

PERANAKAN COMMUNITIES IN THE ERA OF DECOLONIZATION AND GLOBALIZATION



EDITED BY

Leo Suryadinata



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AND GLOBALIZATION**

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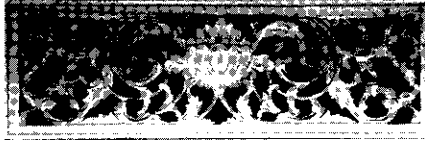
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Preface

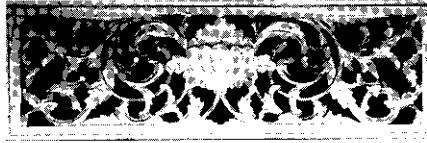
Approximately five years ago, on 22 May 2009, the Baba House and Chinese Heritage Centre jointly held a peranakan Chinese conference. A year later, in May 2010, the revised papers of the conference were published as a book. On 27 September 2013, the Baba House and Chinese Heritage Centre had another joint conference on peranakan Chinese. Again about a year later, the revised papers were published and are presented here in this book. These two volumes can be read together as they address related issues. Nevertheless, the second volume is much more up to date and focused.

I would like to thank the participants of the peranakan conference, especially the paper-writers who have given me their cooperation in submitting their revised papers. It was a pity that one of the participants, Dr Dede Oetomo, was unable to submit his paper as he was busy with other responsibilities. Nevertheless, as the volume needed a paper on Indonesian literature, I eventually wrote on the topic in order to fill the gap.

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Leo Suryadinata
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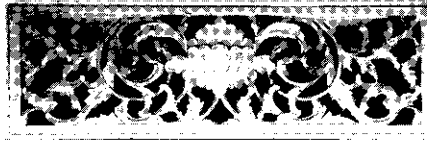
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Entrepreneurial Leadership and Familiness in Peranakan Chinese Indonesian Businesses: The Case of Putera Sampoerna

Sujoko Efferin, Silvia Margaretha & Aris Suryaputra

Introduction

Business is inseparable from the dynamics of its environment and stakeholders. Business leaders (Chinese Indonesian businessmen included) need to cope with increasingly difficult challenges to create value for all of their stakeholders. Given the socio-cultural dynamics of the Tionghoa community, the ways they run their businesses, the political aspirations they share, the education they receive and the business networks they build have developed dramatically marking the differences between the thoughts and strategies of the earlier generations (*totok*) and the current generations (peranakan Chinese or *Jiaosen*) of the community (Efferin and Hopper, 2007; Efferin and Pontjoharyo, 2006; Suryadinata, 2002). Therefore, it is important to observe the nature and social development of the peranakan Chinese Indonesian businessman to know the extent to which the community has adjusted their businesses to cope with current challenges in their environment.

Studies of Southeast Asia Chinese businessmen tend to focus on the exotic nature of business philosophies and strategies that are related to Confucian culture, history and the ethnic group's adaptation to unfavourable local socio-political environments (e.g. Qiu, 2000; Mackie, 1992; Thee, 2006; Ho, 2006). Furthermore, Efferin and Pontjoharyo (2006) have highlighted some developments in Chinese Indonesian businessmen's philosophies that are caused by changing business rationality and Westernized business education. However, those studies were not intended to specifically investigate the entrepreneurship of peranakan Chinese Indonesians. The

entrepreneurship perspective may open up a new insight into the business ventures of the community. This chapter examines the entrepreneurship of the peranakan community using Putera Sampoerna as a case study.

There are several reasons for choosing Putera Sampoerna. Firstly, he received a Westernized education from boyhood to university differentiating him from totok businessmen. Secondly, he has revolutionized his family business and abandoned the old family vision (*king of tobacco*). Thirdly, he is one of the most successful peranakan businessmen with wide international recognition. He is regarded as one of the most famous Indonesian entrepreneurs (CSR Asia, 2010). According to Forbes magazine, in 2011 he was the ninth richest Indonesian with wealth amounting to US\$2.4 billion. He also received the Peace Through Commerce Medal Award 2011 from the International Trade Administration, US Department of Commerce. He is therefore a good representation of a peranakan Chinese Indonesian who has different business philosophies and strategies from the totok community.

Ethnic Chinese and Family Businesses

The traditional model of an overseas Chinese business generally consists of several characteristics including: autocratic-paternalistic leadership, family-orientation, personalistic network of trust (*guanxi*), centralized decision making, and conservative business development in particular areas where the controlling families have core capabilities (conservative business expansion strategy) (e.g., Redding 1993; Whitley, 1991). It is often said that Confucian culture is the main driver for such characteristics. However, such a picture is rather ambiguous since it is difficult to separate cultural reasons from pragmatic ones. Many small and medium enterprises (SMEs) and family businesses also possess such characteristics although they are not owned and/or run by ethnic Chinese.

The Overseas Chinese business model does not operate in isolation from its local context. Ethnic Chinese have experienced different treatment in different countries, i.e., favourable, neutral and unfavourable treatment, by political regimes controlling the countries. Ethnicity and state politics play crucial roles in strengthening or weakening their business (Efferin and Hopper, 2007). Hence, Chinese Indonesian businessmen have developed a collective defensive strategy (e.g. the use of the *guanxi* mechanism and family orientation) to cope with harsh socio-political treatments such as they received during the New Order Era (1967–98). In addition, the size of the organization, business knowledge, and the complexity of operation also explain the choice of business strategies of Chinese Indonesian businessmen (Efferin and Pontjoharyo, 2006).

To expand our perspective, we also consider the nature of family businesses. A family business is defined as a company in which a family possesses dominant

ownership and control (Efferin and Hartono, 2014; Cater III and Justis, 2010). The values of the owning family are dominant since they are transferred to non-family employees and become a collective guidance to reach organizational objectives (Dyer, Jr., 2006). In this sense, the intentions to protect family identities and interests characterize the ways a leader manages and develops his/her businesses.

Succession is a crucial issue in Chinese family business. The dynamics of the business environment require different leadership competencies including leaders' knowledge, attitudes, problem-solving abilities and skills to cope with challenges. Failures in succession may cause the decline of fortune of the business. Furthermore, with the growing complexity and competition in the global market, the younger generations of Chinese family businesses cannot rely solely on their *guanxi* (Chung and Yuen, 2003). They need to set the pace of change and to learn new approaches innovatively that are beyond the capabilities of first-generation owners. The new approaches may enable the successors to prepare contingency plans and to grasp more opportunities should the previous assumptions on future scenarios be wrong. Therefore, the business philosophy and strategies of Chinese business successors in creating new ventures may deviate significantly from those of his/her predecessors.

