Business Leader Insights:

Unlocking Indonesia's Economic Potential for Future Prosperity

IBM

Contents

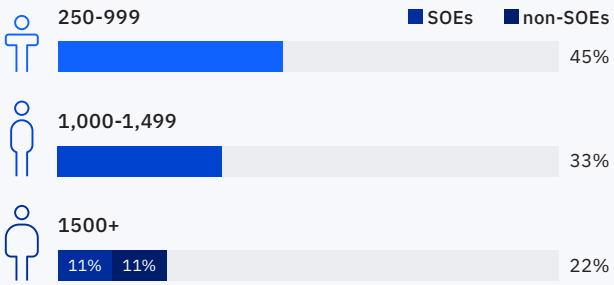
Indonesia 2025: A Resilient Growth Market

As Southeast Asia's largest economy, Indonesia is poised to become a global economic powerhouse. For 2025, the Indonesian government has set an economic growth target of 5.2% with international organizations offering similar projections for the year. IMF and the World Bank estimate growth at 5.1%, positioning Indonesia as a dynamic and resilient market with promising opportunities, for both local businesses and foreign investors, across all industry sectors. Bolstered by strategic government reforms and policies, coupled with timely investments in innovation and infrastructure, Indonesia's growth journey has steadily navigated recent global economic uncertainties, setting an optimistic and sustainable growth trajectory for the nation. As the new government in Jakarta settles into its five year term, IBM sought to understand where senior Indonesian business leaders see the big opportunities and challenges in the economy — and how the government can best support businesses to realize their potential.

Whitepaper Methodology

The following whitepaper outlines key findings based on 502 interviews with senior business leaders (Director level and above) based in Indonesia, representing a variety of industries and organization sizes. Some further select insights have also been added, based on a literature review of recent relevant studies. The survey, conducted in December 2024, provides insights into the perspectives of Indonesia's business leaders regarding the nation's economic growth prospects, key business challenges and opportunities, top areas of investment for Indonesian organizations, as well as recommendations from industry for government initiatives and interventions.

Sample by number of employees



Industry sample profile

Manufacturing	25%
Technology Services (Hardware / Software)	15%
Natural Resources (e.g. oil, mining, forestry)	12%
Financial Services	12%
Construction	7%
Others	7%
Public sector / Government	4%
Engineering, Design or Architecture	3%
Real Estate	3%
Retail	3%
Business Services	3%
Media and Communications	2%
Transportation	2%
Wholesale	2%

1. Digitalization and green energy transition investments key to Indonesia's future prosperity

For the vast majority of its business leaders, Indonesia's economic prospects look bright, with 92% of those surveyed expressing the belief that the country will experience strong growth over the coming decade. Leaders of medium-sized enterprises were particularly optimistic (57%) in this regard.

Also, close to half of all respondents (48%) expressed strong optimism in the growth potential and development of the country's technology sector over the next 10 years, with 77% of Indonesia's business leaders saying the greatest opportunity for the nation is to expand into the digital economy. This expansion includes the use of Artificial Intelligence (AI), digital transformation, and other emerging technologies to drive sustainable business growth.

Along with expanding into the digital economy, the second greatest opportunity cited by 67% of respondents was investing in renewable energy and sustainable resources. Of executives surveyed, 94% said they plan to increase their green investments, with 89% specifying their organizations have allocated more funds in their 2025 budget to promote sustainability initiatives.

The global decarbonization process presents a significant growth opportunity, and Indonesia's fiscal and regulatory policies have prioritized green growth in recent times. Efforts to support electric mobility, enhance carbon markets and boost renewable energy production have all gained momentum;[1] green industrial policy has placed particular emphasis on developing domestic electric vehicle production and onshore processing capabilities for raw critical minerals.[2]

However, growth in the raw critical minerals industry has not yet translated to significant economic development, while at the same time raising concerns over environmental degradation.[3] On the EV front, Indonesia faces strong competition from Malaysia, Thailand and Vietnam as it looks to position itself as a regional green power.[4] Further policy reforms are likely necessary for the nation to capitalize on its leading nickel industry and integrate it into global EV supply chains.[5]

