



Asia-Pacific  
Economic Cooperation

## IMAN ABADI: AN ENTREPRENEUR WHO WENT BACK TO SCHOOL?

“Is there a school for old people like me?” Pak Iman, owner and CEO of PT Nobi Putra Angkasa (NOBI), Indonesia’s leading manufacturer of cable trays and support system, asked his daughter, Dini Widiastuti. Dini, his eldest daughter, finished her master’s degree, major in management in March 2000. Once, she asked her father, “Why did you buy such an expensive machine? Have you calculated its pay-back period, or its Return-on-Investment? Have you conducted a feasibility study?”

‘Pay-back periods’, ‘Return-on-Investment’, and ‘feasibility study’ were common terms discussed in Management Program courses. Pak Iman, of course, did not have any answer to his daughter’s queries. The truth was it was his intuition which made him decide to buy the newest machine equipped with Computer Numerical Control (CNC). He thought the machine would make their operations more competitive. The machine was capable of turning out products with comparable quality to imported ones, which were 40 % more expensive.

PT Nobi Putra Angkasa was founded in 1984 by Pak Iman and his friend who used to work with a multinational company. In 1985, the company started manufacturing cable trays or cable support system and panel boxes (See Exhibit 1a and 1b). At that time, there were a few local competitors and they did not affect his business. The real competitors were imported products. Day by day, the competition was getting tighter as there were more local and foreign products.

As the owner and the CEO of the company, Pak Iman had to make both operational and strategic decisions. Not all his decisions were right. He had long wanted to learn a business concept or theory which could help him identify changes and solve problems in his company. He thought of going to school to make sure that he would arrive at the right decisions. He was not sure, however, if the gut

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This case was written by Vincentius Winarto, PhD of the PPM Institute of Management (Indonesia) as a contribution to the Project entitled “Innovation in Entrepreneur Development in APEC”, conducted under the Asia Pacific Economic Cooperation (APEC) Human Resources Development – Capacity Building Network (CBN). The case was developed with the cooperation of Mr. Iman Abadi solely for the purpose of class discussion. The cases are neither designed nor intended to illustrate the correct or incorrect management of the situation or issues contained in the case. No part of this case can be reproduced, stored or used without the written permission of the author(s) and the Asia Pacific Economic Cooperation.

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feel he used in making decisions could be adequately replaced by management analysis that he would learn in school where most of the professors were probably much younger than him. Pak Iman noted that “By learning and understanding management, I would be able to validate and confirm what I had done in the company.”

In April 2000, Pak Iman was accepted in the magister management program in a reputable management school in Jakarta.

## **Background**

Pak Iman’s ancestors were not entrepreneurs. His grandfather and father were government officials in the region. Pak Iman’s father wanted his son to be a government officer like him. After his father retired, however, Pak Iman experienced financial difficulties while he was still studying in a university. His family also suffered. Pak Iman did not want this to happen to his children. He believed that being an entrepreneur was the best solution to avoid this predicament.

While he was studying in the Bandung Institute of Technology (BIT) majoring in civil engineering, Pak Iman took on a part-time job. Since he did not receive any money from his father, he suspended his study for several years to get a job. In 1967, he applied for a job as a salesman at a distribution company, presenting only his High School Diploma. If his boss had known that Pak Iman was a BIT student, he would not have been taken in or accepted. He later on quit the job because he was accused of being corrupt due to a minor gap in his financial reports. Besides, his friends and teachers were against his decision to be a salesman.

In an effort to help him in his financial problems, one of his teachers offered him a job in a construction project of Bina Marga in Cirebon and Tegal, Central Java. He also worked as a student assistant to a professor in structural engineering while he continued his studies. His work included structural or construction design, drafting, project costing, and project supervision. One of the designs he worked on was that of a 25 meter bridge which was successfully built. This gave him a sense of accomplishment and confidence in his skills.

His knowledge of and interest in entrepreneurship developed when he got involved in his old friend’s real estate business. It was a mutual relationship. Pak Iman got a chance to learn the business while his friend obtained technical inputs from him.

