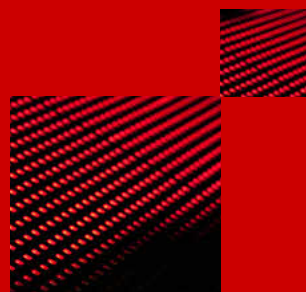




Key change

Spotlight on Indonesia



FT LONGITUDE



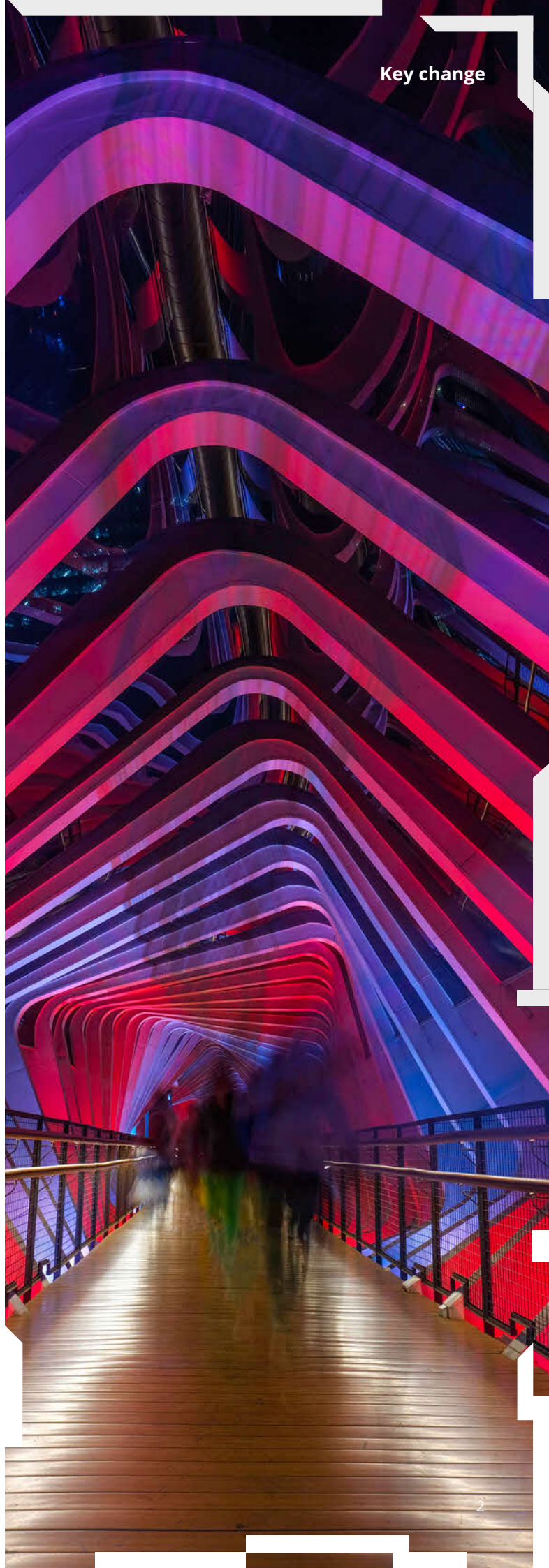
Introduction

Digital transformation is a major driver of economic growth in Indonesia. With more than 200 million internet users,¹ the country has the largest digital economy in Southeast Asia.² It is predicted to be worth US\$130bn by 2025.³

The growing adoption of e-commerce and mobile payment platforms has been instrumental in the development of the country's digital economy, which grew by more than 60% during Covid-19⁴ – in part due to spending from the young, digital-savvy consumers who form a significant portion of the population. To sustain this growth, the Indonesian government has introduced several supportive policies and is expanding the country's digital infrastructure.

How are firms in Indonesia approaching the opportunities of digital? New research by DBS, which surveyed 75 senior executives in the country, sheds light on their digital ambitions, successes and lingering concerns.

