

# Indonesian Business Etiquette, Language and Culture

**SILVIA REBROVÁ**

Vysoká škola manažmentu, Trenčín

**ZUZANA ONDREJOVÁ**

Vysoká škola manažmentu, Trenčín

## **Abstrakt:**

The main objective of this document is to provide you with basic recommendations how to effectively communicate with business partners from Indonesia. I am offering you overview of Indonesia's business culture, language, strengths and weaknesses and suggesting opportunities for potential cooperation. Indonesia is the world's fourth most populous country, a continent-sized archipelago of 17,000 islands across three time zones. It is the third largest democracy in the world, with more Muslim citizens than any other state. It is the biggest economy in South East Asia and predicted to be the tenth largest in the world by 2030. The Indonesian economy survived the recent global economic crisis well. GDP growth is among the highest in Asia: 6.2% in 2012 after achieving 6.5% in 2011. The economy was helped by its robust and all the time growing domestic consumption base, increasing foreign and domestic investment – although contribution of exports diminished throughout 2012.

Form and face are extremely important for doing business in Indonesia (particularly in Java). Public shows of deference to one's elders or superiors lead to the 'Bapak Syndrome' (the boss is always correct, and only he or she can decide). Courtesies are also important, and displays of rudeness or impatience frowned upon, and considered embarrassing. Backslapping is not appreciated. Importance of clothing, postures and gestures, refreshments – these topics in detail you will find in this document.

Indonesia may be one of the region's fastest growing economies but it is still struggling to fix problems with corruption and red tape from the past. Corruption and red tape still affect Indonesia and cost the economy millions of dollars every year – can we help them to find a solution?

## **Kľúčové slová:**

business etiquette, business meetings, business cards, body language, communication styles

## **1 Introduction**

Doing business successfully in Indonesia means understanding the country's culture and taboos. Good etiquette and the willingness to adapt to different culture will highly contribute to your ability to tie up and maintain business relationships. As always, when you travel to a foreign country, keep an open mind.

## **2 Economy of Indonesia**

Indonesia is the world's fourth most populous country, a continent-sized archipelago of 17,000 islands across three time zones spread between Asia and Australia.

It is the third largest democracy in the World and the biggest economy in South East Asia predicted to be the tenth largest in the world by 2030.

Fifteen years after the fall of military strongman Suharto, Indonesia is one of the most stable and open democracies in Asia, with a vibrant free press, active civil society and an economy rapidly approaching investment grade status to be awarded by all three major rating agencies as it grows at around 6% p.a. (only Standard & Poor's still waiting with the upgrade). The Indonesian economy survived the recent global economic crisis well. [10] GDP growth maintained good trajectory (achieved 6.2% in 2012 after 6.5% recorded in 2011). The economy was helped by its robust domestic consumption base and a growing domestic and foreign investment (FDI contributing already 70% to overall amount of investment).

Structural reforms have led to progress, but poor infrastructure, a complex regulatory environment and corruption still hamper investment and growth. Indonesia has run a relatively discipline fiscal policy. The budget

deficit for 2011 reached 1.2% of GDP while during the year 2012 it slightly widened to 1,8% of GDP. A significant amount of the budget, more than 20%, was spent to accommodate the higher costs of fuel and electricity subsidies due to rising global oil prices. The government is also having issues reaching its target for capital spending. [10,8]

Indonesia's economy is now one of the best performing in the region - posting more than 6% growth at a time when the US and Europe are struggling.

Foreign investors are now looking at Indonesia carefully, eager to capitalise on the strong growth in the country. Indonesia's stock markets have also been beneficiaries of this new-found confidence, seeing a significant rise in the last year – but from time to time the stock market show its volatility which is usually connected to negative reports regarding economic development in European and/or American markets. [3]

### **3 Business etiquette**

Doing business is, of course, to some extent similar in every country of the world. But let's focus on the variances which are quite significant in case of Indonesia compared to the usual style of Western businessmen.

