Questions
Can a family successfully preserve wealth for more than 100 years or at least four generations?

Problems
The history of long-term wealth preservation in families is failure epitomized by the universal cultural proverb “Shirt to shirt sleeves in three generations”

The Theory
1. Preservation is a question of human behavior
2. Preservation is a dynamic process of group activity, or governance successfully re-energized in each successive generation
3. Assets of a family are its individual members
4. Wealth of a family consists of the human and intellectual capital of its member
5. Financial capital is a tool to support the growth of the family’s human and Intellectual capital
To successfully wealth preserve, a family must

1. form a social compact among its individual members reflecting its shared values, and each successive must reaffirm & readopt that social impact.

2. agree to create a system of representative governance through which to actively practice its values and each successive generation must reaffirm its participation in that system.

*The mission* of that system must be the enhancement of the pursuit of happiness of each individual family member as a part of the enhancement of the family as a whole, for the purpose of achieving long term preservation of the wealth: its **human**, **intellectual**, and **financial capital**.
Long-Term Preservation of Family Wealth (3/3)

Solution
A family can successfully preserve wealth for more than 100 years by the creation and practice of a system of representative governance founded on a set of shared values that expresses that family’s “different-ness.”

The Practice
The practice of multiple quantitative and more importantly, qualitative techniques over a long period of time designed to cause a family to make slightly positive than negative decisions regarding the employment of its human, intellectual and financial capital.
The Three Circle Model is generally accepted as the standard model for family businesses and includes family, business and ownership as the three main components (Gersick et al, Generation to Generation: Life cycle of the family business, Harvard Business School Press).

Each circle has a governance structure and a plan

- A family council would govern the family and prepare a family plan.

- A management team would lead the business and prepare a management development plan for succession and a business plan.

- A board of directors would govern the owners or shareholders and would be responsible for the strategic plan, continuity plan, contingency plan and the succession plan.
While every decision within the scope of each independent circle could be taken independently, intersecting risk areas require cross-circle communication and collaboration.
# Family’s Philosophy’s impact on business decisions

<table>
<thead>
<tr>
<th>Business Decision</th>
<th>Business First</th>
<th>Family First</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry rules</td>
<td>Specific job, if qualified</td>
<td>All welcome</td>
</tr>
<tr>
<td>Compensation</td>
<td>Based on job description and market conditions</td>
<td>Equal pay for family members of same generation</td>
</tr>
<tr>
<td>Stock ownership</td>
<td>Chief executive or family managers receive stock according to contribution or possibly among non-family employees</td>
<td>Equal by branch of family</td>
</tr>
<tr>
<td>Dividends</td>
<td>None</td>
<td>Stable, fair return to capital</td>
</tr>
<tr>
<td>Titles and authority</td>
<td>Based on merit in a business hierarchy where each person has only one boss</td>
<td>Equal titles for all members of same generations and role in decision making for all shareholders</td>
</tr>
<tr>
<td>Governance</td>
<td>Board of outside directors</td>
<td>Board family consensus</td>
</tr>
<tr>
<td>Role in community</td>
<td>Leadership</td>
<td>Voluntary</td>
</tr>
</tbody>
</table>
## Family’s Philosophy’s impact on business decisions

<table>
<thead>
<tr>
<th>Business Decision</th>
<th>Family Enterprise Spirit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry rules</td>
<td>Opportunities will be developed for all individuals in the business, based on business needs</td>
</tr>
<tr>
<td>Compensation</td>
<td>Acceptable family standard of living assured for everyone</td>
</tr>
<tr>
<td>Stock ownership</td>
<td>Equal values for all – some in business stock, others in passive investments or entrepreneurial opportunities</td>
</tr>
<tr>
<td>Dividends</td>
<td>Variable, modest return to capital</td>
</tr>
<tr>
<td>Titles and authority</td>
<td>Equal roles for all those with high degree of competence</td>
</tr>
<tr>
<td>Governance</td>
<td>Board of directors and representative Family Council</td>
</tr>
<tr>
<td>Role in community</td>
<td>Active according to family needs and individual interests</td>
</tr>
</tbody>
</table>
Founder’s policy

• Governance aspect within founders itself and expanded to the Company.

