



# **Implications of ASEAN Economic Community**

## Presentation to Ikatan Bankir Indonesia

Jakarta, 21 May 2015

THE BOSTON CONSULTING GROUP

# Agenda

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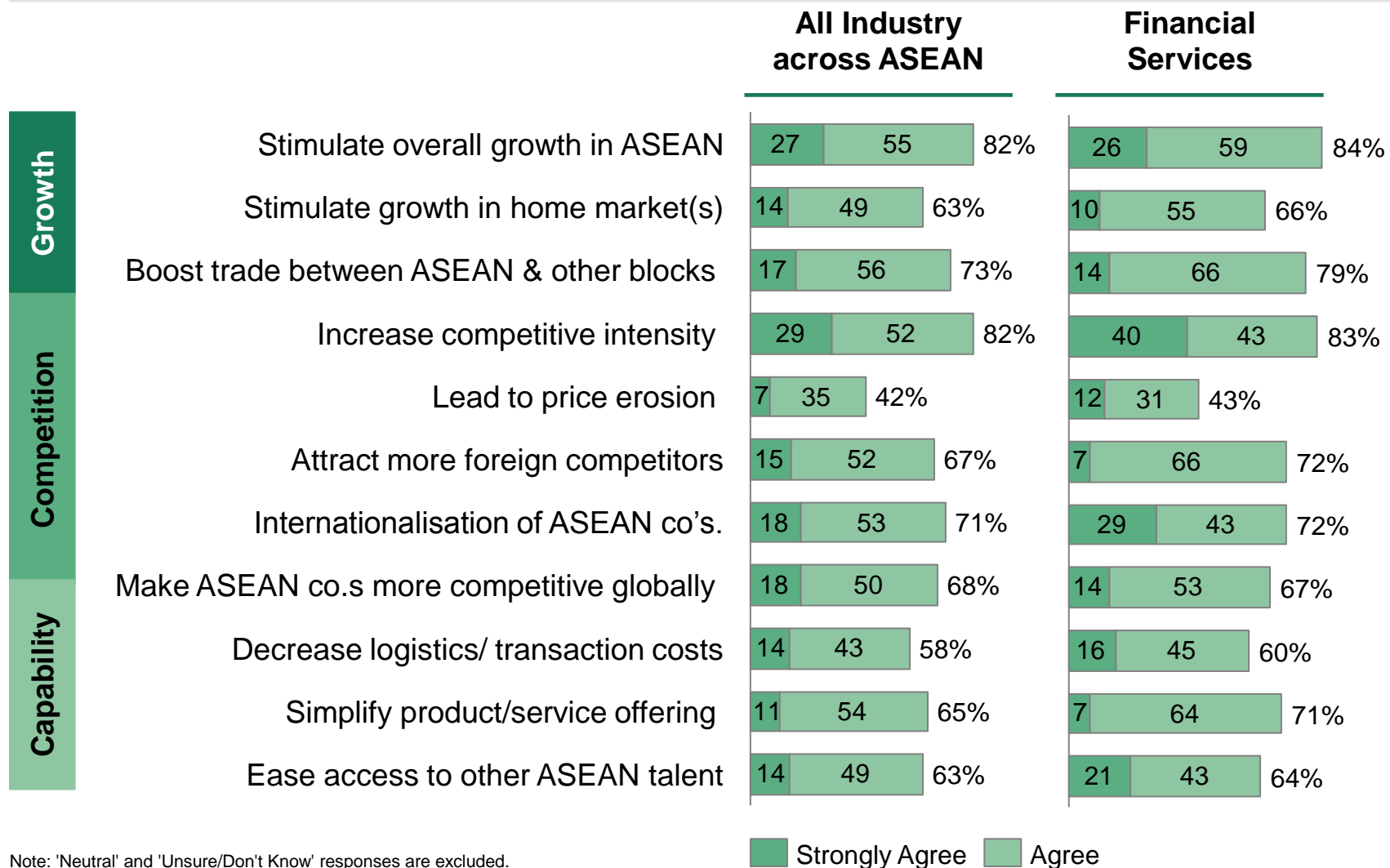
**Share highlights of BCG research on AEC**