Furthermore, the culture of overseas Chinese is dynamic and adaptive. Succession may cause the influence of Confucian culture to diminish gradually. In the Chinese Indonesian context, *totok* and *peranakan* communities are already known to have different cultures (Suryadinata, 2002; Efferin and Pontjoharyo, 2006; Efferin and Hopper, 2007). Since the younger generations of Chinese Indonesians are becoming increasingly *peranakan*, their entrepreneurship may be significantly different from that of their former generations. Hence, there is a need to broaden or even to depart from the traditional perspective of Confucian culture in explaining the business philosophies and strategies of the younger generations.

Entrepreneurial Leadership and Family Business

Entrepreneurship refers to the pursuit of innovative opportunities and proactive, opportunity-seeking behaviour by conducting risk-bearing activities (Gupta et al., 2004). Entrepreneurship is a mind-set that forms a specific leadership type. Gupta et al. (2004) define entrepreneurial leadership as "leadership that creates visionary scenarios that are used to assemble and mobilize a 'supporting cast' of participants who become committed by the vision to the discovery and exploitation of strategic value creation" (p. 242).

Furthermore, Gupta et al. (2004) highlight two interrelated challenges faced by an entrepreneurial leader. Firstly, he/she needs to envisage and create a compelling scenario of possible opportunities that can be seized to revolutionize his/her current business, given available resources (scenario enactment). Secondly, the leader needs to convince potential followers and his/her network of stakeholders that the scenario

is possible to realize (cast enactment). In other words, an entrepreneurial leader cannot achieve his/her vision alone since he/she needs a group of people who are capable of supporting him/her. The leader needs to be able to collect and mobilize required resources in this process.

A family business has a distinct resource that differentiates its business from non-family business, i.e., *familiness* (Kansikas et al., 2010). Familiness stems from family relationships consisting of three dimensions: structural, cognitive and relational (Pearson et al., 2008). It creates the intersection of the family and the business. In this sense, family and business are enmeshed with one another, creating a complex web of relationships. Pearson et al. (2008) elaborate further on the three dimensions of familiness. The structural dimension contains the density and connectivity of network/social ties among the family members that are appropriate to family business. Family business may have an advantage over non-family business in the creation of structural social capital due to existing familiar network ties. The cognitive dimension comprises a family's shared vision and long-term goals, unique language, stories and culture that are commonly known and deeply embedded. The relational dimension consists of trust, norms, obligations and identification, forming unique and lasting attachments among the family members. These personal bonds influence cooperation, communication and commitment among family members to a common purpose.

Familiness can be productive or counter-productive for the future of a family business (Kansikas et al., 2010). If familiness is productive, it can support the entrepreneurship of the business leader which, in turn, increases the competitive advantage and sustains the future of the family business. In this sense, the knowledge, network, trust and shared values accumulated since the founding of the business serve as invaluable resources to facilitate the venture of the business leader. However, if the familiness is not adaptive enough to cope with the changes in its business environment, it can be a constraint inhibiting the capacity of the family business to grow and to survive in the long term.

Research Method

This study relied on extensive documentary analysis. The scope of the data is from 1913 (the beginning of the Sampoerna family business) to 2013. We were unable to conduct personal interviews with Putera Sampoerna since he does not live in Indonesia. Hence, data were collected from the news and articles in the official websites of Sampoerna Strategic, PT HM Sampoerna, Tbk, and Putera Sampoerna Foundation; personal blog of Putera Sampoerna; various Indonesian and international newspapers and magazines; Indonesian Stock Exchange (IDX); statistical bureaux; the official family history book; and various independent sources (e.g. newspapers, magazines, and papers/reports from independent organizations). They provided

insights into the the history and the philosophies of Putera Sampoerna and his family in maintaining current businesses and starting new ventures.

The information collected from those documents was organized and grouped into different topics (i.e., the history of the first and second generations of the Sampoerna family, the emergence of Putera Sampoerna, the Sampoerna business as a public company, Putera Sampoerna Foundation and the post-cigarette business era). The data were analysed to find their significance and meanings. Then they were synthesized based on the dimensions of familiness and entrepreneurial leadership to find the patterns of the events and to create a larger picture. Finally, a general explanatory model was developed to describe the key features of the entrepreneurial leadership of peranakan Chinese Indonesian businessmen.

We acknowledge that our reliance on documentary analysis could distort our interpretation of the data. However, we followed the suggestions of Neuman (2011) that accuracy can be improved by using multiple points of view. Hence, we used triangulations to minimize our possible biases (Neuman, 2011; Efferin, 2010). Triangulation is a process based on the principle that a researcher(s) can learn more by observing from multiple perspectives than by looking from only a single perspective. Since all the data were obtained from documents, we used documents from different sources (Sampoerna family sources and independent sources). The data from different documents were compared and cross-validated; if contradictions were found, we searched for additional documents to find further explanations. If the explanations could not be obtained, we opted to use information from independent sources. Conclusions emerging from the data were referred to the theoretical framework to find theoretical explanations.

The Analysis of Sampoerna Family Business Journey

To facilitate readers' understanding of the case analysis, key data are numbered and their relationships with familiness and entrepreneurial leadership are summarized in Tables 7.1 and 7.2.

History of the First and Second Generation of Sampoerna Family (1913–77)

Sampoerna family business history begins when Liem Seeng Tee, the grandfather of Putera Sampoerna, started a small family business named Handel Maatschappij Liem Seeng Tee in 1913. The company sold basic provisions and tobacco products. Liem always declared that he wanted the company to be “*the king of tobacco*” (Sampoerna, 2007). He constantly experimented with blends and flavours until he finally created a cigarette brand *Dji Sam Soe* (meaning 234 in Hokkien dialect), and was later regarded by Indonesian people as the king of *kretek* (clove cigarettes). He designed

the packaging using symbols and his lucky number nine. Hereafter, the importance of the number nine (and any combination equaling or divisible by nine) became part of the company's ultimate identity. Up to now, Dji Sam Soe has become the most respected, premium-priced kretek filter brand of cigarettes in Indonesia.

The vision to be the king of tobacco was a cognitive dimension of the familiness of the family. The vision was shared and became the purposes of his predecessors (Liem Swie Ling and Putera Sampoerna) until 2005. The tobacco business was a bonding mechanism that enabled shared communication and integration of the Sampoerna family for the next two generations (1). All business development that took place from 1913 to 2005 was not far from the tobacco business. Liem Seeng Tee passed away in 1956 and Dji Sam Soe entered a difficult period near to bankruptcy. In 1954, the second son of Liem Seeng Tee, Swie Ling (Aga Sampoerna), the father of Putera Sampoerna, founded a company named PT Panamas in Bali. The company produced hand-rolled kretek under the brand Panamas Kuning. In 1959, Swie Ling was asked by his eldest brother, Swie Hwa, to return from Bali and assume control of and revive the Sampoerna family business.