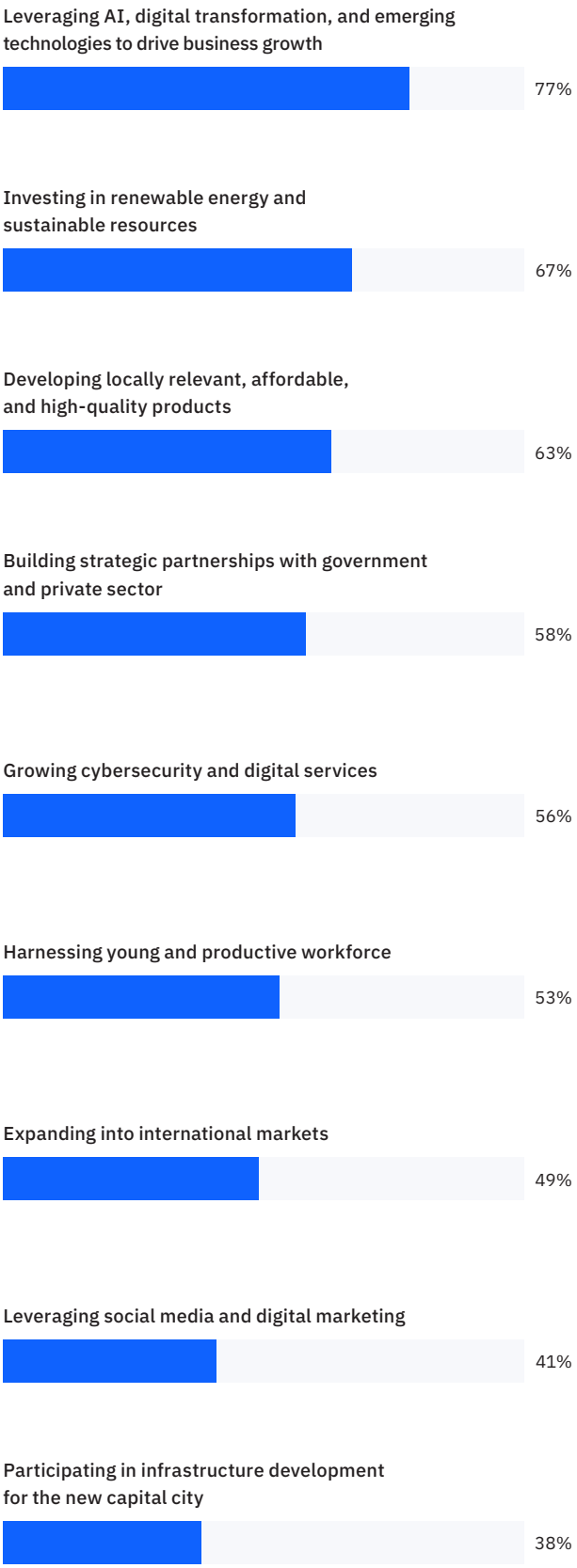
1, 5 [2024] McKinsey | Indonesia's green powerhouse promise: Ten bold moves

2, 3, 4 [2025] Lowy Institute | The Future of Indonesia's green industrial policy

The benefits of harnessing the potential of the green energy transition and digitalization through strategic reforms and policies cannot be overstated; business leaders identifying these areas as the top two growth opportunities for Indonesia highlight their importance. There is scope for policymakers to continue seeking ways to lower barriers created by unnecessary regulation in order to help fast-track digital transformation, as well as driving economic growth via strategic, clear and well-articulated green transition policies and energy subsidies.

It is also interesting to note from the survey findings that Indonesia's race to digitization is far outpacing the nation's infrastructure development. This mismatch could prove to be a blocker for online growth opportunities. A balance of digital and physical infrastructure development will need to be nurtured moving forward.

Greatest opportunities for business leaders



2.
Cybersecurity & Digitalization are two sides of the same coin

As the biggest opportunity cited by business leaders, the drive for digitization in Indonesia is strong, with 86% predicting investments in this area to increase by 10% or more over the next year. Smaller organizations are leading the charge, with 89% reporting increases in investments compared to 79% of large companies. Construction (92%), Retail (92%) and Public Sector / Government (90%) are the industries expected to have the greatest increase in budget spend on digitalization initiatives and innovation programs over the next 12 months.

However, expanding into the digital economy comes with risks, with survey findings revealing over half of Indonesia's business leaders (55%) view cybersecurity as the number one challenge for their organization. As Indonesia's digital economy grows so does the country's threat risk, with an increased potential for exploitation of IT systems and data breaches. An expanding digital footprint and increased cyber related threats become two sides of the same coin for Indonesian organizations.

Survey findings also show that cybersecurity is the most pressing infrastructure gap for organizations (according to 84% of respondents), as well as the top challenge

Respondents cited the following as their organization's most pressing digital infrastructure needs

Data governance and security	84%
Software/Platforms	64%
Hardware (servers, GPUs, cloud)	59%
Data consolidation	58%
Human capital	42%

for business leaders. At the same time, leaders say cybersecurity awareness is the digital skill most lacking within their organizations (63%) creating a 'perfect cyber storm' of increasing security threats, inadequate IT infrastructure and lack of relevant skills.

Interestingly, respondents from State Owned Enterprises (SOEs) ranked data security and privacy concerns third (49%), behind lack of a skilled workforce (59%) and high operational and maintenance costs (55%), as their most pressing digital infrastructure needs. This discrepancy between ministry-managed organizations and the private sector indicates a two-speed approach to compliance and security investments that may create vulnerabilities in Indonesia's interconnected, nation-wide security networks and supply chains.

51% of respondents say their organization is fully prepared to meet its obligations in relation to Indonesia's Personal Data Protection Law, with a further 45% indicating some degree of readiness.

