** **

9B18C017

Harry Susilo: Moral Leadership and Family Business Succession

Jean Lee and Liman Zhao wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

*This publication may not be transmitted, photocopied, digitized, or otherwise reproduced in any form or by any means without the permission of the copyright holder. Reproduction of this material is not covered under authorization by any reproduction rights organization. To order copies or request permission to reproduce materials, contact Ivey Publishing, Ivey Business School, Western University, London, Ontario, Canada, N6G 0N1; (t) 519.661.3208; (e)* [*cases@ivey.ca*](mailto:cases@ivey.ca)*;* [*www.iveycases.com*](http://www.iveycases.com)*.*

Copyright © 2018, China Europe International Business School, and Ivey Business School Foundation Version: 2018-06-29

Because of Harry’s devotion to principled leadership, it followed naturally that Harry would talk to Dean Ken Freeman of our Questrom School of Business, and then me, about establishing an institute for ethics in business. These conversations led to the establishment in 2015 of the Susilo Institute for Ethics in the Global Economy as a center for education and research that will help business executives lead with integrity, inspiring their organizations and their partners to do the same. The Susilo Institute is uniquely designed to bring together both Eastern and Western cultural perspectives on business ethics.

Robert Brown, President of Boston University

Harry Susilo founded Harry Susilo Private Ltd. (later to become known as Sekar Group) in 1966 with five employees. In 2016, based in Surabaya, Indonesia, Sekar Group had about 20,000 employees and two listed companies on the Jakarta Stock Exchange. An organization engaged in diverse domains such as food, aquaculture, real estate, and mineral products (see Exhibit 1), Sekar Group’s annual revenue was about US$1 billion.[[1]](#footnote-1) Within Sekar Group, still a family business, Susilo considered his siblings the second generation and viewed their children as the third generation. In 1998, Susilo handed over the day-to-day operating of the company to his four younger brothers. In 2012, 12 representatives of the third generation started taking on some roles in the management positions within Sekar Group, preparing to take the baton from their parents.

All family members gathered together to celebrate Christmas Eve in 2017. Susilo was happy to see the family harmony and told the family members that the development of Sekar Group had relied on the “power of love”—in other words, its integrity and responsibility to people and society. However, in the context of fierce global competition and the increasingly rapid development of the company, the 76-year-old Susilo was keenly aware of the challenge of ensuring sustained success, especially when the younger generation took charge.

Susilo had three key concerns. First, he had been a role model and spiritual leader for all family members. His experience was extensive and unique. As the older generation retired, would another leader like Susilo emerge from the next generation? Second, Finna Huang, Susilo’s oldest daughter, joined Sekar Group in 2016. With her management and consulting expertise and rich experience starting and growing new ventures, she became president of the board of commissioners of one of Sekar’s listed companies. Finna Huang was responsible for establishing the governance system of the family business, but was she capable of becoming the new leader of the third generation? Could she balance the interests of each party as her father had? Third, in terms of equity and management rights transfer, what concerned Susilo most was whether his long-held business ethics could be passed down and carried forward within Sekar Group, among the younger generation.

Harry Susilo and Sekar Group

Establishment and Development of Sekar Group

Susilo was born in Indonesia in 1941. His father was a fisherman from Fujian Province, China, and his mother was a third-generation Chinese Indonesian. When Susilo was one year old, his family moved to Sidoarjo, a fishing village in Surabaya. The family was very poor and lived in a thatched grass house. A few years later, his parents rented a room by the road and sold homemade food, such as prawn crackers and biscuits. Susilo went to primary school when he was 11 years old, and he loved learning, which his mother supported and encouraged. In 1965, his 51-year-old father suffered a cerebral haemorrhage that resulted in physical disability. The family lost an able-bodied labourer when Susilo’s youngest sister was not even one year old. As the eldest son, Susilo quit university and resolutely took up the onerous responsibility of caring for his father, 10 younger siblings, and his mother.

In 1966, a friend of Susilo’s father from Singapore visited the family and, seeing their hardship, gave Susilo money to buy some pomfret and threadfin from town and asked him to deliver the fish by air transport to Singapore. The friend also taught Susilo the proper techniques of packaging and shipping fish. With the help of this family friend, Susilo managed to establish his own business, Harry Susilo Private Ltd.

Susilo hired five workers who would wait at the Surabaya docks[[2]](#footnote-2) each evening to buy fish from the fishermen, and then would drive for two hours to ship the fish to the warehouse Susilo had rented. In the warehouse, the workers weighed, washed, and packed the fish. After working hard at night, Susilo would rush to the airport at 5:00 a.m. to put his catch on the 7:00 a.m. flight to Jakarta, from where it then travelled to the final destination of Singapore. Susilo did this tedious work for more than two years, but he never complained to his family. He recalled, “Indonesia was experiencing severe financial difficulties and had just adopted relatively open policies. Fortunately, I grasped the opportunity and got off to a good start.”