The survival of the family business reveals the importance of the structural dimension of the familiness, i.e., network ties among Sampoerna family members. Instead of letting the business down or fighting for the legitimate successor, the eldest son of the founder opted to ask for Swie Ling to take over. In fact, the relationship between Swie Ling and his father was far from ideal since they had many disagreements in the past. However, Swie Ling's involvement was proven critical in saving the family business. The family business was able to re-emerge due to the brand equity of Dji Sam Soe and Swie Ling's management style that emphasized employee empowerment, interpersonal skills and workers' welfare (Sampoerna, 2007). Swie Ling was the only family member who could speak *Kromo Inggil* (High Javanese language, the language of aristocratic Javanese). In 1967, Swie Ling created a successful middle-market kretek cigarette named Sampoerna Hijau. The product was very popular reaching all time highs in the 2000s. This reveals that family obligation had overcome previous personal disagreements and conflict in critical times.

The Emergence of Putera Sampoerna (1969–90)

Putera Sampoerna (Liem Tien Pao/林天喜) was born in 1947. He was educated in Hong Kong, then Melbourne and Texas, when Swie Ling (his father) was running PT Panamas in Bali. In 1969, Putera was assigned a rubber and palm oil business in Malaysia by his father, Swie Ling. However, due to the Malaysian Government's New Economic Policy, Putera decided to sell all the family's assets in Malaysia and began working full time in Surabaya. In 1977, Putera joined the board of directors of the Sampoerna family business (PT Hanjaya Mandala Sampoerna). He then modernized the management system and factory production including improving the speed,

Table 7.1
 Familiness and Entrepreneurial Leadership of Putera Sampoerna

<i>Familiness dimension/ Entrepreneurial leadership dimension</i>	<i>Network ties</i>	<i>Shared vision and purposes</i>	<i>Trust, norms, obligations</i>
Innovativeness	The transformation of PT Panamas to be a distribution company (7);	Modernization of PT HM Sampoerna in 1980s (2); Controlling tobacco purchasing and distribution (3); The establishment of PSF as the first social business organization in Indonesia (14);	Family support for the insourcing of cigarette distribution (7);
Opportunity seeking/ risk taking behaviour	Buying raw materials from family contacts and packaging from Hong Kong and Singapore to save Dji Sam Soe after 1979 factory fire (5);	Putera's decision to continue the family business in Indonesia during the 1998 political turmoil (13); Family support for the sale of cigarette business to Philip Morris and the diversification of its business in 2005 (19);	The return of Michael from UK to help Putera in 1998 (14);
Scenario enactment- Strategic value creation		Commitment to tobacco business until 2005 (1); Family tradition and philosophy in the company's logo and building lay-out of HM Sampoerna (6); The listing of HM Sampoerna in Indonesian stock market (10); The establishment of PSF as the first social business organisation in Indonesia (15); Sampoerna family's new business sectors (after 2005), i.e.: agriculture, finance, property, telecommunication and timber (21);	
Cast enactment			The roles played by Boedi Sampoerna during conflicts with tobacco traders (4); The involvement of Michelle as the leader of PSF (16); The involvement of Michael Sampoerna as the CEO of PT Sampoerna Strategic Group (SSG) (20);

Table 7.2
External Resources and Entrepreneurial Leadership of Putera Sampoerna

<i>Entrepreneurial leadership dimension</i>	<i>External resources</i>
Innovativeness	Developing LTLN kretek cigarette (8); Recruiting the best agencies to produce memorable ads (11); Huge investment in Sampoerna Marching Band to build public's emotional ties with Sampoerna brands (12);
Opportunity seeking behaviour	The idea of reducing the negative effects of <i>kretek</i> cigarette to respond the increasing health concerns of Indonesian market (8);
Scenario enactment — Strategic value creation	PSF's global political networks as a source of ideas (18); The involvement of Alfa Group in Bank Sampoerna (22);
Cast enactment	Support from key external actors in the development of LTLN (9); The involvement of major national and international organizations in PSF (17);

uniformity and quality of the cigarettes packaging; and applying time and motion analysis to increase the efficiency of the business (2). The family's shared vision and purpose of becoming "the king of tobacco" were the drivers of the modernization.

With the help of his cousin (Boedi Sampoerna), Putera also began controlling tobacco purchasing and distribution. Complete control of supply and quality of tobacco by buying the materials directly from farmers (without middlemen) was a critical step in building the strategic advantages of the family business (3). Hence, the same familiness resource (shared vision and purposes) was used again during the reorganization of tobacco procurement. Putera's decision in building to his direct connection with the farmers was contrary to conventional business practices at that time and unavoidably created massive resistance from the traders. The future of the family business was at stake — if Putera could not overcome the resistance, the whole business would have collapsed. Given his rather limited experience at that time, Putera alone would not have been able to cope with the problem. However, Boedi Sampoerna was available to assist in his efforts and to help secure the plan (4). Boedi knew how to handle major stakeholders in the field and to build alliances to support the plan. The structural dimension of the family (network ties) was transformed into a relational dimension among competent family members that proved critical in overcoming external threats. Despite early resistances from traders and farmers, the farmers finally supported this action since they received more money for their crops.

There was a great factory fire in 1979. Normally, it would take six months for the factory to resume production. This was a huge test of the leadership of Putera. He

realized that Sampoerna and Dji Sam Soe could not survive a long market absence. With the help of a dedicated team, the company put production equipment in warehouses, bought raw materials from family contacts and packaging from Hong Kong and Singapore (5). They also got contractors to rebuild the factory at record speed. As a result, Dji Sam Soe was back on the streets within 24 days after the fire (Sampoerna, 2007).

In 1983, Putera created a modern and computerized company by establishing corporate headquarter in Rungkut, Surabaya. Family tradition was very important for Putera in the development of their business. By creating family quarters on the top floor of the building, Putera followed the tradition of his predecessors: Liem Seeng Tee and Liem Swie Ling by living at his factory (Sampoerna, 2007). Putera also maintained the philosophy of number nine as the ultimate identity of the family in the company's logo and the philosophy of the building lay-out (6). The logo (see Fig. 7.1) has a deep meaning. The nine stars with nine points each represent the culturally sacred number of the family. The two creatures are Chinese mythological lions named *Foo Dogs*. The lions became a bonding symbol for the Sampoerna family guarding their home and businesses. The words in Old Sanskrit, i.e., *Anggarda Paramita*, mean striving for excellence. Family traditions and business innovation went hand-in-hand creating a rejuvenated family business capable of continuously transforming itself to cope with current challenges.