**Provide input on potential implications**

**(Hopefully) trigger a call to action to better prepare Indonesian bankers**

# ASEAN respondents expect AEC to stimulate growth and increase competition

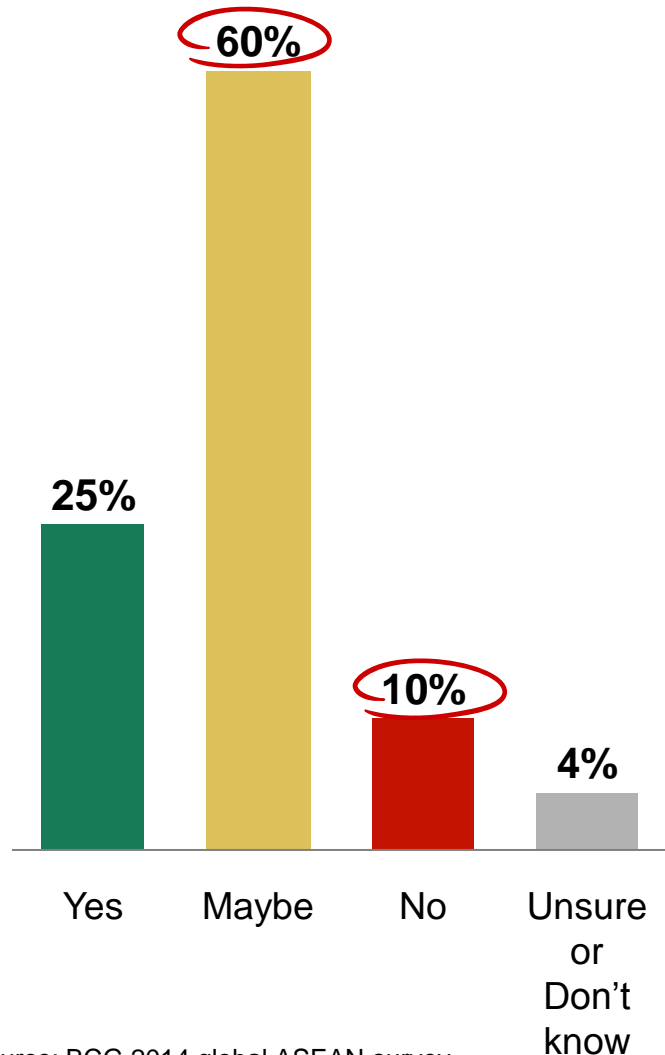
## Which overall changes do you expect from ASEAN integration?



Note: 'Neutral' and 'Unsure/Don't Know' responses are excluded.  
 Source: BCG ASEAN Economic Integration survey, April 2014

# Most respondents not convinced governments will push integration further

Do you think ASEAN governments will continue to actively push ASEAN integration?