- 1 https://www.statista.com/topics/9983/mobile-internet-and-apps-in-indonesia/#topic-Header_wrapper
- 2 <https://www.ekon.go.id/publikasi/detail/4026/coordinating-minister-airlangga-digital-economy-in-indonesia-is-the-highest-among-southeast-asia-countries>
- 3 <https://fulcrum.sg/the-state-of-indonesias-digital-economy-in-2022>
- 4 <https://fulcrum.sg/the-state-of-indonesias-digital-economy-in-2022>



Priorities for transformation

E-commerce transactions form the single biggest contribution to Indonesia's digital economy.⁵ After the pandemic shifted more spending online, a digital presence is now an essential business requirement. Research by the World Economic Forum shows that digital merchants in Indonesia were more resilient than offline businesses during and after the crisis, because they were better able to manage costs, maintain profits and adapt to changing consumer preferences.⁶

"Digital transformation enhances strategic collaboration and creates a more efficient working culture," says Dandy Indra Wardhana Pandi, Head of Global Transaction Services at DBS Indonesia. "As the use of data analysis, artificial intelligence and machine learning continues to grow, the opportunity to optimise digital capability is endless. It gives leaders better perspectives, for improved business efficiency and outcomes."

Indonesian respondents to DBS's research describe profitability and value capture as the most important goal of digital transformation (identified by 47%, compared with a global average of 23%). This is followed by efficiency gains and supply chain optimisation (40% and 35% respectively, compared with global averages of 37% and 27%).

As they develop their businesses in this way, Indonesian respondents put a premium on a corporate culture that encourages diversity of opinion and delegation of teams – they see these as vital elements of digital transformation.

Goals: Profitability is the top objective for transformation



Corporate culture: Empowering teams supports digital success



⁵ <https://ekon.go.id/publikasi/detail/4092/digital-economy-acceleration-in-e-commerce-and-online-travel-becomes-one-of-the-effective-strategies-to-encourage-national-economic-performance>

⁶ <https://www.weforum.org/agenda/2021/11/why-ecommerce-key-to-indonesias-small-businesses>

Transformation leaders in Indonesia

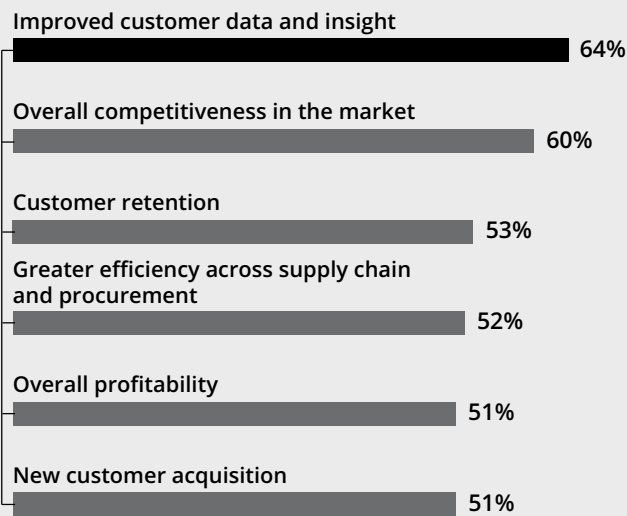
DBS's research identifies a select group of 'transformation leaders' that consistently outperform the global average when it comes to digitalising their customer engagement. These companies are not just pursuing strategic or radical transformation plans – they are also doing it extremely well.

We also identify a 'developing leaders' category of businesses that are currently excluded from the leader group but show potential for high performance down the line. At the other end of the scale, the transformation laggards are approaching the necessary improvements in an unmethodical and inefficient fashion.

In Indonesia, 13% of respondents fall within the transformation leader group. This is the highest proportion of all countries surveyed in Asia, which reflects the country's fast-growing digital economy.

A further 27% of respondents fall into the developing leaders group, which suggests that the country's proportion of transformation leaders may expand in the years to come. Fifteen per cent of Indonesian respondents fall into the transformation laggards category.

