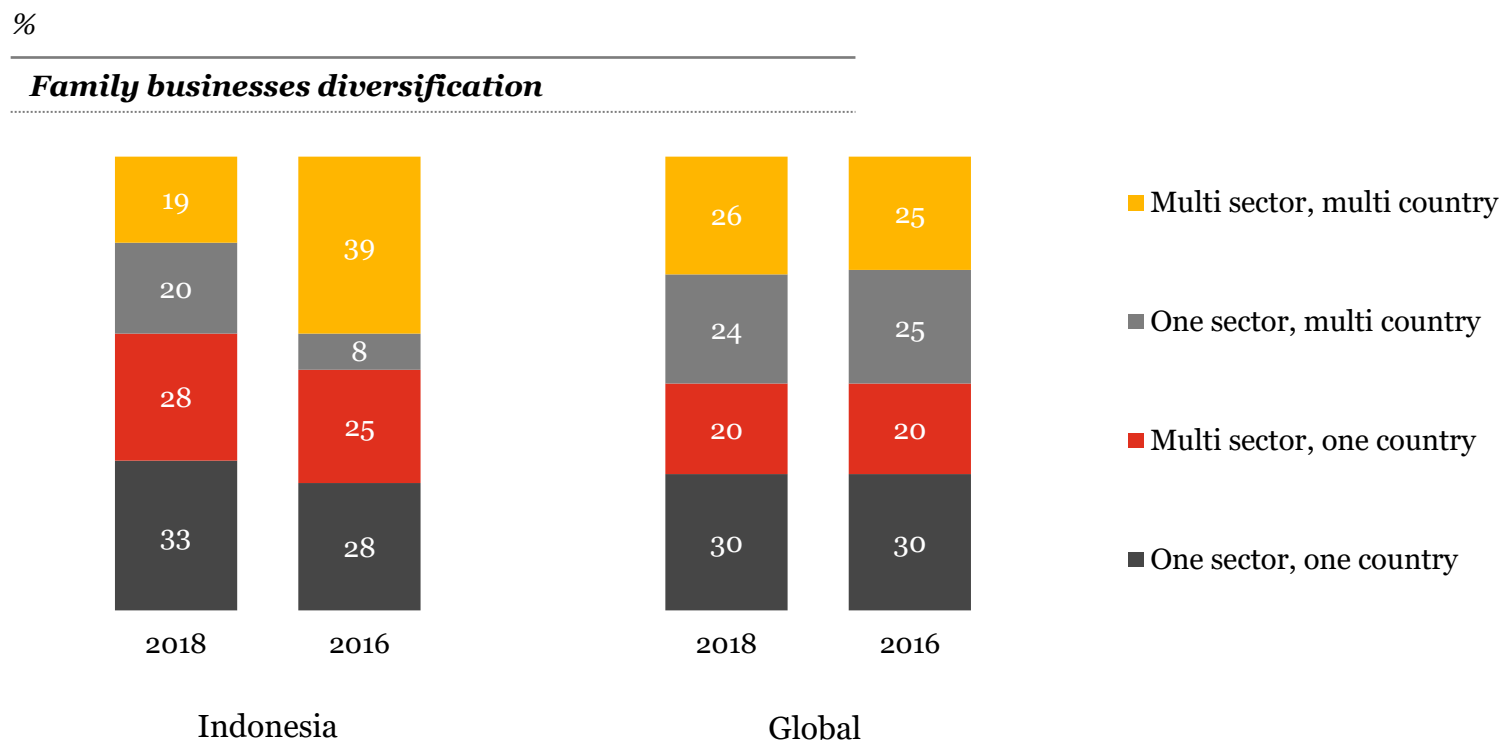
Q14q. And which of the following sources, if any, do you think you will start to use to help fund the business over the next 1-2 years?

Q14r. And which of the following, if any, would you consider to help fund the business?

Q14s. And which of those is the most attractive?

Base: all respondents answering (2018: Indonesia=54, Global=2887-2946)

19% of Indonesian businesses work in multiple sectors and multiple countries, compared with 26% globally. There is a lower level of diversification than in 2016.



S7. Which one of the following statements do you think best describes how diversified your business is?

2

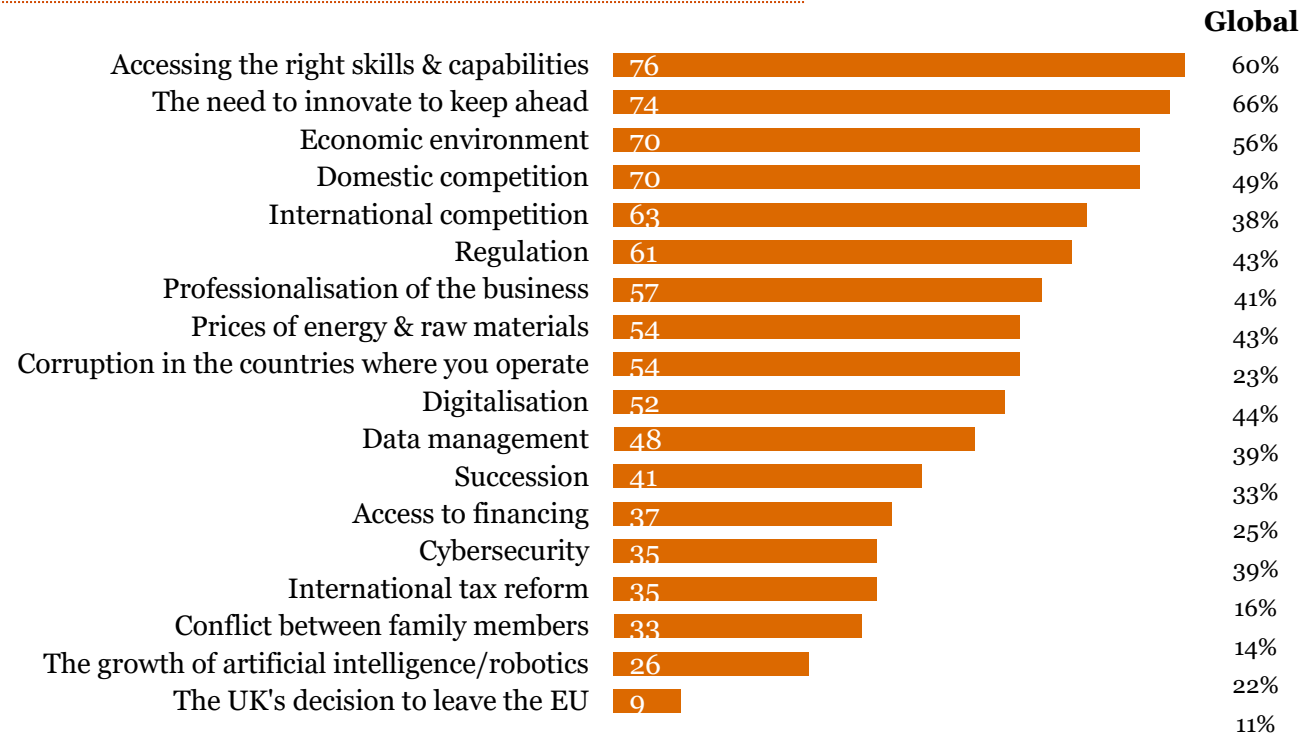
Organisation Challenges

This section provides an overview of the challenges facing businesses over the next two years, whether business have a strategic plan in place for the next 3-5 years.

Accessing skills & capabilities, innovation, the economic environment and competition are the key challenges faced by Indonesian family businesses

%

Key challenges over the next two years (Top 2)



Q3a. I'm going to read out a number of factors and I'd like you to tell me how much of a challenge you think each one will be for your business over the next two years on a scale of 1-5, where 1 means it will be a minor challenge or not particularly important and 5 means it's going to be a major challenge for your business

Base: all respondents answering (2018: Indonesia=54, Global=2950-2952)

Similar hierarchy in 2016 (for next five years)

Attracting/retaining talent, being more innovative and improving profitability are the key personal / business goals for the next two years

%

Important personal & business goals (Top 2)



Global

Q3b. I will now read out some potential personal and business goals. I would like you rate each goal on a scale of 1-5 where 1 means it's not important to you over the next two years and 5 means it's essential to you over the next two years.

Base: all respondents answering (2018: Indonesia=54, Global=2949-2950)

63% think they will have stepped up digital capability in the next two years. 81% will bring in external expertise; much higher than the global average

Half expect to be exporting to new countries and more than two-fifths think they will be earning the majority of revenue from new products or services; both higher than the global average.