After assuming the position of CEO of the Sampoerna company in 1986, Putera took another strategic step by changing the system of delivering products to consumers. Historically, agents were responsible for taxes, distribution, sales and marketing based on a contract system. However, the performance of the agents

Figure 7.1
Corporate Logo



was undependable and leakage often occurred (Sampoerna, 2007). Hence, Putera decided to set up his own distribution system to reach their customers. PT Panamas then became a distribution company (7). To accommodate the previous agents, Putera offered to buy their business for a generous price. He also offered them the opportunity to become one of his regional distribution managers. By doing so, the Sampoerna company was able to control all of its critical supply chain points (starting from its suppliers/farmers to its retailers). The impact of this new system to the business was immense. In 1990s, Sampoerna was the number one distribution and marketing company and the third largest kretek manufacturer in Indonesia.

Apparently, Putera's accumulated knowledge and skills had reached a level of maturity in the business. He learned — e.g., by building direct connections with tobacco farmers — that effective supply chain management is the critical success factor in controlling the cigarette business. Putera was also able to use the available family resource (PT Panamas) to support his scenario. By transforming PT Panamas into a distribution company, he was able to revitalize the company, to use its know-how with the support of trust-worthy staff. Hence, structural (network ties) and cognitive (vision and purposes) dimensions of familiness are combined with Putera's innovativeness in strengthening the business.

In 1988, Putera took the initiative to develop the first low-tar low-nicotine (LTLN) kretek cigarette (8). This is another strategic action reflecting Putera's innovativeness and opportunity-seeking behaviour. The Indonesian market became increasingly concerned of the negative effects of kretek cigarette on their health. Traditional products such as *Dji Sam Soe* and other competitor brands (*Djarum* and *Gudang Garam*) were considered dangerous due to their high tar and nicotine content. Some LTLN were available but were categorized as non-clove cigarettes (e.g. *Marlboro* and *Dunhill*). The normal assumption at that time was that non-clove cigarettes were safer but not delicious whereas kretek cigarettes were delicious but more dangerous. With his colleagues and the governor of East Java, *Soelarso*, Putera went to Thailand to study the production of LTLN of a diameter of 7.5 mm. *Soelarso* doubted the idea arguing that kretek could not be produced with such a small diameter. However, Putera insisted that the product had to be LTLN kretek. Putera then hired a 33-year old researcher, *M. Warsianto*, an expert on LTLN cigarettes. (After leaving Sampoerna, he created another two famous LTLN cigarettes under the brands of *Star Mild* and *Class Mild*. The total market share of the three brands was 90 per cent of the LTLN Indonesian market in 2004 [SWA, 2004]). As the Head of New Product Development, *Warsianto* developed the cigarette which later would be known as *A Mild* in 1988. The *A Mild* was launched as "The Taste of the Future" in 1989. Its famous theme was "How Low Can You Go" challenging the other brands of cigarette to cope with the health issues. The *A Mild* has become a market leader of LTLN and highly successful product until today. The

market share of A Mild in the aggregate Indonesian cigarette market in 2012 was 13.8 per cent (*Jakarta Post*, 9 February 2013).

Putera's decision to hire Warsianto reveals his openness to external expertise that can benefit the family business. This also reveals Putera's ability to find and recruit talented people to develop his business. As an entrepreneurial leader, Putera was able to create a compelling scenario of possible opportunities to revolutionize the cigarette business as well as to establish a group of supporters to realize his idea (cast enactment). The group of supporters consists of not only his family members but also other parties including political actors (the governor of East Java) and external experts (9). Thus, the impressions of the conservative behaviour of Chinese overseas businessmen that tend to guard the confidentiality of their business (e.g. Redding, 1993) were challenged. On the contrary, Putera's entrepreneurial orientation indicates that he does not worry about the possibility of the exposure of his secret formula as long as he has legal protection, timely action as a market leader and strong marketing campaigns. In other words, comprehensive strategy is more valuable than partial strategy of business development.

Sampoerna as a Public Company (1990–2005)

Under the leadership of Putera, Sampoerna became the first Indonesian cigarette manufacturer to go public in 1990 (10). One of the reasons to go public was to finance the massive development of a cigarette production facility in Pandaan, East Java (Sampoerna, 2007). Built from 1990–93, the size of the facility site is 153 hectares containing 59 storage warehouses, 6 processing lines and 15 other complexes (making-packing, printing and ancillary plants) (Sampoerna, 2007). The facility could process 105,000 tons of blend, and print and pack 30 billion machine-made sticks annually in 2005. By going public, PT HM Sampoerna Tbk, the corporation, was able to change public perception of the company, from "one of the most successful Indonesian family businesses" to "a public-owned, professional company with a bright future". Thus, the new status enabled the company and Sampoerna family to win the trust and goodwill from the wider Indonesian society and major stakeholders. The shares of the company have become one of the strongest blue chips on the Indonesian stock market.

The Sampoerna company was also renowned for its creative marketing and advertising strategies. Until 1991, commercial advertising was not allowed to be broadcast on Indonesian television. When the ban was lifted in 1992, Putera hired the best agencies to produce memorable ads (11). Some of them were A Mild's *How Low Can You Go*, *Dji Sam Soe's Gotong Royong* (Working Together) and A Mild's series of *Bukan Basa Basi* (No Bullshit). Another innovative strategy was the use of The Sampoerna Marching Band. This band, trained by expert instructors brought from the US, was designated to be a strategic vehicle to market Sampoerna's products

as well as to promote the name of Indonesia in international forums (12). Consisting of 234 factory workers as musicians (similar to the meaning of *Dji Sam Soe*), the band performances also involved huge carnival floats carrying the cultural symbols of Indonesia. The band won an international award in the 1990 Pasadena Tournament of Roses. The cost of sending the band to Pasadena was US\$1 million, fully paid by the Sampoerna company. Various performances of the band were also broadcast in commercial slots on Indonesian television, creating a colossal impression of the company and moving many Indonesians to tears. By spending huge sums on the marching band, Putera lifted up the value of his business from being a family asset to a national asset carrying the Indonesian flag in the international arena. Sampoerna's advertising was generally regarded as one of the most creative and effective campaigns performed by Indonesian companies from 1990–2000.

