

ISSN 0219-3213

2016 no. 13

Trends in
Southeast Asia

IS A NEW ENTREPRENEURIAL
GENERATION EMERGING IN INDONESIA?

GWENAËL NJOTO-FEILLARD AND
KATHLEEN AZALI

ISEAS YUSOF ISHAK
INSTITUTE

Trends in Southeast Asia

*The **ISEAS – Yusof Ishak Institute** (formerly Institute of Southeast Asian Studies) was established in 1968. It is an autonomous regional research centre for scholars and specialists concerned with modern Southeast Asia. The Institute's research is structured under Regional Economic Studies (RES), Regional Social and Cultural Studies (RSCS) and Regional Strategic and Political Studies (RSPS), and through country-based programmes. It also houses the ASEAN Studies Centre (ASC), Singapore's APEC Study Centre, as well as the Nalanda-Sriwijaya Centre (NSC) and its Archaeology Unit.*

2016 no. 13

Trends in
Southeast Asia

IS A NEW ENTREPRENEURIAL GENERATION
EMERGING IN INDONESIA?

GWENAËL NJOTO-FEILLARD AND
KATHLEEN AZALI

ISEAS YUSOF ISHAK
INSTITUTE

Published by: ISEAS Publishing
30 Heng Mui Keng Terrace
Singapore 119614
publish@iseas.edu.sg <http://bookshop.iseas.edu.sg>

© 2016 ISEAS – Yusof Ishak Institute, Singapore

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form, or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior permission.

The authors are wholly responsible for the views expressed in this book which do not necessarily reflect those of the publisher.

ISEAS Library Cataloguing-in-Publication Data

Njoto-Feillard, Gwenaël.

Is a New Entrepreneurial Generation Emerging in Indonesia?

(Trends in Southeast Asia, 0219-3213 ; TRS 13/16)

1. Entrepreneurship—Indonesia.
2. Small business—Indonesia.

I. Title.

II. Series: Trends in Southeast Asia ; TRS 13/16.

III. Azali, Kathleen.

DS501 I59T no. 13(2016)

September 2016

ISBN 978-981-47-6246-5 (soft cover)

ISBN 978-981-47-6249-6 (e-book, PDF)

Typeset by Superskill Graphics Pte Ltd

Printed in Singapore by Mainland Press Pte Ltd

FOREWORD

The economic, political, strategic and cultural dynamism in Southeast Asia has gained added relevance in recent years with the spectacular rise of giant economies in East and South Asia. This has drawn greater attention to the region and to the enhanced role it now plays in international relations and global economics.

The sustained effort made by Southeast Asian nations since 1967 towards a peaceful and gradual integration of their economies has had indubitable success, and perhaps as a consequence of this, most of these countries are undergoing deep political and social changes domestically and are constructing innovative solutions to meet new international challenges. Big Power tensions continue to be played out in the neighbourhood despite the tradition of neutrality exercised by the Association of Southeast Asian Nations (ASEAN).

The **Trends in Southeast Asia** series acts as a platform for serious analyses by selected authors who are experts in their fields. It is aimed at encouraging policy makers and scholars to contemplate the diversity and dynamism of this exciting region.

THE EDITORS

Series Chairman:

Tan Chin Tiong

Series Editors:

Su-Ann Oh

Ooi Kee Beng

Editorial Committee:

Terence Chong

Francis E. Hutchinson

Daljit Singh

Copy Editors:

Veena Nair

Kenneth Poon Jian Li

Is a New Entrepreneurial Generation Emerging in Indonesia?

By Gwenaël Njoto-Feillard and Kathleen Azali

EXECUTIVE SUMMARY

- The main actors in Indonesia's business landscape have long been assumed to be the country's Chinese minority. However, in the last decade, there has been a more visible, growing culture of entrepreneurship amongst the *pribumi* — “native” Indonesians.
- Democratic reforms, decentralization and the deregulation of certain sectors of the economy, facilitated by new information technology, have enabled a new generation of entrepreneurs to emerge outside the traditional system of political patronage.
- New forms of networking are taking shape within local and national business associations, networking forums, and the marketing and business media.
- While civil servant positions are still highly sought after, the idea of entrepreneurship and business as careers is becoming more and more popular, especially among young Indonesians.
- The challenge that the Joko Widodo administration faces is to encourage this new social dynamic without falling into the trap of constructing artificial support programmes. These showed themselves to be counter-productive in the past.

Is a New Entrepreneurial Generation Emerging in Indonesia?

By Gwenaël Njoto-Feillard and Kathleen Azali¹

INTRODUCTION

Indonesia has come a long way since the 1997 Asian economic crisis and the ensuing riots that saw the downfall of President Soeharto the following year. Its rate of growth has slowed down, no doubt, but on average, it stayed above 5 per cent per annum over the past decade. As the fourth most populated country, third largest democracy in the world and largest market in Southeast Asia, it is now positioned as the world's sixteenth largest economy in terms of GDP, and some projections see it becoming the seventh largest economy by 2030.² Its impressive growth has been fostered by vast natural resources, a stable political environment promoted by a successful democratization process, and a rapidly growing consumer class within a young population.

However, the country is also notorious for a number of persistent problems when it comes to setting up and running businesses. The most commonly cited ones are underdeveloped infrastructure, convoluted bureaucracies, frequent project delays or breakdowns, and large skill gaps in human resources. It is lacking in skilled and semi-skilled workers, as well as entrepreneurs who can scale up their businesses. Data from

¹ Gwenaël Njoto-Feillard is an associate researcher at the Centre for Southeast Asia (CASE), Paris. He was a Visiting Fellow at the Indonesia Studies Programme at the ISEAS – Yusof Ishak Institute, Singapore (2013–15). Email: gwenael.njotofeillard@gmail.com. Kathleen Azali is Research Officer at the ISEAS – Yusof Ishak Institute, Singapore. Email: k.azali@ayorek.org. The authors would like to thank the anonymous reviewers for their helpful comments and constructive criticism.

² McKinsey Global Institute Report (2012), *The Archipelago Economy: Unleashing Indonesia's Potential* <http://www.mckinsey.com/insights/asia-pacific/the_archipelago_economy> (accessed 4 June 2015).

the Ministry of Cooperatives and Small and Medium Enterprises (2012–13) show that there were 57,896,721 micro, small, and medium-sized enterprises (MSMEs, or *usaha mikro, kecil, menengah, UMKM*), making up about 99.99 per cent of the total business units, while big enterprises totalled only 5,066 (0.01 per cent).³ As pointed out by Finance Minister Sri Mulyani on 2 August 2016, more than 107.6 million Indonesians are working in MSMEs, a segment which contributes to 60.6 per cent of the country's GDP.⁴

In short, Indonesia has a very large pool of “self-employed” entrepreneurs. However, most of them have questionable or no formal training or qualifications, particularly in dealing with non-Indonesians. Other factors hampering these businesses are the dominance of natural resource extraction (such as mining and agriculture) in the economy, convoluted bureaucratic procedures, difficulty for small businesses to access capital, and the generally low level of education.

It has long been assumed that Indonesian Chinese (who make up between 1 to 3 per cent of the population) form the bulk of the business class (Chua 2008), and that this economic imbalance has been the source of recurrent tensions (Wanandi 1999). But with the Indonesian economy rapidly globalizing, this may be changing. The country is witnessing the rise of a new generation of successful *pribumi*⁵ (indigenous)

³ See data UMKM at the website of the Ministry of Cooperatives and Small and Medium Enterprises <<http://www.depkop.go.id/berita-informasi/data-informasi/data-umkm/>> (accessed 6 March 2016). See also Tambunan (2011), p. 6.

