



GLOBAL LEADERS: THE KEY TO SUCCESS FOR FAMILY BUSINESS IN INDONESIA IN THE AEC ERA

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Abstract

Based on Family Business Survey (2014), more than 95 percent business in Indonesia are family businesses. The survey also showed that the biggest challenge for family business is the amount of competitor which is increased significantly, especially when AEC (ASEAN Economic Community) has already applied. This condition requires entrepreneurs to manage the company more professionally so that they still can achieve the expected growth target. Having a global leaders could become a great solution for managing company more professionally in the AEC era, especially for family business.

This paper discusses about how a leader who has got global mindset can be the key to success for the growth of family business in Indonesia. This discussion is a result of literature studies.

Keywords: *Global Leaders, Family Business, AEC (ASEAN Economic Community)*

INTRODUCTION

Indonesia is the one of the largest population state in the ASEAN region. Indonesia is heterogeneous country with different types of race, language, religion and customs which are spread from Sabang to Merauke. Economically, Indonesia has the world's highest economic growth (4.5%) after China and India (Perbawa, 2015).

Asean Free Trade policies give many opportunities for Indonesia to be able to compete in the global market. This condition requires Indonesia to prepare Indonesian people with properly to be able to deal with the ASEAN Economic Community (AEC) in 2015, especially for human resources of the family enterprises in Indonesia. Based on the data, more than 95% of business in Indonesia is a family business (PWC, 2014). The family business gives a huge contribution to Gross National Product (GNP), namely about 80% of GNP (Casillas, Acedo and Moreno, 2007 in Wahjono, 2012). The data from the National Economic Survey (Susenas) at BPS showed the result that in 2006, there are 48,929,636 companies in Indonesia. 90.95% of those companies can be categorized as a family business. Susenas data also mention that family firms accounted for 53.28% of GDP and absorbing 85,416,493 people as workers or 96.18% of the entire workforce (Wahjono, 2012).

The quantity of family business can become a strenght of Indonesia in AEC era. But this strenght won't be useful to make company can keep exist and success in the global market without the right strategy. One of strategy which could become the key of success is having leader whose the global mindset, The global mindset leader is a leader who care and





understand about the similarities and the differences of each region or country in terms of politics, economics, law, civilization, and culture (Susanto, et al., 2008). The process of globalization which is very dynamic and evolving constantly will require a global leader who is ready to change and be responsive to every global phenomena in a whole of the world. The global leader also must be responsive to the needs and demands of the local market (Susanto, et al., 2008).

The existence of the relationship between a global-minded leader with the success of family business in Indonesia in the era of the AEC as described above, prompted us to write this paper with purpose to discuss more detail about how a leader who has got the global mindset can be the key to success for the growth of family business in Indonesia. This discussion is a result of the literature studies.

THEORITICAL FRAMEWORK

ASEAN Economic Community (AEC)

In the midst of globalization, there is an increasing number of mobility of capital, people, ideas and an increasing availability of goods and services at the same time with significantly. Build an economic integration through the ASEAN Economic Community (AEC) is an important step for being competitive and active in the global economy.

Momentum of the realization of AEC in 2015 is inseparable from the contribution of ASEAN as a regional organization to achieve that goals. There are four (4) main pillars in the process of implementation of AEC 2015 based on a book with title Towards AEC 2015, namely:

1. The ASEAN as a single market and single production-based, supported by elements of the free flow of goods, services, investment, educated labor and capital flows which is more freely.
2. ASEAN as a region who has a high economic competition, with a competition rules, consumer protection, intellectual property rights, infrastructure development, taxation and e-commerce as the element
3. ASEAN as an equitable economic region with the development of small and medium enterprises as the element, and being initiator for building an ASEAN integrated over CMLV countries, such as Cambodia, Myanmar, Laos, and Vietnam
4. ASEAN as an integreted region with a global economy, with elements which is coherent in the economic relationship outside of the region, and increase participation in global production networks.

When the AEC 2015 has applied, the family business in Indonesia is expected to be able to follow the movements and activities which are included in the agreement. The Family business is also expected can take the advantages of opportunities in the AEC era. Of course the AEC will change the environment of the family business. The family business should afford to follow the process of globalization including facing the tight competition. it is not easy to make family business agree to change their style in managing their business because one of the characteristics of family firms is difficult to make changes (Susanto, et al., 2008).

Family Business

A family business system is much more complicated than other kinds of business organizations (Davis, 2014). In the terms of business, There are two type of family enterprises (Susanto, et al., 2008), namely:



1. Family Owned Enterprise (FOE), which is a company that owned by the family but managed by professional executives who come from outside of the family circle
2. Family Business Enterprise (FBE), which is a company that owned and managed by the founding members.