The use of multiple marketing strategies is a clear indication of the ability of Putera to mobilize not only his familiness but also external resources including the best advertising agencies, opportunities resulting in the governmental changes in television advertising policies, drawing on national cultural symbols and the emotion of the wider Indonesian society. Putera has not pursued every little opportunity but rather focuses on strategic opportunities arising from the dynamics of the business environment by taking into account social, cultural and political issues both in national and international arenas in his strategic decisions.

In 1997, Indonesia experienced a financial crisis. This was followed by the fall of President Soeharto and the New Order regime in 1998. There were massive anti-Chinese riots in Jakarta, Medan, and Solo on May 1998. There were some indications that the riots were state-orchestrated due to high-level conflicts among military factions and state-led contentious politics (Panggabean and Smith, 2011). In Jakarta, many Chinese shops and houses were attacked, burnt and robbed. Thousands of buildings and cars were destroyed and more than 50,000 Chinese fled the city. Some reports say that hundreds of women, mostly Chinese, were sexually harassed and raped.

Contrary to the beliefs of some Chinese Indonesian businessmen that the collapse of the regime would severely harm their fate, Putera still believed that his family and business had a future in the country (13). During these uncertain times, Michael Sampoerna, the son of Putera, was asked to return to Indonesia after finishing his education at the London School of Economics (14). In fact, Putera thought that the political and economic turmoil would teach Michael about business realities and their effects on the Sampoerna business (Sampoerna, 2007). Michael became the assistant to the Director of Business Development from 1998–99. Later, Michael became the Chief Operating Officer and was appointed to be the President Director while Putera became the President Commissioner. Thus, the succession began during difficult times.

The willingness of Michael to obey Putera's decision reveals that there has been a strong relational dimension in the Sampoerna familiness, something that can be traced back to the succession from the first generation (Liem Seeng Tee) to the second generation (Liem Swie Ling). Surely, Putera's decision to remain in Indonesia is calculative rather than merely emotional/impulsive. However, this demonstrates how mutual trust, norms, obligations and family identification enable critical participations of the family members to remain and continue their business in Indonesia despite the political turmoil. The relational dimension forms a powerful commitment between them to maintain and develop their family business.

Michael's era in PT HM Sampoerna Tbk. was characterized by several actions and achievements including rationalizing international cigarette operations (Brazil and Philippines); turning A Mild into Malaysia's fastest growing brand; the use of Third Party Operators for hand-rolling cigarette production as part of community development programmes; and maintaining and strengthening the image and product quality equities of *Dji Sam Soe*, *A Mild* and *Sampoerna Hijau*. From 2004 to 2005, Sampoerna experienced the fastest national growth in its history as its share of the Indonesian market increased from 18 to 25 per cent (Sampoerna, 2007).

Putera Sampoerna Foundation (2001-to date)

Putera Sampoerna Foundation (PSF) is the first Indonesian social business organization (15). PSF is led by Putera's daughter, Michelle Sampoerna (16). It was originally established in 2001 as a philanthropic organization with the mission to increase access to education in Indonesia by providing scholarships for disadvantaged students with academic potential. By the end of 2005, more than 18,000 scholarships had been awarded, including some for MBA programmes abroad (Sampoerna, 2007). In 2003 and 2004, the foundation launched a programme to enhance the quality of educators and established Sampoerna Foundation Teachers Institute (SFTI). The institute was designated to offer international-standard teacher development programmes to upgrade teachers' knowledge and skills (PSF Website). The foundation provided student loans; established the Putera Sampoerna Foundation Alumni Association (PSFAA); and established its own school of education and business school (later becoming Universitas Siswa Bangsa Internasional).

Putera Sampoerna believes that education and job creation are critical to the creation of a dynamic, peaceful, and prosperous society (CSR Asia, 2010). This is supported by Michelle Sampoerna who states that: "entrepreneurship education and training will be key in improving young people's employability". The 1998 May tragedy reveals that, regardless of the political scenario behind the riot, Chinese Indonesians will always be in vulnerable positions if they keep restraining their public roles in a society where there is a high rate of youth unemployment and a widening gap between the rich and the poor. The collapse of the New Order state

has given an unprecedented opportunity for Chinese Indonesians to increase their public presence. As an entrepreneur, Putera chose to take more proactive roles in promoting a peaceful Indonesian society by providing a strategic mechanism for education and job creation to the wider society.

On 1 June 2013, the Putera Sampoerna Foundation established Universitas Siswa Bangsa International (USBI). The new university absorbs PSF's Sampoerna School of Education and Sampoerna School of Business to its faculties under the names of Faculty of Education and Faculty of Business. Together with another two newly founded faculties (Faculty of Art, Design & Media; and Faculty of Science and Technology), USBI has currently four faculties that claim to have international quality education for professional development and job placement, including opportunities within the Sampoerna Strategic Group for its graduates (PSF website). According to Nenny Soemawinata, Managing Director of PSF, USBI offers three academic titles within four years of education due to its cooperation with a US community college (Neraca, 15 June 2013). The tuition fees (except for the Faculty of Education) are comparable to those of best private universities in Indonesia. The total cost for eight semesters is US\$17,000, US\$18,500 and US\$10,000 for the Faculty of Arts, Design & Media; Faculty of Business; and Faculty of Science and Technology respectively (USBI website).

There has been a fundamental shift in the orientation of the PSF, from being a fully philanthropic organization to a social business organization (PSF Website). Its original mission, to increase education access, has become "to create high caliber Indonesian future leaders and entrepreneurs with good moral fiber who will be able to meet global challenges". According to Putera, this shift is necessary to provide a "sustainable long-term solution to transform the education and economic independence of the poor" and to make the organization "capable of providing life-changing knowledge and opportunities to a wider spectrum of recipients". One of the results of this transformation is the launching of a student financing scheme in 2006. The new scheme gradually replaces the intensive scholarships programmes that have been conducted since 2001. In 2011, the PSF signed a US\$5 million agreement with USAID, Raiffeisen Bank International (RBI) and UBS AG to run the first student loan scheme in Indonesia named "Dana Siswa Bangsa" operated by Siswa Bangsa Cooperative (USAID blog). Under the new scheme, beneficiaries are required to return the loan and contribute a certain amount of money to the cooperative after they finish their studies and get a job. The scheme creates a rolling fund that can be used to finance the next batch of students.

Social entrepreneurship is widely considered as one of the future models to alleviate social problems whilst balancing the interests of its stakeholders (beneficiaries and investors). There have been many terms used to describe this phenomenon, such as venture philanthropy, impact investing, social venture capital

and entrepreneurial philanthropists (CSR Asia, 2010). Yunus (2010) states that a social business is a new kind of business that is different from traditional business and not-for-profit organizations through solving social problems by using business methods. The business does not distribute dividends to its investors but they can get back their investment amount. The objective is to create social benefits while generating the income to sustain itself.