⁴ Safyra Primadhyta, “Sri Mulyani pushes for the World Islamic Economic Forum to fund MSMEs”, CNN Indonesia, 2 August 2016 <<http://www.cnnindonesia.com/ekonomi/20160802124607-92-148603/sri-mulyani-dorong-forum-ekonomi-syariah-global-danai-umkm/>> (accessed 2 August 2016).

⁵ The term *pribumi* in itself is controversial. It can have racialist overtones and has often been used by unscrupulous politicians to evoke ethnic sentiments. However, it is popularly used in scholarly studies, and for that reason, the authors of this paper have decided to use it here, to avoid confusion. Moreover, while relations between Chinese and non-Chinese Indonesians have largely improved since *Reformasi*, the divide between the two groups is still a reality.

entrepreneurs. Like 43-year-old Sandiaga Salahudin Uno (co-founder of Saratoga Capital, one of Indonesia's largest investment firms), most of them show traits typical of successful modern businesspersons.⁶

We wonder if these cases are truly representative of contemporary Indonesian entrepreneurship. In other words, are we seeing the emergence of a true entrepreneur class that is not limited to the ethnic Chinese population and that could provide the critical mass needed to further develop the country broadly, particularly through small and medium enterprises (SMEs)?⁷

As Denis Hew reminds us, the “statistical definition of SMEs can vary by country depending on the number of employees or value of assets” (2004, p. 2). In Indonesia, data from the Ministry of SMEs and Cooperatives and Bank of Indonesia follow the definition set out by the 2008 Law: “Micro firms are defined as enterprises with net assets less than IDR50 million (land and buildings excluded) or enterprises which have less than IDR300 million total annual sales. Small firms are enterprises with net assets from IDR50 million to IDR500 million (land and buildings excluded) or with total annual sales from IDR300 million to IDR2.5 billion. Medium-sized firms are those with net assets from IDR500 million to IDR10 billion (land and buildings excluded) or with total annual sales from IDR2.5 to 50 billion.” (Mourougane 2012, p. 2).

This paper is a preliminary study of the subject, and suggests that there are now growing forms of networked support mechanisms, facilitated both by changing cultural attitudes and regulations and by the rise of intermediaries and loose networking events or associations. We interviewed a sample of major actors of both genders from MSMEs (both *pribumi* and ethnic Chinese) and conglomerates; governmental agencies;

⁶ Anna Coren, “Sandiaga Uno: Indonesia’s inspirational entrepreneur”, CNN, 26 November 2010 <<http://edition.cnn.com/2010/BUSINESS/11/24/indonesia.uno.wealth/>> (accessed 23 November 2015).

⁷ Arancha González, “In search of more vibrant SMEs”, *Jakarta Post*, 23 October 2015 <<http://www.thejakartapost.com/news/2015/10/23/in-search-more-vibrant-smes.html>> (accessed 26 October 2015).

investment banks; and law firms. Due to the sensitivity of the issues discussed, most of the respondents are not identified in this article.⁸ Semi-structured interviews with focus groups were used on two occasions. The interviewees were mainly based in the capital city of Jakarta, as well as Surabaya, the second largest city and the economic hub of the country.

In the first part of this paper, we propose a contextual approach to the subject. In Indonesia, politics, business and ethnicity have often mingled and hampered the growth of an indigenous business class. However, we suggest that in the past decade, things have been evolving. In the second part, we describe through interviews a rising interest in entrepreneurship. The third part illustrates what we consider a notable development in enterprise growth, i.e. the rise of mediators facilitated by media as well as business networking forums and associations. The fourth and final part describes in detail three case studies of recently created SMEs, the founders of which are participants in the previously mentioned networking forums, associations and educational institutions.

THE CHANGING BUSINESS LANDSCAPE

The Historical Roots of the Economic Divide Between the Chinese and the Pribumi

Rivalry between Indonesian-Chinese entrepreneurs, many of whom are Christians, and the Muslim business class has long been a hallmark of the country's history. Tensions revolved around a mixture of ethnic, economic and religious factors. A number of studies (e.g. Chua 2008, Suryadinata 2001, Carey 1984) have shown that this "limited capitalists" position of the Chinese (to use Chua's expression) had been purposefully constructed and instrumentalized by the state, even during the colonial period. The ethnic Chinese have been "wielding structural power

⁸ For this study, the authors interviewed 25 entrepreneurs, attended one focus group discussion organized by Bank Indonesia and Marketeers, and interviewed a Bank Indonesia East Java Regional Director.

through their ownership of capital, but [have remained] politically handicapped due to the marginal social position of the ethnic group they were assigned to” (Chua 2008, p. 29). As “aliens” or “foreign Orientals” without the political rights of people regarded as indigenous, they were socially and politically constrained and therefore unable to execute direct and public action that might have threatened the political structure. The ethnic Chinese were more conveniently situated and perpetuated as intermediaries and financiers who could facilitate trade and tax-collection between local rulers, the indigenous population, and outside markets (particularly China). This position was cultivated during Dutch colonial rule.

After Indonesia gained independence (1945–49), the successive governments of the young republic attempted to promote an indigenous business class and limit the ethnic Chinese. The “Benteng” policy (literally “Fortress”), a programme of positive discrimination that was in operation in the first half of the 1950s, reserved a substantial part of import licences for indigenous businesspersons. While it first showed signs of success through the evident growth of *pribumi* importing companies, the programme later suffered from a “shortage of capable Indonesian entrepreneurs” (Schrikker and Touwen 2015, p. 235). In fact, many companies were “briefcase firms” (*importir aktentas*), which “existed by reselling licenses to foreign and Chinese establishments” (*ibid.*).

President Soeharto’s New Order (1966–98) system of rentier capitalism, which shadily associated Chinese-Indonesian tycoons with *pribumi* politicians, generals and bureaucrats in lucrative dealings (Yoshihara 1988) transformed this state of affairs (see also Thee 2012, especially Chapter 2). Evidently, there were recurrent demands for and efforts made towards the strengthening of *pribumi* capitalists. In the 1990s, for example, Islamic economics was promoted by certain elements allied to the state in an effort to improve the welfare of indigenous Indonesians. However, the results were not encouraging (Hefner 1996). For the most part, there was no long-term impact or serious political support on the part of power holders. For example, for much of the country’s history, state credits had been implemented only intermittently, while confiscated lands and enterprises seized by the state were mostly handed over to the

military to manage and profit from (Chua 2008, p. 36; Robison 1986, pp. 86–87).

It is thus not surprising that the *pribumi* entrepreneurs generally came, not from the private sector, but from the state apparatus (Robison 1986). Nurturing a *pribumi* capitalist class, after all, could have allowed the growth of people with enough resources to mount a direct and public challenge to the structure of power. By perpetuating the perception of inequalities between Chinese and *pribumi*, class consciousness did not become consolidated — rather, it became muddled and was reduced to ethnic problems. As Robison (1986, p. 88) has rightly assessed, it was in the interest of the power holders to perpetuate both the economic strength and the political impotence of Chinese capitalists.

Decentralization and the Removal of Discriminatory Ethnic Policies

After decentralization began in 1999, and policies that had excluded Chinese Indonesians from the political arena were removed, the situation changed. On the one hand, we see more Chinese Indonesians in the political arena, taking both executive and legislative positions. On the other, we see the emergence of prominent *pribumi* entrepreneurs.