%

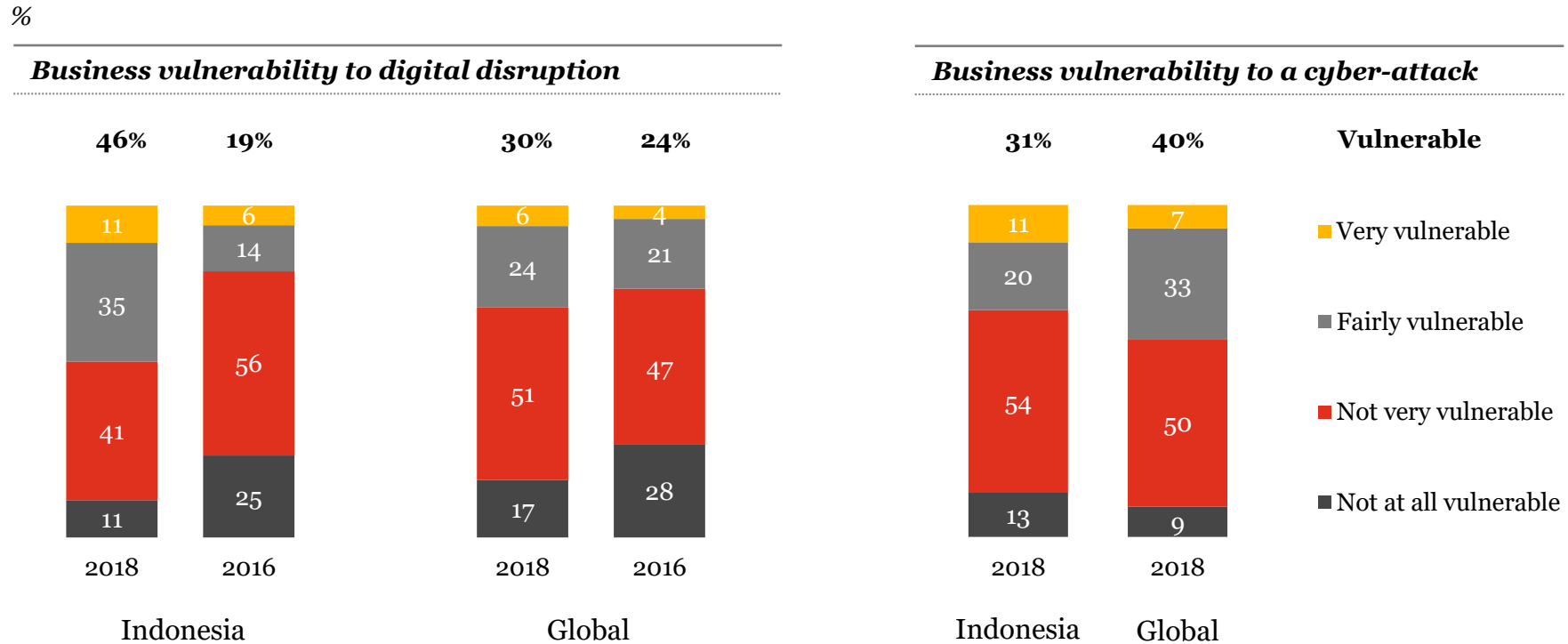
Likely true of business in 2 years (Top 2)



Q2. Thinking about the business in 2 years' time, realistically how likely is it that the following statements will be true of your business? Please use a scale from 1 to 5 where 1 is not at all likely and 5 is very likely.

Base: all respondents answering (2018: Indonesia=54, Global=2948-2951)

Far more businesses feel vulnerable to digital disruption (46%) than in 2016 (higher than the global average). 31% feel vulnerable to a cyber-attack (lower than the global average)



Q10a. To what extent do you feel your business is vulnerable to digital disruption? Would you say...
 Q10d. And to what extent do you feel your business is vulnerable to a cyber-attack? Would you say...

Base: all respondents answering (2018: Indonesia=54, Global=2953/2950; 2016: Indonesia=36, Global=2802)

When respondents globally were asked about the threat from digital disruption only a minority were able to talk about specific technologies. The threat tended to be seen as challenging their existing business model

Answers tended to fall into three camps – global findings

General threat from competitors – current or yet to emerge

Competition could come from a wide range of sources

- Large multinationals – challenging the way they sell their products and the supply chain (e.g. Amazon, Google)
- New entrants (large or small) with the skills and funding to disrupt the market and be digital from the outset (e.g. fintech, the next 'Uber', Google in construction)
- Seen as hard to keep up and/or stay ahead
- Owning the data also seen as key

Consumer behaviour is changing

- Increasing move to e-commerce
- Fear an increasingly price led market place will devalue the traditional strengths of FBs

“Online E-Commerce as this allows the market to have excess to goods that initially couldn't have been sourced, readily available and cheap. Our business model comprises 60% of distribution and with global E-Commerce our margins are hit.” (Indonesia)

Threat (or opportunity) from specific technologies

- Most mentions of Artificial Intelligence
- Small numbers of mentions of Blockchain, Big Data, machine learning, 3D Printing, driverless cars
- Tends to be raised as a competitive threat although some talk of the impact on jobs
- More likely to talk about as a threat than an opportunity – although some see as a means of getting ahead
- Again, challenges in keeping up; having the right skills set, leadership skills and investment

“4G industrial revolution on manufacturing shop floor” (Indonesia)

Uncertainty/lack of understanding of the threat

A sizeable proportion interpret digital disruption to be security threat

- Mentions of significant fears over cyber security, vulnerability to cyber crime, reputational threats from social media, banking fraud and/or systems outages

Others have a more general fear of being left behind but lack the ability to get ahead

- The business or the family remain traditional in their outlook

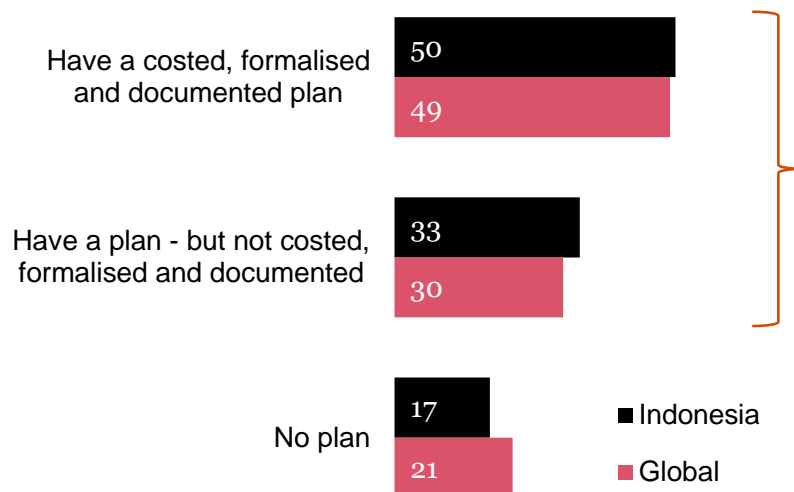
“Because the company is in the IT field so it is vulnerable to cyber interference, for example in communication via the internet. Now everything is digitalised, online businesses are vulnerable because they cannot be 100% protected.” (Indonesia)

Q10b. In what ways do you think you are vulnerable to digital disruption? Which technologies in particular? Open ended question

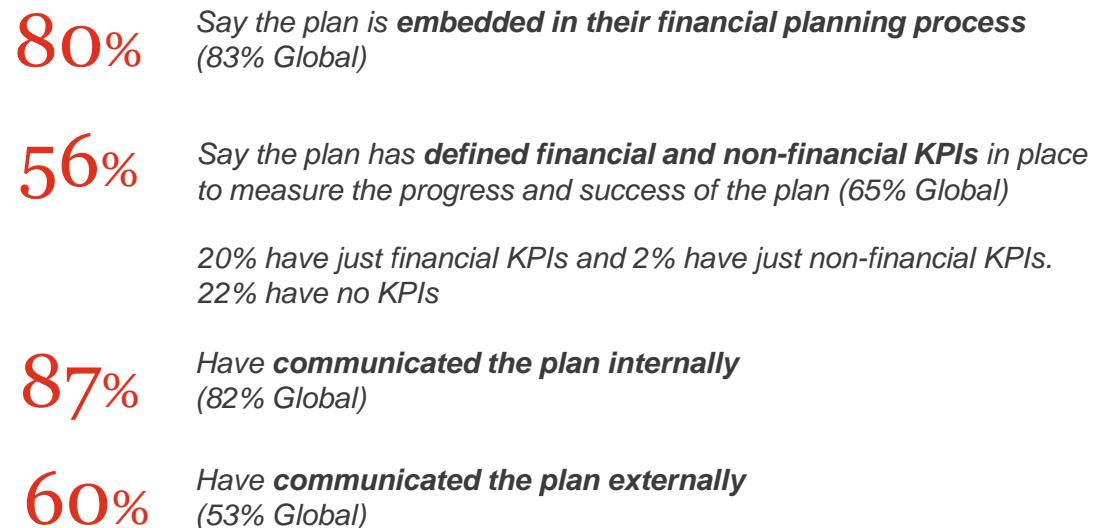
Half say they have a costed, formalised and documented mid-term plan. 17% have no plan at all (somewhat lower than the global average)

%

Have a strategic plan for the next 3-5 years



Among those with any sort of plan...