SOEs are more concerned about talent shortages than data security

Lack of skilled workforce

59%

High operational and maintenance costs

55%

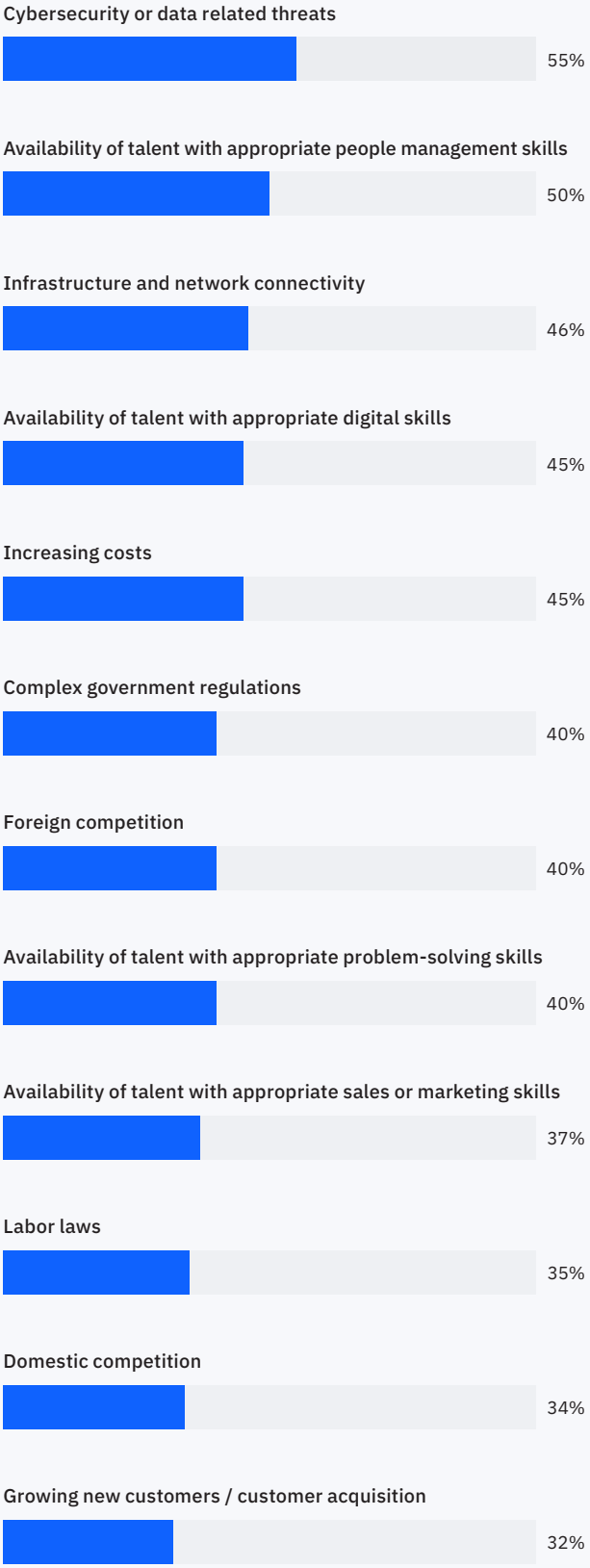
Data security and privacy concerns

49%

Bureaucratic processes and regulatory hurdles

45%

Top challenges faced by business leaders



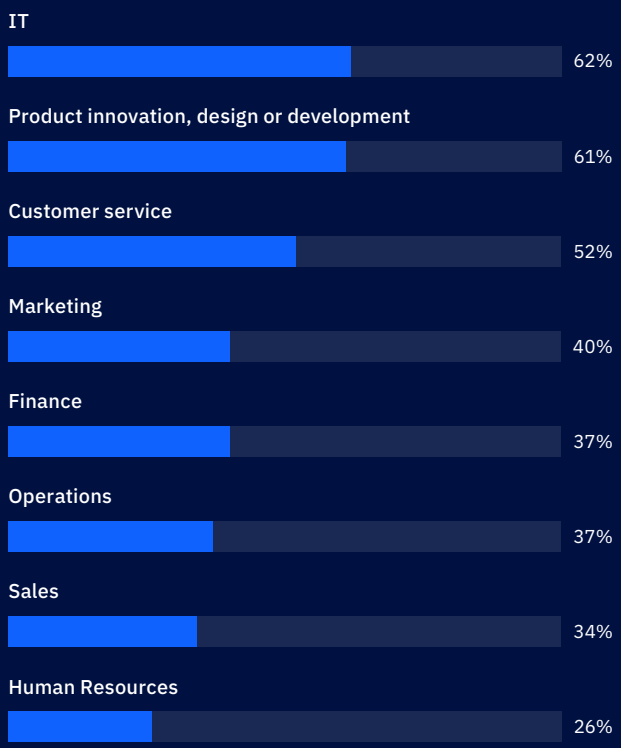
3.
High confidence in AI readiness, but ethical understanding lags

Indonesia's business leaders believe AI will transform the way their organizations do business. 85% of respondents indicated AI had already made a significant impact on their organization's operations and productivity. Leaders from medium-sized organizations were most likely to report a very significant impact (45%) from AI deployment, followed by smaller (34%) and large-sized organizations (29%).

