

Social, Economic and Political influence on business communications in Indonesia

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Penetrating new markets Indonesia

**How the Political, Economic and Sociocultural
Environment of Indonesia Impact
the Business Communication Strategy of a Security Company**

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Geo-Political Location of Indonesia



- Archipelago nation consisting of 6000 islands
- Splits the Pacific and the Indian Ocean
- Part of ASEAN
- Important trade route
- Central position in its region
- Became a Democracy 20 years ago
- Separatist movement to the East in Papua (Reuters, 2023)
- Capital Jakarta – sinking (DW News, 2023)

The new capital



Source: DW News (2023)

- Opportunity for international expansion
- Opportunity for site security management
- Opportunity to take the freelancer nomads' village security on Bali
- Opportunity to get contracts for site security at the construction and exploitation of new production facilities

Political environment



A kidnapped New Zealand Pilot among the Separatists from Papua
Picture: Reuters (2023)

- Dutch colony until 1949
- Socanto's New Order until 1998
- The serious threat against its territorial integrity since its independence (Rabasa and Chalk, 2001)
- Easier access to weapons by the rebels of Papua (Reuters, 2023)
- Government plans for decentralisation
- Corruption (Rabasa and Chalk, 2001)
- Unstable political and territorial situation

Economic environment

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- The largest economy in Southeast Asia (The World Bank, 2022)
- Economic crisis in the late 90s when investors withdrew their trust from Indonesia (Lont, 2005)
- Industry-oriented economy (Econ, 2023)
- Self-help organisations (Lont, 2005)
- COVID lockdowns recession and Post COVID recovery (the World Bank, 2022)
- Member of ASEAN and the WTO
- In the process of constructing a new capital on the island of Borneo (DW News, 2023)
- Government plan to improve the human capital (The World Bank, 2022)
- GDP growth of 5.1% for 2022 (The World Bank, 2022)

Image source – <https://asean.org/category/chairmanship/>

Economic environment (Taxation)

¹ Annual income	Rate (%)
Up to 60 million rupiah (US\$4,220)	5
Above 60 million rupiah (US\$4,220) to 250 million rupiah (US\$17,500)	15
Above 250 million (US\$17,500) to 500 million rupiah (US\$35,170)	25
Above 500 million rupiah (US\$35,170) to 5 billion rupiah (US\$351, 000)	30
Above 5 billion rupiah (US\$351, 000)	35

- Foreigners are taxed 20% flat income tax
- “Companies that are listed on the stock exchange that offer the minimum requirement of 40 percent of total share capital are subjected to a three percent tax cut from the standard rate;
- Companies that have an annual turnover of 50 billion rupiah (US\$3.5 million) are eligible for a 50 percent tax cut from the standard rate, which is imposed proportionally on the part of the gross turnover of up to 4.8 billion rupiah (US\$336,000); and
- Companies with gross turnover of no more than 4.8 billion rupiah (US\$336,000) are subject to a 0.5 percent tax on total turnover.”

(Medina, 2023)

Social environment



Image by the author



Image by DEZALB from Pixabay

- 300 ethnic groups with 600 different languages
 - 4th most populous nation in the world (The World Bank, 2023)
 - Buddhism prevailed in pre-colonial times (Rabasa & Chalk, 2001)
 - Prevailing Muslim religion – 82% of the population
-
- Patriarchal society (McDonald & Helmer, 2013)
 - Only a small part of the population speaks English

Social environment (Hofstede theory)



Image source: Hofstede Insights (2023)

According to the Hofstede :

- Depend on hierarchy and employees don't take independent decisions
- Predominantly work in teams and groups (collectivism)
- Moderate masculinity in society
- Prefer to avoid conflict and to quickly resolve them, if appeared
- Pragmatic culture
- Feel that indulging themselves is a bad thing

(Hofstede, 2001)

Social environment (Trompenaars theory)

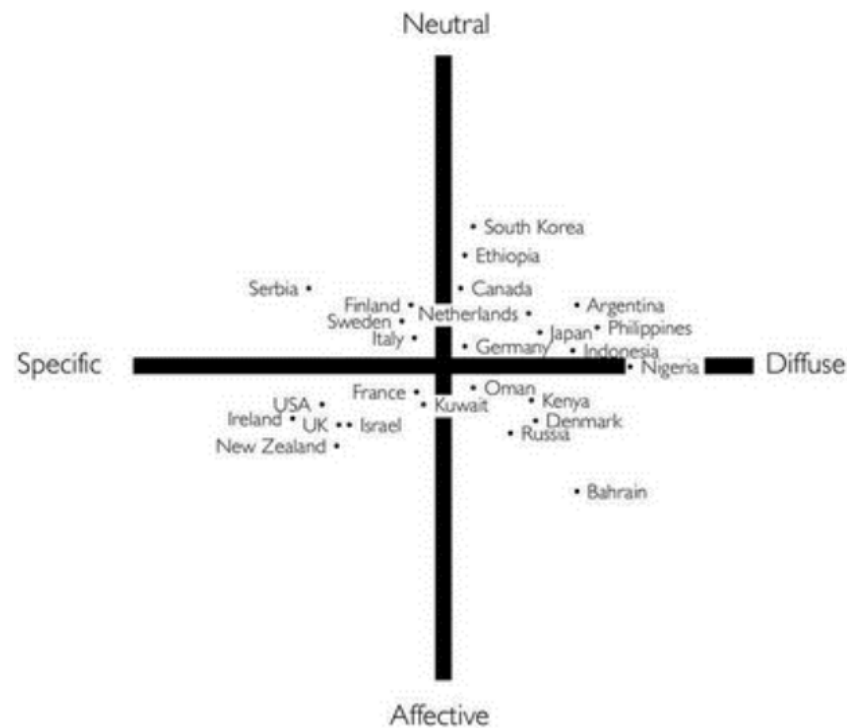


Figure 7.8. What Type of People Do You Prefer Around You?

According to Trompenaars:
Indonesians are Diffusely oriented people.

- The process of management is one that is always being improved.
- Private and professional difficulties are intertwined.
- Before passing judgment on an employee, take into account the entire situation.
- Employees are said to be able to exercise personal judgment through subtle and responsive interpretations that are permitted by ambiguous and vague instructions.
- Reports should be finished with a summary.

Conclusion

Penetrating the Indonesian Security industry requires:

- Local middle managers who
 - Know English
 - Have a military or police background
 - Make sure that the managers receive constant qualification updates
- When negotiating:
 - Make sure to become as close as possible with the counterparty
 - Be aware of the Muslim culture of alcohol intolerance
 - Make sure that you expose your social status (Hofstete, 2001)

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