The most of the family company in Indonesia is FBE where family members also become managers. In line with the growth of a family company, the dynamics of the company is increased highly and complex, thus requires a high competence of the managers. If this requirement cannot be filled by the family members, it should be filled by human resources from outside of the family. That condition become the reason why many of FBE has metamorphosed into FOE.

Some changes in the market and competition has created some new paradigm in the family company. The example of paradigm which is created is the different perception between new generation (employee) and the founder as an old generation. It cause the loyalty of employee is not an obligation anymore, but is a commitment. The loyalty as commitment creates a professionalism. It is a line with the passion of family business to maintain their reputation as their strenght. Susanto (2008) said a business requires some competition, leadership, and management so that the company can growth and be a success in the competition. In addition, it also requires good skill in organizing, sufficient capital, good service, and adequate infrastructures.

Global Leadership

Globalization has caused the tight competition in business and this changes is too difficult to be predicted (hypercompetitive). Meanwhile, members of the organization, family and non-family have thinking and attitudes which is more critical, so we need a new leadership approach (Susanto, et al., 2008). Companies need leadership style that can mobilize its members to jointly strive for the ideals that have been agreed. That means that the leader of the company is expected to make an impact and enormous energy to the organization and all its members. The leadership which has future oriented is committed to seeing the future and dream, change, and moving the company towards the planned destination. It is still line with the original meaning of leadership which is the process of influencing the activities of the group or set an example to his followers in order to achieve organizational goals (Soedibyo, 2012).

Sloan, et al, (Story, 2011) confirmed that the development of global leadership should be part of strategic plan in every organization who wants to thrive in the global market. There are several necessary for a leader to be a global leader, namely:

- 1) leaders need to develop a global mindset, develop self-identity, and develop skill in doing adaptation. Harris & Moran (Story, 2011) defines global leadership as the ability to manage global environment effectively and efficiently to respect cultural differences. There are six (6) main perspectives in the study of global leadership (Hollenbeck, 2001 in Story, 2011), namely: a) see global leaders working across boundaries and national culture; b) look at the world cross-cultural leadership; c) see global leadership or foreign leadership; d) examine the nature, motivator, attitudes, skills, and personal background to build profile of ideal leaders; e) leadership does not distinguish between domestic and global leader; and f) learning to read literature about the current leadership.
- 2) build the capability of paradox by recognizing the existence of alternative views;





- 3) overcome structural barriers to emphasize confidence in the people and the process of their behavior;
- 4) has the ability to recognize the diversity in creating a team which has different background; (Chuang, 2013)
- 5) opportunities change as an urgent need that enables acceptance of ambiguity and risk in the global context;
- 6) the openness of the organization/company to learn and accept the new things.

Dekker, Jensen and Valkenburg (Susanto, 2008) said there are four (4) requirements that must be owned by a global leaders, namely: 1) have international work experience. This experience can help the global leader in solving issues about the difference of timezone and geographical and help to expand the global perspective; 2) have a cross-cultural competence. It means that a global leader must understand how to accommodate the habits that come from outside of the region or other countries, and how to establish relationships with another people who come from different cultural backgrounds; 3) has the leadership skill. Before being appointed as the leader of a regional or global scale, a global leader should comes from people who have a proven ability to lead on a smaller scale before; 4) have openness. Global leaders should be open to the outside world. They must feel that they are a part of the world, not just part of the territory or country which has limited in scope. Susanto (2008) said that a global company requires a leader who 1) have the ability to understand the global business; 2) have the ability to operate across cultural boundaries (region or country) effectively; and 3) have the ability to make balance between strategy that is global with attention to specific local market; 4) capable of putting personal life and work in a wider framework; 5) understand the diverse priorities of local communities.

DISCUSSION

The AEC 2015 will help the family business and creative industries in Indonesia especially in selling their products and work of the nation. In addition, this agreement represents a major opportunity for the Indonesian families business to expand their market into the international scale. This opportunity becomes important for the family business in Indonesia, how the company is able to move the company to remain engaged in the world of business. Businessman reliable are those who are able to read the opportunities and work around. Through this globalization process, companies need to design business family's strategy and created many innovations to keep survive. The leader of the company is one determinant of the success of the family company to survive and face the competition. Kotter (Soedibyo, 2012) said that 70-90% of the company performance is determined by its leader, only 10-30% due to good management. Thus, the leader of the family company must have certain advantages that are not owned by its employees. There is one thing that distinguishes family company leader with common corporate leaders. The leader of the family firm should be able to realize the importance of consanguinity in the family, although not ignoring professionalism. In addition, if deemed necessary, the leader of the family company need to be adaptive and able to loosen strong control from family on many strategic and non-strategic aspects of family firms (Soedibyo, 2012).