Q4. Does your company have a strategic plan for the next 3-5 years? Q6. Has this strategic plan been fully costed, formalised and documented?
Q7. Do you have defined financial and / or non-financial Key Performance Indicators (KPIs) in place to measure progress and success of this strategic plan?
Q8a. Is the strategic plan embedded in your financial planning process? Q8b. And has this strategic plan been communicated...

Base: all respondents/all with a strategic plan answering (2018: Indonesia=54/45, Global=2952/2327-2331)

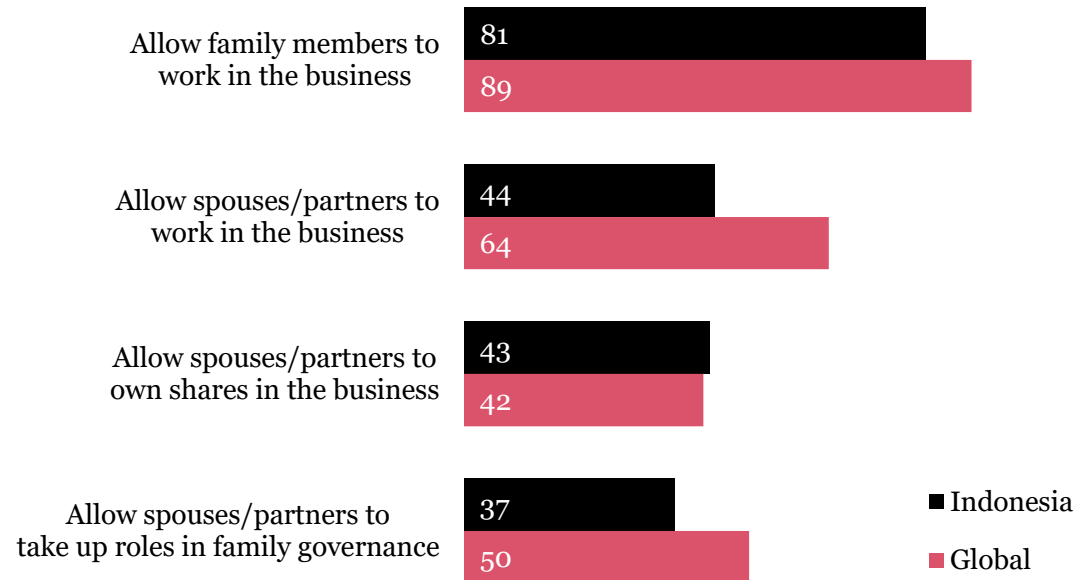
3 Family involvement and succession planning

This section provides an overview of next generation involvement and issues, spouses working in the business, succession and future plans for the business.

Only 44% of Indonesian family businesses allow spouses/partners to work in the business; a similar proportion can own shares, while 37% can take up governance roles

%

Family and spousal involvement in business



Q11b. Are other family members/family members allowed to work in the business?

Q11c. In principle are partners or spouses of the family...?

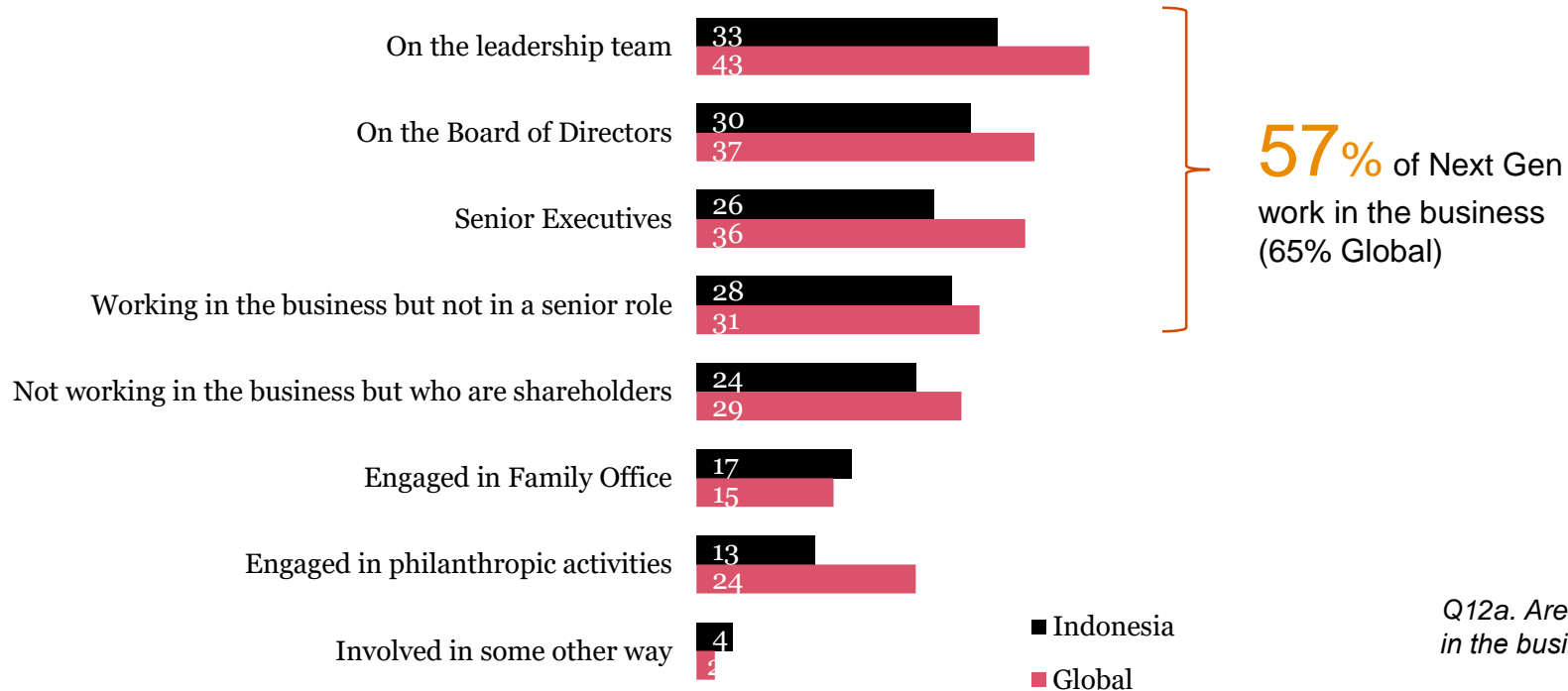
Q11e. Are partners or spouses allowed to take up any roles in the family governance?