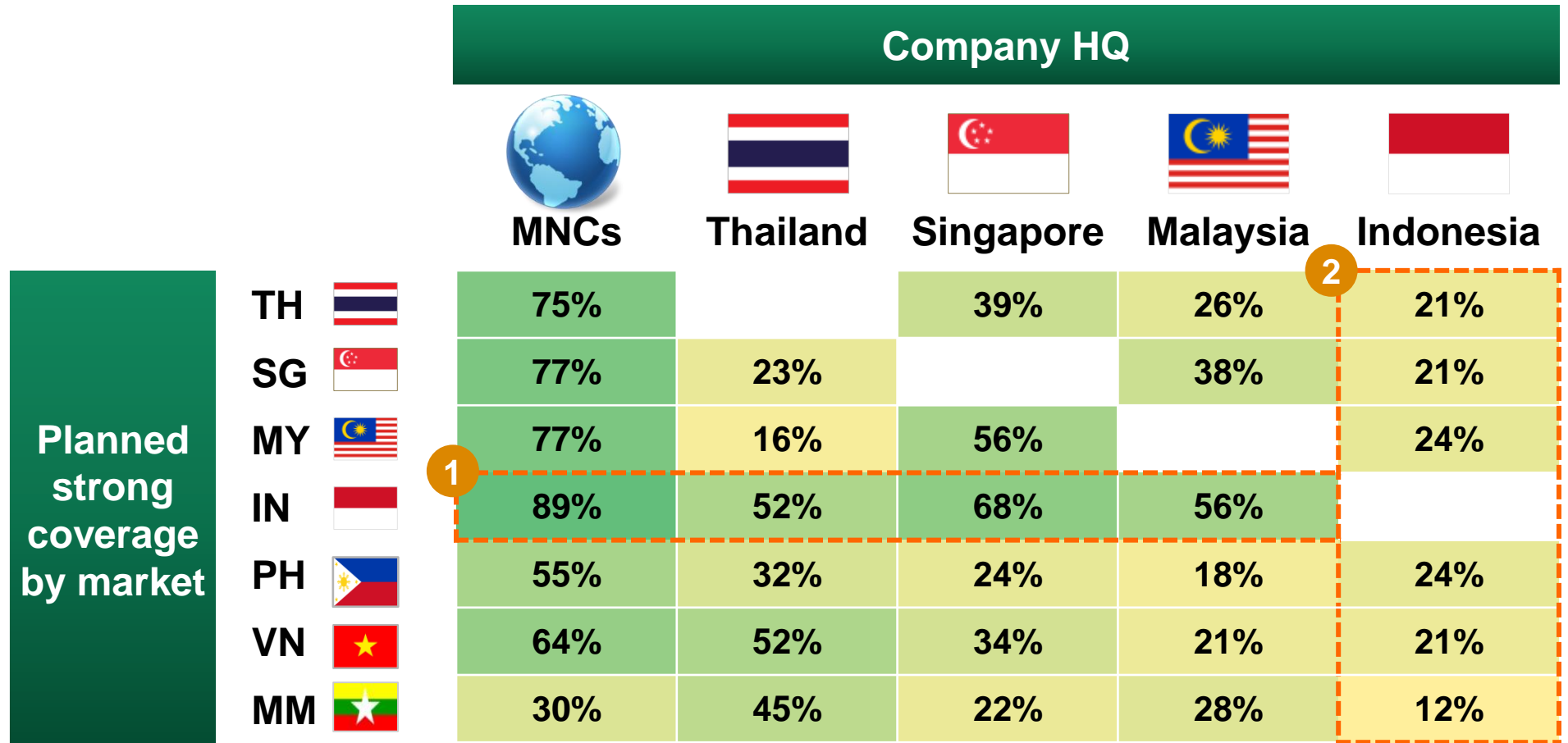


Most governments in ASEAN are still protectionist, populist and short-term in mindset, most will do as little as they can get away with on the issue of ASEAN integration.  
-- US based executive

Loosely connected, loosely committed governments, many words, few actions  