The increased political participation of the Chinese is clearly due to the lifting of many discriminatory regulations, including those that prohibited the formation of political parties and organizations and banned the use of Chinese language and culture in education and publications. The Chinese community has now been attributed rights that recognize its identity within the larger Indonesian society. Since the 1997 riots, there has not been a major act of violence against the Chinese. Chinese Indonesians can now form political parties or present their candidacy at local, regional and national elections, limited as such cases may yet be. Jakarta's current governor, Basuki Tjahaja Purnama, alias “Ahok”, is one of the most frequently cited examples of Christian Chinese in politics.

Ethnic Chinese still undoubtedly dominate the high-profile business landscape. In *Forbes* magazine's 2013 list of the richest people in Indonesia, only six were non-Chinese. As Chua (2008) suggests, large

Chinese business groups, because they are now in the more changeable setting of democracy, have learned to spread risk, even outside Indonesia.

The rise of China has also given more opportunities for Chinese Indonesians to develop business relationships. They are thus significantly less dependent on political patrons to ensure their development. Some have been particularly apt at building relationships with new political parties and leaders who have dominated the post-Soeharto governments.

At the same time, however, the number of *pribumi* magnates has also been growing. Here again, we find mostly personalities who benefited from their close association with the New Order regime. Democratization and the development of the economy have allowed them to ascend even further.

Their immense economic power has allowed them to rise politically through traditional electoral means. Some have in fact created and funded their own political parties⁹ — a seemingly classic process in capitalist democracies (Aspinall 2013). This political investment creates new opportunities through access to the state and through the preferential attribution of governmental contracts. Clear cases of this are: Aburizal Bakrie, chairman of the Golkar party and coordinating minister for economic affairs and people's welfare (2004–09); Jusuf Kalla, former Golkar Chief and current vice-president of the Republic; and Surya Paloh, media mogul and founder of the Nasdem party.¹⁰

However, the decentralization of political power which began in 2001 has also allowed the emergence of businesspersons quite different from these magnates. More people with a business background have become

⁹ The number of studies on the financing mechanisms of political parties and the military is growing. Mietzner and Misol (2013) analysed the financing of off-budget activities that military personnel receive outside their official allocations, e.g., protection services, moonlighting, arms trade, land deals, involvement in semi-legal or illegal activities. See also Mietzner (2013, 2015) for campaign and political party financing.

¹⁰ See, in particular, Eve Warburton, "The Business of Politics in Indonesia", *Inside Indonesia* edition 117, Jul–Sep 2014 <<http://www.insideindonesia.org/the-business-of-politics-in-indonesia>> (accessed 6 September 2015).

governors, district heads and regional legislators (Buehler and Tan 2007; Buehler 2013). Others have managed to finance candidates and in return gained access to government contracts, licences, and so forth (Aspinall 2013). The deregulation of certain sectors of the economy which were previously reserved for state-owned enterprises (SOEs) has also offered new opportunities (Rosser 2014).

Additionally, as Aspinall suggests, there seems to be a “growing layer of middle-sized capitalists who neither need nor benefit from state patronage” (2013, p. 9). Max Lane (2014) has also elaborated on how decentralization has weakened crony conglomerate capital, shifting the balance of power to a growing number of local, smaller capitalists. Quantitative research on this new phenomenon is still needed, particularly about whether the *pribumi* are forming a larger part of this new group of entrepreneurs. What is clear however, is that “private capital is far stronger than it was 25 years ago; the domestic bourgeoisie has grown enormously in wealth and we must therefore assume in political influence” (Aspinall 2013, p. 5).

The Challenges

In 2014, Indonesia elected a new president, Joko Widodo, who symbolizes the many transformations that the country has experienced since 1998 and the end of authoritarianism. “Jokowi” is considered a man of the people. Coming from a modest background, he is the country’s first president who does not come from the elite of the previous regime (although his ascent has been allowed partly by traditional oligarchic networks that still influence his presidency). He is also a child of the decentralization reforms launched in 2011: he proved himself as the mayor of Solo, and was then elected governor of Greater Jakarta, which allowed him to take centre-stage in the presidential race. As a former entrepreneur, Jokowi has repeatedly said that he is in favour of economic development from the ground up.

However, if economic development continues to produce social inequalities and injustices, larger sectors of the population may become more susceptible to “Islamic populism” (Hadiz 2008). Jokowi will have to find ways to grow a base of entrepreneurs without being trapped

in ethnic-based affirmative action policies that have the potential of exacerbating inter-communal tensions, as has been the case in Malaysia. The president should also steer clear of subsidies programmes that risk weakening the entrepreneurship spirit (Papanek 2006).

The new government has indeed started to implement a range of measures for the development of businesses. In September 2015, it announced a series of deregulatory and stimulus measures. One of the main promises that Jokowi had made as a candidate was the streamlining and facilitation of new enterprises through a “one-stop” system, the National Investment Licensing One-Stop Integrated Services (PTSP) at the Investment Coordinating Board (BKPM).¹¹ Since this service was inaugurated only recently (January 2015), its effectiveness has yet to be evaluated. Long-standing issues continue to persist, particularly bureaucratic red tape (further complicated by decentralised disconnections and overlaps of local-regional-national regulations), aggravated by inadequate infrastructure and poor connectivity such as customs delays, traffic congestion, intermittent electricity supply, limited and uneven access to formal banking institutions and difficulty accessing the Internet.

As Berry, Rodriguez and Sandee (2001) argue, the key for the Indonesian government is to create a business environment (in particular SME clusters) that is conducive to enterprise development rather than to provide direct assistance to SMEs. The government needs to promote “provision for business development services by the private sector”. They note that “collective support mechanisms (public sector bodies and private associations) have played only a limited role overall; their impact has been concentrated on the smaller *pribumi* firms, but their overall contribution has been limited by pervasive institutional weaknesses” (p. 368).

In the third section, we will argue that despite these (infra)structural barriers, emergent forms of “collective support mechanisms” are taking

¹¹ Angga Nughara Hafiz, “What can investors expect from the new one-stop system?”, *Jakarta Post*, 28 January 2015 <<http://www.thejakartapost.com/news/2015/01/28/what-can-investors-expect-new-one-stop-system.html>> (accessed 23 June 2015).

shape; and that these include local and national businesses, international investors and standards.

THE IDEAL OF THE SUCCESSFUL ENTREPRENEUR

Respondents in our study confirmed that there are now indeed more opportunities for newcomers in business. New interest in creating businesses among the *pribumi* has in other words a “snowball effect” in the community: on witnessing the success of family, friends, neighbours and public figures in creating enterprises, Indonesians have come to see entrepreneurship as a legitimate and possible career aspiration. This seems to be in line with the increasing promotion of “entrepreneurial” skills in youth and education policy begun during Yudhoyono’s presidency, as well as in World Bank and ILO policy discourse.¹² According to one respondent, a decade ago, if an entrepreneur wanted to marry, the parents of his intended would not have agreed, “because he is an entrepreneur”.¹³

This new acceptance does not however necessarily mean that the appeal for the young to enter the civil service has diminished. One respondent, working in Bank Indonesia, stated that interest in civil servant positions is still significantly higher than in entrepreneurial ventures, and that long queues exceeding 100,000 for civil servant applications are still

¹² For example, Yudhoyono launched the Gerakan Wirausaha Nasional (National Entrepreneurship Movement) in February 2011. However, as far back as 2005, he had also implemented and popularized “Creative Economy” (under the Ministry of Tourism and Creative Economy) that promoted entrepreneurial life skills and established many technical high schools. Thus far, however, there is insufficient evidence to show that these policies increase employment prospects, earnings, or welfare. Some experts have voiced criticisms of this approach, particularly since it also creates many risks for individuals and their own families or social groups, without providing adequate supports such as welfare, health insurance, or access to education and markets (see Naafs and White (2012); Dhahani et al. (2009)).