Base: all respondents answering (2018: Indonesia=54, Global=2948-2951)

57% of Indonesian family businesses have next generation family members working in the business

%

Involvement of next generation in business



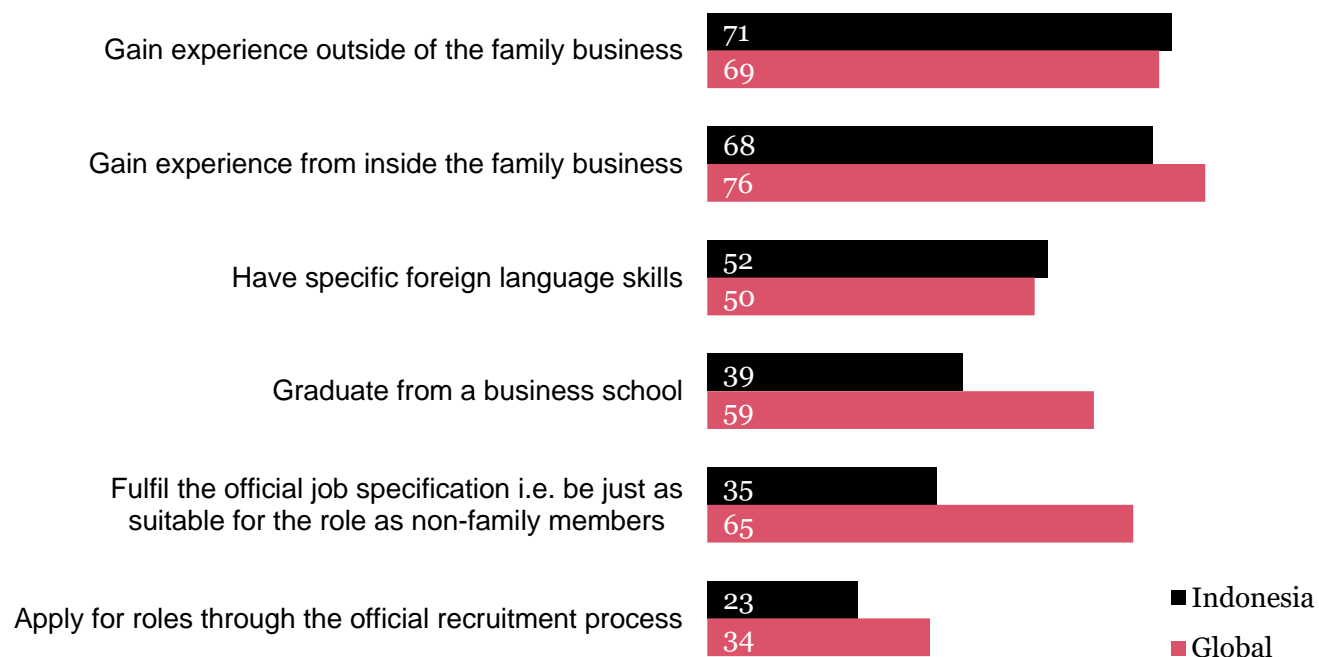
Q12a. Are there any next generation family members involved in the business who are...?

Base: all respondents (2018: Indonesia=54, Global=2953)

Next gen working in the business are largely expected to gain internal and external experience, but only a third are expected to be just as suitable for the role as non-family members (vs. 65% globally)

%

Expectations for next gen family workers



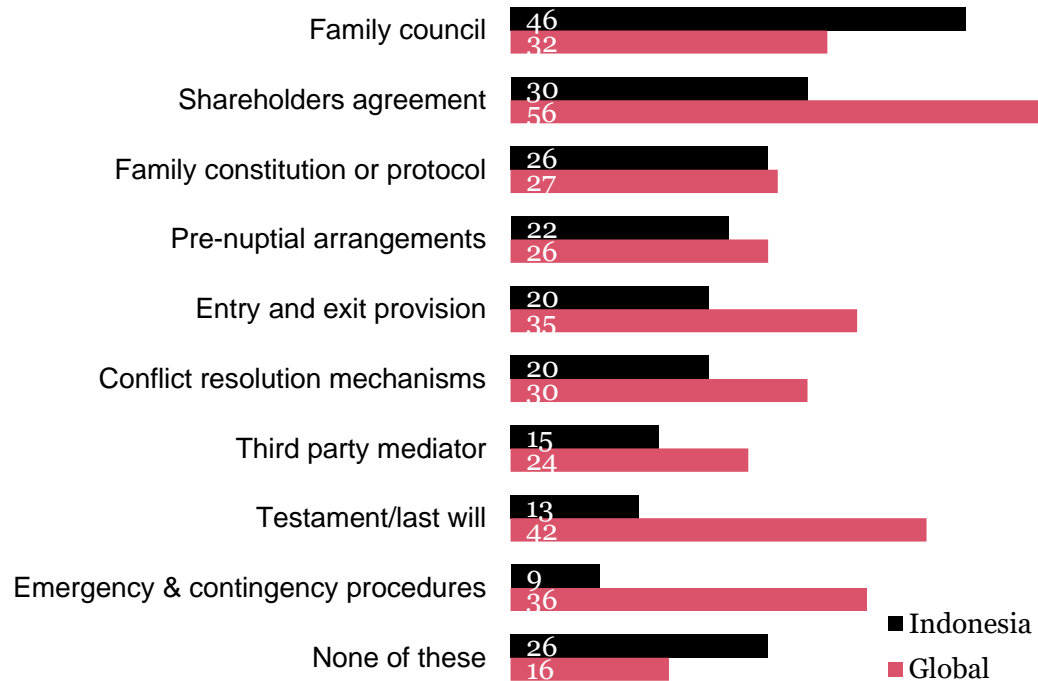
Q12b. Generally speaking, are next generation family members working in the business expected or encouraged to...?

Base: all respondents with next gen working in the business answering (2018: Indonesia=31, Global=1903)

74% of Indonesian family businesses have some form of policy/procedure in place within the business, lower than the global average

%

Policies and procedures in place



74% have some form of policy / procedure in place within the business (84% Global)

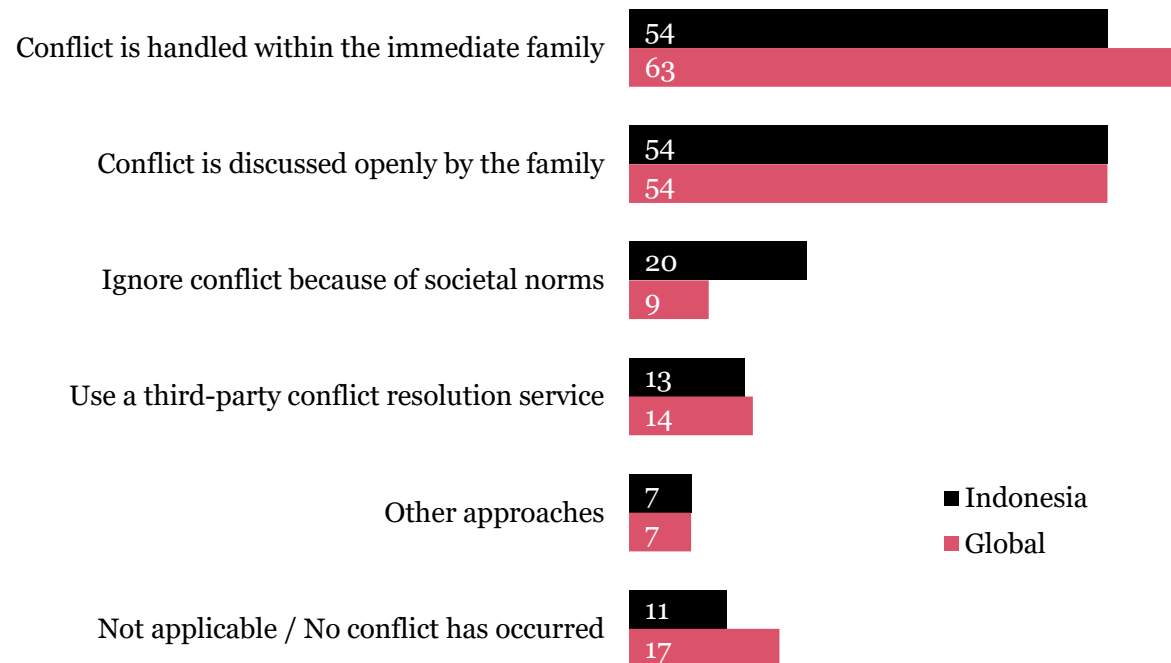
Q13. Which of the following policies and procedures, if any, do you have in place?

Base: all respondents answering (2018: Indonesia=54, Global=2946)

54% claim that family conflict is handled within the immediate family or discussed openly by the family, but one in five ignore conflict because of societal norms

%

Approaches use to handle family conflict



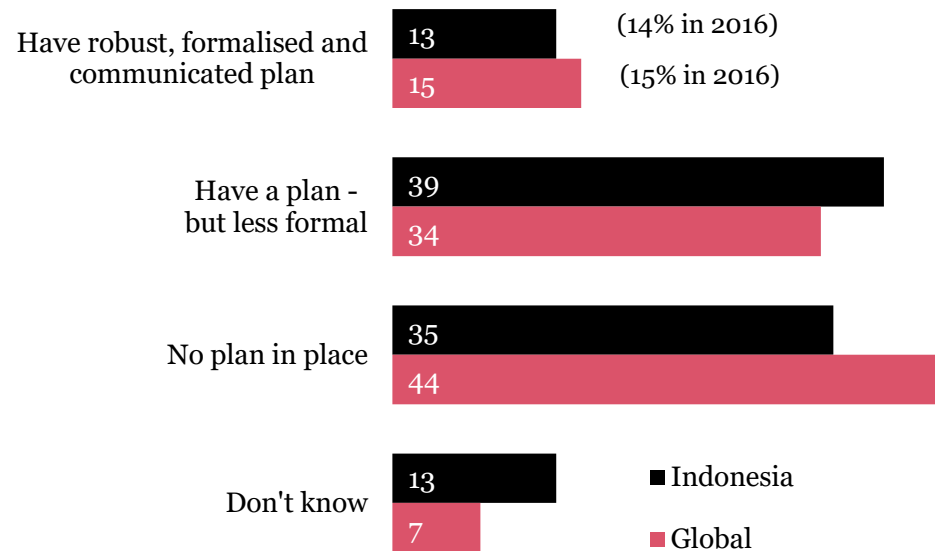
Q19a. Which of the following (if any) describe how family conflict is handled in the company?