Two years later, a shipment of Susilo’s marine products was seen by Mr. Kikuchi, a Japanese businessman from Toyo Menka Company (Toyo Menka), who was on a business trip to Indonesia. Kikuchi noted the contact details on the shipment and contacted Susilo. He then invited Susilo to be Toyo Menka’s agent, buying shrimp throughout Indonesia and delivering them to Jakarta. This co-operation substantially increased Susilo’s business volume and profit, and it was his first foray into co-operating and having external links with an overseas company.

Harry Susilo Private Ltd. was re-named Sekar Private Ltd. (Sekar Private) in 1968. Three years later, Toyo Menka proposed to inject capital into Sekar Private to help Susilo build cold freezer facilities, which would be owned by Susilo five years later. Susilo was not sure his poor family could bear the potential risks, so he did not accept the proposal immediately. Kikuchi was impressed by Susilo’s honesty and sincerity. After a year of encouragement and support, Toyo Menka sent a lawyer to visit Susilo and offer him an instalment loan with Toyo Menka as guarantor; the lawyer was also instructed to offer Susilo a commission and bonus as well. With all his concerns dispelled by such favourable loan terms, Susilo signed the agreement. In the following month, the two companies decided to found PT Sekar Bumi, Tbk to build cold storage rooms, for which they purchased new equipment. As a result of working with Toyo Menka, Susilo learned advanced operation concepts and approaches.

In the 1980s, Sekar Private made another breakthrough, becoming the supplier of partially processed shrimp chips for Japan’s Marubeni Corporation (Marubeni). However, this placed greater demands on Sekar Private’s overall production capacity and product quality. To meet the sophisticated standards of consumers in developed countries, Susilo introduced advanced processing equipment and facilities from overseas, and he recruited and trained staff in the areas of product research, production, inspection, and quality control. Sekar Private also received production equipment from Marubeni.

Sekar Private continued to gradually expand its scale of prawn cracker processing, and transformed to become Sekar Group in the early 1990s. The company focusing on this sector (PT Sekar Laut, Tbk) went public in 1993. It performed well in the areas of prawn crackers, soy sauce, and condiments. Susilo called his shrimp cracker brand “Finna,” which was the first name of his eldest daughter. This company became the largest prawn cracker manufacturer in Indonesia and the largest prawn cracker supplier globally. The subsidiaries of PT Sekar Laut included food manufacturers and channels, such as PT Pangan Lestari, Tbk,[[3]](#footnote-3) responsible for selling all of Sekar Group’s products.

Following the partnership with Marubeni, Sekar Group entered a stage of rapid expansion with a diversified strategy. Under the Finna brand, it had hundreds of products in the seafood and farming industries, including fish crackers, vegetables, and cashew nuts. As a food manufacturer, Sekar Group was scrupulously honest; it always made products with natural and healthy raw materials to ensure high quality. Meanwhile, the Group focused on research and development, continually introducing new technologies to improve production processes and innovation. Through its co-operation with multinationals, Sekar Group had successfully entered the global marketplace. The Group was also involved in diverse areas such as breeding, planting, animal feed, logistics, trading, real estate, tourism, and nickel processing.

Sekar Group’s Social Responsibility

To avoid marine pollution, Sekar Group was not initially involved in aquaculture. But with innovations in sea water filtration technology and improvements in shrimp varieties, the Group began breeding shrimp and expanding its processing plants to meet the demands of the global market. The Group was committed to addressing future global environmental problems; it attached great importance to ecological compensation and used advanced technologies to protect the environment in the areas where it worked.

To promote general development in agriculture, fishery, and animal husbandry, Sekar Group had worked with civil society and co-operatives in Indonesia to help establish small to medium-sized food processing companies, which effectively promoted the development of the local economy. Sekar Group had created more than 24,000 jobs for farmers, and the co-operatives had created hundreds of thousands of jobs indirectly. The export of agricultural products also brought foreign exchange earnings to Indonesia. According to Susilo, only when the whole industry was thriving could a company within it experience healthy development in a favourable environment.

This sense of responsibility also helped Sekar Group overcome certain obstacles at the start. For example, the Group made a serious mistake when it invested in the cashew nut business in the mid-1970s. At that time, cashews were being planted on many islands in Indonesia. Susilo read a report saying that the cashew nuts for processing in Indonesia reached 15 million tons. Based on this data, the Group decided to invest in large-scale machinery for processing cashew nuts. However, after this investment, Susilo found that the actual production of cashew nuts was far less than the reported amount. Susilo did not give up the cashew nuts because of the potential investment failure. Instead, he co-operated with farmers from various islands, offering them free seeds to improve cashew nut production and the farmers’ quality of life. By doing so, Susilo successfully developed the supply to match Sekar Group’s capacity. As a result, the Group achieved a huge increase in the production of cashew nuts; the livelihood of cashew nut farmers was also improved; and Indonesia became one of the world’s largest exporters of cashew nuts.