After graduating from BIT in 1973, he worked for several companies dealing with design and development such as PT Econa and PT Handara Graha. He worked as chief supervisor at PT Econa and project manager at PT Handara Graha. When he joined PT Motorisia, he was given an opportunity to work in Saudi Arabia. PT Motorisia was awarded a project contract as a sub-contractor by a Korean company involved in a telephone project of Philip-Ericsson in Mecca and Medinah. As the deputy chief of the project, Pak Iman had access to the suppliers of cable trays or cable support system and panel boxes. He visited the manufacturing plants and thought that it would not be difficult to produce these products.

He worked with the project for two years, 1978-1979. He received his salary in US\$ which enabled him to save money. After he returned to Indonesia, he joined another company but was not happy about it because of his low monthly salary. In 1980, he decided to start his own business as a building contractor.

### **Starting A Business, The First Business: Building Contractor**

Armed with his work experience and his savings, Pak Iman started his own business at the age of 34. He managed everything himself. Everything he needed, including manpower or labor were on a per project basis. Since his wife was a doctor and a government official, Iman did not have to worry about his family.

Using his garage as the office, Pak Iman started his company and used other company's name to land a project or contract. For that he had to pay fees equivalent to 7.5% of the total project contract. He did almost every job in the office: looking for orders, drawing, calculating, and meeting with clients and partners. He started work at 8.00 am and finished at 8.00 pm. His hard work and efficiency enabled him to receive very good income equivalent to 30%-50% of the project value.

After five years, he felt that his business was uncertain in terms of revenues. The fluctuation in project amount or value caused a significant impact on his revenues. He thought that manufacturing could probably provide him a more stable income.

### **Second Business: Producing Cable Trays and Panel Boxes**

As a businessperson, Pak Iman was challenged by the fact that Indonesia still imported two products: cable trays and panel boxes. In his opinion, producing them was not a complicated process. Pak Iman was encouraged by a former classmate who was working in a multinational company. He was sure that the products could be made in Indonesia and that Pak Iman could do it. When he worked in Saudi Arabia, he learned everything about the products: how to produce and sell them and who was the best manufacturer of the products in the world. Pak Iman felt he would contribute to the Indonesian economy by establishing a manufacturing plant. It would save the cost of importing goods which were needed by big-scale development projects. Indonesia imported some US\$50 million of the products annually from the United States and Europe.

Pak Iman understood the panel boxes business very well because he once worked as a representative of Rittal, a German company engaged in manufacturing panel boxes in Indonesia. One of his partners at NOBI also supported him in the production of cable trays and panel boxes. Years later, Pak Iman's partner resigned from NOBI and Pak Iman bought all his shares.

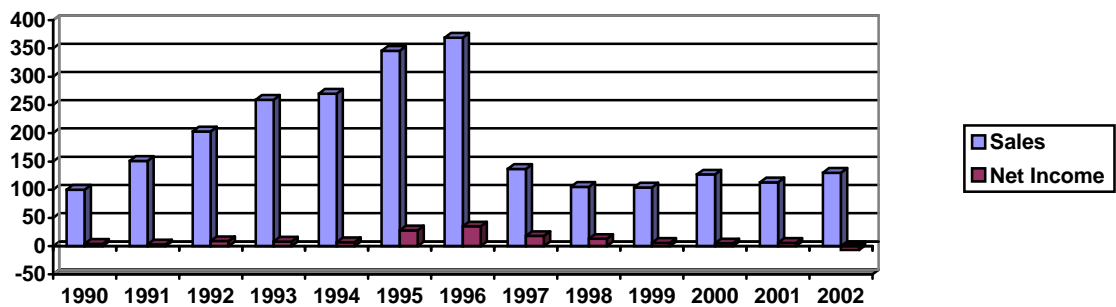
In Pulo Gadung, Pak Iman started small-scale manufacturing of the products, which were intended as substitutes for the imported ones. His business, legalized in 1984, started to operate in 1985. Pak Iman's efforts paid off and soon he was into medium-scale production. He developed his own manufacturing facility with 100 employees in the Industrial Plants in Pulo Gadung. He moved his manufacturing

plants to this area in 1987. Using the proceeds from a bank loan, he expanded his business in 1990.

NOBI's three manufacturing plants were located in the area. Another 25,000 square meters was planned for the next development.

NOBI's business was influenced by the ups and downs of the Indonesian economy and infrastructure development as well as the Indonesian currency value. This was reflected in the company's sales and net income (Figure 1).