Base: all respondents answering (2018: Indonesia=54, Global=2945)

13% of Indonesian family businesses have a robust, formalised and communicated succession plan in place (similar to the global average of 15%)

%

Have a succession plan in place?



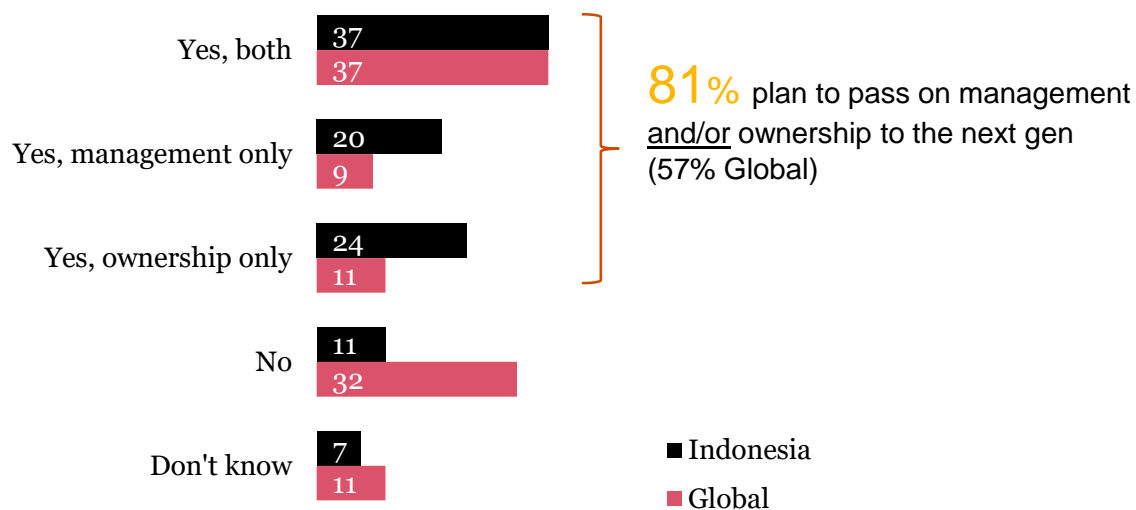
Q14a. Does your company have a succession plan in place?
 Q14b. Is this succession plan robust, documented and communicated or is it less formal than that?

Base: all respondents answering (2018: Indonesia=54, Global=2951/1507)

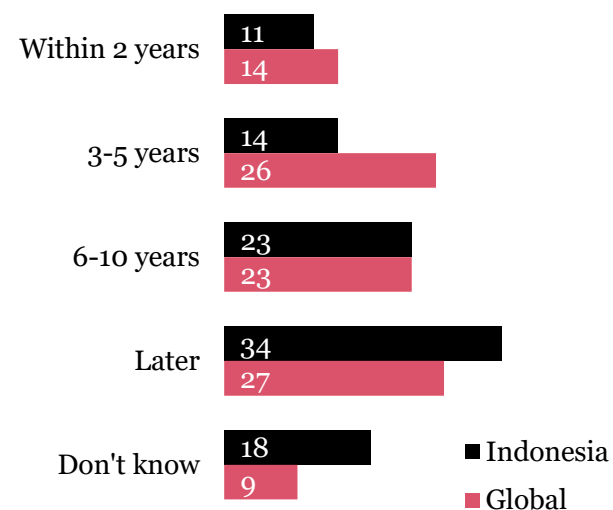
81% plan to pass on management and/or leadership onto the next generation. 30% of those planning to pass onto the next gen have not involved the next gen in these plans% of Indonesian family businesses have a robust, formalised and communicated succession plan in place (similar to the global average of 15%)

%

Passing on management / ownership to the next generation?



When will this occur? (among those passing on either)



But rising to...

94% of those who already have next gen working in the business, plan to pass on management and/or ownership to the next generation (68% Global)

30% have NOT involved next gen in preparations for these changes (30% Global)

Q14f. Is there any plan to pass the leadership and management and / or the ownership of the company to a next generation family member?
 Q14h. And in what time frame are you likely to pass the [leadership and management and ownership / leadership and management] of the company to a next generation family member?
 Q14j. Have you involved the next generation family member (or members) in any preparations for this/these changes?

Base: all respondents/all passing on mgmt and/or ownership answering (2018: Indonesia=54/44, Global=2940/1661-1665)

4

Values > Purpose > Impact > Legacy

This section provides an overview of both family values and the values of the business and how these impact on the business, whether businesses engage in philanthropy and the long term goals of the business.

72% have a clear sense of company and/or family values but only a half have their values and company mission down in written form

%

Agreement with statements



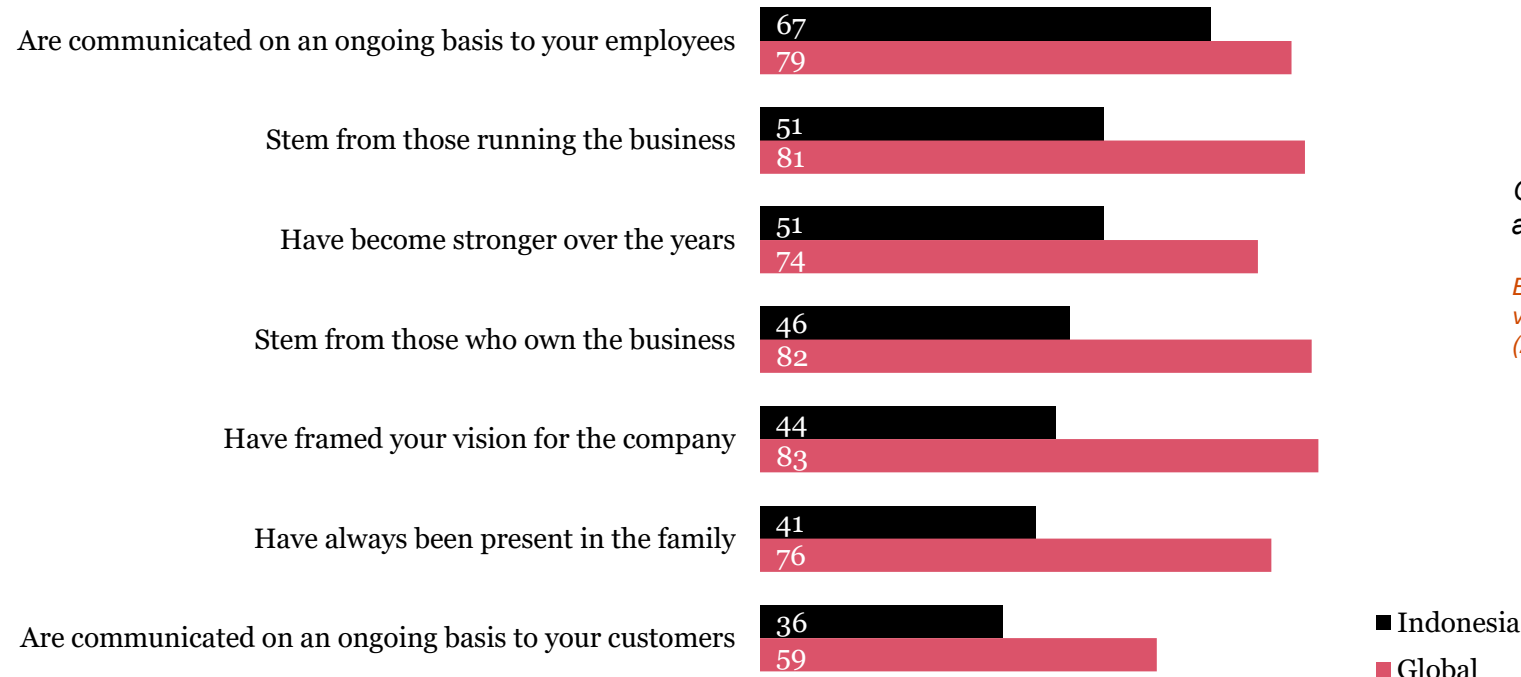
Q15. I'm now going to read out some more statements. For each one I read out, I'd like you to tell me how much you agree or disagree on a scale of 1-5, where 1= Disagree strongly and 5 = Agree strongly.