Successes: Digital has boosted customer insight



In Indonesia, 13% of respondents are transformation leaders



Strategic challenges to overcome

Indonesia's digital transformation is held back by a lack of digital literacy and internet connectivity in some rural regions.⁷ To address this digital divide, the Indonesian government is investing in new infrastructure⁸ and recently launched several initiatives to support the digitalisation of micro, small and medium-sized enterprises.⁹ But DBS's research also suggests that many businesses are still experiencing challenges at a broader, more strategic level.

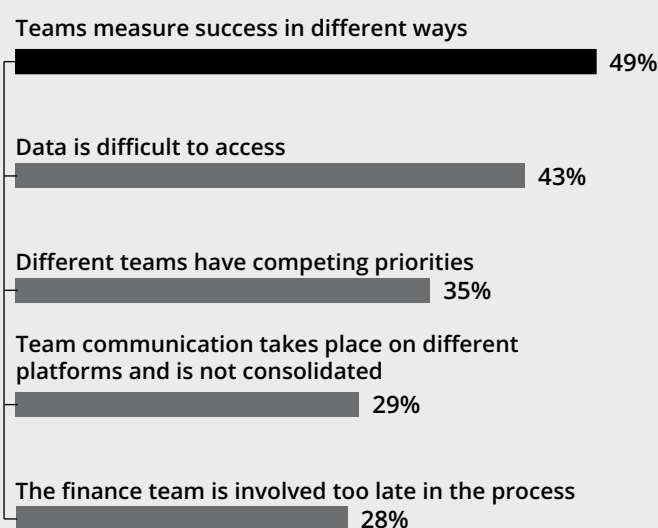
When asked which challenges are restricting their digital transformation activity, respondents in Indonesia are most likely to blame an unclear organisational strategy (identified by 39%). This lack of clear strategic direction may be explained in part by talent gaps, which are a challenge identified by 37% of Indonesian respondents.

Businesses are also experiencing difficulties when it comes to collaboration between finance and commercial functions. Here, the most common challenges come from teams measuring success in different ways and difficulties accessing data (identified by 49% and 43% respectively). Competing priorities of the two functions is another barrier to success.

Change barriers: Executives seek greater strategic clarity



Collaboration challenges: Teams differ on how to measure success



7 <https://www.thejakartapost.com/news/2020/09/21/lack-of-awareness-infrastructure-limit-business-digitalization-in-rural-areas.html>

8 https://www.kominfo.go.id/content/detail/39091/siaran-pers-no-480hmkomin-fo122021-tentang-percepat-pembangunan-infrastruktur-digital-hingga-deploy-5g/0/siaran_pers