• Professionalism in the Organization – Human Resources
Founder’s family policy

- Introduction to Governance since early age
- Children urged to attain an educational Degree and pursue career as professional career
- Founder’s Heirs were not aspired to take on any active management position in the companies founded.
- Education of Ownership & Management segregation concept.
The Role of Professional Managers in a Family Business

• To run the operation of the company

• To act as the enforcer in establishing a culture of work-discipline in the company

• Develops the system procedures and professionalize the company’s business conduct
Integration of Professional Management into the Company

• Founders commitment to transfer their power and authority to the managers

• Transfer of power and authority should occur while founders is still in a productive age and while the company is in the take off period

• Process of power and authority transfer should be staged as such in accordance with the individual maturity and readiness of the professional managers
Minimum Requirement for a Professional

- Ability to communicate
- Proficiency in English and Bahasa Indonesia
- Leadership (internal & external)
- Flexibility in adapting to new developments outside the company’s environment
- A wide business horizon and vision
- Ability to evaluate and handle a number of complex problems simultaneously without having to sacrifice other activities
- Ability to make informative & self-explanatory report (oral as well as in writing)
Companies founded by Soedarpo

Soedarpo Sastrosatomo founded in the 50s:

- ISTA
- Asuransi Bintang
- Bank Niaga
- Soedarpo Corporation

- Samudera Indonesia
  - transformed
  - Public

- Millennium Pharmacon International
  - Public

- Soedarpo Informatika
  - Private

1997
Soedarpo Sastrosatomo founded:

- Samudera Indonesia: Public
- Asuransi Bintang: Public
- Bank Niaga: Public
- Soedarpo Corporation: Public

Minarsih Soedarpo founded:

- Millennium Pharma International: Public
- Soedarpo Informatika: Private
Institutionalization of ownership

**Basic Consideration:**

*Sustain a healthy & harmonious relationship between shareholders and Management*

- **Individual Ownership**
  - Soedarpo Sastrosatomo

- **Institutional Ownership**
  - Ngrumat Bondo Utomo (NBU)

- **1995**

- **Groups:**
  - Samudera Indonesia Group
  - Asuransi Bintang (d/h Citra Lintas)
  - Loewe
  - Soedarpo Informatika Group
Institutionalization of ownership

Basic Consideration:

Sustain a healthy & harmonious relationship between shareholders and Management

Only the ownership of NBU was transferred to the succeeding generations

Individual Ownership

Shanti L Poesposoetjipto
Ratna-Djuwita Sukirno
Chandraleika Mulia (2nd Generation)

2006

Ngrumat BondoUtomo (NBU)

Institutional Ownership

Soedarpo Sastrosatomo

Soedarpo Sastrosatomo

Individual Ownership

Informatika Group

Asuransi Bintang (d/h Citra Lintas)

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Samudera Indonesia Group

Asuransi Bintang

Loewe (d/h Citra Lintas)

Soedarpo Informatika Group
Overall Institutionalized ownership

**FOUNDERS**

**Individual Ownership**

- Shanti L. Poesposoetipto
- Ratna D. Sukirna
- Chandraleika Mulia

- Soedarpo Sastrosatomo
- Idham
- Wibowo
- Pangestu
- Etc.