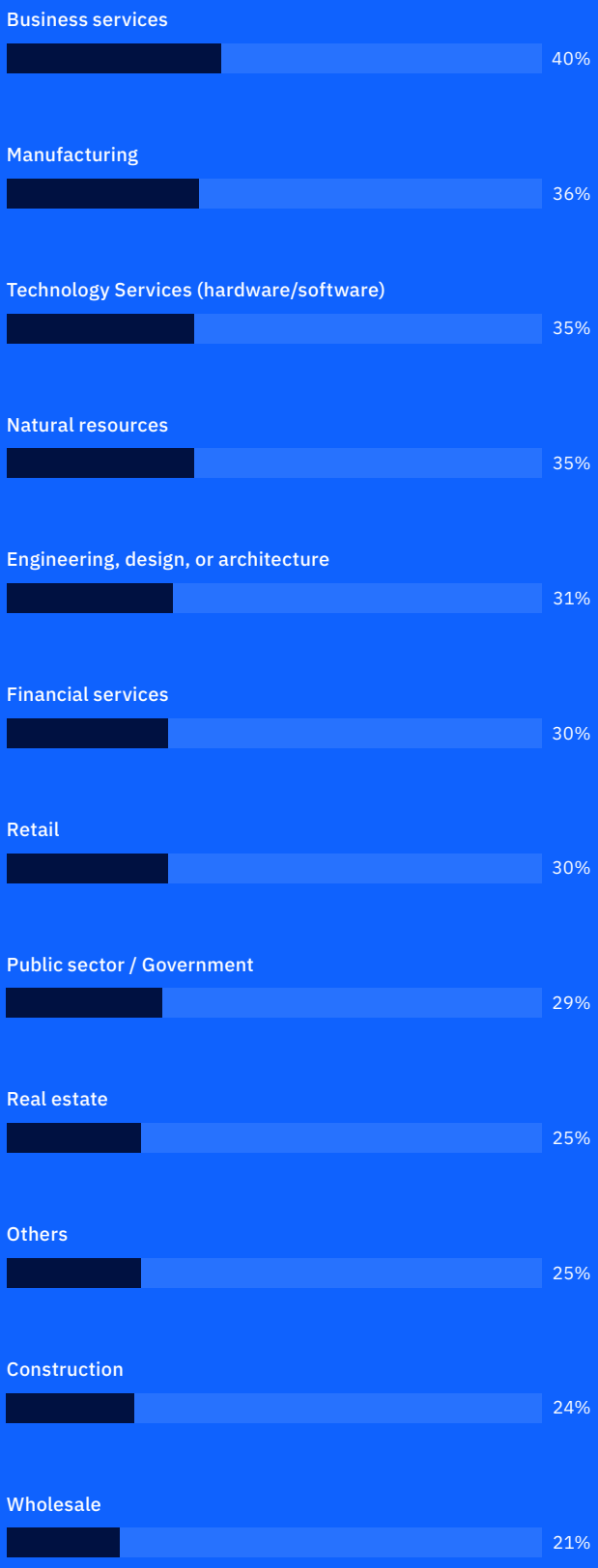
The survey also revealed high confidence among respondents in relation to AI readiness, with 93% of business leaders saying their organizations were well positioned to successfully deploy AI. Retail (69%), Technology services (63%), Public sector / government (63%), Manufacturer (56%), and Engineering, design, or architecture (50%) are the industries most likely to report confidence in AI readiness.

In addition, 71% of Indonesia's organizations claim to have a well-defined AI-strategy. Medium-sized organizations (80%) lead in this regard, ahead of large organizations (71%), and smaller businesses (63%). Unsurprisingly, those industries with high confidence in AI readiness were the same industries most likely to have a formal AI adoption strategy in place.

Areas of their organization where they have already invested heavily in AI



Average % IT budget dedicated towards AI-related investments



Of the 29% of organizations that do not have a formal strategy in place, 63% are in the process of developing one.

These AI investments are set to change established ways of working across all functions within organizations, with 81% of business leaders believing that the implementation of AI will have a significant impact on their workforce. On average, leaders say their companies have increased productivity by 38%, with the top three benefits cited as improved efficiency of systems, processes and operations, and profitability, enhanced product innovation, design or development, and an improved ability to innovate and remain competitive.

Despite this planning and investment, less than half (45%) of respondents strongly believe their organizations fully understand how to develop and deploy AI ethically. One quarter (24%) of Indonesia's business leaders do not believe their organization has a well-defined process in place to govern the use of AI, although most of these companies are in the process of developing one.

With an eye on rapid AI adoption and potential harms, the Indonesian government is drafting detailed regulation[6] to govern and control the use of AI technologies, following major jurisdictions across the globe in tackling this issue. Aimed at identifying sector-specific challenges — and opportunities — the proposals focus on specific use cases in sensitive sectors such as healthcare, education, and government services. The reforms suggest Indonesia is planning to align technological process with ethical considerations and robust legal frameworks.

In the early stages of the AI revolution, Indonesia has positioned itself as a forward-thinking nation on GenAI adoption and impacts. 85% of leaders are aware of the Minister of Communication and Information's Circular Letter Number 9 of 2023 on Ethical AI use, but only 39% believe it is sufficient for governing AI. With 78% of business leaders citing technological innovation as a key success factor for organizations doing business in Indonesia today, policymakers must continue to encourage the safe and ethical development of AI innovations, through an appropriate AI risk framework that protects individual users, as well as supporting nation-wide economic and societal benefits offered by trustworthy AI.