**Figure 1. Sales and Net Income ( In US\$, Sales in 1990 in index of 100)**



Source: NOBI

### Business person's Life

One of Pak Iman's routines was attending machinery exhibits. His decision to buy a machine was usually based on three things: the very comprehensive and interesting explanation of the machine profile; his own intuition of the machine's capability to develop product quality; and his intuition of the machine's capability to provide his products a competitive edge over the imported products and thus enable him to beat his competitors. He was very confident with the investments he made on high technology machines in spite of their being highly expensive, even more expensive than his house. Nor was he even sure of when he could recoup his investments. "Sometimes it is better to use intuition to decide something unpredictable," he said. (See Exhibit 3).

He fulfilled his wish not to go through what he considered as his bad experience in life again. To a certain extent, he succeeded in keeping his family from financial difficulties after his father retired. He, however, did not yet feel fully secure inasmuch as he still faced competition and the threats to business still existed in the country such as the fluctuation of the value of rupiahs to US dollars; the investment climate which was not supporting his business; the employees' awareness of their rights; and the new regulations on labor and manpower.

## **Back To School at the Age of 55**

Dini Widiastuti had been actively engaged in discussion about NOBI with his father even when she was still taking undergraduate studies in the university. Through his discussion with his daughter, Pak Iman was convinced that he could learn from school some theories and concepts that could answer questions regarding his business. He was impressed by the fact that Dini had studied the Kaizen method in school which he came to learn only from his Japanese partner who imported NOBI's products. The knowledge that one could actually learn Kaizen or organizational behavior further encouraged Pak Iman to go back to school and learn business management.

Pak Iman admitted that some of his decisions were not right. A machine which he purchased was not used productively. Pak Iman understood that the purpose of his daughter's questions related to business decisions, particularly investment, was to encourage and motivate him to understand the importance and use of clear management concept and techniques.

Realizing that he was not young, Pak Iman wondered whether or not he could take a Master in Business/Management course. He shared his doubt with one of his colleagues, one of whom was the director of a School of Management. The latter encouraged him to proceed with his plan. He was accepted in the School of Management under the Management Magister program for executives. This program was mainly for executives who were unable to leave their jobs for a long period of time. The program took 18 months to complete, with classes three times a week. It included class work and individual thesis.

As the top man in his company, Pak Iman was very busy. His studies consisting of 12-month classroom studies in addition to the time spent in thesis writing, took a lot of his attention. He had to finish 18 subjects and he learned most of the concept and theory outside the classroom activity (See Exhibit 5). Realizing his work overload, he commented, "NOBI's sales volume did not increase when I took this program."

He felt that not all the subjects were relevant to him. Operational management, for example, was not a new topic to him, probably because he had already dealt with it everyday. On the contrary, he found Marketing, Human Resources, Finance, and Strategic Management very helpful. "Joining the School of Management, I learned a lot of things. Had I hired a consultant, I would have paid more to obtain those types of information," Pak Iman said.

Pak Iman did well in school. He finished the program in fourteen months instead of eighteen. Thus, he was given a special award by the school. He enjoyed his classes and the company of his classmates and lecturers who shared with him some practical ideas on running a business. Besides, he was able to validate what he had done in his company based on the lessons discussed in class. He was quick to point out however that "There was no such experience in the textbook." He successfully finished writing his thesis focusing on NOBI's business strategies for the next four years.

In order to have someone who could help him in decision-making and as a gesture of appreciation for the key people in NOBI, Pak Iman gave his employees the opportunity to join a postgraduate program in management. The program was expensive and NOBI employees would not have been able to afford it, so the company offered to pay the course fees. Two managers were given the opportunity to study, one from the Finance Department and one from the production department. The production department manager, however, refused the offer and left NOBI to work for a multinational company. He, nonetheless, still kept in touch with NOBI, sharing with them information on the management of an established company. "I will keep offering my employees the chance to continue their study," Pak Iman said. "Probably junior managers will get the priority."

### **Bringing Concept /Theory From School to Company**

Pak Iman noted that "My schooling allowed me to make better decisions on some cases and not so good decisions on some". He felt that some investment decisions were better decided by feeling rather than by management principles because of the uncertain conditions in the country.

With his newfound understanding of management concepts, Pak Iman made some changes in himself and the company. In running his company, he often adopted the leadership theory he learned from school. He gave his people the opportunity to take part in the process of decision-making. He did not rely on his intuition or feelings alone in making his decisions but also on a feasibility study. "I asked my daughter to analyze it before I made a decision," said Pak Iman.