Under Susilo’s influence, Sekar Group continued to promote social activities. Although Susilo had stepped back, the company still supported a wide range of social activities each year, serving local communities and society. For instance, it made donations to local schools, offering scholarships to students in need. In 2014, to protect the original culture of prawn crackers for future generations, the Indonesian government entrusted Sekar Group to build a prawn cracker monument (*Monumen Jayandaru* in Indonesian) in People’s Square in Sidoarjo (see Exhibit 2). On May 29, 2015, the Indonesian government held a grand ribbon-cutting ceremony for the monument, which became a new landmark in Indonesia.

Susilo and His Family

A Responsible Elder Brother: Susilo and His 10 Younger Siblings

In 1972, the 34-year-old Susilo married Hui Qin Cai. On the day after the wedding, Susilo signed a contract with Kikuchi. In addition to fully supporting Susilo’s business, Cai took care of Susilo’s 10 younger siblings[[4]](#footnote-4) (see Exhibit 3) and their families for several decades.

Susilo willingly supported his younger siblings in life, education, and work, viewing this as an “investment in love.” The tenth sibling, Harry Fong Jaya, who got his degree in business administration from the University of Southern California, said, “I am 20 years younger than my eldest brother, and he is more like my father. [Susilo] is very strict with me and encourages me to keep learning and take care of others. I always respect his opinions, especially when it comes to principles and quality.” Harry Fong Jaya shared that Susilo once encouraged him to make a phone call to a customer in English, but Harry Fong Jaya said he could not make it. Susilo then forced him, so he finally made the call. What the ninth sibling, Harry Lukmito, admired most was Susilo’s respect for professional ethics. He said, “For me, he is not only my elder brother, but also my mentor, guardian, and motivator.”

Susilo had also given his siblings enough space to contribute to the company. Although four younger brothers joined Sekar Group at different times, Susilo divided 50 per cent of his share equally among them and gave them their shares in 1998. Meanwhile, Susilo put the same pressure on the four younger brothers, especially when it came to product quality and the code of ethics. Harry Fong Jaya shared his work experience in earlier days: “I really couldn’t stand working as hard as my eldest brother when I joined this company. He just worked so hard! It was impossible for all of us to start work at 7:00 a.m. every day.” In terms of the different management styles of the four brothers, Susilo always tried to establish a middle ground. Iwi Chen, Susilo’s second son-in-law, said, “The management styles of my two older uncles are relatively conservative, while the two younger ones are relatively radical. My father-in-law strikes a balance among their styles through good communication.”

During the economic crisis in Indonesia in the 1990s, Harry Fong Jaya, who was responsible for financial investment, caused a heavy loss to the Group when he hired long-term professional managers and pursued a radical investment strategy. Harry Fong Jaya was very depressed about the loss, but he was moved by Susilo’s attitude. “My eldest brother was not angry; instead, he encouraged me by saying I was still young and could do better. Following him, my other brothers also gave me a lot of encouragement.” After the crisis, Susilo adjusted the Group’s decision-making process by centralizing it. Quarterly meetings, shareholders’ meetings, board meetings, management meetings, and family meetings were all held regularly. Family meetings were held at least three times a year. Each family meeting lasted for one–three days and was normally attended by more than 30 people, with about 80 people attending the meeting at the end of the year (between Christmas and New Year).

What is more, Susilo and Cai organized the weddings of Susilo’s brothers and sisters and gave them the positive example of an affectionate couple. Susilo’s fourth sibling, Inne Gunawan, recalled Susilo’s love for family in the hard times of starting a business. She said, “At that time, we lived a poor life. But my eldest brother bought a gold bracelet for me after he made some money. This was a valuable gift.” She was also moved by his spirit of brotherly support: “My eldest brother is the pillar of the family. Whenever I am in difficulty, he helps me. He is a role model for us and enables successful co-operation between us as siblings.” The 11th and youngest sibling, Rida Angela, said frankly, “My eldest brother takes care of me as if I were his child. And he has made a great influence on my parenting ideas.”

Now there were more than 40 young members in the family, and conflicts happened occasionally. Cai once talked about her philosophy of life: “I like to adopt a humorous way of resolving differences. My actions are very much guided by my faith and principles. As humans, we must be like salt and light. Salt is just an ordinary commodity that we use in daily life but we cannot be deprived of it. Salt has to dissolve first before it can flavour food. Hence, at times, we need to put others’ needs before us. Light, with its illuminating glow, can guide us in our lives.”

