

Can Indonesia Recreate Silicon Valley?

BY SONIA LONTOH



Sonia Lontoh is an Indonesian diaspora technology executive based in Silicon Valley.

A delegation consisting of the Indonesian Investment Coordinating Board, the Ministry of Industry, and the Ministry of Tourism and Creative Economy recently visited Silicon Valley. Their purpose was to learn how Indonesia could unleash its digital economy's potential. The delegation met with several prominent Silicon Valley companies, accelerators and venture capital firms. As an Indonesian diaspora based in Silicon Valley, I was able to sit down with Mari Pangestu, the Indonesian Minister of Tourism and Creative Economy, and Mahendra

Siregar, the chairman of the Indonesian Investment Coordinating Board, to discuss ways for Indonesia to create a strong tech ecosystem.

Indonesia, the region's largest economy, still lags behind Singapore in attracting tech investments and creating an innovation ecosystem. In 2013, venture funding for Singapore's tech sector soared to \$1.7 billion (from \$28 million in 2011), behind only China (\$3.5 billion) in Asia, according to a recent study. The Singapore government has established numerous schemes to encourage entrepreneurs and venture capitalists to base themselves there.

With a young population of 250 million whose income is growing, Indonesia undoubtedly offers a huge potential market. Population alone, however, is not enough. The Internet infrastructure in Indonesia is slow and insufficient compared to that of neighboring countries. So what can Indonesia do to boost its competitiveness in creating a vibrant tech ecosystem?

First, Indonesia needs to boost its competitiveness and upgrade its infrastructure. According to the World Bank, the country ranks #120 out of 189 economies in the "Ease of Doing Business" Index, while Singapore ranks #1. The country should also improve its human capital, and in particular, its technology talent pool. Silicon Valley thrives in a knowledge-based economy partly due

to its proximity to world-class research universities and R&D centers. Looking at the QS World's Best University Ranking, compiled by Thomson Reuters, none of Indonesia's universities appear in its top 100 list.

Additionally, the country ought to create a strong ecosystem of mentors, advisors and financiers. First-time entrepreneurs face daunting challenges every day. Many accelerator programs in Silicon Valley aim to empower entrepreneurs with seed funding, creative work spaces, tools, distribution channels and networks that can help move their young businesses to the next level.

One essential ingredient in creating a successful technology ecosystem is financing—be it angel, seed or venture capital (VC), and successful exit scenarios into liquid capital markets. On the one hand, many local investors do not understand and do not have the risk/return profiles of the Silicon Valley VC model. On the other hand, Silicon Valley VC firms may not be interested in investing in Indonesia because it is a market that they do not yet know well. Finally, a successful ecosystem requires a strong culture of risk taking and entrepreneurialism, where failures are seen as a badge of honor. Silicon Valley is a confluence of cultures and attitudes that accumulate over time and creates that powerful mindset. Indonesians should embrace this mindset. 