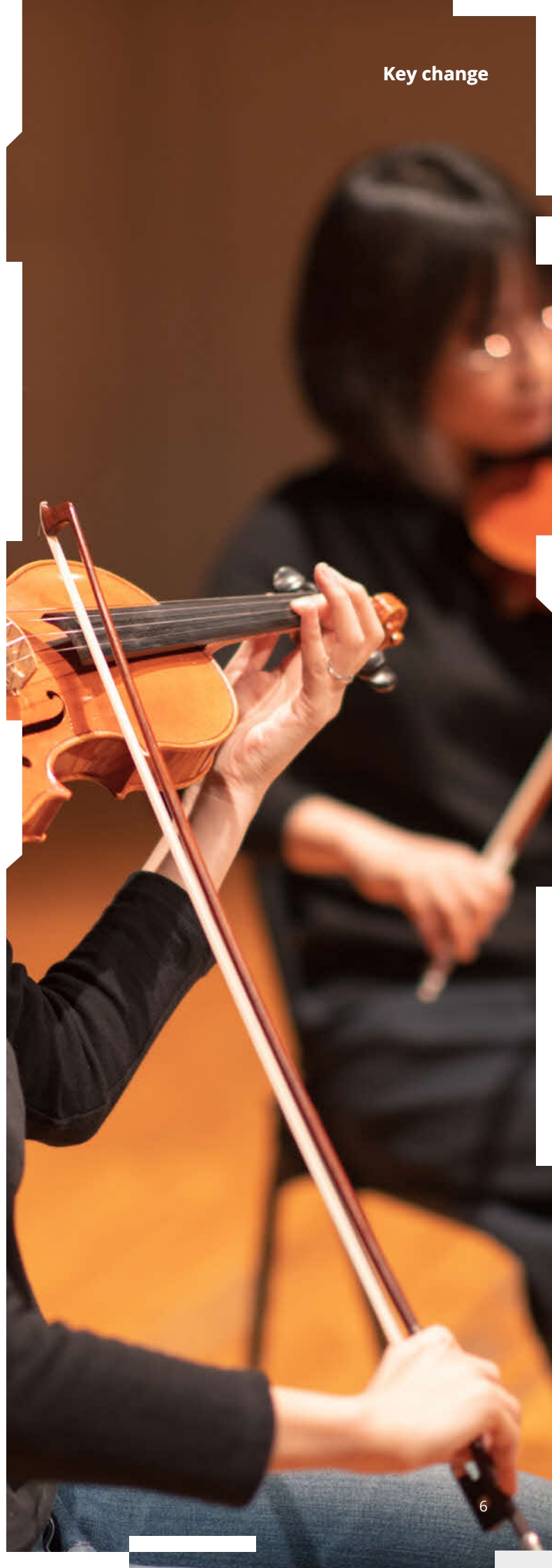
9 <https://www.weforum.org/agenda/2022/05/digitalization-growth-indonesia-msmes/>

Harmony in the back office

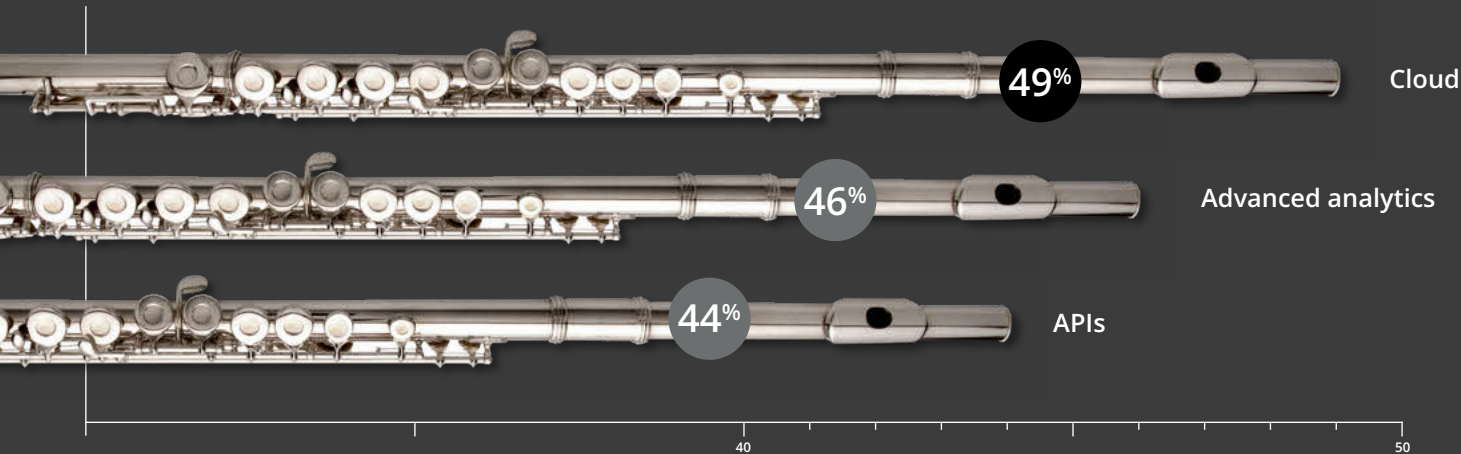
DBS's research explored the growing role that treasury and finance are playing in enabling change and innovation. In this section, we detail some of the transformation and technology trends we see within Indonesia's finance and treasury teams themselves.