6 [2025] OpenGov | Indonesia: Comprehensive regulation for responsible AI

4.
Digital talent shortages could hinder progress in AI and digitization

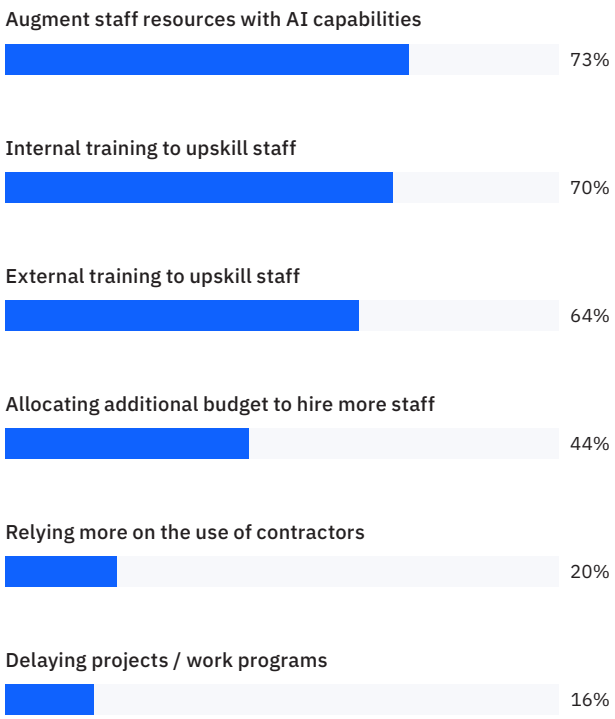
Despite the widespread optimism around AI, gaps appeared when business leaders are asked about the more operational areas of their organizations' competitiveness. For instance, 60% reported challenges accessing the right skills and talent.

Top talent concerns among business leaders include a shortage of qualified IT staff (56%), lack of digital literacy across the workforce (43%) as well as a shortage of qualified HR staff (38%).

The shortage of qualified IT staff is of greatest concern to large-sized organizations (63%), followed by smaller (59%) and medium-sized organizations (50%). Respondents felt the digital skills most lacking within their organization included general cybersecurity awareness (63%) and appropriate data handling skills (56%). The findings support recent studies suggesting that 60% of Indonesian employees consider digital skills as the most important area for upskilling.[7]

Faced with this dilemma, the Indonesian government has targeted producing 9 million digital talents by 2030, aiming to capitalize on a young, growing population to build a diverse digital workforce. However, many young Indonesians lack the necessary digital skills, with 25.8% of the country's

Measures cited in response to the digital skills shortage



young people classified as NEET, (Not in Education, Employment or Training).[8]

The impacts of Indonesia's digital talent shortages appear to be holding many businesses back in their quest for sustainable growth. The most commonly cited impact of digital talent shortages were inefficiency and productivity loss (35%) and the inability to progress certain initiatives and programs of work. However, businesses are taking action.

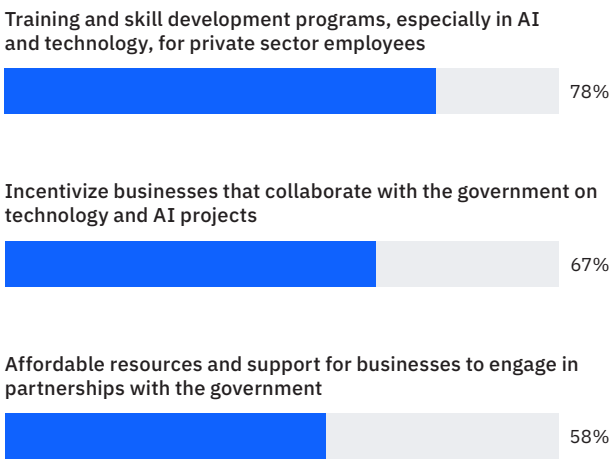
There is also widespread recognition that government agencies must do more to address the digital talent gap, with 97% of respondents holding this view. The most commonly requested government measures are:

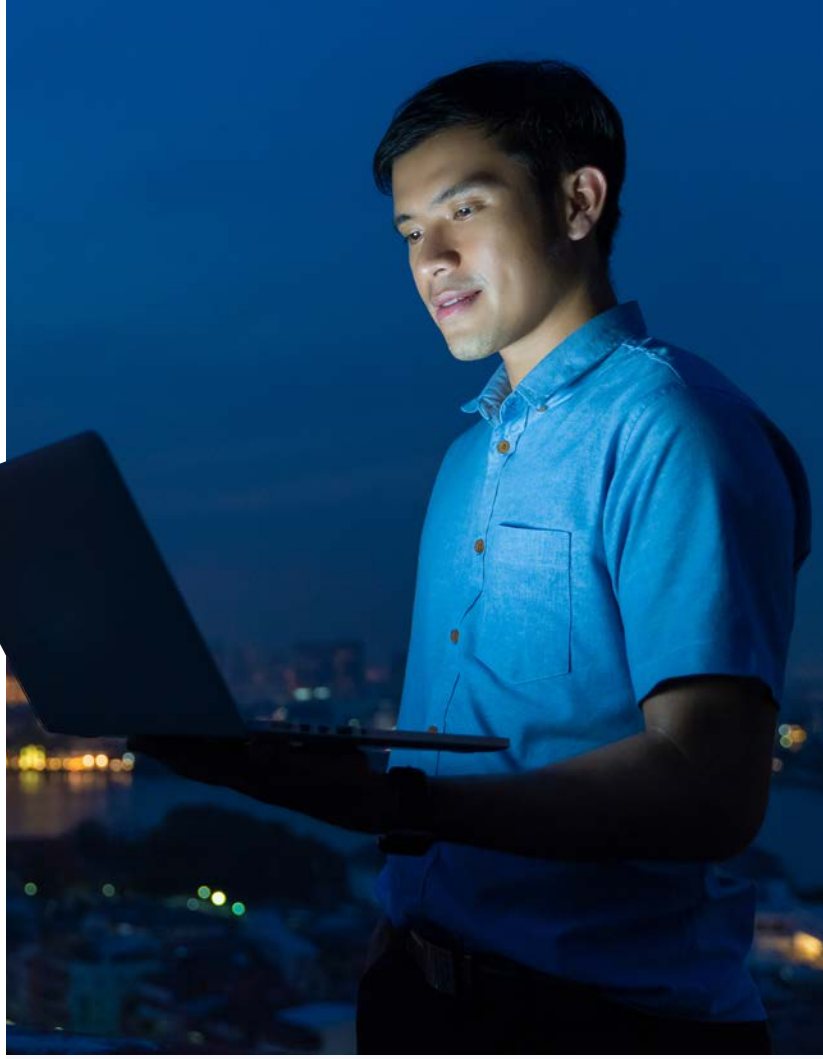
74% **Free or subsidized digital skills training and certification**

