

# Indonesia as Offshoring Destination in Southeast Asia: Case Study on Internationalization of A Technology Firm

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## Abstract

Internationalization of firms has taken forms that did not exist before. Offshoring has emerged as a unique form of internationalization, differing from the classical approach of foreign sales, set-up of production facility and R&D facility (Schmaul, 1995). It is also not a question that Asia becomes the most attractive region with regard to firm internationalization and offshoring in particular. This paper attempts to highlight the situation of recent booming in offshoring of company activities, especially in Asia with China and India as the leading target countries.

India has always been mentioned as one of the mostly-sought-after countries when companies need to shift parts of their activities to location with advantages. Several compelling reasons are always present in favor of India every time companies weigh the options of target regions for offshoring. The most supporting factors are cost advantage and people skills, ensuring that cost reduction as the main aim for offshoring would not come at other cost that is the degradation of quality.

On the basis of this situation, an analysis on the case of Indonesia as offshoring destination is to be conducted. After China and India, Southeast Asia is another attractive destination for investment, especially after its slowly-but-sure recovery from Asian crisis. Indonesia as the most populous and largest country in Southeast Asia should surely benefit and play a role in this offshoring trends. However, slow economic recovery and haunting political risk has laggard this trend.

The case of a German-based technology firm on setting-up its presence in Indonesia is taken as an example to highlight the phenomena. Analysis based on interview with top executives from the company on the decision to expand to Indonesia and Indonesian professionals in the industry to identify the region attractiveness and weakness serves as the basis for case study. The driving factors, weighing of reasons and decision making process that company used for offshoring to leverage its capabilities are elaborated.

**Key words:** internationalization of companies, business process offshoring (BPO), locational advantage of Southeast Asia

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