Cloud technology is seen as the most important tool for transforming these two business functions, identified by nearly half of Indonesian respondents. Advanced analytics and APIs are also gaining traction, which correlates with respondents' interest in improving efficiency and profitability.

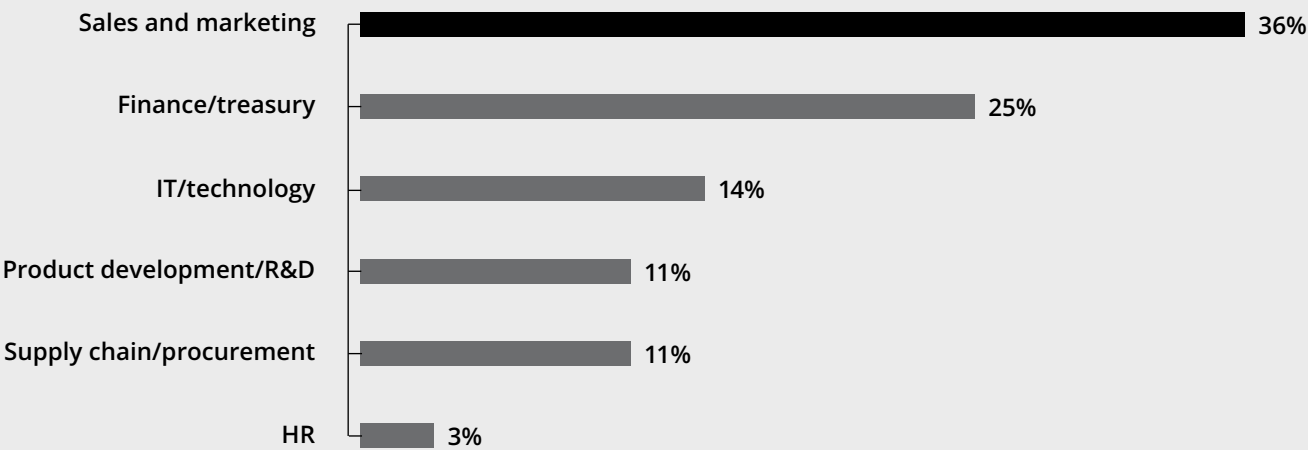
Businesses are also looking to transform the treasury through partnerships with external companies. Among Indonesian respondents, the most popular form of partnership is with banks, with 54% favouring these arrangements compared with the global average of 44%.



Technology: Cloud is the most important tool for treasury and finance



Commercial priorities: Commercial teams want to see digitalisation of sales and marketing



Indonesian treasurers prefer working with banks on treasury transformation



Immediate actions

Our findings present a snapshot of digital transformation trends in Indonesia. At a high level, we recommend that Indonesian businesses take these immediate actions:

Inspire with a big purpose

An unclear strategic vision is the main barrier preventing Indonesian businesses from transforming faster. As a top priority, senior leaders should ask how they can clarify their messaging around transformation and then express why it matters to the business in today's operating climate.

Improve internal collaboration

Challenges arise when finance and commercial teams work together towards transformation. For Indonesian respondents, the most common issue is teams measuring success in different ways. So companies should review interactions between different business functions to identify points of conflict and ensure their priorities are in sync.

Develop a clear data plan

Indonesian respondents see cloud computing and advanced analytics as top tools for transforming treasury and finance, but 43% say they experience difficulties accessing data, which prevents finance and commercial from working together effectively. As they invest in these technologies, organisations should ensure they are driving through initiatives to break down silos and make data more accessible throughout the business.



This report was produced by FT Longitude, the specialist research and content marketing division of the Financial Times Group. The views expressed in this report are those of DBS.

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