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## Irwan Hidayat

Sido Muncul

The huge demand for herbal medicines in the world's fourth most populous country has given rise to one of Indonesia's most innovative family businesses, Sido Muncul. Now under the control of the third generation through its CEO Irwan Hidayat, Sido Muncul remains true to the values instilled by its previous generations of owners, not least Irwan's grandmother and mother, who left an indelible mark on the business.



**“The strength of the management and the family values of harmony and tolerance have guided Sido Muncul to where it is today.”**

**Irwan Hidayat,**  
CEO, Sido Muncul



The third generation is fully involved in the business.

Semarang in the island of Java is home to one of Indonesia's most dynamic family businesses. PT Industri Jamu dan Farmasi Sido Muncul, or Sido Muncul, is Indonesia's biggest herbal medicine producer. It is also a third generation family business.

Irwan Hidayat, the grandson of the founder, is the current CEO. He is behind much of the success that the business has enjoyed since he joined the company in 1972. Sido Muncul, which means "a dream come true" in Javanese, is today a US\$200m-plus business that employs thousands of people and exports across the world.

Irwan says the success of the business owes a lot to it being family owned. "The strength of the management and the family values of harmony and tolerance have guided Sido Muncul to where it is today," he says. "These family values are at the core of the business, and they have been since my grandmother set

up the company more than 60 years ago." Irwan adds that the Chinese proverb "da jia yi tong xin. Huang tu bian cheng jin" – which in English means "when a family has one heart, the yellow sand will change to gold" – encapsulates a crucial aspect of Sido Muncul's success.

### More than 270 products

The business makes numerous herbal medicines like "Tolak Angin", which means "repel the wind" in Indonesian, and is now Indonesia's fastest-selling treatment for the common cold. It sells in small yellow bags for around 25 cents across Indonesia, and is also taken for flatulence, nausea and jet lag. The Semarang-based company also makes the very popular "Kuku Bima" energy drink. Indonesians revere these herbal-based products, or "jamu", for their perceived power to heal ailments such as arthritis and sexual dysfunction. The company uses

about 500 ingredients, including cloves, ginger, galangal and turmeric, to make its products.

### The business started in a small cottage

The company says that many of its medicines have met pharmaceutical standards. Irwan has personally spent large sums of money on research centers in Indonesia to show that the company's medicines work. That has helped with the business's growth. So too has a rising middle class throughout Asia, which has driven much of the demand for Sido Muncul's products from abroad in recent years. The company also

who intend to absorb the company shares and stocks," says Irwan. "As my mother always taught us, the value of sharing with others is crucial to the success of the company. That was one of the big ideas behind the listing."

Sido Muncul can trace its history back to the first half of the 20th century. In 1941, Irwan's grandparents, Siem Thiam Hie and Rakhmat Sulistio, established a herbal medicine company in the central Javanese city of Yogyakarta. War intervened and, in the early 1950s, the couple moved to Semarang, where they established Sido Muncul, effectively as a small cottage based in their house. Their daughter, Desy Sulistio, and China-born



The business was founded as a traditional herbal stall in 1951 in Yogyakarta, Central Java, by Irwan's grandmother Go Djing Nio and his grandfather Siem Thiam Hie.

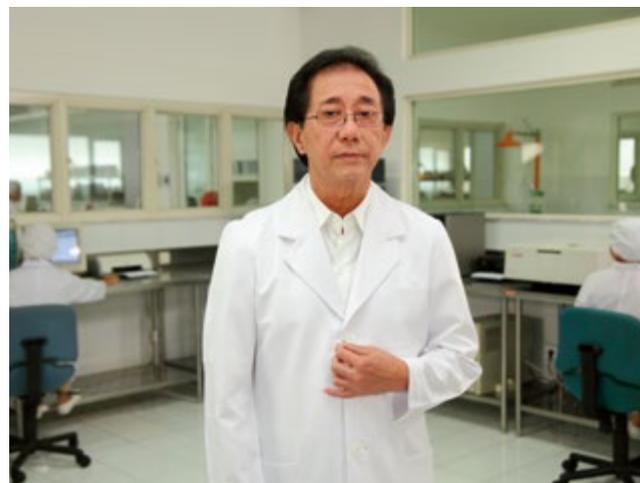
produces food supplements and herbal candy. And the family owns Hotel Tentrem in Yogyakarta, the cultural center of Java, and Hotel Candi Baru, a restored Dutch colonial building in Semarang.