¹³ Anonymous interview with a young Surabaya businessman, 11 December 2014.

common.¹⁴ Some respondents also stated that they were considered the “odd ones” in the family for pursuing their own businesses, and were sometimes still “*sebelah mata*” (glanced at sideways). The rest of their family members were civil servants.

However, over the last ten years, various government, business and civic institutions have been very active in promoting the ideal of the young successful entrepreneur. Some of the most frequently cited examples of successful entrepreneurs include well-known government officials who have come from business backgrounds, such as President Jokowi, Susi Pudjiastuti (Minister of Maritime Affairs and Fisheries, owner of a seafood export company and charter airline company), Jusuf Kalla (vice president 2004–2009, 2014 – present, owner of Kalla Group, a leading business group in Indonesia), and Ridwan Kamil (mayor of Bandung, owner of an architecture and design firm).

In Java especially, the country’s most populated island, aspirations towards entrepreneurship remain mostly within the confines of the Indonesian Chinese community, while the *pribumi* population tends to give greater legitimacy to “civil servant” (*Pegawai Negeri Sipil*, PNS) positions in the government bureaucracy, particularly since PNS ensures stable employment and social prestige not shared by the Indonesian Chinese in business. However, our observations and interviews indicate that these orientations are not as clearly demarcated today as before. Economic development and glamorous portrayals of “entrepreneur” cum “self-made” role models have increased the social legitimacy of entrepreneurship.

At the same time, Chinese-Indonesians have benefited from the reforms launched during Abdurrahman’s presidency. While there is still a preference for intra-communal business ties, nowadays, cooperation occurs more frequently between ethnic Chinese and *pribumi*. According

¹⁴ This information was obtained from an 2014 interview with the Director of Bank Indonesia East Java branch. See also Didik Purwanto, “Jadi PNS Lebih Diminati daripada Wirausaha”, *Kompas* <<http://bisniskeuangan.kompas.com/read/2012/09/03/14203195/Jadi.PNS.Lebih.Diminati.daripada.Wirausaha>> (accessed 23 March 2016).

to one respondent, “competition now is more pure business in nature and not political. Many Chinese-owned malls have places of prayer (*musholla*) now. The Chinese are more conscious about the importance of the growing Muslim middle class”. While quantitative data are still lacking, it seems that just as we are seeing more Chinese Indonesians in government positions (see discussions in Suryadinata 2001; Hoon 2008; Setijadi 2016), we are also seeing more *pribumi* in business.¹⁵ However, some respondents cautioned that while anti-Chinese sentiments have diminished, there is still strong contestation in ethnicity, for example, giving preference in the civil service to so-called “*putra daerah*” (“native” sons of the region), over Chinese Indonesians.

New Forms of Networking and Business Solidarity

Ethnic Chinese commercial success has traditionally been attributed to the high level of trust and low transaction costs within Chinese commercial networks (Dewey 1962; Castles 1967; Mackie 1998). They benefit from two types of complementary networks: that of the family, and that of the extended social circle (*guanxi* or its Indonesian form, *kongsi*). Rather than borrowing on an individual basis, Chinese entrepreneurs have a long tradition of forming a *kongsi* or a joint venture, pooling their capital in a common fund and sharing the profits (Dobbin 1996). This combination maximizes the use of resources such as labour, trust, information and capital.

Another common explanation for the coincidence of ethnic identity with commercial specialization is the “outsider” status of the Chinese (Foster 1974). This status has been exploited to create a “pariah business class” (Chua 2008, p. 38): politically isolated and incapacitated, but economically useful as fund providers or middlemen to the political elite — as was the case during Dutch colonial rule (Carey 1984) and the New Order era (Chua 2008). This political marginality tends in turn to enhance the internal solidarity of the ethnic Chinese.

¹⁵ See Fukuoka (2012) and also Lane (2014) on the rise of local, regional-level capitalists.

Therefore, while the ethnic Chinese may benefit from their family and ethnic networks, most *pribumi*¹⁶ Indonesians lack the social structure of “network capitalism”. However, Dewey (1962) also mentions that such business ethics and social control mechanisms are not necessarily restricted to a particular ethnic group. The few Javanese who have succeeded in trade, for example, exhibited a high level of business adherence, kept in check by their intimate knowledge of each other. The key variable therefore seems to lie in trust and “creditworthiness”, variables strongly shaped by their reputation and success, networks, and the range of alternative opportunities available to them outside their existing commercial specialization.

However, *pribumi* (particularly Javanese) entrepreneurs often miss the early entrepreneurial “training” and networking that take place in familial and ethnic networks.¹⁷ As a couple of our respondents noted, formal Indonesian education is sorely deficient in preparing graduates to be (semi-) skilled workers or entrepreneurs, whereas in many instances, business and life networks often determine equal if not stronger opportunities for business success. Respondents remarked how Chinese Indonesian youths are primed for entrepreneurship since an early age through their family (where they have been accustomed to helping, or are expected to continue, their family business), or through school networks.

¹⁶ *Pribumi*, of course, is a highly problematic term rooted in the colonial policy of ethnic-based hierarchy where the “Foreign Orientals” (including Chinese, Arab, and Indian descent) were separated from the “Indigenous” — even if the “Foreign Orientals” had integrated or assimilated into the community. The *pribumi* category itself also consists of many ethnic groups — Javanese, Sundanese, Bugis, Batak, etc. — of which contemporary Indonesia is purported to have more than 300. Some ethnic groups such as Bugis and Madurese are also renowned for their trade networks.

¹⁷ This applies mostly to the dominant Javanese ethnic group. There are examples of other *pribumi* ethnic groups that are famous for their entrepreneurial skills and networks, e.g., Bugis, Padang, and Madurese.

There is noticeably an increasing emphasis on “entrepreneurs”, entrepreneurial skills in (particularly private¹⁸) educational institutions and universities in Indonesia. This occurs in tandem with increased attention being paid to national youth policy, education policy, and development policy in promoting entrepreneurship as a possible solution to unemployment and skill gaps in the formal sectors.¹⁹ Universitas Ciputra, for example, has gained prominence and publicity as the leading university for entrepreneurship education in Indonesia. While there are a number of publications and studies that attempt to analyse its success (e.g. Kodrat et al. 2011; Antonio et al. 2012; Gunawan 2012), no serious academic studies have yet been produced by an independent third party. Owned by the conglomerate Ciputra group and located in the western part of Surabaya within the Citraland complex (also known as “The Singapore of Surabaya”), the university only has nine study programmes, and scores only a B in the national academic accreditation system.²⁰ However, it is a node that attracts students and parents who can afford to pay tuition fees that are many times that of the average public university — and perhaps more importantly, provides networks of alumni and (would-be) businesspeople and institutions.

Laws and Regulations

While there have been long-standing demands on the government to tackle thorny issues of convoluted regulation, permit, and law

¹⁸ As a McKinsey (2013) report noted, there is a large demand for private education in Indonesia, with the number of students in private education expected to reach 27 million by 2030.