Before, he would wake up and decide to buy a machine all by himself. But because the structure of the company had changed, Pak Iman had to discuss any decision he made with the shareholders. In this case, he had to discuss the investment decision with Dini who had joined the company. Because of her training, Dini made it a point to check the supporting data, pay-back period, and benefit cost ratio of a project.

Dini also admitted the dilemma in making decisions, whether or not it was by theory or feeling. Not all decisions could be arrived at through the management theory. Sometimes for the sake of innovation and competitiveness, a decision was made without doing any feasibility study.

In the last two years, since Dini joined NOBI, the company had acquired only two machines. One was a rolling machine which the company bought when it joined a project tender or bidding. Iman was grateful that he won the tender and so the investment on the machine was justified. The other machine was a "grindstone" machine used for polishing stainless panel surfaces. The machine improved the quality of the finishing of NOBI's panels and was in answer to the demand for such products. As it turned out, however, the company miscalculated the demand; hence, the machine capacity was not fully optimized.

Another change that Pak Iman instituted in the company was the establishment of systems and procedures in all departments, unlike before when only a few departments applied them. In the finance department, Pak Iman set up the budgeting

system. Pak Iman's master's thesis on NOBI's business strategies for the next four years, was used as the guideline for all the changes in the company. These strategies included the company's vision, mission, business strategies, marketing, sales, and production plans, and human resources strategies.

The implementation of the new management system and processes at NOBI had very good and productive results. However, it was not really that easy to change old habits within the company. Some employees perceived that Pak Iman still dominated the process of decision making. To them, the company was still a "One Man Show".

### **Excellent Quality: Machine and Human**

From the beginning, Pak Iman had already chosen as his market segment those who put a premium on high quality products. To produce prime quality products, Pak Iman bought all German-made machines for a total of US\$2.0 million. There were no local producers who invested on machine as much as NOBI did. (See Exhibit 3)

Pak Iman tried to use the Rittal product as a model for the panel boxes that NOBI produced because Rittal, a German company, was the largest producer of panel boxes in the world. Before putting up NOBI, Pak Iman and the six engineers who joined his company used to be Rittal's sales representatives in Indonesia. NOBI became the main competitor of Rittal's products in Indonesia because the quality of its panel boxes was almost the same as that of Rittal's.

Most NOBI products served the requirements of multinational companies such as Siemens, Alcatel, Hitachi, Mitsubhisi and Chiyoda. Only 20% of the production were for the local market. To meet the quality requirement of these big companies which handled projects like infrastructure, oil and gas, multi level building, and industry, NOBI had to adopt ISO 9001 standards. The quality of panel boxes had to meet the protection index IP 55/66 that resisted dust particles and water spray with high pressure from every direction. The quality of the panel boxes was as good as that of the German Rittal's or American Hoffman's, while the cable trays were adjusted to NEMA standards.

Accordingly, the quality and competence of the company's human resource had to be improved. To ensure fast and accurate information flow, Pak Iman invested US\$40,000 for the ERP SCALA program. The new program was used by the finance and logistics department but had not been optimized because of human resource limitation.

Pak Iman was aware that he had to keep qualified employees in the company and had to address their needs for career advancement or higher remuneration which oftentimes took precedence over personal reasons.

In dealing with human resources concerns, Pak Iman adopted a strategy that was based on the concept that he learned from the magister management program. The strategy included recruitment, professional training and development, career plan, work assessment, incentives system, employers-company relation and company culture. The company culture was reinforced by disciplinary training and the

teaching of Islamic values to develop the employers, spiritual moorings. Discipline was maintained by conducting a daily assembly every morning for all employees. Those who came late for the assembly for four times were given a warning.

A two-hour religion session was conducted every Saturday. Pak Iman himself and other speakers delivered the sermons. Since PT Nobi ran this religion program, the rate of stealing in the manufacturing plant had been minimized. Team building sessions were also held every Friday afternoon (15.00 p.m.-16.30 p.m.) The employees were divided into groups of seven members each (one leader, vice leader and members). The position as leader was rotated among the members. The group was designed not only to discuss management problems but also to give solution to them. The groups also cleaned their work areas, using the Japanese 5S method.