The PSF has recruited a group of professional, talented people to work in the foundation and convinced a group of major stakeholders (e.g. USAID, Exxon Mobil, Bank Mandiri, Trakindo, Bank Permata, etc.) to contribute and participate in its programmes (17). As stated by Michelle Sampoerna: “We need to work closely with other corporations, institutions and bodies in this field, to lobby the government to introduce policies and put procedures in place that support the needs and objectives of entrepreneurship... whatever we do we must think big — in an effective and efficient manner” (CSR Asia, 2010). Putera has also developed his global political networks to support his ideas. For example, he has presented at America’s Presidential Summit on Entrepreneurship, hosted by President Obama to highlight and to support innovation and entrepreneurship in Muslim-majority countries around the world. By participating in high-profile forums, he receives not only global political back-up but also additional ideas to enrich his visionary scenario and to create more strategic values for the social business (18).

Thus, the involvement of the high-profile organizations reveals the ability of Putera to mobilize resources beyond familiness to include external resources without sacrificing his fundamental interests of preserving his family identity. Familiness is only an original resource but later it can attract external resources without losing the family identity of the business. This is a new form of family business where participation, resources and talents are supplied from anywhere. By doing so, the Sampoerna family receives strategic non-financial benefits since their Foundation will always carry the brand name of the family. This can obviously help enhance the family’s global reputation whilst simultaneously build positive and beneficial relationships with their current and prospective stakeholders for developing their businesses in the future.

Post-Cigarette Business Era (2005-to date)

On 14 March 2005, Philip Morris (PMI) announced a statement that they had an agreement to buy a 40 per cent stake in PT HM Sampoerna Tbk from the Sampoerna family to the value of US\$5.2 billion and that a public tender offer would follow. In a press release dated 21 March 2005, Putera stated that the Sampoerna family was already looking to diversify and their business would always have a major presence in Indonesia (19). Putera acknowledged that although the company made profit for the last ten years, the future of the cigarette industry in Indonesia is increasingly difficult

(detikcom, 21 March 2005; *Warta Ekonomi*, 28 December 2005). Nevertheless, the news shocked the public since at the time of sale, Sampoerna was the third largest Indonesian cigarette manufacturer (behind Gudang Garam and Djarum) with an excellent financial record. Following the sale, the Vice-President of the Republic Indonesia, Jusuf Kalla, even told the public that he already held a meeting with Putera Sampoerna on 7 April and had received assurance that the Sampoerna family would use the money to increase its investment in Indonesia (*Tempo Interaktif*, 8 April 2005). The reaction of the Indonesian Government reveals the critical roles of Putera's business and the strategic implication of the sale on the Indonesian economy. Revenues from cigarette excise, employment issues and related multiplier effects are critical for the stability of the country's economy. Hence, it is strategically important for the Indonesian Government to have Putera's long-term commitment of his future business in the country.

After the sale, Putera established PT Sampoerna Strategic Group (SSG) in 2005 with Michael Sampoerna as the CEO (20). The company has developed businesses in five sectors, i.e.: agriculture, finance, property, telecommunication and timber (21). In the CEO message, the company is described as "an Indonesian conglomerate firmly committed to maintaining and nurturing our business and philanthropic legacy to the nation". The company has taken several strategic actions including: investing in a premium business complex in Jakarta named Sampoerna Strategic Square in 2005; establishing PT Sampoerna Telekomunikasi Indonesia (STI), a CDMA cellular service provider in 2006; acquiring Samko Timber Limited, a processed timber products company in Indonesia listed on the Singapore Stock Exchange in 2006; establishing PT Sampoerna Agro Tbk (oil palm plantations, previously known as PT Selapan Jaya) as a publicly listed company in 2007; establishing a microfinance business and cooperative known as Sahabat in 2008; and acquiring Bank Dipo International (renamed into Bank Sahabat Sampoerna) in 2012. Our latest data (bisnis.com, 8 September 2013) reveal that by the end of 2012, Sampoerna Agro had gained an annual net profit of Rp. 149.88 billions (approximately US\$150 million), whereas Bank Sampoerna, from January to June 2013, saw a net profit of Rp. 7.5 billions (US\$7.5 million) and had 12 branches in major cities such as: Jakarta, Medan, Pekanbaru, Palembang, Surabaya and Bandung.

In 2013, the Sampoerna family collaborated with a major retail-based group, the Alfa Group, to speed up the growth of the Sampoerna Bank. The ownership composition of the bank has become 89.2 per cent possessed by the Sampoerna family and 10.8 per cent possessed by the Alfa Group (detikfinance, 8 April 2013). The Alfa Group is seen as having expertise in and networks with the micro, small and medium enterprises as required by the bank. Hence, the strategic involvement of the group obviously strengthens the scenario enactment/strategic value creation of the Sampoerna family in the new business (22). Once again, the collaboration reveals

the strategy pursued by the family to compensate its rather limited knowledge in new businesses, i.e., strategic alliance with external parties.

This is a radical and simultaneously risky decision to revolutionize the family business. However, data in Figure 7.2 and Table 7.3 also show a promising prospect. The sum of the gross domestic product value of real estate, financial industries, communication, forestry and agriculture sectors is worth approximately twice as much as that of the food, beverages and tobacco sectors based on 2012 prices. Furthermore, the average growth rate of the GDP 2004–12 of the SSG's five industrial sectors is much higher than that of the food, beverages and tobacco sectors, i.e., 7.59 per cent against 5.51 per cent. Although there have been many experienced major players in the chosen sectors, Putera views that the reputation and the extensive global networks of the Sampoerna family will provide strategic resources to compete as well as to cooperate with the existing players. This reveals that the new investments are very much based on their prospects driven by his opportunity-seeking mindset and optimistic scenario. With the gloomy prospect of the cigarette business, Putera believes that the time was right to sell the business whilst the value was still relatively high, and to make investments in promising areas where the opportunities are still widely open.

Putera is also known as being fond of gambling and had long been a member of one of London's most exclusive casinos, Les Ambassadeurs (*The Times*, 10 February 2006). In 2006, Putera bought the casino for £115m only to put it on sale 18 months after buying it — his selling price was £40 million less than he paid for it. Analysts believe he might have become disenchanted with UK casino prospects in the wake of the smoking ban, the watering down of gambling deregulation and rise in gaming duty, which cost the casino an estimated £2 million to £3 million. (*The Times*, 1 May 2008). In 2012, the casino was put on sale at a reduced price of £50 million. Despite attracting much interest from the world's biggest gaming groups, no deal has been reported. The decision to buy the casino is his personal gamble since he previously did not have any experience in running a casino business or making investments in European countries. The financial failure of the casino investment may provide a lesson for him to limit his venturing to more familiar business sectors and in countries where he personally has significant access to influence their major stakeholders/decision-makers.