72% **Enhance digital infrastructure**

69% **Collaborations with educational institutions**

Another widely endorsed measure was public-private partnerships, with 96% asserting that the government should do more to promote these. Key measures to promote the partnerships include:





84%

of respondents claim to be aware of government policy regarding the creation of a national digital ecosystem. Among those aware, 66% express full support for the measure, with the top benefits perceived as enhanced efficiency and productivity (80%), increased security and data protection (69%), and improved technology adoption (69%).

Despite the widespread calls for government action, 83% of business leaders surveyed said that they are aware of existing government initiatives to improve labor productivity and close skills gaps. This may indicate that even though leaders know of the existing initiatives, they are perceived as being insufficient and ineffective.

7 [2023] Economist Impact | Bridging the skills gap: Fuelling careers and the economy in Indonesia

8 Bridging the digital divide: Skill our future platforms to empower Indonesian youth

5.
Technical innovation and team-orientation are hallmarks of Indonesian business leadership

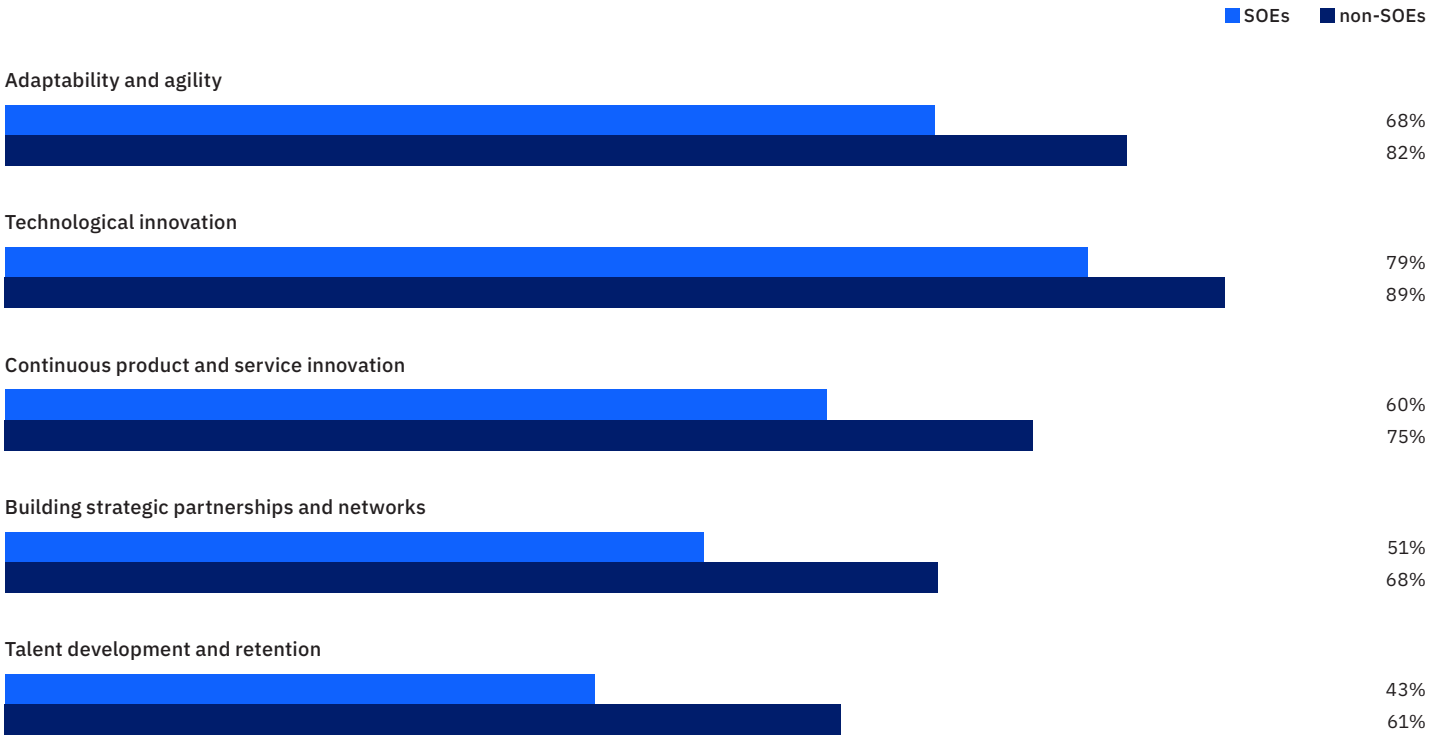
The survey findings reveal that Indonesian organizations value contemporary leadership traits such as being adaptive and agile (71%) and collaborative and team-orientated (63%). These leadership traits are listed alongside technological innovation (78%) and continuous product and service innovation (64%) as key success factors for doing business in Indonesia.