Base: all respondents answering (2018: Indonesia=54, Global=2948-2951)

Those with a clear sense of agreed values are less likely than the global average to agree that those values have framed their vision for the company (44% vs. 83% globally).

%

Would say that values and purpose...



Q16. You agreed that you have a clear sense of agreed values and purpose as a company. Would you say that these values...

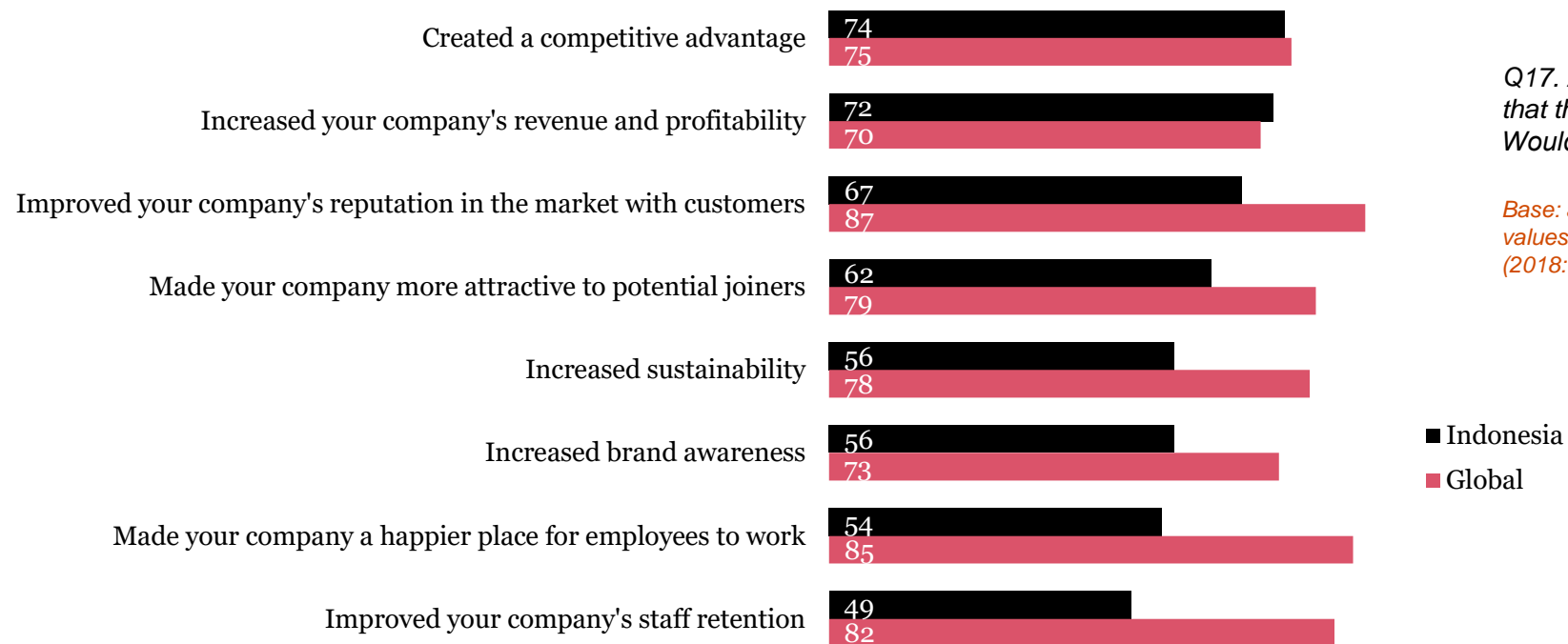
Base: all respondents saying their company has a clear sense of agreed values and purpose answering (2018: Indonesia=39, Global=2318)

Those with a clear sense of agreed values feel strongly that these benefit the company in many ways; notably terms of the bottom line – competitiveness, revenue and profitability

FBs in Indonesia are less likely than the global average to agree that values and purpose benefit staff retention or happiness

%

Would say that values and purpose...



Q17. And which of the following impacts, if any, would you say that these values and purpose have had on the business? Would say they have...

Base: all respondents saying their company has a clear sense of agreed values and purpose answering (2018: Indonesia=39, Global=2320)

Globally 80% say they have a clear sense of company and/or family values. When asked to describe what these values are, however, the answers tend to be rather thin and somewhat generic

Words that come up consistently include:

Honesty	Integrity
Hard work	Good value
Respect	Employee

Companies who have written down their family values and mission give richer and more detailed answers. More values, better articulated – evidence that the rigour of committing values to paper is a meaningful process.

Additional words that come up regularly include:

Community	Integral	Sustain	Trust
Customer	Committed	Innovate	Fair
People	Ethical	Quality	Open

Companies who have written down their family values and mission are also more likely than average to:

- *Have a formal succession plan in place*
- *Have a fully costed, formalised and communicated mid-term strategic plan in place*
- *See cyber and AI as challenges*
- *Have grown in the last two years*
- *Expect to grow in the next two years*

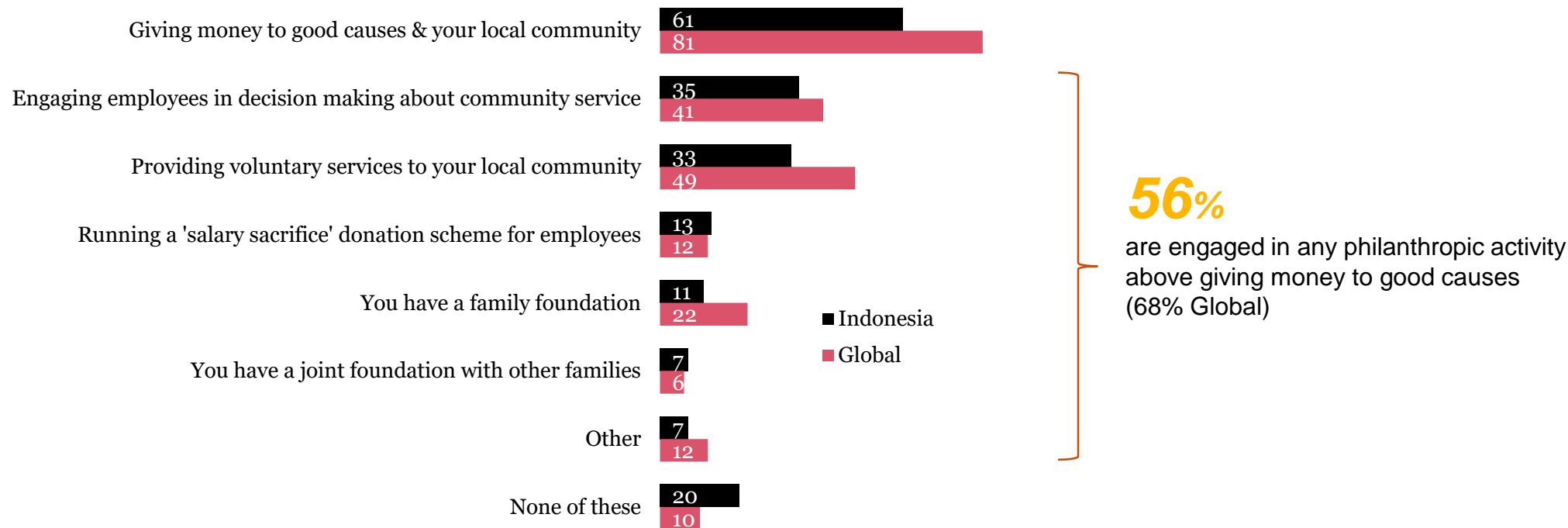
Q18. Can you please describe what these family values / expectations of family members are? Open ended question

Base: all Global respondents who have a clear sense of agreed values and purpose (2018: n=2323)

Majority are engaged in some form of philanthropic activity. 56% are engaged in activity beyond giving money to good causes and the local community

%

Engaged in any philanthropic activities?