Discussion

This study investigates the entrepreneurship characteristics of peranakan Chinese Indonesians in terms of maintaining their current business and venturing into new businesses to cope with a changing environment. As mentioned above, entrepreneurial leadership is a mind-set focusing on the pursuit of risk-taking, innovative opportunity-seeking behaviour involving a “supporting cast” of talented

Figure 7.2
 Entrepreneurial Leadership in Peranakan Chinese Indonesian Businessman

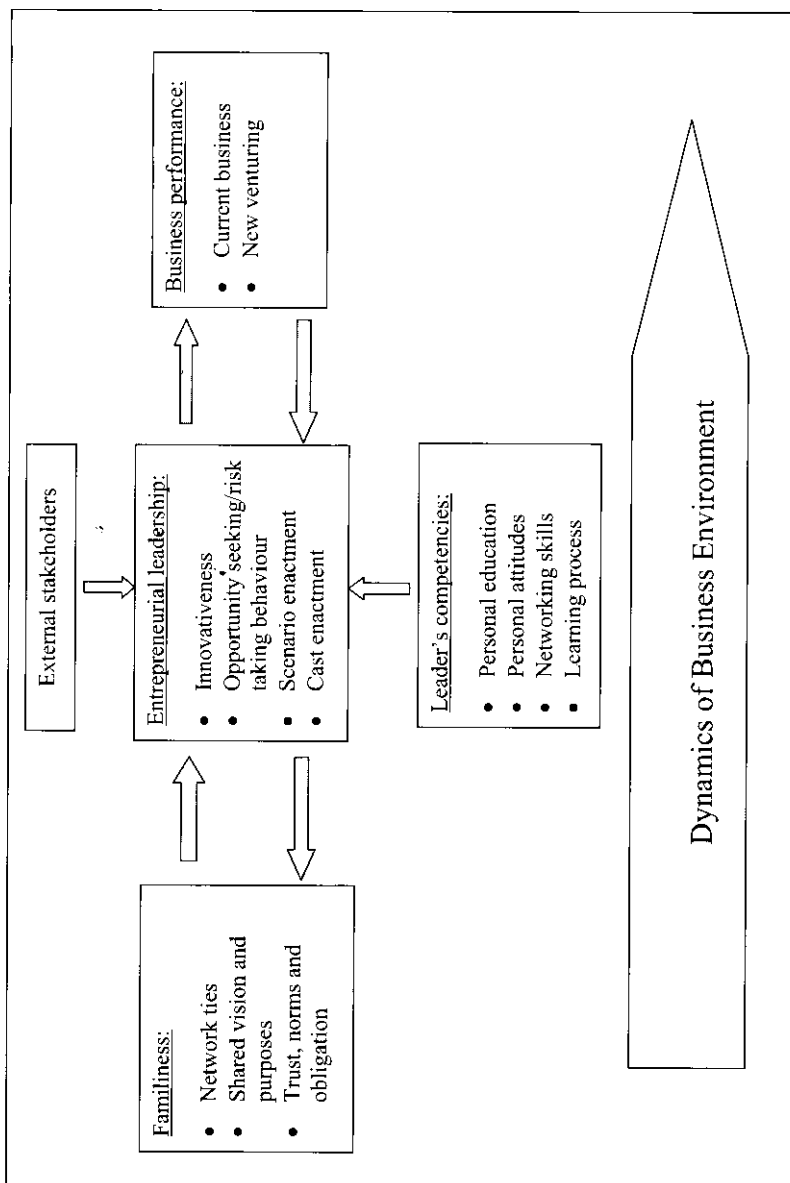


Table 7.3
 The Average Growth Rate of GDP Based on 2000 Constant Price (%)
 (Statistics Indonesia, 2013)

Sector	2004	2005	2006	2007	2008	2009	2010	2011*	2012**	Average
Telecommunication	22,88	24,58	26,03	28,74	31,04	23,61	17,81	12,64	12,08	22,16
Banking	6,02	4,5	1,55	7,96	7,41	2,4	4,78	6,9	8,3	5,54
Non-Banking Financial Corporate	9,24	8,35	7,15	8,14	9,03	9,86	6,53	7,3	7,12	8,08
Financial Service	9,18	6,66	7,55	9,68	3,4	3,51	5,89	7,87	6,31	6,67
Real Estate	8,89	8,17	8,47	7,85	8,88	5,24	5,53	6,32	6,05	3,30
Agriculture	0,4	2,48	3,79	4,55	3,67	1,73	3,49	4,47	5,08	0,15
Forestry	1,28	-1,47	-2,85	-0,83	-0,03	1,82	2,41	0,85	0,16	7,59
Aggregate SSG's sectors										
Food, Beverage, and Tobacco	1,39	2,75	7,21	5,05	2,34	11,22	2,78	9,14	7,74	5,51

participants committed to strategic value creation (Gupta et al., 2004). Familiness is a resource that stems from family relationships consisting of three dimensions: structural, cognitive and relational (Pearson et al., 2008).

The Sampoerna family has had a long history of business that demonstrates a strong resource of familiness. One of the most fundamental principles in the philosophy of the Sampoerna family business is that family ties are more than just biological identity but also social resources that contain mutual support and obligation. What emerged firstly as mere structural dimension (network ties) and cognitive dimension (shared vision and purpose) have developed into relational dimension (trust, norms, obligations and identification) among family members. The most salient pattern of the business philosophy of the first and second generations of Sampoerna family leaders (Liem Seeng Tee and Liem Swie Ling) is *from internal to external*, i.e., using internal strengths/fixing internal weaknesses to cope with external threats and opportunities. The vision and competitive advantages are generated internally by using available family resources to win competition in the market.

However, Putera does not merely follow the vision of his family (king of tobacco). Just like any other companies, the Sampoerna family business operates in dynamic social, ethical, global, political ecological and technological environments that produce both opportunities and threats. Putera has his own thoughts on how to adapt the family business to the changing environments. He has abilities to identify, to monitor and to select public issues that warrant strategic responses. Putera has abandoned the old family vision and created his own future-oriented scenarios for his predecessors. Putera has also changed the traditions of his father and grandfather that relied almost exclusively on family members in developing the family business. On the contrary, he welcomes external expertise to play important roles in the development of his business. Thus, the business philosophy of Putera is *from external to internal*, i.e. capturing external opportunities and threats to develop new strategic value, to obtain family support for new venturing and to acquire necessary resources.