A Loving Father: Susilo and His Two Daughters

Susilo had two daughters, Finna Huang and Fanni Susilo. They both attended university in the United States. Finna Huang earned a double degree in entrepreneurship and economics from Babson College at the age of 19, and a master’s degree in business administration (MBA) from the Boston University School of Management at the age of 21. She was very highly regarded there as the youngest master’s graduate. Fanni Susilo graduated from the Department of Psychological and Brain Sciences at Boston University. Compared to her capable and independent elder sister, Fanni Susilo was more tender and gentle.

Although Susilo was very busy, he often spent time with his daughters as they were growing up. He would take them to rice fields and forests to show them the power of nature. He believed that all he had was a gift from heaven, so he wanted his daughters to be thankful and live life to the full.

Neither of Susilo’s daughters joined Sekar Group after graduation; they both chose to pursue their own careers. Finna Huang first joined Accenture and then Dell, as their youngest consultant. After marrying and having children, Finna Huang started a business in the medical industry. With Susilo’s full support, she set up a maternity and paediatric care clinic in Jakarta. The clinic expanded slowly after its foundation in August 2004, gradually turning into a large hospital. With her clinic growing steadily and Sekar Group in need of her help, Finna Huang decided to join the Group on its 50th anniversary. She replaced Loddy Gunadi (the sixth sibling) as president of the board of commissioners of PT Sekar Bumi and became responsible for developing the Group’s family governance program. Finna Huang’s husband looked after the Finna Golf & Country Club, as part of Sekar Group.

Fanni Susilo had been involved with charity work in Surabaya, managing and running a local orphanage, before she joined Sekar Group in June 2017. Her husband, Iwi Chen, was an experienced software developer. He joined the Group in 2006, two years after he and Fanni Susilo married. As a representative of the 12 young team members, Iwi changed his working position within the Group several times and was currently appointed as the leader of the co-operation project with Wellhope in China. “My father-in-law is very serious and prudent. He attaches great importance to outcomes and shows respect for others. He told us that we should not take shortcuts. He will not do everything for us, but he will help us find the right path,” Iwi commented.

To maintain a good relationship with their daughters, Susilo and Cai travelled abroad with them every year. “My father is my rock, someone I can always count on when I am faced with seemingly overwhelming odds and near impossible challenges,” said Finna Huang, who was a sports enthusiast. “We do have our differences in the way we view some things. For example, I prefer systematic planning and advance arrangements, but my father prefers to be flexible. I am more of a Western thinker and prefer being straightforward, while my father is deeply influenced by Eastern culture and focuses on harmony. But we have always enjoyed the healthy debates.” Fanni Susilo described Susilo as “a natural born leader. He has taught me that life is not about having the most material things but is about impacting society and having the most love. To my father, that is what defines success.”

Godfather of Sekar Group: Susilo and the Younger Generation

Susilo continued to emphasize his core values, such as social responsibility, product quality, integrity, and innovation, which represented the Group’s corporate culture and demonstrated Susilo’s expectations of the younger generations. He hoped that future generations of Sekar Group employees would persist in honouring the company’s creed to ensure its sustainable success as it grew from good to great.

Susilo emphasized the co-operation between family members and non-family professionals. He knew that a family business could not develop well if its employees were all family members, and a family business could not achieve sustainable development if its employees were all non-family professionals. So he had to strike a balance. Currently, over half of the board members were professional managers (see Exhibits 4A and 4B).

Sekar Group provided staff with generous benefits and good sports facilities, and it offered the staff opportunities for training and further study. The Group also had a range of incentive systems in place to give staff a sense of belonging and self-worth. As well, Susilo loved to reward and promote talented young employees. The incentive policies gave them the opportunity to fulfil their dreams according to their own values and keep Sekar Group vigorous and creative.

In 1998, Susilo stepped back from the day-to-day management and handed the reins over to his brothers. He then moved to Singapore with his wife, where he remained. On December 12, 2012, Susilo signed an agreement with 12 young members of Sekar Group to train them to be future leaders. The 12 young members were the children of Susilo’s siblings. The nieces and nephews would first work as volunteers, then work in various positions until they found the right one for them (see Exhibit 5). Up to September 2017, no member of the third generation held shares, but they did have a committee that could make decisions on certain issues and submit them to the shareholders’ meeting, made up of Susilo and his brothers, for a final decision.

Welly Gunawan, the son of Susilo’s fourth sibling, was the marketing director of PT Sekar Laut. He joined Sekar Group at the age of 20 as a front-line worker, reporting his outcomes to his five uncles. He recalled his 17 years in Sekar Group, saying, “It’s a valuable experience. I trained and worked in various departments and received instruction from my uncles.” His sister Nancy Gunawan joined her husband’s own company after they married, but as the eldest sibling of the third generation, she still paid close attention to the relationship among them and strived to keep it harmonious. Harry Fong Jaya commented, “She is the glue that binds the whole family together. We are all very fond of her.”