Successful business partnerships can often be directly linked to one's correct assessment of the proper etiquette. Indonesia is a mainly Muslim country: even if you aren't Muslim yourself, you should be acquainted with the major Muslim practices and holidays. For example, bringing alcohol as a gift to a practicing and devout Muslim is inappropriate as it is forbidden in Islam.

To the Indonesians generally (and in particular to the Javanese), form and face are extremely important. Public shows of deference to one's elders or superiors lead to the 'Bapak Syndrome' (the boss is always correct, and only he or she can decide). The concept of "Bapakism" is often discussed with regard to approach to management in Indonesia. "Bapak" literally means father and „Bapakism“ refers to the absolute need Indonesians feel to show respect to the elder or superiors. The role of the manager is to accept the position of superiority and to use that position to enhance achievement of the organisation or group. The manager is expected to make decisions and to convey them, in detail, to subordinates. The subordinate is then expected to carry out those instructions precisely without any deviation (no more and no less), even in case that these instructions or decisions are flawed. A subordinate would not disagree with the boss – and especially not in public.[4]

Courtesies are also important, and displays of rudeness or impatience frowned upon, and considered embarrassing. Backslapping is not appreciated.

In return for accepting the role of manager and the loyalty that naturally accrues from that position, the manager is expected to look after group interests as well as the interests of the individuals within the group. Special attention should be made to ensure that people are not placed in a position where they could possibly "lose face". Do not give people roles which will stretch their capabilities, hoping that they can learn from their mistakes - mistakes made can cause their loss of face... Similarly, any praise or censure is best addressed to the whole group rather than any individual – being singled out can cause enormous embarrassment.

At peer level, managers will be expected to reach decisions through a consensus – forming process, which can prove very time – consuming. It is important that during these peer level discussions all parties strive to maintain the harmony of the group. Any individual who is perceived to be causing disharmony is likely to be viewed with suspicion. [4]

#### **3.1 Business meetings and business cards**

Business relationships are based on trust in Indonesia. It is important to make personal contact with potential partners when doing business in Indonesia.

When you meet someone for the first time in a business environment, you should introduce yourself with your full name and your organisation. Present a business card to each person you are meeting. Offer your card with the printing positioned in a way that the recipient can read it. Shaking hands is followed by the exchange of business cards. Business cards should display your title. This helps enhance your image and credibility. Although not required, having one side of your card printed in Bahasa Indonesia shows respect (or Chinese, depending on whether or not you will be working with Chinese Indonesians). Give/accept cards using two hands or the right hand. Examine a business card you receive before putting it on the table next to you or in a business card case. It is important to treat business cards with respect. [6]

When presented another person's business card, follow this same ritual. Never write on a business card. Never carry your business cards, or place another person's business card in a back pocket. Avoid using red ink when writing a person's name. It is seen as impolite, as red was originally used to record the names of the deceased.

Address each person using his/her title plus full name. A title may be an honorific title or an academic title. Rank and status is very important in this culture. One important honorific title is for Muslims who have made a pilgrimage to Mecca. *Haji* is the title for a man, *Hajjah* is for a woman. Mr., Madam, Mrs. or Miss are used if a person does not have a title. A man is addressed as *Pak* (Mr.) or *Bapak* (Sir). A lady is addressed as *Ibu*. People are normally called by their first name (for example Mr. Robert or Miss Susan), rather than using their last name. Married Chinese women keep their maiden name. [7]

The key to success in negotiating a business partnership in Indonesia is clear communication and development of long-term relationship. It is important to be very well prepared for the first meeting. However, technical data and pricing are very often discussed from the beginning.