Two years ago, in order to grow the business and offer Indonesians an opportunity to buy a stake in its success, Irwan decided to list a part of the share capital of the company on the Indonesian stock exchange. Irwan says the initial public offering, which represented around a 10% share in the company, did not change the company's values. "The goal of Sido Muncul as a public company is to safeguard the interests of the stakeholders

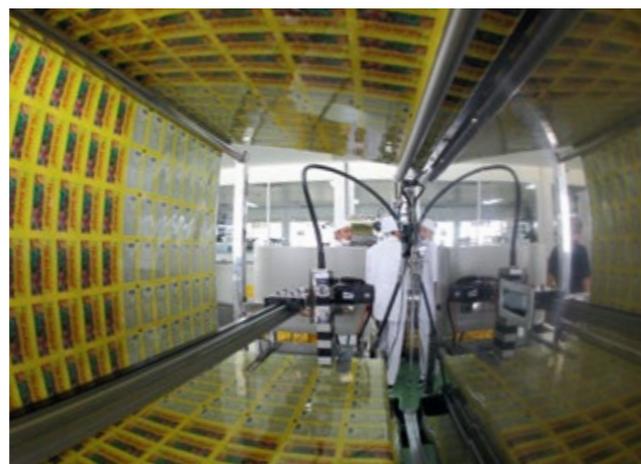
son-in-law, Jahja Hidajat, joined the company in 1953, taking a 50% stake.

They began running the business when Rakhmat retired in 1970. At this time, it also became a limited liability company and moved to the city of Semarang. Irwan's father died in 1994. A decade later, Desy, with her health deteriorating, decided to hand the reins to her five children. Irwan, the eldest, became President Director, or CEO.

Other family members working at the business include three of Irwan's siblings, Sofyan, David and Johan. The fourth generation,



Irwan Hidayat in the company's laboratory.



Sido Muncul produces more than 270 products, such as herbal medicine, supplements and engery drinks.



The Tolak Angin Liquid is one of the most successful products of Sido Muncul.

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which comprises 13 members, is starting to be involved in the business. Irwan says that it is very important to involve the next generation so that Sido Muncul keeps on developing. “In order to maintain family succession harmoniously, each member will be given a specific role and responsibility. If there are six Sido Muncul companies, then each company may involve two to three family members, and each family member will have their own responsibility in the company.”

Now 68, Irwan says there is no formal succession plan in place. Typically, the eldest child of the next generation would be expected to take over, as is custom in Indonesia, but he admits that he still does not know if this will happen. “Further time will tell who among them will be chosen,” he says. And he adds: “The future leader of Sido Muncul must develop wisdom rather than just being smart.”

#### Active in philanthropic efforts

Under the direction of Desy, Sido Muncul is active in philanthropic efforts throughout Indonesia. The company has paid for 36,000 cataract surgeries since 2011, and hires buses each year for 20,000 people in Jakarta who can't afford to pay for trips back to their villages during the Muslim Eid-ul-fitr celebration.

Sido Muncul has also been involved in various initiatives to help Indonesia's tourism industry. The aims, says Irwan, are to popularize new tourist areas throughout the country, improve the local economy and raise the living standards of the local community.

What about the future? Irwan is pretty confident that demand for Sido Muncul's products will grow, both in Indonesia and outside of the country. But, as the business grows, he's sure that the family values of harmony and tolerance will remain at the core of the business. After all, these values have underpinned the business since 1951. And there's no reason why they should not continue to do so for another 60 years or more.



Semarang Herbal Indo Plant (SHI) is the largest production unit of Sido Muncul.

#### Irwan Hidayat CEO

Company name: **PT Industri Jamu dan Farmasi Sido Muncul Tbk.**

Generation(s): **3rd and 4th**

Founded: **1951 in Yogyakarta, Indonesia**

Industry: **Herbal medicine, health food and beverage**

Employees (2014): **Approx. 3,450**

Revenue (per year): **Approx. US\$ 200m**