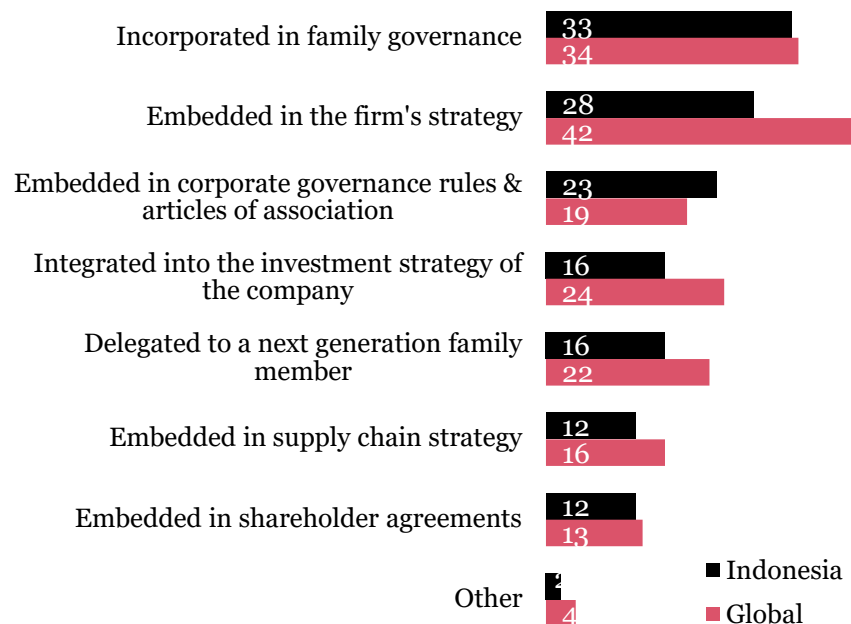
Q19b. Which, if any, of the following philanthropic activities does the family business and/or the family owning the business engage in...

Base: all respondents answering (2018: Indonesia=54, Global=2949)

Those engaged in philanthropy use a variety of methods to ensure these activities happen. 28% try to measure impact (similar to the global average)

%

Methods used to ensure philanthropy occurs



Measuring the success/impact of philanthropy

28% try to measure success or impact of their activities (29% Global)



Q20. Which of the following methods, if any, do you use to ensure that these philanthropic activities happen? Is philanthropic activity...

Q21. Do you try and measure the success or impact of these philanthropic activities?

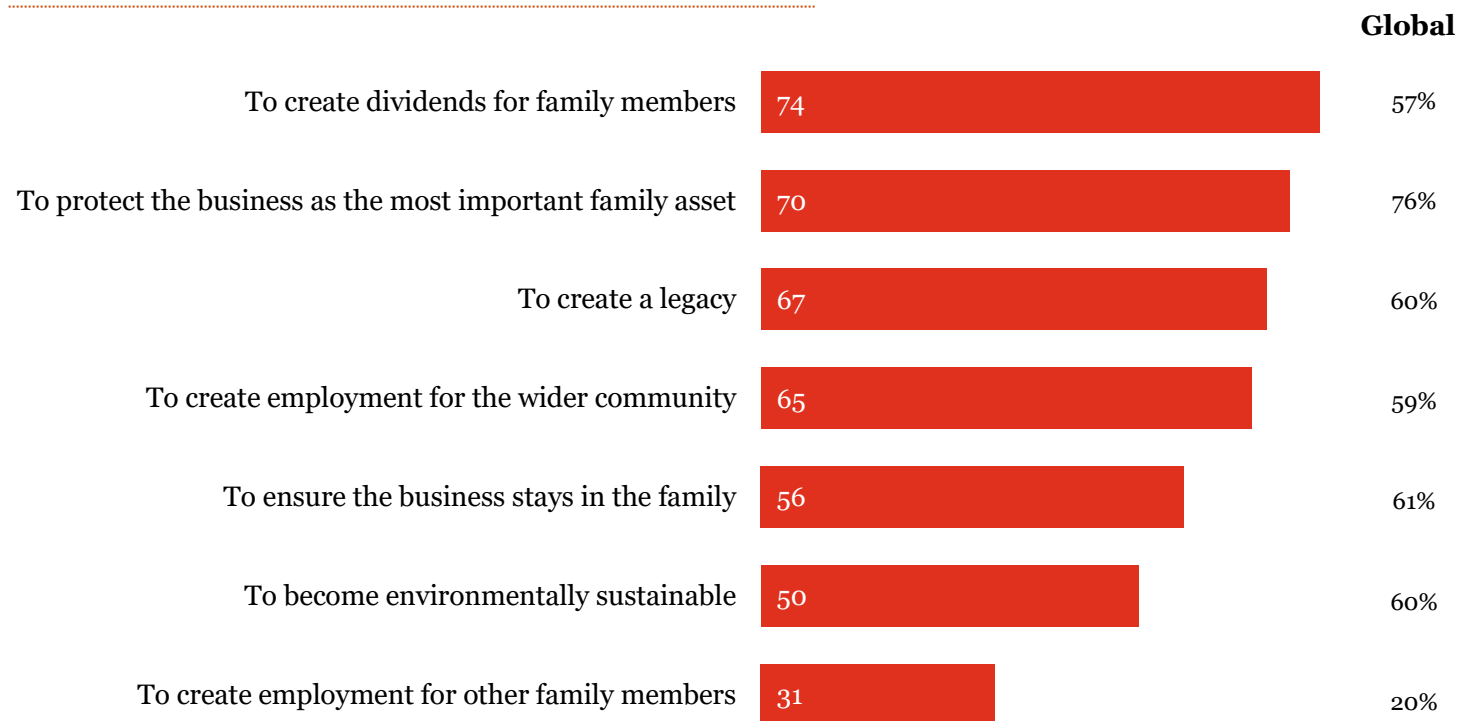
Q22. And how do you measure (or try to measure) the success or impact of these philanthropic activities?

Base: all respondents engaged in philanthropy answering (2018: Indonesia=43, Global=2649/2659)

Over the longer term, 74% want create dividends for family members; significantly higher than the 57% who cite this globally

%

Long term goals (Top 2)



Q14o. I'm going to read out some potential longer term goals i.e. over the next 5 years or longer. I would like you rate each goal on a scale of 1-5 where 1 means it's not important to you over the long term and 5 means it's essential to you.

Base: all respondents answering (2018: Indonesia=54, Global=2944-2945)

Globally, continuity/endurance is key to legacy hopes; of the physical business, of the family involvement, of the growth and success of products & services, of the support given to communities. Many family businesses define success not just in terms of financial wealth but in less tangible elements of personal growth/development, community/employee support and the upholding of core values.

What want lasting legacy to be – global findings

For the Family / Community

- To be a well-respected, honourable employer, with happy and secure employees
- To maintain family values/feeling e.g. honesty, reliability, integrity,
- To have benefitted society – not taken advantage of it. To have made a difference in a positive way e.g. local projects, charity initiatives
- For children/family members and employees to have a good life/to thrive (financially and in a broader sense) as a result of the business
- To leave a source of wealth and employment for family, employees, shareholders and community

For the Business

- To endure and remain a sustainable player in the market; to keep going and to keep growing. To leave behind a strong, profitable enterprise.
- To face and overcome challenges and changes, to stand up to pressure
- To have stewarded well so as to pass the business to next generations in a better shape than it was inherited
- To leave a legacy of quality products/services
- To have diversified and professionalised where appropriate

Examples from Indonesia

“To have built a successful business that has been able to provide good jobs and to have given positive contribution to the society.” (Indonesia)

“That the value that the family instills continues to run, bringing positive benefits to the people of Indonesia as a whole.” (Indonesia)

“To have our business last for generations beyond the core family, continually existing, expanding, growing, evolving to meet market demands being led by a team of professionals and remaining as a source of blessing for the community” (Indonesia)

“To be known as a successful corporation that uses creativity and innovation to increase its value in bringing many opportunities to employees and society” (Indonesia)

Q23. What would you like your lasting legacy to be? Open ended question

Base: all Global respondents (2018: n=2952)

5

Gender Equality

This section provides an overview of presence of women in the business.