**Institutionalized Ownership**

- Ngurmat Bondo Utomo NBU
- Srihana
- Family Office Wibowo
- Family Office Pangestu

**1st Gen**
- Windrarta & Siblings
- Tiki
- Pinki
- Mari

**2nd Gen**
Development model of family business

- **Business Axis**
  - Maturity
  - Expansion/Formalization
  - Start Up

- **Family Axis**
  - Young Family Business
  - Entering The Business
  - Working Together
  - Passing the Baton

- **Ownership Axis**
  - Controlling Owner
  - Sibling Partnership
  - Cousin Consortium
Developmental Model of Family Business

Soedarpo Infomatika Group

1st Generation + 2nd Generation 1974
2nd Generation + 3rd Generation - 1999

Young Family Business
Entering The Business
Working Together
Passing the Baton

NBU
NBU
NBU

 contend Owner
Sibling Partnership
Cousin Consortium

Business Axis
Ownership Axis
Family Axis
Samudera Indonesia Group

Developmental Model of Family Business

**Business Axis**
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- **Working Together**
- **Entering The Business**
- **Young Family Business**

**Ownership Axis**
- **Controlling Owner**
- **Sibling Partnership**
- **Cousin Consortium**

**Founders (1955)**
- Founder (1955)
- Founders + Prof. Mgmt 1st Gen. (1980s)

**Founders 2nd Gen & Public (2007 – to date)**
- Founders 2nd Gen & Public (2007 – to date)


**Founders + Prof. Mgmt 1st Gen. (1980s)**
Asuransi Bintang

Developmental Model of Family Business

Business Axis
- Maturity
- Expansion/Formalization
- Started Up

Family Axis
- Founder 1955
- Founders 2nd Gen & Public (2007 – to date)
- Passing the Baton

Ownership Axis
- Controlling Owner
- Sibling Partnership
- Cousin Consortium

Founders + Professional Mgmt (1984)
Prof. Mgmt 1st Gen. + Prof. Mgmt 2nd Gen. (1997)
Prof. Mgmt 2nd Gen. + Prof Mgmt 3rd Gen (2010)
21st Century
Birth of Knowledge Base Economies

"Knowledge is now recognized as being at least as important as physical capital, financial capital and natural resources as a source of economic growth."
Indonesia was generally ranked in #38, big jump from 2012

With 4 out of 12 competitiveness pillars characterized* as the level of:

- Business Practice sophistication
- Technology Readiness
- Higher education and Training
- Innovation

Which are the most problematic area especially in aging business organization. Which sometimes require paradigm transformation.

Paradigm change requires transformational leader

“Transformational leadership aims at innovation & motivational power, Transformational leadership strives to create new opportunities for employees in an organization”

Transforming the Business Model, Process and Values requires large shift in Paradigm Changes:

- Most the Aging Business Model/ Process/ Procedure/ Values was “protected” because it was related to personal economics or/and individual job security.
- Transforming perception of technology from a threat for job security to enabling tools, Monitoring/report from suspicion to achievement assurance.
- Education/Scientific vs Experience only values, Real-time Vs Manual Reporting
Transformational leadership relates positively to pragmatism, nurturance, and feminine attributes and negatively to criticalness and aggression (Ross and Offermann, 1997)

Transformational leadership aims at innovation and motivating people, Transactional Leadership focused on planning and execution by focuses on the use of manipulation of power and authority (Tucker, et al, 2004). Transactional leadership focuses on rewards and punishments in order to achieve goals.

Transformational leadership strives to create new opportunities for employees in an organization, whereas transactional style works off of an existing structure (Tucker, Georgia, Russell, College, and Emory, 2004).
Looking at the trend there will not be enough people to fill jobs if we are missing the talent pool of women.
Skills Requirement for the Knowledge Economy

Employable skills considered critical by major employers:

- **Academic skills** which provide the basic foundation to get, keep, and progress on a job
- **Teamwork** which is needed to work with others
- **Personal management** skills which project attitudes & behaviour

Women’s acknowledged traditional skills:

- Intuition
- Communications
- Team playing
- Attention to details
Women are “transformational leaders” who exercise “interactive leadership”.

Harvard Business Review, Judy Rosener, professor at the University of California Graduate School in Irvine
Thank you

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