At the beginning, only a few training activities were conducted at NOBI. Nowadays, the company runs a lot of training: monthly 10-hour religion activity, philosophy basic training, technology, general management, marketing management and production management. Some trainings had been held five years before Pak Iman joined the magister management program. The training was mainly for the field employees, such as machine operator, and engineers. All employees, however, were trained on 40-hour quality management. Well-trained human resource was the strength of the company.

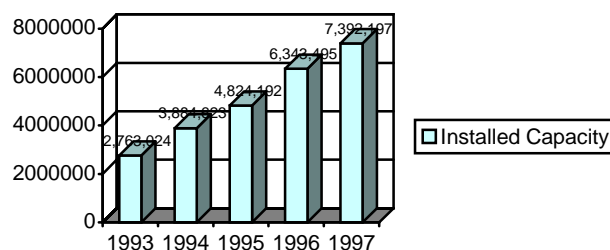
The company had not given any training as of yet to the lowest level, such as the group leaders yet because there were still vacant position for three strategic posts: Marketing, Operational and Asset Managers. All the posts were held by Pak Iman (See Exhibit 6 and Exhibit 7).

### Market Served

NOBI served a number of industries, primarily telecommunication, oil and gas, with its cable trays and panel products.

The telecommunication sector has grown rapidly in the world including Indonesia. In the past five years, Indonesia's telephone installed capacity has increased steadily by 4,629,173 lines from 2,763,024 lines in 1993 to 7,392,197 lines in 1997 (Figure 2).

**Figure 2. Development of Telephone Installed Capacity (1993-1997)**



Source: NOBI



According to the Bureau of Statistics, the volume of panels imported to Indonesia in 2000 was US\$ 50 million. NOBI's sales that year was around US\$ 1 million, while the two major local competitors sold around US\$ 0.8 million each. A total of around US\$ 53 million was the estimated demand for high quality panels product in Indonesia. There were no data on the volume of medium and low quality panel consumed. The high quality panels were produced based on a quality standard that protected the panels from dust and water, but still provided sufficient ventilation. Only a few local companies could produce panels according to the international standard IP 66/65.

NOBI SET its price about 40% below the imported products, while its local competitor used NOBI's price and NOBI's product design as their benchmark. Their prices and quality were usually lower than NOBI's products.

### **Vision Of The Future**

Pak Iman had been running the business, producing cable tray and panel boxes, for a long time. Pak Iman had to work hard to generate orders for his products. He felt that this was as difficult as his job as contractor before and generating a stable monthly revenues through manufacturing seemed out of the question. He thought that his move from being a contractor to being in manufacturing was not right, but it could not be changed. "I have made the wrong decision in moving from being a contractor to being a manufacturer," said Pak Iman.

Indonesian economics and politics proved to be not yet stable for business. In 2002, NOBI suffered significant financial losses. This was partly due to the fluctuation of the Indonesian rupiah to the US dollar and most while people expected the rupiah to be stronger compared to the US \$, but Pak Iman thought differently.

Realizing that some key positions were still vacant, Pak Iman noted that there was a communication gap between him and his children in terms of the decision-making process in the company. Pak Iman's children felt that they were not given the authority to decide on matters concerning the company and they demanded that they be given such authority. Pak Iman, however, had a different perspective. He wanted them to consult with him before they made a decision as he was their superior. "Old people like me know which area should be consulted with the boss," Pak Iman said. "Is it right to give them authority to make a decision? Should they have a chance to make a decision which might be wrong and learn from their mistakes? Or should they consult with me as their superior first before making a decision? For me the answer was not clear yet.

Realizing that in the future, the challenge would not be easy, Pak Iman was sure that it was high time that the company move from investing in machines to investing in human resources. With a highly skilled and competent human resource complement, NOBI could be more innovative and competitive and could very well attain Pak Iman's dream of making it a market leader in panel box and cable tray. Pak Iman did not want to be the only person who made decisions in the company. Ideally, the employees would have to take part in the decision-making process.

Pak Iman also anticipated the continuity of the company through its shareholders. Based on his consultant's advice, the shares of the company were divided among Pak Iman, his wife, and his children, with Pak Iman owning a 24 percent share. Dini's husband, Dendi, was actively involved in NOBI and was responsible for product design, especially of the panel boxes. Dendi and his team designed a product using expensive and sophisticated Vertex software which could show 3-dimensional pictures.