Many of the young members of Sekar Group had graduated from top international universities. Susilo valued the personal qualities and sense of responsibility of the employees, and he was committed to self-improvement and lifelong learning. He recommended that younger generations switch their focus from money or profits to the social impact they would make. He often shared his stories and experience with young team members, telling them to stay true to corporate culture and their responsibilities, proactively adjust to change, grasp opportunities, and manage the business with integrity.

To provide support for the younger generation of managers, Sekar Group was preparing to launch a support fund. For example, members of the third generation could start a company that did not compete with the family business and apply for investment from Sekar Group. They could also invite the Group to assess an investment to establish a new company.

Giving Something Back to Society

Susilo’s initial goal was to honour his mother’s love for him with a prosperous life. As time went by, his personal growth and the Group’s development gradually transformed Susilo’s love for family into a big love for human society as a whole. Even after his retirement, Susilo was still trying his best to give back to society (see Exhibit 6).

Social Responsibility Beyond Nationality

Susilo’s concern and dedication earned recognition from every sector. He won two Upakarti awards from the president of Indonesia, one in 1987 and the other in 1991, and the Upapradana award in 1992.[[5]](#footnote-5) Susilo also received the highest honour from the Indonesian government for four consecutive years. He made multiple donations to the Singapore Indian Development Association, and in 2007, Susilo sponsored the construction of a retirement centre in Bukit Timah, Singapore. Sellapan Ramanathan (S. R. Nathan), former president of Singapore, said of Susilo, “Born in Indonesia of humble origins and of Chinese parentage, he has established himself through hard work and honesty, with acumens in business. It is this experience and strong belief that ‘one must give back to society what one has earned from it’ that has led him to his philanthropic life, as well.”

As an ethnic Chinese, Susilo also devoted himself to promoting peaceful communication between China and Indonesia. In 1985, the two countries restored bilateral trade, which had been suspended for nearly 20 years. Due to his previous participation in talks between the two countries, Susilo was elected to the Group for “Promoting the Restoration of Diplomatic Relations” between China and Indonesia. In 1995, he was appointed to serve as a consultant to the Association of Indonesia–China Economic, Social and Cultural Relations. In 2008, Susilo made a donation to the relief efforts immediately after the destructive earthquake in Wenchuan, China. He also made contributions to the Beijing 2008 Summer Olympics, donating to the construction of the Water Cube. In 2009, Susilo was appointed to the China Overseas Exchange Association (COEA) to continue offering his wisdom and efforts for promoting good relations between China and Indonesia. In 2015, he was ranked among the top 100 leading overseas Chinese businessmen who improved and promoted the image of the Chinese nation on the global stage.

In 2012, Professor Kenneth Freeman, dean of the Questrom School of Business, flew to Singapore and paid a special visit to Susilo. They discussed what courses should be added to improve the university’s competitiveness in the context of more intense competition among world leading universities. Susilo reflected, “Competition is everywhere in today’s world, including business, finance, politics, and religion. I believe that courses related to economic ethics are currently most needed in universities.” After careful deliberation by the board of directors at Boston University, a proposal was made in March 2012, inviting Susilo to set up an institute in his name through an endowment.

In 2014, after careful consideration, Susilo made a donation to Boston University to establish the Harry Susilo Institute for Ethics in the Global Economy. He had earlier contributed to the construction of the business school premises. On March 29, 2014, the university announced this admirable deed when celebrating its 100th anniversary. Susilo and Freeman were to serve as co-chairs of the Institute, to advance the program and promote ethical education and construction across the globe.

Susilo’s acceptance of the university’s invitation was partially because his life experience was similar to that of Issac Rich, the founder of Boston University. Both had grown up in poor families but were determined to start their own businesses, and never give up. They also valued the role of education and hoped to create a better future by promoting educational development. In addition, Susilo’s two daughters had both studied at Boston University, and Susilo had been appointed as an international consultant to the university.

Since the foundation of the Institute, Susilo had attended its annual summit forum every year. The first summit was held in his hometown, Surabaya, Indonesia, on May 27–29, 2016, and the second was at Boston University on June 15–17, 2017. Susilo reflected that the Institute’s mission was to bring positive effects to the global economy. He said, “To create a favourable environment for sustainable economic development, we have to build a virtuous circle with a focus on business ethics.”

Continuous Learning and Inspiring People

Susilo maintained, “Good family traditions can help improve the ethical standards of society.” In his family, everyone was unconsciously influenced by family traditions, like a form of non-verbal training. His four brothers joined the Group’s core management team and actively participated in social activities. Loddy Gunadi was elected president of the Chinese Huang family in Surabaya, Indonesia; Harry Sunogo became Honorary Consul of New Zealand to Surabaya, Indonesia; Harry Lukmito became president of the Indonesian Commission on Marine Products; and Harry Fong Jaya served as a member of the Indonesian Commission on Industry, Commerce and Minerals.