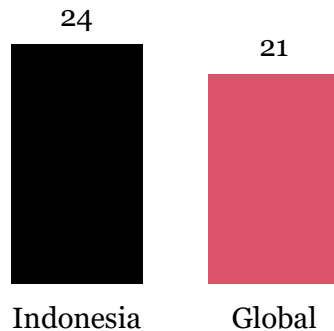
Women average 24% of board members in Indonesian family businesses and average 27% of the management team

...but fewer than one in five next gen working in the business are women

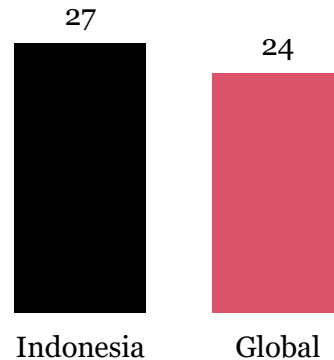
%

Presence of women in the business

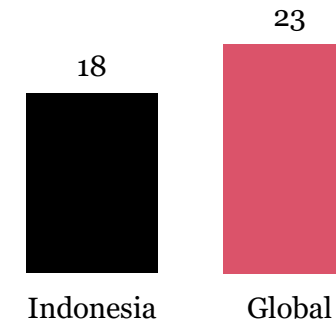
Average % of people on the **board** who are women



Average % of people on the **management team** who are women



Average % of **next gen working in the business** who are women



- S9i. Approximately what proportion of people on the board are women?*
- ii. Approximately what proportion of people on the management team are women?*
- iii. Approximately what proportion of Next generation family members working in the business are women*

Base: all respondents/all with next gen working in the business answering (2018: Indonesia=54/31, Global=2940/1896)

Appendix 1:

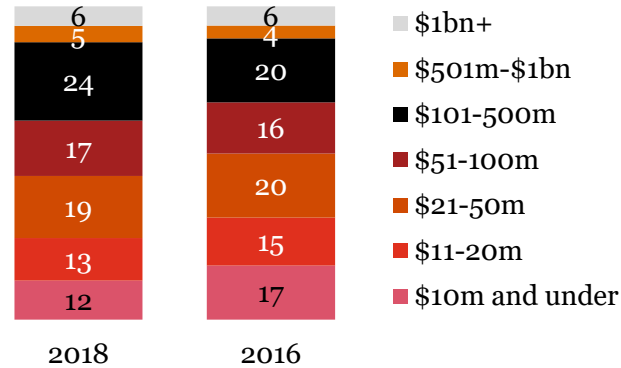
Survey Background

A1

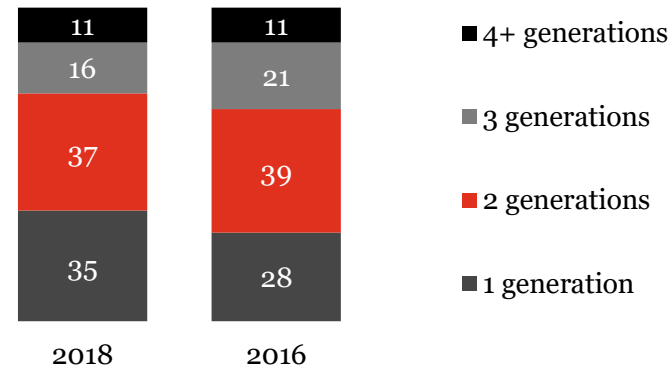
Global company profile – what companies were included?

%

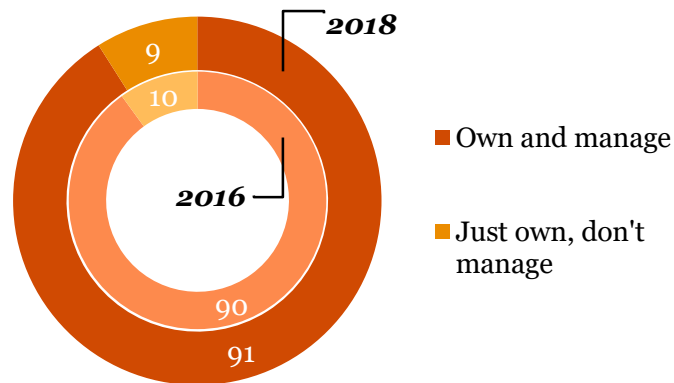
Turnover (sales) (US\$)



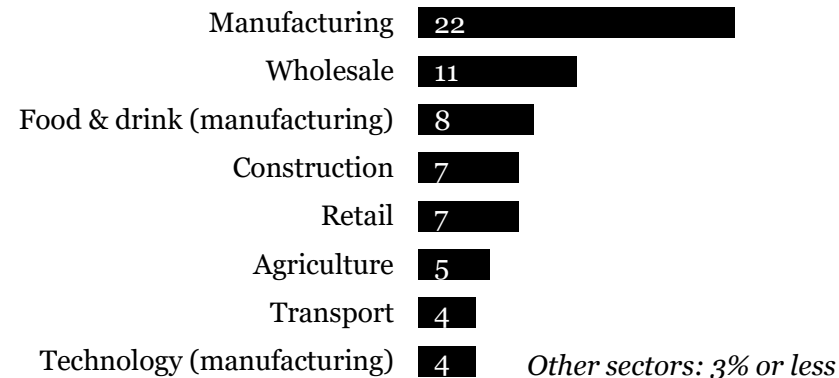
Number of Generations



Family's Role in the Business



* Sector (2018)



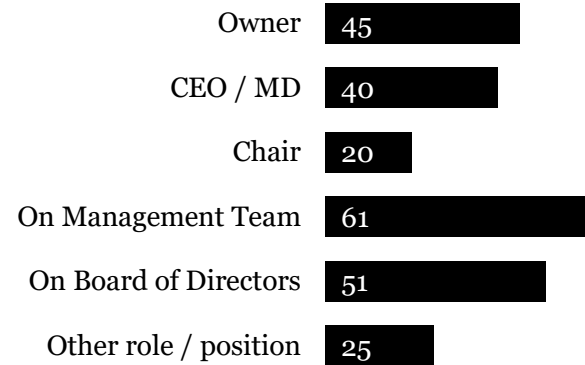
Base: all Global respondents
(2018: all answering n=2900-2950;
2016: n=2802)

* Question changed from 2016 meaning comparisons not possible

Global respondent profile – who did we talk to?

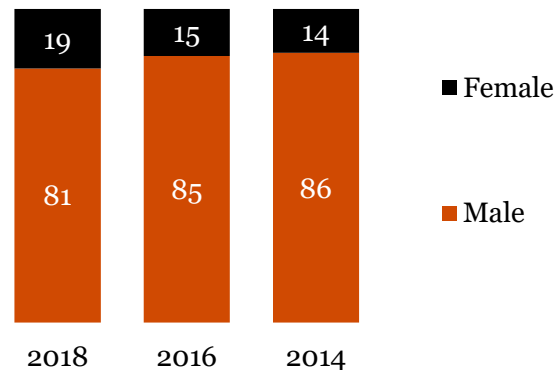
%

* Current Job Role / Position

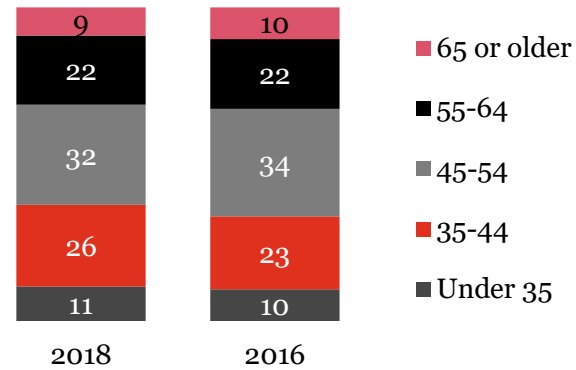


* Question changed from 2016 meaning comparisons not possible

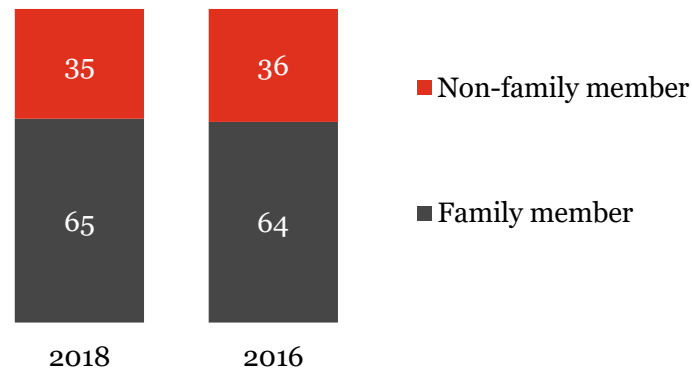
Gender



Age



Family member



Base: all Global respondents
(2018: all answering n=2822-2950;
2016: n=2802)

pwc.com

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2019 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details