¹⁹ However, there is still little evidence that these policies increase employment prospects or earnings (Naafs and White 2012, p. 11; Dhahani et al. 2009).

²⁰ National accreditation, of course, does not determine the quality of the school. What we want to highlight, however, is the discrepancy between national academic standards and business networking prospects. See the prospectus of Universitas Ciputra International Business Management <<http://www.universitasciputra.com/international-business-management/>> (accessed 29 September 2015).

enforcement, improvements remain incremental and policies intermittently implemented. However, compared to the pre-*Reformasi* period, there are noticeably more cultural codes and regulations targeting corruption and illegal behaviour as compared to previous years. Many entrepreneurs we interviewed stated that there is indeed more pressure to make business dealings transparent through mechanisms such as electronic budgeting and tender processes. However, they also expressed considerable scepticism about these new mechanisms, affirming that many of the bidders are usually connected to the company's inner circles. One respondent said that there is an acute generational divide — “the big men are from *Orba* (*Orde Baru*, the “New Regime”, i.e., the Soeharto period), and plenty are conditioned within the norms, not-so-subtly telling you to bring gifts to grease the deals.” Some also explicitly expressed that they avoid the tender process, feeling that they are just “*penggembira*” (puppets to fill the tender criteria) with the winners having been decided upon beforehand. Others mentioned that if they have to deal with government institutions, they prefer to avoid the tender process and to engage in lower-level deals to avoid risks, particularly for fear of being caught by the Corruption Eradication Commission (*Komisi Pemberantasan Korupsi*, KPK). Interestingly, one respondent, the son of a high-ranking government bureaucrat, said that his father, wary of the convoluted and risky processes, even explicitly told him to avoid being directly involved in the government tender process. Many seemed to feel that the risk is not worth the trouble — there are after all business opportunities outside the sphere of political patronage.

Another respondent stated that despite this seemingly more transparent mechanism, there are plenty of loopholes to exploit, particularly since standards and implementation are rarely integrated between different departments or regions. He commented on the common questionable cut in funds allocated by the government under the term “*dikembalikan ke dinas*” (returned to the office). There is no accountability or official breakdown of this cut, and it can sometimes amount to 50 per cent of the originally allocated fund.

Regulatory discrepancies between the central and local governments, in particular, have been frequently cited as a significant obstacle to the

development of businesses. Moreover, while democracy is considered beneficial to business for a majority of respondents, some believe that the fragmentation of political authority has only made the business environment more complicated and less predictable.

There are also more standards and regulations in place, such as on welfare, labour rights, environmental, health, and safety (EHS) certifications that companies must fulfil. Some of these have been enforced by policies and international organizations such as International Standards Organization, ILO, WTO, and so on. Respondents also expressed the opinion that the minimum wage requirement was highly politicized during electoral campaigns. However, they also stated that in practice, particularly where trade unions hardly exist, many companies — including state-owned enterprises — do not follow these standards. Outside of manufacturing (which usually has a large pool of labour and labour unions), in particular in the service sector, many professional associations set their own minimum wage. These standards, however, have no legal or binding power, and can be arbitrarily implemented by companies. In other words, they raise highly politicized and publicized issues, but rarely have any political or legal power in implementation.

Therefore, many SME owners are reluctant to expand or formalize their businesses since they are deterred by murky laws, and arbitrary licenses and permits, all of which involve considerable costs. As one respondent said, “informal, small companies can bypass these standards and licence requirements, thus saving themselves these expenses. At the same time, large companies that have gone IPO can afford high-level dealings to smoothen the permit process. They usually also own related production or distribution chains. The ones in the middle get squeezed”.

In post-*Reformasi* Indonesia, institutional challenges to business development are thus still rife. However, recent developments under the Yudhoyono and Jokowi governments, in line with the prevalence of “entrepreneurial skills” in international and national policy discourse, seem to be promoting entrepreneurship particularly among the *pribumi*. In the following section, we observe the emergence of intermediaries and collaborative entrepreneurial networks in this context.

INTERMEDIARIES AND COLLABORATIVE ENTREPRENEURIAL NETWORKS

Most non-Indonesians who have communicated with Indonesians usually remark on the weakness and unreliability of the latter's written documents, including business contracts and emails. Instead, they rely on face-to-face meetings or oral communication to secure agreements. Social media — such as WhatsApp, Facebook, Twitter — predominate, even in business and work-related communication. It is perhaps not surprising, then, to see the growth of highly publicised face-to-face networking events in Indonesia. Below are four case studies of the most visible of these.

Tangan di Atas (TDA)

Tangan di Atas (TDA), literally “Hands on the Top”,²¹ derives its name from the Islamic saying that it is better to give than to receive. It was created in 2006 by Badroni Yuzirman and seven other entrepreneurs. Yuzirman, alias “Haji Alay” is an established textile distributor operating mainly in Tanah Abang (the biggest textile trading market in Southeast Asia), who is also active in Muslim-based institutions such as Muhammadiyah or the Indonesian Muslim Entrepreneurs Network (Jaringan Pengusaha Muslim Indonesia).²²

²¹ See the official website of Tangan di Atas <<http://tangandiatas.com>> (accessed 23 June 2015).

²² The case of Haji Alay is interesting for a number of reasons. His nickname is “Dr Mall” because he has the reputation of being able to transform deserted malls into popular ones (e.g., Plaza Ciputat in Jakarta). He started building his business after selling land and investing in textile distribution in Tanah Abang in 1977. In 1983 he created his own textile manufacturing company, introducing an innovative technique whereby “*anak angkat*” (literally “adopted children”, meaning someone under patronage) are provided with machines and textiles, after which they would sell their products. In 2006, he created six such structures, comprising 15–20 persons. Realizing that people were afraid to invest in kiosks

While there are no rules on ethnicity and religion concerning membership, it appears that a majority of the participants are non-Chinese. Business guest-stars of Chinese descent participate regularly in TDA events though. TDA's objective is to encourage "successful new entrepreneurs who will bring positive things to civilization". The model (which is not-for-profit) facilitates the transmission of knowledge and expertise: experienced entrepreneurs give practical advice to newcomers who are building a business or thinking of doing so. While the knowledge proposed can be general in form (such as how to develop a "spirit in entrepreneurship", innovation, motivation and trust), the main intent is to teach practical issues (such as the handling of administrative issues, relations with bureaucracy, management, financial strategy, branding, etc.).

TDA's objective is to build a "high trust community" amongst its 4,000 registered members and it regularly organizes "Entrepreneurship Parties" (Pesta Wirausaha), consisting of motivational talks, group workshops, and opportunities to establish a network of business partners. Newcomers get the opportunity to establish a mentoring relationship with senior members of TDA. In 2013, TDA held such events in fifty cities across Indonesia as well as outside the country for expatriates (Hong Kong, Egypt, Singapore and Australia). Membership comes in three categories: "Hands at the bottom" (TDB, Tangan di Bawah) are those who are "still employees/professionals"; "Hands on the top" (TDA, Tangan di Atas), i.e. those who are already entrepreneurs; and "Amphibi", i.e. those who are in the process of transitioning from TDB to TDA. Those who are most involved (called "Masterminds") meet regularly.

to sell their goods (because of the financial risk), Haji Alay decided to make a certain number of kiosks available for free until the client earned a profit. See *Majalah Rakyat Merdeka*, 6 July 2012 <<http://www.rmbiografi.com/06/2012/haji-alay-dokter-mal-yang-sukses-mengawinkan-bisnis-dan-dakwah/>> (accessed 3 July 2015); Magdalena, "H. Nuzli Arismal: Sukses Kembangkan Usaha dengan Pendekatan Ibadah", *Era Muslim*, 20 September 2006 <<http://www.eramuslim.com/berita/bincang/h-nuzli-arismal-sukses-kembangkan-usaha-dengan-pendekatan-ibadah.htm>> (accessed 14 June 2015).