Susilo gave great importance to the “university of life” and learning from others. He divided his “social learning network” into seven different levels. The first was the sports community; Susilo was a passionate sports lover who believed that sporting activity could enhance people’s willpower and competitive spirit. The second level of his social learning network was nature and arts, because he was fond of travelling, appreciated ancient paintings and antiques, and enjoyed the beauty of music and nature. The third was the business community, where he could gain more experience by talking to leading entrepreneurs in various industries. The fourth was the political community; Susilo believed, “As a businessman you need to have a good understanding of trends in politics as they can impact business, so professional relationships with politically knowledgeable people are necessary.” The fifth level was professionals or experts in fields such as law, finance, medicine, energy, and advanced technology, whom he had never stopped talking to and learning from. This lifelong learning attitude meant he always had the most updated professional information. The sixth was religion and social sciences; Susilo was, himself, a believer, who advocated respect for every religion where people could find their life purpose. The seventh level of Susilo’s social learning network was family, and the relatives and friends who stood by him, regardless of his setbacks and challenges.

In 2015, Susilo published his biography, *The Power of Love*, in celebration of Sekar Group’s 50th anniversary. In the book, he wrote, “I asked my family to live in harmony and work together. If not, our company would never have lasted for 50 years. I hope that our company can be passed on to future generations and have a positive impact on society. If society has positive ethics, more people around the world will live a safer and more comfortable life.”

Built to Last: How to Consign Moral Leadership?

Sekar Group, as a holding company, had exported 70 per cent of its products to other countries. The company’s business values received wide recognition from every sector of society, and Susilo’s leadership as the head of the family had been accepted by all of his family members. But according to company rules, his brothers had to resign from their posts at the age of 65. Even Sisilo’s youngest brother was approaching his sixties. The goal of the first and second generations was to pass on the family business to the third generation within five years. But was the third generation fully prepared?

Another consideration was how the management rights and ownership of the company should be passed on to the third generation with their various backgrounds and different strengths. Welly Gunawan, for example, after working for Sekar Group for 17 years, became marketing director at PT Sekar Laut and was elected as president of the family’s third-generation committee. Although his father had no shares in Sekar Group, Welly Gunawan had still gained a deep understanding of the elder generation’s management style and the company’s business processes, organizational structure, and corporate culture. Finna Huang had just joined Sekar Group but her previous experience might allow her to take the company to a new level. Other members of the third generation, whose parents did not work for Sekar Group, had also performed well at the company.

After celebrating its 50th anniversary, Sekar Group began to focus on the building of family governance. To some extent, this was at Finna Huang’s suggestion. She explained her goal: “Sekar Group has received continuous attention from my father and uncles, but sustained development does not come from always following a fixed model. Creating an enduring family business and bringing the company to a new level requires professional reform and governance. We must consider every aspect of the family business, such as succession planning, retirement benefits, and office space for family members.” However, this would take a great deal of effort and money.

The 76-year-old Susilo felt that construction of the family governance system and succession of management rights and ownership were two urgent issues crucial to the company’s development. Before he handed over all his power, who would take charge of the company? Who among the members of the third generation would be the successor with a leadership style similar to Susilo’s? How could Sekar Group, a family business with a history of 51 years and nearly a hundred family members, hold on to the fundamental principles of business ethics during the process of passing on the family business and building and improving the family governance system? Susilo was still pondering and looking for the answers to these questions.

Exhibit 1: Organizational Structure of Sekar Group

Sekar Group

PT Sekar Bumi, Tbk

PT Sekar Laut, Tbk

PT Sekar Katokichi

PT Karka Nutri Industri

PT Pangan Lestari

A mountain resort with an 18-hole championship golf course

PT Bumifood Agro Industri

Cashew nuts and nuts products processor

Breaded shrimp manufacturer

PT Bokit Welirang Indah (Finna Golf & Country Club

Distributor of products of Sekar Group and other company partners

**51%**

PT Bumi Pangan Utama

Frozen value-added seafood and processed food manufacturer and distributor

**70%**

**70%**

**70%**

PT Bumi Pangan Asri

Frozen value-added seafood and processed food manufacturer and distributor

PT Bumi Pangan Inti

Processed meat processor and distributor

**70%**

**70%**

PT Bumi Pangan Sejahtera

Frozen value-added seafood and processed food manufacturer and distributor

**70%**

PT Bumi Pangan Mulia

Frozen value-added seafood and processed food manufacturer and distributor

**70%**

PT Sekar Seinan Food

Frozen value-added seafood and processed food manufacturer and distributor

**51%**

PT Abadi Jaya Food

PT Pangan Citarasa Nusantara

**99%**

**99%**

**99%**

PT Mitra Boga S.A

**80%**

Omnistar Inv. H. Ltd., **27%**

PT Alamiah Sari, **26%**

PT CJ Cheiljedang L, **25%**

Malvina Inv. Ltd., **17%**

Shadforth A. Ltd., **13%**

Saham Treasuri, **10%**

Note: Each percentage in the chart represents the shares held by the holding company in the corresponding business.