Indonesian partners are usually reluctant to provide information on turnover, competition, and share of the market before they meet in person. However, they will be more open once they meet and tend to release information face to face. You should be prepared to discuss technical data and pricing from the beginning, and should note that foreign companies would be expected to share the promotional and marketing campaign cost. [1]

Time is not important – the relationship is the key issue. Time is elastic in Indonesia – in fact it is referred to as “rubber time”. Do not be surprised if meetings start late or finish late. Meetings may not necessarily start on time and guests may arrive late due to traffic conditions. [4] People often do not confirm their participation in meetings/events, or they confirm at a much later stage than is the case in the Europe. Last minute cancellations of meetings are fairly common, so it is important to build flexibility into visit programmes to accommodate last minute changes. Negotiations can be lengthier than you may be used to from your country of origin. Multiple meetings may be necessary in order to come to a final decision or agreement. Refrain from hurrying your Indonesian business partners along, as this may be taken as an offense.

Hierarchy also plays its part in the meeting situation and it is important that the right amount of deference is paid to the senior people present (business cards inform you who are the senior people present). An Indonesian delegation will often enter the room in hierarchical fashion, the most prominent members entering first. The conduct of meetings can sometimes seem very formal to some western business people who have a naturally more informal approach. Try to maintain an upright, alert body posture and avoid slouching in the seat, crossing legs or pointing the sole of feet at anybody.

Initial meetings can often be dominated by seemingly inconsequential, small talk which has little, if anything to do with core business matter. These introductory sessions can be an essential part of the all - important relationship – building process and should not be rushed or viewed as inconsequential. It is during these sessions that the whole basis for future co-operation is made. [4]

Keep in mind that religious Muslims pray five times a day: if you conduct business with Indonesian Muslims, you should not schedule any meetings or lunch dates during these times. Prayer times are listed at the local mosque.

## **4 LANGUAGE AND CULTURE**

The official language is Bahasa Indonesia. English is widely spoken by young people but interpretation may be required for business meetings, particularly outside Jakarta and other major cities in Indonesia.

### **4.1 Body language**

Good relationships involve a great deal of physical contact and touching. But, foreigners should allow time to be accepted and to develop good relationships before this is acceptable.

Indonesians are used to an overcrowded society; they tend to ignore inadvertent invasions of space. Allowing for personal space is a sign of respect. A man does not touch a woman in public except to shake hands. Do not display affection in public. The head is where the spirit resides and is considered sacred. Do not touch a person's head.

Keep both feet on the floor when sitting. Do not cross your legs, especially not with an ankle over the knee. Sitting with good posture (rigid) and both feet on the floor is a sign of respect. Don't allow the bottom of your feet to face or point at another person. Looking someone straight in the eyes is considered staring. Avoid prolonged eye contact, which may be viewed as a challenge and may cause anger. Point with your thumb, not your index finger. Never beckon with one finger. The left hand is considered unclean. Do not touch food, pass or receive anything, touch anyone or point with your left hand.

Approval is sometimes shown with a pat on the shoulder, but American-style backslapping is considered offensive. [5]

Handshakes are customary when meeting someone for the first time. Contrary to many Western societies, where a firm handshake is a sign of a strong character, most Indonesians apply only very light pressure to a shake. Women's hands may be shaken as well if they offer to. It is also courteous to shake the eldest person's hand first, when meeting several people in a group. Never hand anything to another person using your left hand. If this makes the action somewhat cumbersome by having to change hands, take the time to do it anyway. [9]

## 4.2 Communication styles

Indonesians are indirect communicators. This means they do not always say what they mean. It is up to the listener to read between the lines or pay attention to gestures and body language to get the real message. Generally speaking Indonesians speak quietly and with a subdued tone. Loud people would come across as slightly aggressive.

Although there is a layer of very fluent speakers of English, foreign language levels are, on the whole, nowhere near as good as are found in neighbouring Singapore and Malaysia. It may be that several more senior figures in an Indonesian delegation are very weak in English and that a translator is needed. In any event be aware of the possibility of misunderstanding and ensure that English is used in a very „user friendly way“.