Dini was the only one of Pak Iman's children who was actively involved in NOBI. She dealt with asset management - controlling company asset (purchasing, stocks, and finance). Pak Iman's second daughter, Yanti Damayanti, a Physics Engineer did not want to work at NOBI. She was studying for a master's degree, majoring in international relations. She worked with the Australian Embassy's Commercial Attaché office and received a salary twice as much as what she would receive from NOBI. The youngest son, Iman Adrianto, 14 years old, was a third year Junior High School student.

There was no clear scenario as of yet of the future of NOBI. Pak Iman wanted NOBI to be managed by his family. The ideas, however, was not supported by some members of his family. Some of them believed that they should not be involved in the company. For them, the most important thing was that NOBI could provide benefits to the shareholders. NOBI may be managed by professionals. Pak Iman did not want to be authoritarian and impose on his children. He just expected that his son who often visited the manufacturing plant in his leisure time, would be interested in running NOBI. Pak Iman wanted him to make his dream come true, to continue what Pak Iman had started.

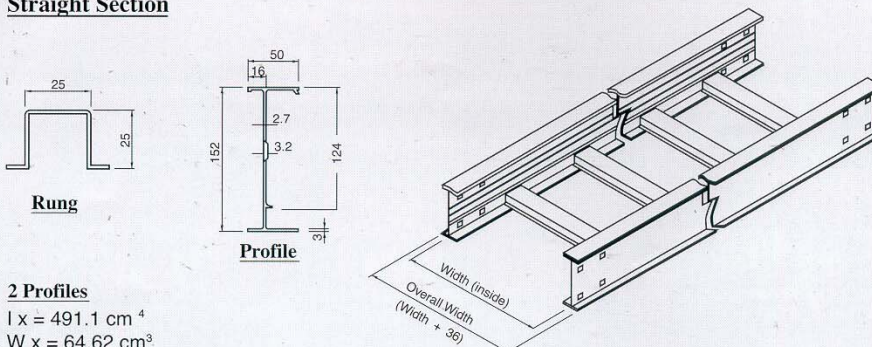
# EXHIBIT 1A

Exhibit 1a

## ALUMINUM CABLE TRAY

- Side rail Height = 152 mm
- Width ( Inside ) = 150, 300, 450, 600, 750, 900, 1050 mm
- Cable space depth = 124 mm
- Length = 3000, 6000 mm
- Ladder type rung spacing = 300 mm
- Safety factors = 1.5 ( Nema Standard )
- Material = Side rails, rungs and Splice plate are Aluminum alloy 6063 - T6. Covers are aluminum alloy 5052 - H32

### Straight Section



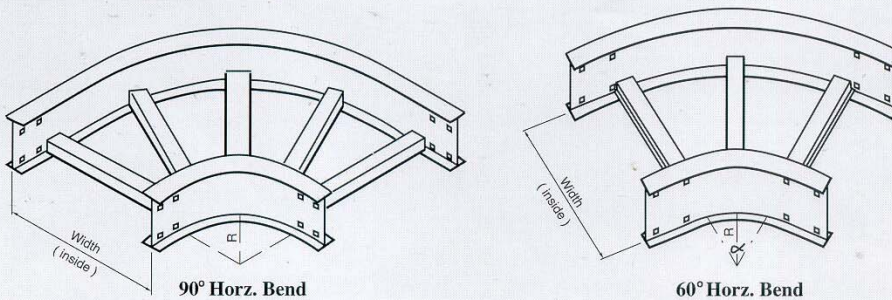
### 2 Profiles

- $I_x = 491.1 \text{ cm}^4$
- $W_x = 64.62 \text{ cm}^3$

Nema class Designations max = 20 C  
 $I_x$  = Moment of Inertia,  $W_x$  = Section Modulus

Safety factor	Span ( M )	1.5	3.0	3.6	4.2	4.8	6	7.2
1.5	Load Kg/m	1993	635	441	324	248	152	110
	Deflection (mm)	12.66	19.76	28.46	38.74	50.59	78.68	113.59

### Aluminum Horizontal Bends

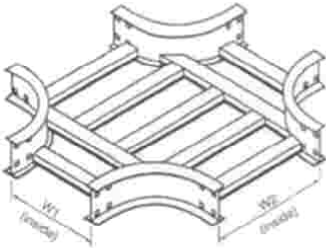


- Available bend Radius = 450, 600 mm
- Available bend angle  $\alpha = 90^\circ, 60^\circ, 45^\circ, 30^\circ$