Source: Company documents.

Exhibit 2: Jayandaru Monument (Finna Shrimp Monument)



Note: The monument was 23 metres high, and the width of the base was 75.8 metres. The design of the monument represented the perpetuity of Sekar Group and the heritage of prawn crackers—a symbolic, traditional Indonesian food.

Source: Company documents.

Exhibit 3: Susilo’s Brothers and Sisters

|  |  |  |
| --- | --- | --- |
| **Order of Birth** | **Name (Pinyin of Chinese Name)** | **Note** |
| 1 | Harry Susilo (Shiwei Huang) |  |
| 2 | Kiem Tju | Deceased (before 1965) |
| 3 | Harry Iyawan (Tjin Yen Huang) | Brother |
| 4 | Inne Gunawan (Mei Gui Huang) | Sister |
| 5 | Harry Sudarwo (Tjin Ing Huang) | Brother |
| 6 | Loddy Gunadi (Jun Jie Huang)\* | Brother |
| 7 | Harry Sunogo (Jun Long Huang)\* | Brother |
| 8 | Wiwik Meliati (Mei Shen Huang) | Sister |
| 9 | Harry Lukmito (Jun Qiang Huang)\* | Brother |
| 10 | Harry Fong Jaya (Tjin Feng Huang)\* | Brother |
| 11 | Rita Melinda (Mei Li Huang) | Sister |
| 12 | Rida Angela (Mei Hwa Huang) | Sister |

Note: \*Active in Sekar Group.

Source: Company documents.

Exhibit 4A: Organizational Structure of PT Sekar Bumi, Tbk (2016)

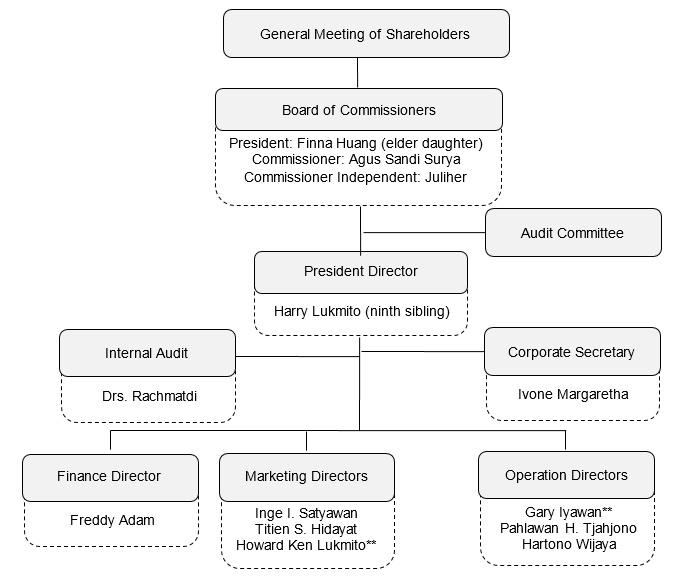
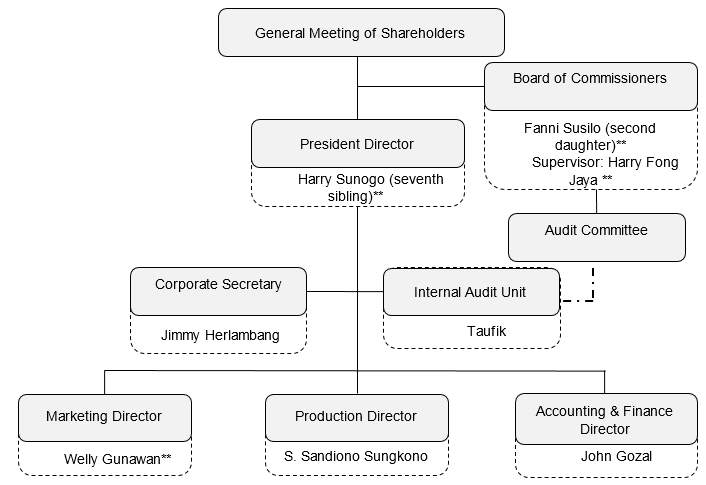


Exhibit 4B: Organizational Structure of PT Sekar Laut, Tbk (2016)



Note: \*\*Family members engaged in Sekar Group; the remainder were the professional managers. Before Finna Huang and Fanni Susilo were appointed as President of Board of Commissioners at each of the listed companies, Loddy Gunadi held that position.