Often, an experienced businessman will “mentor” a certain number of young aspiring entrepreneurs. Two of the entrepreneurs featured in the three cases documented (Odi Anindito and Alfian Wahyuddin) in the last section are such mentors.

Endeavour Indonesia

Another interesting case of social and human capital mobilization is Endeavour Indonesia. Here again, we see a system of mentoring designed to encourage a new generation of entrepreneurs. Endeavour is a not-for-profit organization with the objective of increasing the number of “High Impact Entrepreneurs” in emerging economies.²³ It aims to remove barriers that entrepreneurs often encounter: the high cost of failure, a lack of role models, limited management expertise, lack of trust, and limited access to capital.²⁴ It is now active in twenty countries around the world. Endeavour Indonesia was established in 2012, and has since then supported seventeen entrepreneurs from fifteen companies, recruited over fifty mentors, and organized 1,100 hours’ worth of mentoring. The organization claims that three of their entrepreneurs are in the top 5 per cent of the highest growth entrepreneurs in the global network. The objective is not only to develop skills but also to introduce entrepreneurs to potential investors (coordinated through the “Investor Network”). The financial weight of the effort is supported by donations and, more importantly, a formal “Give-Back programme” that asks Endeavour Entrepreneurs to donate a portion of equity or incremental revenues to the organization. One of the entrepreneurs selected by Endeavour is

²³ See Endeavor Indonesia official website <<http://endeavorindonesia.org/>> (accessed 15 September 2015).

²⁴ Historically, access to credit and capital loans has been very limited in Indonesia, with many people relying on traditional borrowing mechanisms from non-bank institutions (such as through peonage, pawnshop, *arisan*, loan sharks, etc.) (see Henley and Boomgaard 2009; Lindblad 2008). However, the Financial Services Authority (Otoritas Jasa Keuangan, OJK) has started monitoring banks to cap deposit interest rates, and to lower credit interest rates, in the hope of providing MSMEs easier access to capital.

Odi Anindito (PT. Coffee Toffee, see last section). While this type of financing is common in entrepreneurial networking platforms, not all function in the same way. The abovementioned TDA is a case in point.

Global Entrepreneurs Project Indonesia (GEPI)

Another case we have identified is the “Global Entrepreneurs Project Indonesia” (GEPI). In this project, equity or brokerage fees are not required for connecting with investors through education, mentoring and networking.²⁵ While TDA is a wholly local initiative, GEPI stems from the U.S. government programme for developing entrepreneurs in emerging countries. GEPI also works closely with the Ciputra group, owned by the Indonesian Chinese business tycoon Ciputra who has for some years shown interest in developing entrepreneurship in Indonesia. The Ciputra GEPI Incubator (CGI) is a training platform that grows early stage start-ups, equipped with a co-working space, community-building events, and incubation benefits including mentoring and access to funding. In addition, GEPI has created an “Angel Investment Network Indonesia” (ANGIN), a network that provides “business capital and expertise for Indonesian-founded technology, social-impact, and consumer-product start-ups in the early stage”.²⁶

In a 2015 report, GEPI analysed 90 of the 104 start-ups that it had supported to measure its impact, which it admits is still difficult to evaluate since many business projects are relatively new.²⁷ Almost 20 per cent of the start-ups came to GEPI already funded, 69 per cent were considered to have done so through “bootstrapping” (companies started with little capital), and 13 per cent received funding while at GEPI. Clearly, the

²⁵ Eduardo Hazera, “GEPI helps Indonesia’s startups change the nation”, *Jakarta Post*, 13 October 2015 <<http://www.thejakartapost.com/news/2015/10/13/gepi-helps-indonesia-s-startups-change-nation.html>> (accessed 21 October 2015).

²⁶ Angel Investment Network (ANGIN) <<http://www.gepi.co/angin>> (accessed 26 July 2015).

²⁷ GEPI, *GEPI Impact Report 2015* <https://www.gepi.co/blog/detail/588/gepi-impact-report-2015> (accessed 20 June 2015).

initiative is to take advantage of the growing market of internet business in the country: 86 per cent of its start-ups operated in the tech industries (by sector: 7 per cent in beauty and healthcare, 3 per cent in consumer goods, 11 per cent in e-commerce, 4 per cent in education, 7 per cent in financial technology, 3 per cent in food and beverages, 5 per cent in human resources, 14 per cent in media and entertainment, 7 per cent in software as a service,²⁸ 17 per cent in services, 4 per cent in social enterprises, 10 per cent in travel and 8 per cent in other sectors). In terms of revenue, GEPI is quite reliant on the Ciputra group: in 2015, 45 per cent came from the Ciputra GEPI incubator, 27 per cent from ANGIN (Angel Investment Network Indonesia), 18 per cent from events, 6 per cent from coding classes and 4 per cent from donations.

CASE STUDIES

In the course of our fieldwork, we encountered a few young entrepreneurs who were more open than others about describing their business endeavours, including their own weaknesses and the challenges they face in building their companies. All three figures discussed below are active in the new forms of networking and social capital development described in the previous section. They serve to highlight changing patterns in the role of the family, the formation of business acumen, the role of trust, cooperation, transmission of knowledge and the relationship of SMEs with the bureaucracy at the ground level.

PT. Coffee Toffee

PT. Coffee Toffee is a trending brand of coffee outlets catering to the growing middle class.²⁹ It was founded by Odi Anindito, an entrepreneur in his late thirties. He studied business for six months in Melbourne,

²⁸ “Software” is a licensing and delivery service in which software is licensed on a subscription basis and is centrally hosted.

²⁹ See Coffee Toffee Official website <<http://coffeetoffee.co.id/>> (accessed 18 August 2015) for more information.

and returned to Indonesia at the request of his father who is Indonesian-Chinese (Odi's mother is *pribumi*). In his hometown of Surabaya, he studied at the Institute of Technology Ten November (ITS). When he was 15 years old, Odi aspired to be a businessman, having been inspired by management books, seminars and coaching sessions.

He started creating businesses when he was 23 years old. In total, he experimented with about eight types of activities. Not all were successful. He tried the logging sector but was confronted by “mafia” type businesses.³⁰ He also formed a multimedia animation company, as well as a travel agency. Later, Odi formed an IT health company that offered software to clinics and hospitals. While he made a certain amount of money, he realized that working with governmental institutions had certain drawbacks, particularly a “bureaucratic mentality” that was “not conducive to business expansion”. He chose therefore to work with customers in a more direct fashion (business-to-business and business-to-customer). In his own words, he wanted more control over what he offered, and what customers demanded, in line with commercial mechanisms.