These top four critical success factors paint a compelling picture of contemporary leadership and innovation in Indonesia today that will ensure the country continues to leapfrog and lead the global economy in a new era of technical innovation and disruption.

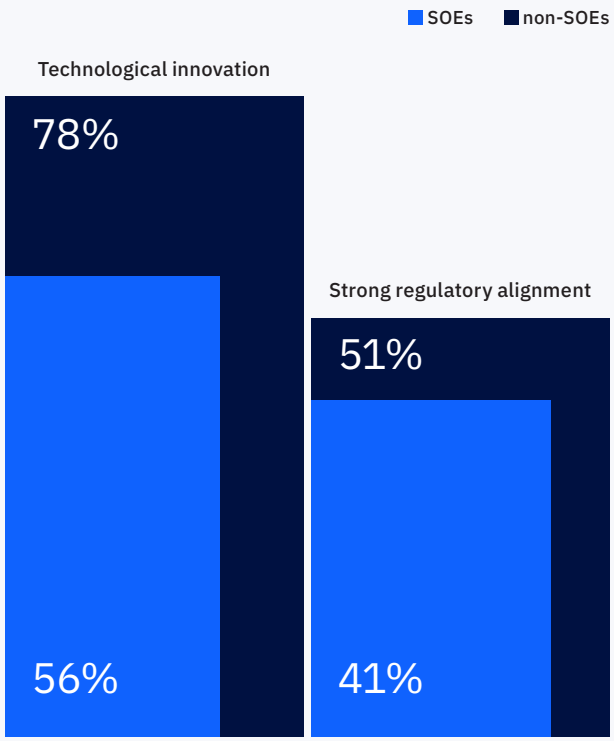
The following factors were cited as the top contributors to success

Technological innovation	78%
Adaptive and agile leadership	71%
Continuous product and service innovation	64%
Collaborative and team-oriented leadership	63%
Customer-centric approach	55%
Building strategic partnerships and networks	55%
Strong government and regulatory alignment	51%
Talent development and retention	41%
Cultural sensitivity and local adaptation	37%

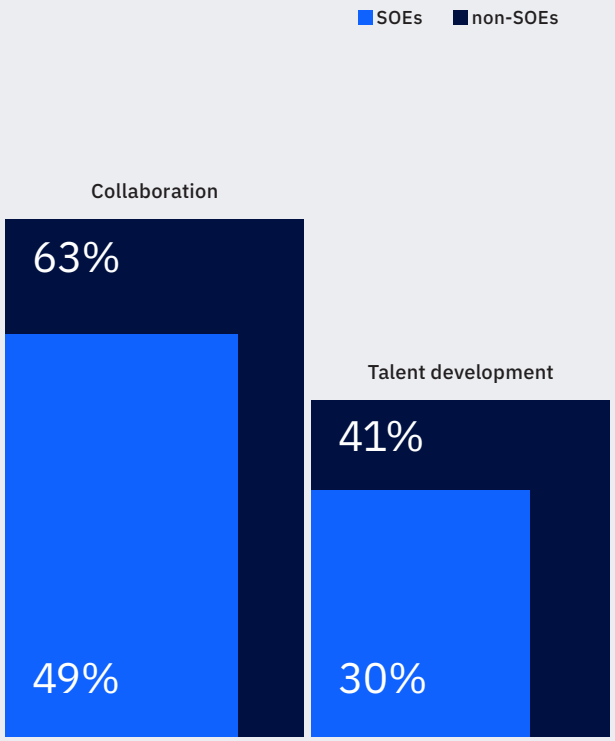
Notable differences in valued leadership traits for SOEs include:



Financial services leaders were less likely to value:



Leaders in the natural resources sector were less likely to value:



6. Small businesses present a big opportunity for Indonesia's future growth

Micro and small businesses are Indonesia's growth engine. With over 64 million micro, small and medium-sized enterprises in operation, they account for more than 60% of Indonesia's GDP and employ nearly 97% of Indonesia's workforce (WEF).[9]

As mentioned earlier in this whitepaper, 86% of Indonesia's business leaders predict digitization investments will increase by 10% or more over the next 12 months. Smaller organizations (89%) will lead this spend when compared with large companies (79%).

Despite strong levels of investment to digitize operations, only 63% of smaller organizations claim to have a well-defined AI-strategy. This is compared to 80% of medium-sized organizations and 71% of large organizations.

Government agencies must have a small business focus when it comes to policy reform and development. Policies aimed at digitizing small businesses have proven effective in the past,[10] such as Startup4Industry, designed to help small and medium-sized enterprises (SMEs) adopt technology. Targeted support can enable SMEs to overcome technology adoption challenges, supporting the growth of Indonesia's digital economy.