Source: Company documents.

Exhibit 5: Background of Key Members of the Third Generation

**Finna Huang**: Eldest daughter of Harry Susilo. She had a bachelor’s degree in entrepreneurship and economics from Babson College and a Master of Business Administration (with honours) with a concentration in strategic management from Boston University. She was the youngest MBA graduate in Boston University’s history. Finna had three sons and one daughter. She had created two successful start-ups, a medical business and the Jakarta Women and Children’s Clinic, before joining Sekar Group. Finna said that she was a very driven individual: “When I want something, I will try my best to go for it and I don’t give up easily. I’m also a perfectionist, so when I say I will do something, I will execute it well or I won’t do it at all.” Away from work, Finna was passionate about sport, and she had completed a number of marathons and triathlon races. In November 2016, she was appointed as president commissioner of PT Sekar BumiTbk, and she had taken charge of the development of family governance.

**Welly Gunawan**:The second child of Susilo’s fourth sibling, Inne Gunawan. After obtaining a Bachelor of Marketing Management from the International Business Management Trainee Program (IBMT) in 2000, Welly immediately joined one of Sekar Group’s subsidiary companies as a credit analyst until 2001. He joined another subsidiary company as purchasing manager from 2002–2004. In 2005–2007, Welly worked at PT Karka Nutri Industri as purchasing manager. He began working for PT Sekar LautTbk as marketing manager in 2008 and was appointed as marketing director in 2014. He was appointed president of the family’s third-generation committee.

**Iwi Chen**:Susilo’s second son-in-law. He held a bachelor’s degree in engineering from Southern California University, and an MBA degree. After graduation, Iwi worked for Microsoft Corporation in the United States for about three years. He then worked for a start-up in Singapore in 2003. He married Fanni Susilo in 2004 and joined Sekar Group in 2006 after a discussion with Susilo. Iwi had worked in the Group at different positions under the supervision of his father-in-law and four uncles. He was currently working as the leader of the co-operation project with Wellhope in China and was the general manager of PT Pangan Lestari bk.

**Gary Iyawan**: Son of Susilo’s third sibling. Born in 1978, Gary graduated in 2001 from Edith Cowan University in Perth, Australia, with a bachelor’s degree in marketing and e-commerce. He started his career in PT Pangan Lestari, an affiliated company, in 2006. He joined PT Sekar BumiTbk in 2011 as operations director. The legal basis of his first appointment was through a general meeting of shareholders held on June 16, 2011.

**Howard Ken Lukmito**: Son of Susilo’s ninth sibling. Born in 1989, Howard received his bachelor’s degree in accounting, minoring in finance, from Bentley University, United States. He continued his studies, earning an MBA with a major in finance and entrepreneurship from Loyola Marymount University, United States, then a master’s degree in science (honours) in management studies with a major in operations and supply chain management from the Marshall School of Business at the University of Southern California. Howard joined the Group in 2013 and in November 2016 was appointed marketing director of PT Sekar Bumi, Tbk. Before joining Sekar Group, Howard had worked at The Walt Disney Company in California. The legal basis of his appointment was through a general meeting of shareholders held on November 30, 2016.

Source: Company documents.

Exhibit 6: Harry Susilo’s Public Positions

* Member of the International Advisory Board and Member of the Dean’s Advisory Board, Boston University
* Founder and Co-Chairman, Harry Susilo Institute for Ethics in the Global Economy, Boston University
* Academy of Distinguished Entrepreneurs, Babson College
* Patron of Singapore Bukit Timah Citizens’ Consultative Committee
* Executive Counsellor, China Overseas Exchange Association
* Honorary Advisor, Shanghai Overseas Exchange Association
* Vice-Chairman, Sichuan Provincial Overseas Exchange Association

Source: Company documents.

1. All currency amounts are in U.S. dollars unless otherwise specified. [↑](#footnote-ref-1)
2. Surabaya was the capital of East Java and the second-largest city in Indonesia. [↑](#footnote-ref-2)
3. PT Langan Lestari was a subsidiary company providing services for Sekar Group and many other wholesalers and retailers through co-operation with over 150 agents. The services and products covered stores, hotels, airlines, restaurants, and duty-free shops all over Indonesia. [↑](#footnote-ref-3)
4. Together with Susilo, there were 12 children. Susilo was the first; the second child had died young. [↑](#footnote-ref-4)
5. The national Uparkarti awards and provincial Upapradana awards were given to companies pioneering in supporting, preserving, leading, caring for, and co-operating with small and medium-sized enterprises. [↑](#footnote-ref-5)