-- Vietnam based executive

Government policies are heavily influenced by strong indigenous corporate groups that could dictate the speed of opening of markets and subsequent integration.  
-- Malaysian based executive

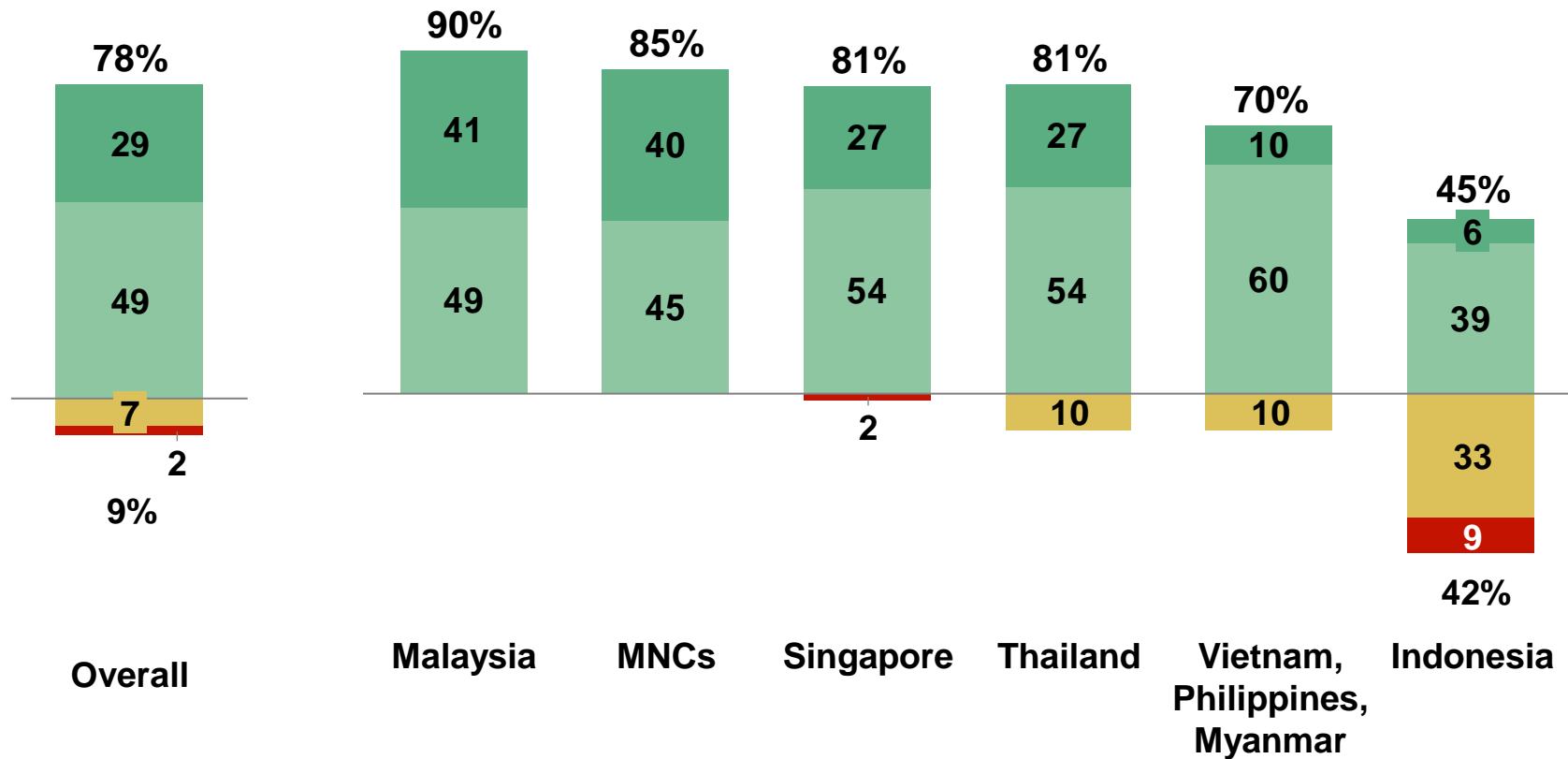
# Indonesia is the prime target for expansion