People are expected to be moderate in all communication situations. Honourable people do not raise their voices, nor do they openly disagree with people. Only disrespectful individuals would directly speak their minds in public. It is important to be perceived as being in control of your emotions. Any loss of control could lead to „loss of face“ on your side and your worth will be diminished in the eyes of your key contacts. Try to speak in a quiet, gentle voice at all times.

It is difficult for people to say „no“, preferring to express disagreement very vaguely or through the use of silence. Do not assume that „yes“ means „I agree with you“ - it is just as likely to mean, „I understand what you have said“, which is neither agreement nor disagreement.

It is respectful to leave a pause before answering a question and, by Western standards, these pauses can seem quite lengthy. Do not be tempted to break the pause by speaking. Be patient and allow your contacts the space to communicate in a comfortable manner.

The use of body language and facial expressions is limited, making it difficult for more expressive cultures to interpret responses. Do not be disquieted by a seeming lack of fervour, this is the normal cultural approach and is not an indication of lack of interest. [4]

Business is personal in Indonesia. Because of that, spend time through communication to build a strong relationship. Dealing with someone face-to-face is the only effective way of doing business.

Indonesians abhor confrontation due to the potential loss of face. To be polite, they may tell you what they think you want to hear. If you offend them, they will mask their feelings and maintain a veil of civility. If an Indonesian begins to avoid you or acts coldly towards you, there is a serious problem. [7]

## 4.3 Refreshments, dressing, gift giving

Traditional Indonesian society considers the giving of refreshments to guests a very important display of respect and politeness. If you are the host of a meeting with a Bapak, you should make sure that some refreshment is offered. If you are the guest you will most probably be offered tea or coffee. It is normally advisable to accept even if you are not thirsty. A guest should wait for the host to indicate that it is permissible to drink. Quite often there may be a delay between being served and being asked to drink. Being invited to drink can even indicate that the business portion of the meeting is over. Be patient and follow your host's lead. If you really are thirsty, ask permission to start drinking. This custom is modified during the fasting month of Ramadan.

Business attire is generally conservative. Women should dress conservatively ensuring that they are well covered from ankle to neck. Tight fitting clothes are best avoided.

Dress in the office should be formal. Problems can develop in multicultural offices if the foreign professionals wear blue jeans and T-shirts to the office. The Indonesian co-workers perceived this as informal and disrespectful on the part of the expatriate [9, 6]

The issue of gift – giving is somewhat contentious as the country has, for years, had a reputation for large scale corruption reaching from the highest levels of government down to petty bureaucrats and department managers within corporations. Whilst it is true that such corruption exists, it is also true that the giving of small gifts to help develop and maintain business relationships is also an indigenous Indonesian custom. Gifts are not

usually exchanged during first meetings but can be offered at subsequent events. To avoid any hint of corruption, give small, corporate gifts. Gift should always be opened in front of the giver.

The giving of gifts is quite common in Indonesian society as it reflects the communal nature of traditional life. Souvenirs or small food items are usually given to co-workers when a manager returns from a long trip. There is little that is subtle about this common practice. Secretaries and other personal staff may greet a returning manager with questions about *oleh-oleh*. It is a much appreciated gesture and foreign professionals are well advised to attempt to comply with this custom. This also translates to bringing small gifts when visiting someone's house and even giving mementos of special training or business trips. [9, 4]

## 5 Cultures problems in business

### 5.1 Corruption

Corruption and red tape still affect Indonesia and cost the economy millions every year.

President Susilo Bambang Yudhoyono was first elected on promises to tackle graft - but the latest figures in Transparency International's Corruption Perception Index are not particularly encouraging about the progress he has made. The index shows that Indonesia scored 2.8 out of 10 - the same as in 2009 when he was re-elected.

One of the worst affected areas by these twin problems is infrastructure. Indonesia desperately needs more roads, ports and highways to see its economy reach its full potential.

Work on a bridge to link the Java and Sumatra islands, worth almost \$20bn (£12.3bn), is supposed to start this year - but the plans have been stuck at the feasibility stage for years.