Policymakers now have an opportunity to drive specific regulation that supports AI-led digital transformation for smaller organizations, harnessing the significant benefits (at scale) which come from a 64 million-strong business cohort that is digitally transforming, helping to fast-track economic and societal growth, and competitive advantage for the entire Indonesian market.

9 https://www.weforum.org/stories/2022/05/digitalization-growth-indonesia-msmes/

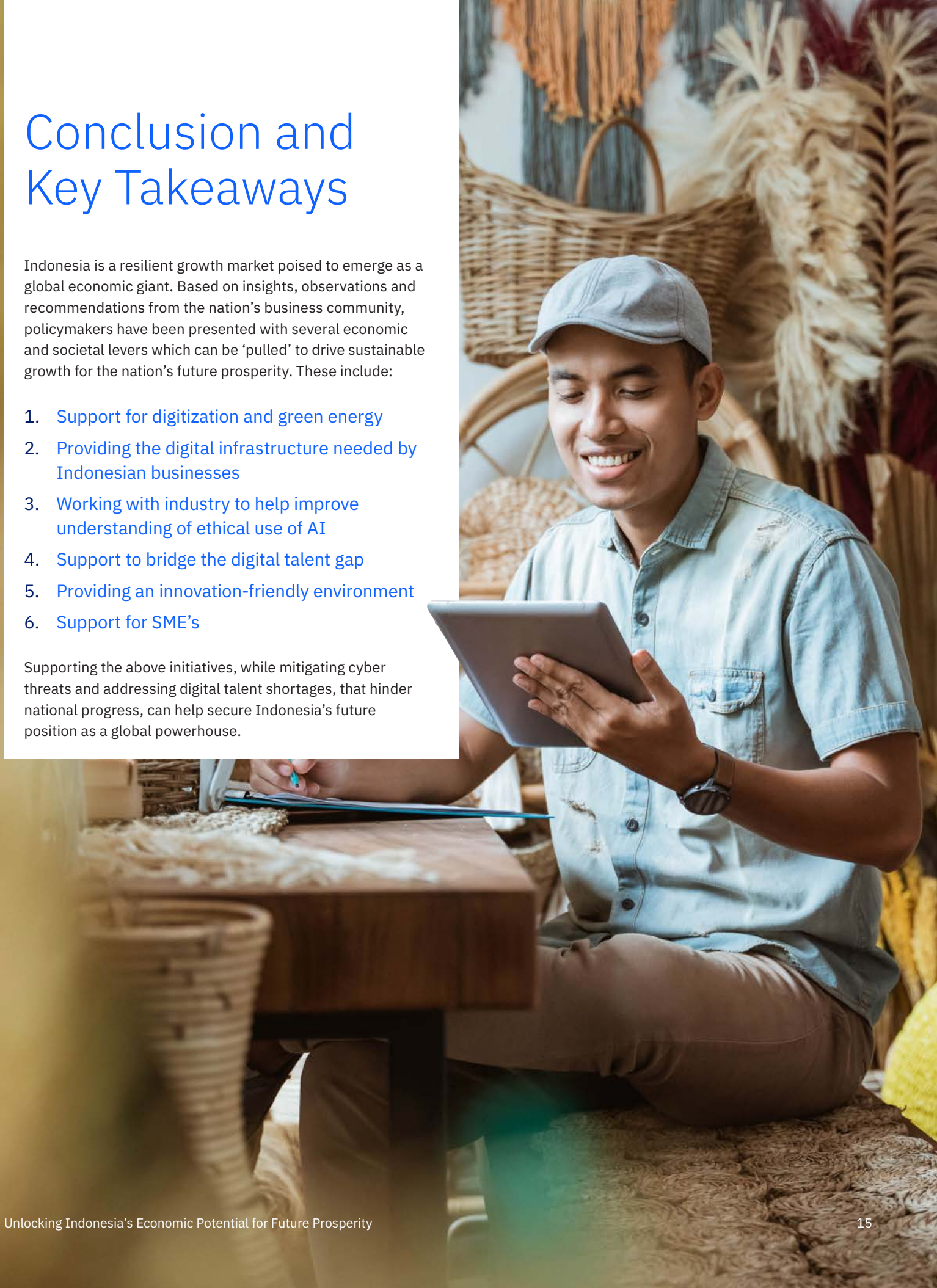
10 https://en.vietnamplus.vn/indonesia-supports-smes-in-adopting-appropriate-technology-post307588.vnp

Conclusion and Key Takeaways

Indonesia is a resilient growth market poised to emerge as a global economic giant. Based on insights, observations and recommendations from the nation's business community, policymakers have been presented with several economic and societal levers which can be 'pulled' to drive sustainable growth for the nation's future prosperity. These include:

1. Support for digitization and green energy
2. Providing the digital infrastructure needed by Indonesian businesses
3. Working with industry to help improve understanding of ethical use of AI
4. Support to bridge the digital talent gap
5. Providing an innovation-friendly environment
6. Support for SME's

Supporting the above initiatives, while mitigating cyber threats and addressing digital talent shortages, that hinder national progress, can help secure Indonesia's future position as a global powerhouse.



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