- 1 Indonesia is a prime target for foreign entrants
- 2 Indonesian companies are least likely to expand internationally

# Not surprisingly, many in Indonesia see AEC as a threat

## Perception of ASEAN integration as opportunity or threat



■ Significant opportunity 
 ■ Somewhat of an opportunity 
 ■ Somewhat of a threat 
 ■ Significant threat

Source: BCG 2014 global ASEAN survey

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Draft—for discussion only

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# Mixed views from bankers in Indonesia

## High awareness of AEC

Majority of top management team in banks aware of MEA and that it could have significant implications

-- Senior banker

Government is pushing to prepare for MEA by investing heavily in priority sectors such as infrastructure, which could help to boost overall economy growth. But so far I think the benefits are not apparent to the economy,

-- Corporate Banker

## Mixed view: AEC as opportunity or threat

Pricing & margin will be under pressure. Corporate segment will be under pressure. Big companies will have more options

-- Corporate RM

Transaction banking might have limited impact. Foreign banks have been aggressive for last 3-5 years. Our local banks are very strong

-- Transaction Banker

Initiatives underway to strengthen domestic banks hold especially in SME and mass market segment. Not sure if the efforts are enough

-- SME Banker

## Not yet ready for AEC

Mindset of competitiveness against foreign banks is not fully there yet

-- Retail banker

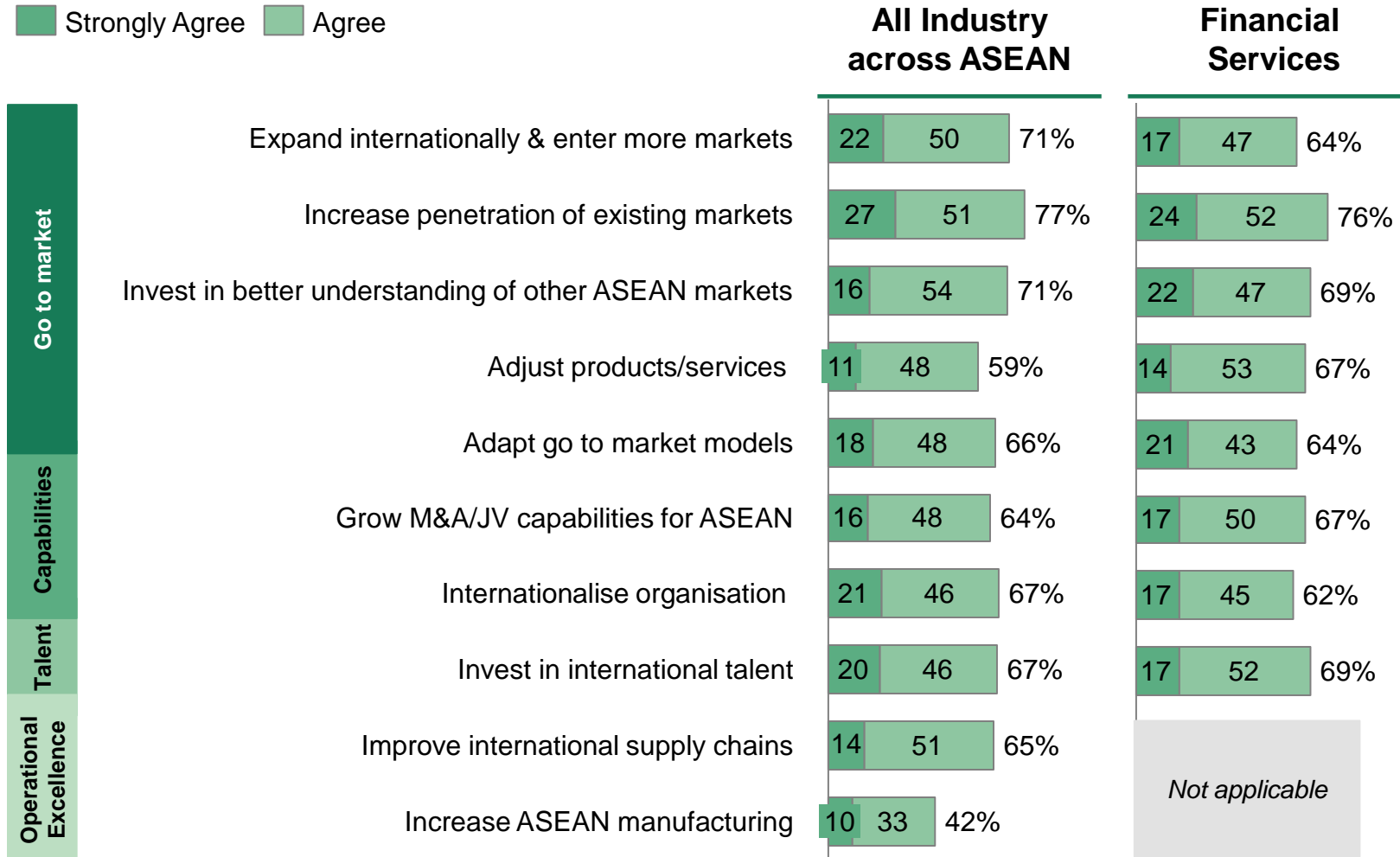
I don't think enough is done to strengthen our local banks and prepare us for the MEA.

-- Senior Management in a SOE Bank

# Broad set of action planned by FIs across ASEAN

## Which adjustments will your company make to prepare for ASEAN integration?

Strongly Agree Agree



Note: Excludes non-manufacturing industries (Financial & TMT) and "Others" from "Improve International supply chains" and "Increase ASEAN manufacturing"

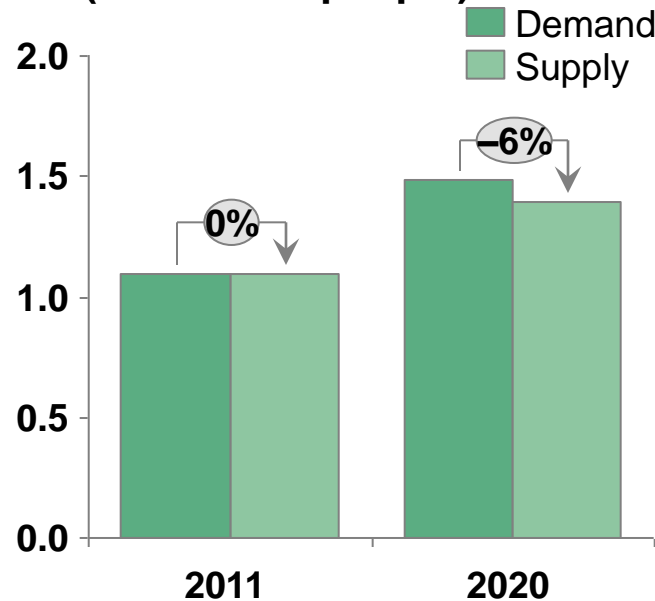
Source: BCG ASEAN Economic Integration survey, April 2014