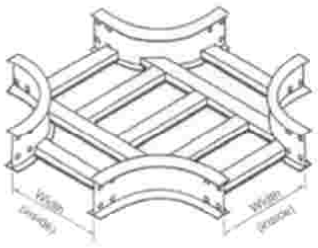
## EXHIBIT 1B

Exhibit 1b

**Aluminum Horizontal Equal / Unequal Cross**



W1 (inside)  
W2 (outside)



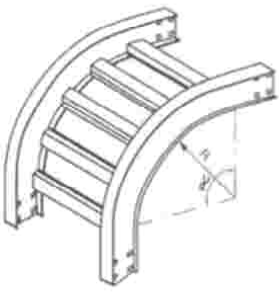
Width (inside)

W1 ≠ W2  
Available bend Radius = 450, 600 mm

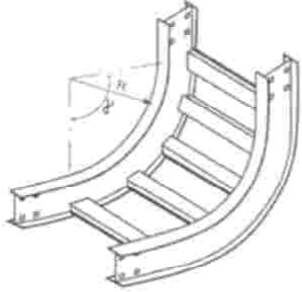
Horizontal Cross

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**Aluminum Outside and Inside Vertical Bend**



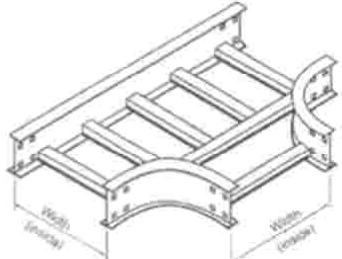
Outside Vertical Bend



Inside Vertical Bend

Radius available = 450, 600 mm  
Angle available = 90°, 60°, 45°, 30°

**Aluminum Horizontal Equal Tee**



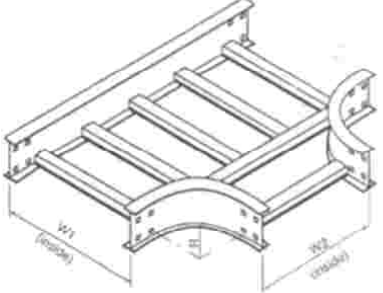
Width (inside)

Width (outside)

Horizontal Tee

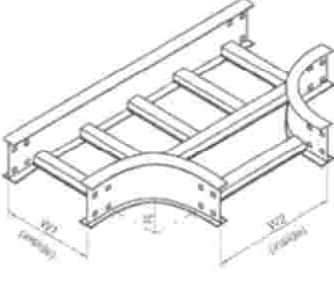
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**Aluminum Horizontal Unequal Tee**



W1 (inside)  
W2 (outside)

Horizontal Unequal Tee  
W1 > W2



W2 (inside)  
W1 (outside)

Horizontal Unequal Tee  
W1 < W2

Available bend Radius = 450, 600 mm



## EXHIBIT 2

Exhibit 2

### Personal Computer Enclosure (NPC)



**Surface Finish :**

Powder coating in textured RAL 7032

**Protection Category :**

IP 55 to EN 60529 complies with NEMA-12

**Supply Include :**

- Enclosure frame completed with eye bolt
- Rear door with zinc die trim line swing handle and double bit insert
- Three parts gland plates
- Component shelves for monitor
- Front side consist of three parts :
  - Top door : monitor field with side hinge
  - Center door : Folding door for keyboard include zinc die quarter turn key with double bit insert
  - Bottom door : open right or open left with zinc die trim line swing handle and double bit insert
- Plinth 100 mm high; removable on width side

**Material List**

Part	Material
Frame	Extruded aluminum Special Profile Alloy 6061 T6
Rear door, lower door, folding door, door for keyboard monitor door with single panel	Electro galvanized steel 2.0 mm
Side and top cover	Electro galvanized steel 1.5 mm
Plinth	Electro galvanized steel 1.5 mm
Single panel for 14" or 21" monitor	Safety glass 5 mm

MODEL No.	MONITOR	W	H	D
NPC 3750	14"	700	1500	800
NPC 3751	21"			

**Available Accessories :**

Heat Exchanger; installed on rear side for optimal function