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Author: Wang Yiding (王亦丁)

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An Entrepreneur from Indonesia

An Indonesian businessman has been blazing a trail between China and Southeast Asia. He is none other than Indonesia's richest Chinese businessman Mr Sukanto Tanoto. His RGM International has been busy reinforcing relations with China. From time to time, his four children accompany him on his trips to China, but this does not mean that he is planning his succession. "I have always believed in those of my employees who worked their ways up instead of those who rely on me or their connections with me," he said.

A self-made businessman, Mr Tanoto has inculcated an even more useful business philosophy: Be a good shareholder. Though three of his four children graduated from the Wharton School of Business, none of them has entered the family business. However, he requires that his children master three skills: Hire good talent; understand financial reports; understand the law and basic principles of business operations. When one of his sons was very young, he arranged for him to do an internship at a remote village, where there wasn't even any Internet.

A tall man often seen in suits with a pen in the jacket pocket, Mr Tanoto can be seen as a second John D Rockefeller. In 2006, his family fortune neared US\$2.8 billion, and he was placed first by Forbes on its list of Indonesia's 40 Richest. The 58-year-old Mr Tanoto's fortune did not come from buyovers or shares from listed companies. Instead it came from his pulp & paper, palm oil and energy businesses, which continued to remain stable and grow after the collapse of the Indonesian economy and the Asian financial crisis.

In China, under the umbrella of RGM International, Asia Pacific Resources International Holdings Limited (APRIL) has invested in China. Its core project is APRIL SSYMB located in Rizhao, Shandong, which is currently undergoing its Phase 2 expansion with an investment of up to US\$1.4 billion. Mr Tanoto hopes that this will be the world's most environmental-friendly pulp & paper line. One may not be able to connect him with being an "initiator of sustainable development", but he is far from making empty promises. He has collaborated with the government and non-governmental organizations (NGOs) to

introduce the “High Conservation Value Forests (HCVF) concept”, allocating at least 20% of his concessions for conservation of Indonesia’s natural forests, enforcing an anti-illegal logging policy and harvesting only acacia trees planted on 330,000 ha of concession land, which matures at seven years. In China, Mr Tanoto has made donations towards the building of 23 primary schools and 19 other projects in the Qiaoxin Project. “When your operations reach a certain scale, you have to give back to the community in order to continue to grow,” Mr Tanoto said.

Before Mr Tanoto was born, his father migrated from his hometown in Putian, Fujian to Medan in Indonesia. He is the eldest in the family, with eight younger brothers and sisters. When Mr Tanoto was 17 years old, his father passed away, leaving him to take on the responsibility of taking care of the family. Hence he became a spare parts supplier. He has laid down many principles in RGM International with annual updates to the employees. Some of the principles are: A company that looks like it is making profits on paper may close down, but a company that has cash flowing in every day will not; avoid drastic changes in times of crisis. A good example: His business groups’ property ratio of debt to net worth is far lower than that of the industry average, and as a test for his managers, he insists on using cashflow as a barometer when preparing financial reports. Every month, he would inspect the cash profits of each of his business groups.

Mr Tanoto’s innate talent for numbers and his ability to size up situations correctly has enabled him to make quick decisions and accumulate his fortune. He started out supplying spare parts to oil and gas companies before undertaking contracts for building of gas pipelines. During the global oil crisis in 1972, he made his first million. However, he realized that no matter how hard one tries, a business that relies on a single industry can be defeated by changing circumstances. Diversification is needed in order to spread out the risks. Thereafter, he invested in the plywood business and from a supplier, grew to become a producer, after which he invested his profits in the palm oil business. Five to six years after that, the worth of his combined assets was US\$1billion. During the 1997 Asian financial crisis, Mr Tanoto became the most successful businessman in Indonesia. In the process, he has been educating his team through his investment policies, “During times of crisis, prioritize and solve problems accordingly, and help everyone build confidence.” During that period of time, his pulp & paper mills in Riau province were in the midst of expansion and he had just obtained a loan of US\$1billion from three banks. When the financial crisis hit, however, the funds were frozen. Although Mr Tanoto was largely in the export business at that time, with profits and debts measured in US dollars, the mills still ran into risk of closure. Eventually, he decided to divest of his shares in some overseas holdings and transfer the funds back into Indonesia, and restructured the expansion into four phases. The mills commenced production two-and-a-half years later, one-and-a-half years later than originally planned.

However, Mr Tanoto has known failure too. In his beginnings as a plywood producer, the mill he invested in almost ran out of funds, as money for management and buying raw materials had not been

factored in. He said, "Run a mill as how you would run a business". When he switched from being a supplier to a producer, he had a big learning curve. Six months after the mill opened, it was unable to meet the expected production capacity of 8,000 panels a day. Later on, he hired a Taiwanese management team. With the same employees and same machinery, the mill was producing up to 12,000 panels a day in six months. He was only 24 years old then. From this incident, he realized the importance of good management and good talent. "Examples of failures are the most memorable, and you also learn the most from them," he said.

Till today, Mr Tanoto always carries notepaper around in his suit pocket, so that he can note down figures and other information. He reaches office at 9am most mornings, leaves at 10pm, and works six days a week. He taught himself English and even has even taken time out in the last few years to attend business courses. As the founder of RGM International, before making any major investment decisions, he still listens to opinions from various sources, making his people list the reasons for investing or not investing. He said, "As both shareholder and chairman, it is even more important to listen to others' opinions."