Then there's the failed Jakarta urban monorail system - which was supposed to be built back in 2004, but was abandoned because of legal issues and funding difficulties. All that's left of the project are cement blocks, standing forlornly along one of Jakarta's main roads.

The government acknowledges that corruption and red tape make it tough for Indonesia to compete in the region, but says it's a work in progress. But that progress may not be good enough to give millions of young Indonesians a chance to better their lives. [2]

### 5.2 Poverty

Traditional Government estimates show that around 12% of Indonesians live under the poverty line but independent economists say its much more than that. Many of the country's rural poor come to Jakarta in the hopes of finding work in a factory, or a construction site - but there just aren't enough being built to provide employment to Indonesia's youth.

According to latest data Indonesia could be considered lower middle-income country with an average per capita income of \$4,000 p.a., a beacon of democratic stability in Asia. But poverty remains widespread: over 100 million people live on less than \$2 per day. Economic crisis could still lead to breakdown of civil governance or a return to autocratic structures. There is an underlying risk of radicalisation which would be exacerbated by economic pressures. Health and education provision is poor, as is infrastructure (energy, roads, ports etc). Indonesia continues to suffer from corruption, weak institutions and erratic rule of law. Maintaining competitiveness and achieving the double-digit growth many see as necessary for real take-off will be a real challenge. Meanwhile growth depends on exploitation of Indonesia's huge natural resources, and does not easily balance with the nation's ambitious goal to reduce carbon emissions by 26% from business as usual by 2020 (or 41% with international assistance). [2]

Indonesia with a population of more than 240 million and a rapidly growing economy, represents a significant business opportunity in such areas as energy, automotive, retail and infrastructure. To access this market though, you need to understand the business culture.

## References

- [1] Business Across Culture: Etiquette at Work. [http://www.expat.or.id/business/etiquette.html\(2013-01-21\)](http://www.expat.or.id/business/etiquette.html(2013-01-21))
- [2] Communication Styles. [http://www.worldbusinessculture.com/Indonesian-Business-Communication-Style.html\(2013-01-24\)](http://www.worldbusinessculture.com/Indonesian-Business-Communication-Style.html(2013-01-24))
- [3] Country profile: Asia – Oceania. <http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/asia-oceania/indonesia?profile=economy> (2013-01-25)
- [4] Country profile: Asia – Oceania. <http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/country-profile/asia-oceania/indonesia?profile=today> (2013-01-24)

- [5] Global Etiquette: Indonesia. <http://www.kwintessential.co.uk/resources/global-etiquette/indonesia.html> (2013-01-24)
- [6] Indonesia Business Etiquette – Culture. <http://www.cyborlink.com/besite/indonesia.htm> (2013-01-27)
- [7] Indonesia: Cultural Etiquette. In: eDiplomat. [http://www.ediplomat.com/np/cultural\\_etiquette/ce\\_id.htm](http://www.ediplomat.com/np/cultural_etiquette/ce_id.htm) (2013-01-23)
- [8] Indonesia changing quickly as economy booms. <http://www.bbc.co.uk/news/business-13725438> (2011-06-12)
- [9] Indonesia profile. Asia-Pacific. In: BBCnews <http://www.bbc.co.uk/news/world-asia-pacific-14921238> (2012-07-31)
- [10] Ondrej, M.: Ekonomická informácia o teritóriu Indonézska republika. In: MZV [www.mzv.sk](http://www.mzv.sk) (2013-01-24)

**Kontakt:**

Ing. Silvia Rebrová, PhD.  
Vysoká škola manažmentu Trenčín  
Bezručova 64  
911 01 Trenčín  
[srebrova@vsm.sk](mailto:srebrova@vsm.sk)

Ing Mgr. Zuzana Ondrejová, PhD.  
Vysoká škola manažmentu Trenčín  
Bezručova 64  
911 01 Trenčín  
[zondrejova@vsm.sk](mailto:zondrejova@vsm.sk)