According to (Soedibyo, 2012) there are important principles of leadership, namely: do the best possible job at the time (first think first), reflect and then take a decision (reflect, then Decide), and be yourself (be your own man). The quality of leadership is the ability to



lead and discipline or art in formulating and implementing strategies to accomplish extraordinary things.

PT Mustika Ratu was founded in 1975 by BRA Mooryati Soedibyo, has listed their shares at the Jakarta Stock Exchange in 1995. PT Mustika Ratu is a traditional herbal medicine and cosmetics company in Indonesia with about 300 employees, now run by the second generation, namely RA Princess Kuwisnuwardhani (Dhewanto, W., et al., 2012). The family company was able to enter the global competition, of which have been exported in the ASEAN free market (Malaysia, Brunei, Singapore). Key to the success of the family company PT Mustika Ratu in the international market because the company has 1) professional leadership,(thinking outside the box); 2) leadership skill that is able to build relationships that allow people to accomplish extraordinary things in the company, without abandoning the values and culture of the family company; 3) leadership that maintain the good name of the family in society and business world; 4) leadership to realize the importance of consanguinity in the family company, holds high integrity, and be able to carry out the transfer process management (succession); 5) leadership that can bring a family company to transform itself by adopting more modern technologies, as well as improve its competitiveness; 6) leadership that has the courage to take risks(Soedibyo, 2012).

Another company named PT Sido was established in 1951, is the only herbal company with pharmaceutical standards. The family company is managed by the third generation, namely Irwan Hidayat. (Ismail, 2014). It is famous traditional herbal medicine company in Indonesia which is starting to target the market of ASEAN (Vietnam, Thailand) and Japan as a base expansion. Seem Sido will export products, such as Tolak Angin and energy drinks to Thailand. There are 3 keys to success, namely 1) honest. Applying honesty in every product from raw material to the dosage should be listed; 2) safe. Production is safe to eat the whole society; 3) rational. Mechanism of action or way of making herbal medicine should be rational (ekbis.sindonews.com). Irwan Hidayat, CEO of PT Sido who comes as the third generation to continue managing this company, believes that the company's success factor to enter the ASEAN market is caused not only hardworking, but also need; 1) leadership to hold the integrity and value of the family, 2) leadership that holds the principle which given by his grandmother which has principle never give up; 3) imaginative leadership, capable to put personal life and work, have good intentions to run the company, and be able to build trust; 4) leadership which has the knowledge management; 5) leadership that is able to adapt a modern information technology; 6) prayer support from family, relatives, and colleagues, as well as the blessing of God (Kompas, 2014).

CONCLUSIONS & SUGGESTION

Family company is a leading business and need to be well prepared in order to win the global market competition. The key to success is not only in ability or effort alone, but it is also depend on the leadership that has the direction and goals of the company. In general, a family company in Indonesia involving family members as top management, so that the inheritance of leadership is considered as one of the priorities of the company. Thus, the family firm success factor is highly dependent on the leadership of the family-owned company.

The key to success of the family business to be a global enterprise, namely: the company has a professional leadership, which is able to understand global business, and be able to read what will happen in the future. Global leadership traits are: 1) having experience (work or study) internationally. 2) have a cross-cultural competence. 3) a global



leader should be someone who has proven his leadership capabilities; 4) a global leader has the confidence that the market is not limited, the global leader must be able to put their personal lives and work within a broader framework of the organization according to the direction and purpose of the family company to be achieved, as well as to understand the priorities of diverse local communities.

The factor of the company's strengths that can be demonstrated by the leadership of the global mindset, namely: 1) uphold the integrity, reputation, and the value of family enterprise culture; 2) capable of leadership succession; 3) creative, innovative, never give up, and to be able to read what is happening in the future; 4) a relationship or networking with related parties, both in the family of environmental, inside and outside the country; 5) has the commitment and build the trust of the public; 6) adaptable and willing to learn from the experiences of others; 7) has the ability to transform themselves (family company) by adopting information technology, and improve competitiveness. While the external analysis, ie an analysis of factors beyond the control of the company, either specific or general industry that can have an impact on the company. The external factors include: economic stability, social and political, government regulations and so on.

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