

# Ensuring RI's next stage of growth with 'high potential enterprises'

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Indonesia is frequently hailed as an emerging market jewel it is the third fastest growing G20 country and is expected to have the sixth largest gross domestic product by 2030. At the same time, this trajectory is not guaranteed. Without the right priorities, we still stand the risk of falling into the written "middle income trap".

This is where we can learn success stories from other countries, such as South Korea and others. Their success rode on the back of high potential enterprises (HIPOEs). These HIPOEs grew to become local champions and drove exports, job creation and overall economic growth.

Similarly, in order to move to the next level, Indonesia needs to identify its own HIPOEs that will enable and accelerate growth. These are the upandcoming enterprises with strong foundations in their operations and management capabilities, ready for scaling up, and are typically innovating in their sectors.

There are many promising industries that can host HIPOEs with clear opportunities for growth. Some of the sectors that have the most HIPOEs and account for significant exports include: the processed food and beverages sector (including palm oil, coffee and tea processing seafood processing and chocolate processing); the automotive sector (including spare – parts manufacturing which in 2017 contributed Rp 63 trillion (US\$4.51 billion in export value); the electronics sectors (with Rp 61 trillion contribution to exports in 2017); and the textiles sector.

While Indonesia is making good progress in improving access to financing and infrastructure for business, nurturing HIPOEs will need more efforts. According to a World Bank survey, Indonesian businesses are less integrated into global markets when compared with other ASEAN countries. And once connected, Indonesian entrepreneurs will face new challenges that a rapidly transforming global economy presents. This includes changing trade rules, increasing digitalization, growing talent management complexities and continued market fragmentation.

The Indonesian government is already committed to growing entrepreneurship with Rp 20 trillion allocated across key areas. Indonesians themselves already have the entrepreneurial spirit with nearly half of the adult population considering opportunities to start a business, according to the global Entrepreneurship Monitor.

We propose three priority areas that can build on these foundations and nurture Indonesian HIPOEs: *Create Industry 4.0 enablement centers around clusters of high performing enterprises.*

Our research in Indonesia suggests that Indonesia HIPOEs face two challenges in implementing Industry 4.0 - technical i.e what useful cases to viably implement, and talent, specifically how to find the talent needed. The centers will enable HIPOEs to accelerate industry 4.0 application in their industry clusters, upskill our talent and act as connect a chores as well as finance partners to small and medium enterprises.

Singapore's Economic Development Board successfully established the Innovation Centre for Operation, which includes building a model factory to showcase how Industry 4.0 can apply to HIPOEs, while providing a central location for expert insights and access to subsidies and financing.

Build a B2B digital and offline accelerator to promote exports. Understanding and navigating export regulations can be a burdensome task for HIPOEs. Instead, Indonesia can adopt one single window for all export requirements similar to how Australia's Austrade initiative has helped more than more than 4,000 Australian companies become exporters. This can be taken to the next level with a market place that allows potential buyers from all around the world to contact and purchase from Indonesian HIPOE exporters.

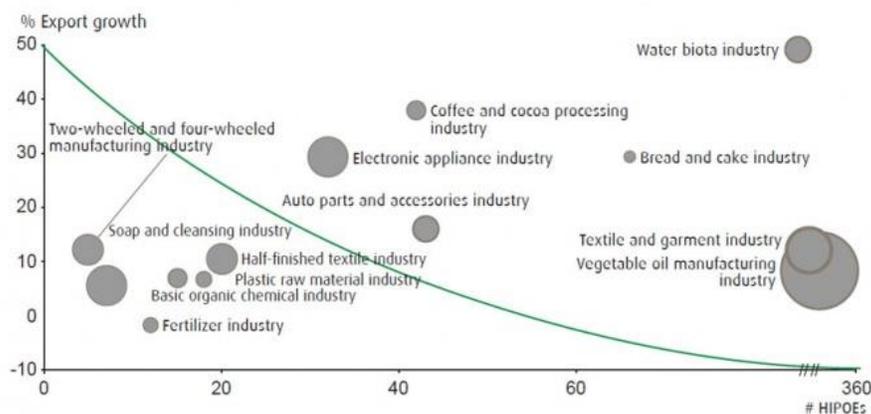
This digital initiative can complement higher touch export incubators such as the South Africa Global Business Accelerator provides a three year program of intensive training to over 40 export- ready HIPOEs.

Orchestrate large corporate support for HIPOEs.

Partnerships with larger enterprises present one of the most successful ways to give HIPOEs a leg up while ensuring mutual benefit as well. Australia's Slingshot Corporate Accelerator offers a template for creating innovative partnerships between HIPOEs and large corporations to tackle the corporate business problems. Meanwhile, Walmart's Made in the USA initiative is a good example of providing access to markets Lo HIPOEs.

Public private partnerships will be critical in delivering on the priorities above. This is significant opportunity to ensure Indonesia's future growth. Doing so will not only unlock value for the individual enterprises that benefit, but also provide a sustainable catalyst for the wider Indonesian economy.

### Indonesia's priority sectors for growth



1. Export growth based on 2012-2016 export value in IDR 2. Bubble size

Graph: Source: BCG

### Source:

The Jakarta Post, page 14, 4 February 2019, <https://www.thejakartapost.com/news/2019/02/04/analysis-ensuring-ri-s-next-stage-growth-with-high-potential-enterprises.html>