# Situation in Indonesia complicated by talent shortage

## Senior management

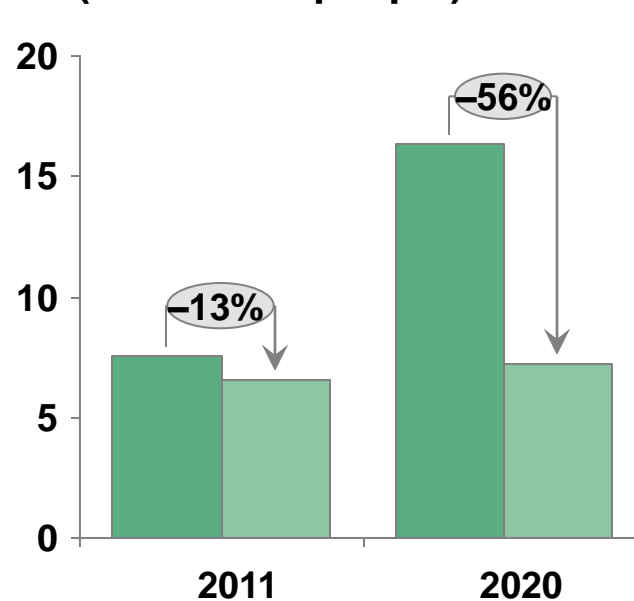
(Millions of people)



***With shortage of leadership skills and global exposure, quality gap is larger than quantity gap.***

## Middle management

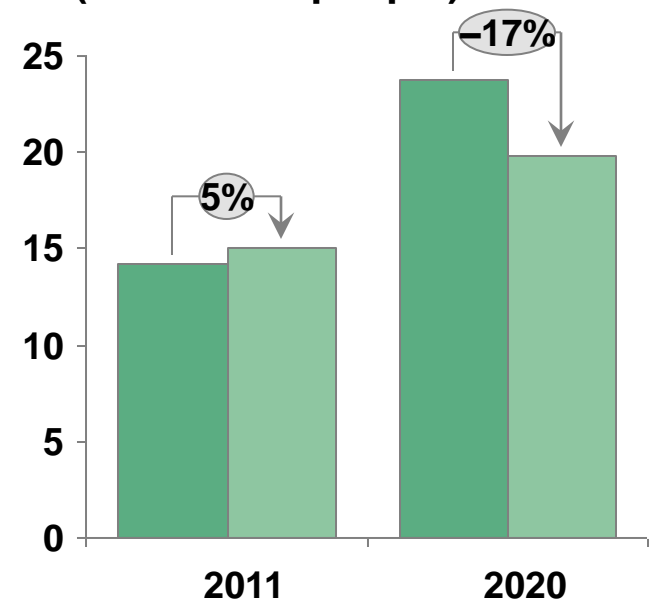
(Millions of people)



***Shortages in both quantity and quality will worsen.***

## Entry level

(Millions of people)



***Quantity gap will come on top of the quality challenge.***

Source: BCG Talent survey

# Banks need to adjust employer value propositions

Most important workplace factors	Rank in Indonesia	Rank worldwide
Good work-life balance	1	3
Attractive fixed salary	2	8
Company's financial stability	3	5
Learning and career development	4	6
Appreciation for your work	5	1
Good relationships with superiors	6	4
Good relationships with colleagues	7	2
Company values	8	10
Leading and taking responsibility	9	11
Insurance packages	10	19

Compensation package
  Work environment
  Job content and opportunities
  Company reputation and image

Note: Total sample size was 203,756; the number of respondents in Indonesia was 4,610

Source: 2014 BCG/The Network proprietary web survey and analysis

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# Bankers need to build greater capabilities in Indonesia



Address talent shortage and competencies of key roles – e.g., RMs, branch managers, area managers



Change the game with Digital – to better engage customers, to improve operational excellence and to disrupt competition



Embrace data analytics – banks are gathering immense amount of data but not necessarily using them well



Evolve risk management capabilities – operating environment getting more complex in most banks with product, service and geographic expansion



Upgrade talent management and leadership development – not just technical banking skills, but also managerial skills and international exposure



Enhance change management capabilities – driving change is a fundamentally different skill set from running the day-to-day business

**Mostly "no regret" moves regardless of speed of AEC**

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