The idea of creating the Coffee Toffee (CT) brand came to him when he was working part-time in Melbourne as a barista. He realized that, out of the thirty types of coffees available, twelve came from Indonesia. Odi Anindito thus thought that it would be worthwhile to build his own business in the sector. This he did after he finished his studies. The business started as a small coffee booth that proudly served Indonesian coffee and appealed to the young upper middle-class consumer. He acquired his capital from friends, family, and suppliers (the latter provided credit on a one-month basis for supplies). The initiative turned out to be quite successful: in 2007, CT had ten branches in Surabaya. However,

³⁰ The term “mafia” is widely used in Indonesia to refer to a complex web of well-organized patronage networks and “arrangements”, where illicit payments and modes of illegal behaviour are systematic and institutionalized (see Butt and Lindsey 2010). The term is also used to refer to the dominant networks in various industries, e.g., from food, fisheries, fuel and gas (see Abdillah Toha, “Melawan Mafia Bisnis”, *Kompas*, 26 June 2015).

Odi's business partner absconded with the money resulting in the threat of bankruptcy. Nine out of the ten booths had to be closed down. In 2008–09, Odi decided to move to Jakarta to start anew, improve his brand image and formulate a new concept, with the tagline “Yes I drink Indonesian coffee” — a clever marketing strategy.

The move was successful. In 2010, CT was back in Surabaya and has since created 140 branches in different regions, making it the largest local competitor to Starbucks. Some of the branches are joint ventures while others are franchise-type contracts (with an investment ranging from Rp70 million to Rp195 million (US\$7,300 to 20,000)). The branding and interior design of the branches are of good enough quality to compete with those of Western brands. CT prides itself on serving high quality Arabica coffee that comes exclusively from Indonesia. The company has fifty permanent staff members at the central office in Surabaya and seven to nine people working in each outlet. It prides itself on documenting everything, using international standards, particularly from Europe, for its franchise mechanism.

PT. Coffee Toffee is still a young company and faces numerous challenges. According to its founder, one of the biggest challenges is “people” and the “work culture”. For example, while it takes three days to train staff in Java, it takes almost ten days to do so in Sulawesi and Kalimantan.³¹ Moreover, as a potential investor, Odi considers that businessmen like him “need more certainty”, particularly in administrative issues. Certainly, compared to five to ten years ago, government bureaucratic efficiency has increased, but there is still room for improvement. For example, it takes three to four months to process various kinds of permits. Odi is of the opinion that this can be brought down to 30 days. Decentralization has brought its own set of problems. According to him, there is clearly a lack of coordination between the central government and the local administration. Because of this, his application for the usual permit for franchise-based businesses (STPW,

³¹ There are a number of complex reasons for this, including different ethnic alignment in relation to occupational niches, compounded with uneven development of infrastructure in the archipelagic nation.

Surat Tanda Pendaftaran Waralaba) was withheld for nearly two years. Because of a new ruling, local authorities had been put in charge of this process, but were not familiar with how it worked. The system was later retracted from the purview of the local administration and brought back under the management of the central government.

Another challenge for PT. Coffee Toffee relates to commercial competition with much larger established brands. While its 140 outlets allow him to rival Starbucks, CT is limited in terms of capital and human resources. As an example, in Bogor, Starbucks used a university consultant to establish a strategy to counter CT in strategic locations. Here, the Coffee Toffee founder suggests that because he does not have the funds to invest in wide-ranging surveys to establish new outlets, he has to rely on his experience and business acumen.

Looking to the future, however, Odi Anindito is optimistic and aims to launch an IPO. Venture capital is another possibility, but he dislikes having to share management responsibilities. In the short and medium term, Odi wants to focus on building his company's brand image, which will require the larger part of his capital. With the establishment of the ASEAN Economic Community in 2015, the company realizes that it can expand into other countries of the region, but it chooses, for now, to focus on the local market, which is already large. Overall, regional economic integration has created new challenges that will force local companies such as CT to modernize and to compete.

Interestingly, Odi Anindito considers his double cultural identity an advantage in his business activities. As an Indonesian-Chinese, he is able to use both identities to promote his business ties and development. For example, he reported that when dealing with administrators, he has found it easier to do so as a *pribumi*. He says that there is still a preference for intra-communal business ties, but that cooperation is more frequent nowadays between the Chinese and the *pribumi*.

PT. Groen Indonesia

Another example of the new generation of post-*Reformasi* entrepreneurs is the founder of PT. Groen Indonesia, Andri Wibowo, an Indonesian Chinese, originally from the small town of Rembang in East Java. He is

from a modest background; his family owned a restaurant. Building on this experience, he opened his own restaurant in Surabaya, but was not successful. He then studied in Belgium and worked in construction. He also worked in China, but became frustrated with the work environment there and decided to return to Indonesia. In Surabaya, he started selling oxygen bottles and spare parts, as well as used laptops, without making much profit.

The breakthrough came when he, while attending a congress, realized that there were not enough toilet facilities for the participants. In 2010, he decided to import ten portable toilets. Without starting capital of his own, he relied on family and friends. He then started networking among event organizers and created the “SewaToilet” (Rent a Toilet) website. He decided to target the high-end market, renting his sets out for Rp2 million a day (US\$220) (instead of the usual Rp600,000 per day, US\$65) and upgraded the portaloos with flowers, soap, etc. During the presidential campaign, he rented out a luxury portable toilet with a shower to the Prabowo team.

By 2013, the company had fourteen branches in various regions of Indonesia and was engaged in a range of activities, notably the renting of heavy-duty machinery, such as crushers and road sweepers. Clearly, PT. Groen targets the emerging public services of decentralized Indonesia and, in this sense, benefits from the post-*Reformasi* transformations. According to its founder, there are now more opportunities to do business outside the traditional nepotistic network. But as he suggests, “when you want to do business here, the bureaucracy is still the main channel”. However, it appears that the rules of the game are changing and this clearly affects emerging businesses that otherwise would remain outside the circuit. Furthermore, in Surabaya where PT. Groen mainly operates, the star-mayor, Ibu Risma, is transforming the government tender process through the E-catalogue system. This, according to the founder of PT. Groen, promotes efficiency. As the needs of local government are huge, PT. Groen is set to cash in from this type of activity. While the previous system of tenders encouraged corruption practices, this open system allows government officials to select the products/services through an open and centralized catalogue with pre-announced prices that make comparisons easy.

Looking to the future, PT. Groen aims to develop large-scale cleaning services that will serve as subcontractors for local governments, similar to the French multinational Veolia, a leading player in the sector. Interestingly, in his new endeavour, Mr Andri is associated with a well-known mid-level *pribumi* entrepreneur from Surabaya, whom he befriended at a tennis club in typical upper middle-class fashion. Building on his experience as a self-made man, he also teaches at Surabaya's Ciputra University, an institution created by tycoon Ciputra to promote entrepreneurship.

PT. Asuka Engineering

The last example we provide is the company Asuka (a contraction of “Aku Suka”, or “I like”). It is an engineering contracting company founded in the early 2000s through the cooperation of two men: Mr Hideyo Ogawa, a Japanese national, and Mr Alfian Wahyuddin, a *pribumi* Indonesian. The latter used to work for a Japanese contractor in Indonesia. Seeing that, with the country's growth, infrastructure development would be an important sector, he decided to create his own company with the help of Mr Ogawa, whom he had gotten to know while working at the Japanese company. Asuka started with five people and now has 300 staff members. It managed to diversify from electrical instrumentation services to include mechanical and piping, civil and construction services. According to Mr Alfian, the role of Mr Ogawa was crucial in providing the network of customers (especially in the Japanese milieu) and in mobilizing starting capital through banks (Rp75 million in 2006 or US\$8,000). The assets of the company are now estimated to be worth Rp30 billion (US\$2.1 million) with a targeted revenue of Rp60 billion (US\$4.3 million).

