

Doing Business in Indonesia | Indonesian Social and Business Culture

An Indonesian Culture Overview

Fact file

- **Official name** – Republic of Indonesia
- **Population** – 240,271,522 *
- **Official Language** – Bahasa Indonesian
- **Currency** – Indonesian rupiah (IDR)
- **Capital city** – Jakarta
- **GDP** – purchasing power parity \$915.9billion *
- **GDP Per Capita** – purchasing power parity \$3,900*



An Indonesian Overview

Located at the crossroads of the Indian and Pacific Oceans, Indonesia is a cultural and ethnic medley whose society is as interesting as its history. Indonesia is the world's fourth most populous nation and is currently the largest Islamic nation. This immense archipelago is characterised by a unique mixture of distinct ethnic, linguistic and religious groups that have contributed to Indonesia's rich and diverse culture. The people of Indonesia share fundamental beliefs that contribute to daily life and business practices. In order to achieve success in this market, it is vital to understand and have an appreciation of the cultural nuances that define Indonesia.

Indonesian Culture – Key Concepts and Values

Communication Style- Indonesians tend to communicate in a subdued and indirect manner. They do not always say exactly what they mean. Indonesians speak in a subtle tone and therefore it is up to the listener to pick up on communication subtleties by paying attention to body language and gestures. Indonesians are polite and diplomatic in their speech and will make great efforts not to offend others. Indonesians will do anything to save face even if it means avoiding confrontation or telling others what they want to hear rather than dealing with immediate issues.

Time- Time in Indonesia is approached in a very relaxed and flexible manner. Indonesians do not rush through business negotiations and often do not take the time to plan everything in great detail. Punctuality is not always observed, as Indonesians do not like to feel hurried and do not have the western sense of urgency. The Indonesian attitude towards time is reflected in that, to them, time is not money. They may show less interest in profit or material success but rather building relationships.

Conformity- Indonesia is a collectivist society that places higher importance on the group than the individual. Your Indonesian counterparts will always place family and community concerns over that of the business or individuals.

Religion – Indonesia currently is the world's largest Islamic nation Muslims pray five times a day and in some workplaces in Indonesia there are separate rooms for daily prayers. There are however varying degrees to which Islam influences Indonesian business culture, but it is essential to remember its influence when working with Indonesian counterparts. Ramadan is

a major Islamic tradition that includes fasting for an entire month. Although foreigners are not required to fast, it is considered impolite to eat or drink in front of others during this time.

Doing Business in Indonesia

After gaining its independence from the Netherlands in the mid-twentieth century, Indonesia shifted from a democracy to an authoritarian government. Economic strife and political instability coupled with corruption, terrorism and civil unrest have resulted in slow progress in the latter part of the twentieth century. Major political reforms have taken place in recent years that have moved the nation in a positive direction. Indonesia is one of the world's most populous nations in which there is an untapped potential for growth in the economic sector. Petroleum, natural gas and textiles account for the majority of industry in Indonesia with services accounting for the majority of its gross domestic product. Having an awareness of Indonesian business etiquette is essential for those wishing to succeed in new business ventures in Indonesia.

Indonesian Business Part 1 - Working in the Indonesia (Pre-departure)

- **Working practices in Indonesia**
 - Business hours are normally from 8am to 5pm Monday to Friday and from 8am to 1pm on Saturdays with an hour set aside for lunch.
 - Indonesians have a much more flexible attitude towards time. Therefore, do not be surprised if business meetings or social events begin late.
- **Structure and hierarchy in Indonesian companies**
 - Business organisations in Indonesia tend to be hierarchical. Decisions and ideas are generated at the top. Status is important in Indonesian society and respect should be given to supervisors and work colleagues.
 - As Indonesian society is very status conscious, it is important to address colleagues with the proper title. Generally people are addressed as either "*Bapak*" for males or "*Ibu*" for females, followed by his or her academic title, given name and family name and finally his or her business title.
 - More and more Indonesian women are well educated and are entering the workforce. It is difficult however for a woman to do business unless she has a man by her side during negotiations. It is absolutely imperative that women dress conservatively from ankle to neck.
- **Working relationships in Indonesia**
 - Business relationships in Indonesia are based on trust and familiarity. Personal contacts and networks are important in making business deals. Cultivating friendships will improve your success in the business world in Indonesia.
 - Indonesians place a great emphasis on age and respect. You must always show respect towards elders in Indonesian society. Muslim tradition makes sure that older men have the highest status in the family as well as the workplace.

- If you wish to give your Indonesian counterpart a gift, be sure not to give alcohol as it is forbidden in Islam. Gifts are appreciated but may or may not be opened immediately upon receiving them. Some gifts may be perceived as bribes, but it is a perfectly acceptable practice in most levels of society.

Indonesian Business Part 2 - Doing Business in Indonesia

o Business practices

- Business in Indonesia is conducted either in English or Bahasa Indonesian. If you are doing business in a larger city or with multinational corporations, English will more likely be used. It is however wise to bring an interpreter. Businesses located in more rural areas will find it difficult to conduct business in English.
- Initial introductions in Indonesian business are formal. Handshakes are generally exchanged before and after business meetings, but the grip is generally softer than those used in the Western world. Greetings are occasionally accompanied by a slight bow.
- If you are being introduced to several people, it is customary to introduce yourself to the eldest member of the group. It is acceptable to shake hands with women.
- Negotiations can be quite lengthy as Indonesians like to give enough time to carefully consider the business proposal. They do not like rush when conducting business. Often it takes several meetings before coming to an agreement with your Indonesian counterparts. Initial meetings generally serve to make acquaintances.

o Business Etiquette (Do's and Don'ts)

- ✓ DO have your business cards printed in English. If you know if you are working with Chinese Indonesians, it is polite to have the reverse side printed in Chinese. If you are working with ethnic Indonesians it is necessary to have the reverse side translated into Bahasa Indonesian.
- ✓ DO have all academic qualifications and titles printed on the card. When handing your card, offer it using the right hand or both hands.
- ✓ DO arrive on time to meetings, but as a general rule, do not expect your Indonesian counterparts to do so. For Indonesians, time management is not a priority and little effort is put into planning ahead.
- ✓ DO address your Indonesian business colleagues with the appropriate professional title. When introducing yourself or handing a business card, include your title, as people with more qualifications are held in higher regard.
- ✗ DON'T forget to take into consideration that Muslims pray five times a day when scheduling business meetings with your Indonesian counterparts. Prayers usually last fifteen minutes and time should be allocated for them.
- ✗ DON'T be afraid to recap what you have discussed in your meeting. It may be necessary to explain yourself in a different way. Indonesians will never indicate if they do not understand something so it is wise to summarise in order avoid any misunderstandings.

- * DON'T offer alcohol, leather, certain animal products or knives as gifts to your Indonesian counterparts.

Indonesia Culture Quiz – True or False

1. Indonesians tend to use hand gestures and assertive language when communicating.
2. It is acceptable to use either hand when taking or receiving an object.
3. Decisions will be made by the person in the company of the highest rank.
4. Indonesians tend to place the group before the individual.
5. Indonesians believe that success is measured by relationships they build and not by profit or material success.

Culture Quiz - Answers

1. False. Indonesians are very subdued in their communication styles and tend to speak with passive and hushed voices.
2. False. Using the left hand is considered bad manners and should only be used concurrently with the right hand.
3. False. While the highest level manager will be involved in decision making, Indonesians prefer to reach a consensus.
4. True.
5. True.

* Source: CIA World Factbook 2008

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