The importance of familiness can be seen when Putera received crucial support from his relatives and children at various critical times. Although Putera is the most dominant person in the family business, he needs support from his close family members (e.g., Boedi Sampoerna). He has also carefully prepared his children to be his successors (Michael for Strategic Sampoerna and Michelle for the social business). They have shared Putera's business philosophy and strategy to enter new business sectors and to build global networks. Without the support from his trusted persons, he would not be able to venture into new businesses. This constructive familiness also enables succession to take place relatively smoothly. Thus, entrepreneurial leadership requires effective collaborations among different family generations to preserve family identities in the future. Peaceful succession in family business is possible if

there are shared vision, trust, norms and reciprocal obligations among members of the family across generations.

Our study partly supports the study of Kansikas et al. (2010) that familiness functions as a critical resource supporting the entrepreneurial leadership. However, our study also reveals that familiness alone is not enough since the dynamics of the business environment requires new ideas and future-oriented scenarios that are beyond familiness. In a turbulent business environment, a family business may need to be transformed radically. Thus, familiness, the leader's personal competencies and support from external stakeholders are at least equally vital especially for venturing into new businesses. Based on this case study, we attempt to make a general model for peranakan Chinese Indonesian business. The model is described in Fig. 7.2.

Our model reveals that there is a cycle explaining the relationships amongst familiness, entrepreneurial leadership and business performance in maintaining/developing current business and starting new ventures. (a) Familiness is a critical resource supporting entrepreneurial leadership of a family business leader. (b) The healthier the familiness, the stronger the entrepreneurial leadership is. The leadership, then, creates performance of the current business. (c) The stronger the leadership, the more likely the performance to be better, and vice-versa. The resulting business performance gives legitimation to the entrepreneurship of the current leader. (d) If the performance is satisfactory, the leader will have a stronger influence on his/her family. However, the influence will be weaker if the performance is not satisfactory. Such influence is critical to gain further family support for his/her future entrepreneurial leadership (back to point [a] and so forth). Thus the family's support for new ventures depends largely on the success of the previous business.

However, familiness is not the only factor required for family business development. The case of Putera reveals that it is crucial to combine familiness with leader's competencies and support from external stakeholders. Strategic alliances with major stakeholders at global and national levels (including decision-makers and the wider community) will strengthen the entrepreneurial leadership, which in turn, determines the family business performance. A family business is more likely to survive in the long term if the family is able to make use of the best resources beyond familiness. The external resources are even more crucial for making radical changes in the business and starting new ventures. Such external resources may be in the forms of expertise, socio-cultural endorsement, global connections and financial resources.

The involvement of strategic stakeholders facilitates a more compelling, future-oriented scenario, that, in turn, can attract a talented cast of participants (both family and non-family members) to help realize the vision. The more alliances a family has, the greater the possibility of the adaptation and survival of its business. In other words, extensive alliances with external stakeholders open up a possibility

for a family business to understand and to meet the stakeholders' expectations. By doing so, the family business will be able not only to fulfill the family's interests but also to create value based on broader stakeholders' interests. In this sense, familiness goes hand-in-hand with leader's competencies and external alliances to sustain a family business. Thus, in the future, it may be more difficult to see a traditional, self-reliant Chinese family business that can survive in the long-term in this complex, continuously changing environment.

This case study also reveals the strategic value of social business for a family business. Besides Putera's strategic decisions to enter new, more promising business sectors, he also develops a more indirect strategy, i.e., through corporate social responsibility (CSR). The PSF is a strategic vehicle that can promote the value of the Sampoerna family business and strengthen the family's influence nationally and internationally. By adopting the social business model, the money invested to CSR will have sustainable effects in the long term. Social business enables a family business to place emphasis on a long-term profit scenario rather than an exclusive focus on immediate financial returns. In the end, the family business will be rewarded both economically and socially.

It is too early to judge whether Putera's entrepreneurship is effective enough to sustain his family business in the long term. So far, there has been only one reported problem of a new venture, e.g., the failure of the casino investment. In fact, there is a speculative opinion that Chinese overseas business will not last for more than three generations (Putera is the third generation of the Sampoerna family). There is no guarantee that Michael and Michelle will be able to possess all the required competencies for sustaining the family business. Conflicts across generations originating from different visions and values often become a source of the termination of the family business. However, the Sampoerna family has a distinct resource, i.e., the commitment of the family members to the family's strategic value creation. There has been a training period that provides opportunities for Michael and Michelle to acquire Putera's competencies as well as to develop their own distinct competencies. The successors' commitment is an invaluable resource that may not be possessed by other families. We expect that if a family has established and maintained healthy relationships between leader and successors, the familiness will be constructive and hence, its business is more likely to survive in the future.

Conclusion

To sum up, familiness is a resource that can support the entrepreneurial leadership of peranakan Chinese businessman. However, the leadership is also supported significantly by the leader's personal competencies and alliance with external stakeholders. In this continuously changing environment, a family business needs a talented cast of supporters that include family and non-family members both at

national and international levels. Success in maintaining and developing the current business gives legitimation to the leadership to obtain further support from family and external stakeholders for starting new ventures. The external resources are even more crucial for making radical changes in the business. Hence, the combination of familiness, leader's personal competencies and support from external stakeholders is vital for maintaining current business and starting new ventures. The perspective of entrepreneurial leadership has opened up a possibility of better understanding and explaining the ways peranakan Chinese Indonesians develop their family business to adapt and to cope with challenges in the dynamic business environment.

However, it must be noted that peranakan Chinese Indonesian businessmen are also heterogeneous. Each family is unique and there are probably many cases showing that familiness is unproductive for long-term business survival. Comparing cases on the success and failure stories of peranakan family businesses will help identify conditions in which familiness is positive and/or negative for the going concern of the businesses. In addition, the use of positivistic research methods (quantitative surveys) may also provide broader, more general pictures on the entrepreneurship of peranakan family businesses. Therefore, we encourage more studies to help develop a comprehensive theoretical framework in this field.

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PERANAKAN COMMUNITIES IN THE ERA OF DECOLONIZATION AND GLOBALIZATION

Peranakan Chinese communities, which have a long history in the Southeast Asian region, experienced ups and downs in the last century. In order to survive, they had to cope with major challenges during the period of decolonization; and they now face even greater challenges during the era of globalization in order to maintain their unique identity. This volume examines how these communities in Indonesia, Singapore and Malaysia have responded to the challenges. Case studies are included to illustrate what has happened in the fields of politics, culture and the economy. What does the future hold for these communities?