Asuka illustrates the benefits of transfer of knowledge and trust, but also presents a new ideal of professionalism and a spirit of enterprise, as embodied by Mr Alfian. He comes from the town of Gresik, has a modest background, and has wanted to be an entrepreneur since he was in high school. He followed entrepreneurship courses at Primagama, Indonesia's largest tutoring institution. Mr Alfian said that things have changed for small entrepreneurs like him, especially in the past five

years. “Mentalities have changed”, he said, and there is a more trusting relationship between businesspersons and the government. For example, it is much easier for his company to apply for permits thanks to the KP2T (Kantor Perizinan Terpadu, Integrated Permit Office). The main issue for Mr Alfian is education in entrepreneurship. In the public curriculum, it is still lacking. This is the reason why he joined the Tangan di Atas movement and is now a commissioner at HIPMI (Young Indonesian Entrepreneurs Association, or Himpunan Pengusaha Muda Indonesia). This collaborative orientation is also evident from the fact that he encourages his staff to set up their own businesses. Mr Alfian created a side-company (agribusiness and auto rentals) where his staff can have their share of the profit (according to him, about 20 per cent of the staff have participated). This not only allows them to save for their retirement, but also instills in them a business ethic and a sense of belonging to the company.

Mr Alfian is optimistic about the future. He believes his company is prepared for the ASEAN Economic Community, having acquired the ISO certification standard. He has also put in place an integrative online system for all departments, centralizing and rationalizing purchasing processes, quotations for customers, and various management domains.

CONCLUDING REMARKS

Considering the bewildering cultural diversity that is Indonesia (with more than 13,000 islands, 250 million people, 300 ethnic groups, 700 languages), building national political and economic “frameworks” within the reconfigured national consensus is a formidable task. Along with the devolvement of three decades under a centralistic authoritarian regime, there is also the unprecedented expansion of both the domestically and globally networked media to further complicate the process. In attempts to strengthen this fragmented capital and these networks, many have jostled to gain visibility and access through popular culture platforms, as we have seen in the rise of business networking events and media.

A 2015 report by Deloitte Access Economics commissioned by Google concluded that “boosting digital engagement among Indonesia’s

small and medium sized enterprises (SMEs) could increase the country's annual economic growth by 2 per cent". According to this study, "[s]uch a jump would have Indonesia on track to becoming a middle-income country by 2025".³² This would require Indonesia to invest massively in building the required infrastructure.³³ However, the importance of human and social capital should not be overlooked. We have suggested that there is a growing trend of networking in the form of knowledge, expertise and capital shared through conferences, forums, and associations. This phenomenon — as the most evident sign of Indonesia's growing interest in entrepreneurship — is still at an early stage of development, but its potential to produce more businesspersons could be significant and deserves more attention in the coming years.

³² "Deloitte Report: SMEs Powering Indonesia's success", 20 August 2015 <<http://www2.deloitte.com/id/en/pages/financial-advisory/articles/smes-powering-indonesia-success-report.html>> (accessed 25 September 2015).

³³ The current Jokowi government has been noted for its prominent focus on infrastructure investment and development (see Negara 2015, 2016). Many projects had been suspended since the 1998 crisis, resulting in an 80 per cent drop in public spending on infrastructure; and before the current government took power, the fiscal allocation never went beyond 50 per cent of its pre-1998 level (see World Bank 2004, Negara 2016). However, as Davidson (2015) has cautioned, it is not only issues of low fiscal allocation or weak formal institutions that affect the situation, but also entrenched rent-seeking interests and misaligned local-national interests.

REFERENCES

- Antonio, Tony. "Inspiring Wednesday, Ciputra University Best Practice in Shaping Entrepreneurs in Higher Education". *Jurnal Entrepreneur Dan Entrepreneurship* 1, no. 1 (2012): 21–27.
- et al. "Correlations Creativity, Intelligence, Personality, and Entrepreneurship Achievement". *Procedia-Social and Behavioral Sciences* 115 (2014): 251–57.
- Butt, Simon and Tim Lindsey. "Judicial Mafia: The courts and state illegality in Indonesia". In *The State and Illegality in Indonesia*, edited by Edward Aspinall and Gerry Van Klinken, pp. 189–216. Boston & Leiden: Brill, 2010.
- Carey, Peter. "Changing Javanese Perceptions of the Chinese Communities in Central Java, 1755–1825". *Indonesia* 37 (1984): 1–48.
- Davidson, Jamie S. *Indonesia's Changing Political Economy: Governing the Roads*. Cambridge: Cambridge University Press, 2015.
- Dhanani, S., I. Islam and Anis Chowdhury. *The Indonesian Labour Market: Changes and Challenges*. London & New York: Routledge, 2009.
- Fukuoka, Y. "Politics, Business and the State in Post-Soeharto Indonesia". *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 34, no. 1 (2012): 80–100.
- Henley, David and Boomgard, Peter, eds. *Credit and Debt in Indonesia, 860–1930: From Peonage to Pawnshop, from Kongsì to Cooperative*. Singapore: Institute of Southeast Asian Studies, 2009.
- Hoon, C.-Y. *Chinese Identity in Post-Suharto Indonesia: Culture, Politics and Media*. Brighton: Sussex Academic Press, 2008.
- Kodrat et al. "The Process of Entrepreneurship Learning on Innovative Venture Creation at University of Ciputra, Surabaya". *Journal of Education and Practice* 2, no. 3 (2011): 123–45.
- Mietzner, Marcus. *Money, Power, and Ideology: Political Parties in Post-Authoritarian Indonesia*. Singapore: NUS Press, 2013.
- . "Dysfunction by Design: Political Finance and Corruption in Indonesia". *Critical Asian Studies* 47, no. 4 (2015): 587–610.
- and Lisa Misol. "Military Businesses in Post-Suharto Indonesia:

- Decline, Reform, and Persistence”. In *The Politics of Military Reform: Experiences from Indonesia and Nigeria*, edited by Jurgen Ruland, Maria-Gabriela Manea and Hans Born. New York and London: Springer, 2013.
- Naafs, Suzanne, and Ben White. “Intermediate Generations: Reflections on Indonesian Youth Studies”. *Asia Pacific Journal of Anthropology* 13, no. 1 (2012): 3–20. doi:10.1080/14442213.2012.645796.
- Negara, Siwage Dharma. “Jokowi’s Infrastructure Focus: Is it Indonesia’s New Growth Strategy?”. *ISEAS Perspective* no. 18/2015.
- . “Indonesia’s 2016 Budget: Optimism Amidst Global Uncertainties”. *ISEAS Perspective* no. 3/2016.
- Setijadi, Charlotte. “Ethnic Chinese in Contemporary Indonesia: Changing Identity Politics and the Paradox of Sinification”. *ISEAS Perspective* no. 12/2016.
- Suryadinata, Leo. “Chinese Politics in Post-Suharto’s Indonesia: Beyond the Ethnic Approach?”. *Asian Survey* 41, no. 3 (2001): 502–24.
- Thee, Kian Wie. *Indonesia’s Economy since Independence*. Singapore: Institute of Southeast Asian Studies, 2012.
- World Bank. *Indonesia: Averting an Infrastructure Crisis: A Framework for Policy and Action*. Washington, 2004.

ISEAS
PUBLISHING

30 Heng Mui Keng Terrace
Singapore 119614
<http://bookshop.iseas.edu.sg>

TRS13/16s

ISBN 978-981-4762-46-5



9 789814 762465