A Cultural Ecology of New Public Management in Indonesia

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ABSTRACT

In 1980s, new public management (NPM) gained popularity as a universal model of reform in public sector management. However, in South East Asia, there have been significant differences between countries that have been successful in NPM reform. Drawing on frameworks of national culture, this article is aimed at exploring the applicability of NPM in the developing country of Indonesia. Using Hofstede’s construct of national culture, social units in Indonesia are explained with NPM proposed as a culturally dependent strategy. It is suggested that the successful implementation of NPM requires compliance between the reform strategies that are adopted and the country’s cultural characteristics. Prior failure in the implementation of NPM has rekindled the interest in the “old” bureaucratic paradigm which was then an indispensable foundation in the field.

Keywords: public sector, New Public Management, reform, national culture, Indonesia

Introduction

The government’s failure in maintaining economic stability, protecting environmental quality, and reducing poverty have led to a search for leadership and innovative solutions outside the public sector, and NPM has been enthusiastically embraced in many countries. The prospect
that NPM would become the new paradigm in public administration, however, has become increasingly doubtful as more attention has turned to its less than satisfactory performance in practice. Its critics argue that reform initiatives guided by NPM have undermined other fundamental values in governing public affairs, such as fairness, justice, representation, and participation in the name of improving efficiency.

New public management (NPM) has been described as the means by which the public service is being transformed from a traditional bureaucratic structure to an entrepreneurial, market-driven form of governance that is at arm’s length from the state (Hughes, 1998). However, its applicability in developing countries remains unproven. Indeed, there is little objective evidence of success in public sector reform in developing countries. It is also suggested that it may lead to unjust social outcomes (Bale and Dale, 1998; Batley, 1999; Kiggundu, 1998; Manning, 2001). For example, Barth (2006) argues that decentralization – an important characteristic of NPM – leads to unjust outcomes. Some authors have examined cultural aspects of NPM in particular contexts – such as the role of cultural factors in entrepreneurship (Edwards et al., 2002). In South East Asian countries, it is possible to detect certain deviations from the basic tenets of NPM in their recent public sectors reform. It has not been easy to drastically change the past state-centric structure, including the legacies of colonial bureaucracy, postcolonial military rule- and embrace a market-oriented administrative model like NPM (Haque, 2007).

In the case of Indonesia, the politicization of the civil service has not ended and the administrative system remains vulnerable to military rule vested political interest which is not conducive to the creation of public administration based on the NPM principles. Indonesia is an interesting case scenario because it consists of 150 ethnic groups, each having their own specific culture and language (Koentjaraningrat, 1993). The Javanese (40.6%) are the largest and most dominant group (CIA, 2007). While there are many other cultures in Indonesia, the influence of attitudes rooted in traditional Javanese practices seem particularly determinative of work attitudes especially in the public sector (Hess, 2001). This implies that non-Javanese Indonesian is demanded to behave as Javanese. The scope of public administration expanded considerably under the Soeharto’s regime as the public sector becomes the main agent to carry out development activities. Although the regime was widely known for excessive control, inflexibility, patronage, and corruption, its official mission was largely portrayed as developmental, especially in terms of its...
increasing involvement of the public sector in economics development plans and social programs.

The transition that Indonesia experienced towards post new order era (orde baru) also witnessed new cultural norms. For instance, there is a growing emphasis in Indonesia’s public sector on devolving service delivery to the private sector by launching program called LAYANAN PRIMA (Service Excellence) to improve public sector’s services, converting public hospitals and universities into corporate type organization, and decentralizing the budget to operational units. The present article argues that the successful implementation of NPM requires the existence of societal and cultural norms that complement and reinforce the new institutions of public governance. Considering the dynamics of the Indonesian context, cross-national differences are best understood by considering Indonesian national culture and that the management process cannot be disentangled from its cultural context.

**Practical and Theoretical Dimensions of NPM**

NPM’s theoretical underpinnings are a belief that market forces, a reduced role for government, decentralization and more reliance on contractual arrangements will result in better economic and societal outcomes (Hughes, 1998). Although some scholars have seen NPM as a model of efficiency (Hood, 1991; Osborne and Gaebler, 1992), others have suggested that it is flawed in failing to meet the principle of accountability (Feldman and Khademian, 2001; Jorgensen, 1999). It has also been suggested that NPM provides opportunities for corruption (von Maravic and Reichard, 2003). A number of authors (e.g. Bana and McCourt, 2006; Crook, 2003; Polidano, 1999) noted that, in developing countries, the success of public sector reform is dependent on removing corruption and increasing accountability and administrative capacity. Commentators on NPM and its legacy in developing countries note that it has had only partial effect on public service reform (Batley, 1999; Laking, 1999; Manning, 2001; Samaratunge et al., 2008). Also commentators on NPM and non-Western democracies have noted that hierarchical bureaucracies have not been substantially replaced. NPM, observing from this view, lose. More recent writings have shifted on how developing countries could learn from developed democracies’ approach to NPM. Such literature on the universality of NPM in developing countries has noted capacity-building, corruption,
decentralization, local empowerment, and the role of aid donors as being instrumental factors in the success or failure of NPM (Pillay, 2008).

A National Cultural Ecology

The cultural theory approach is seen to be helpful as framing approach for thinking creatively about available forms of organization and in exploring a variety of what-to-do ideas that surround public services and government (Hood, 1998), or in Hood’s terms:

Cultural theory helps us to understand why there is no generally agreed answer to the question ‘who should manage whom and how’ in government cultural theory can provide a basis for analyzing the variety of ways that control can work in, over and by public service organization. And it can help us to explore the variety of rhetorics – persuasive stories and analogies linked with ‘recipes’ – which are applicable to public management, by identifying the sorts of stories and metaphors that go with each organizational world-view. (p. 223).

The concept of ‘culture’ includes the values, beliefs, and assumptions that distinguish one group from another (Hofstede, 1980; Schein, 1992). Several studies have attempted to relate national culture to management practices. Haire et al. (1963) pioneered studies in the area of national culture, while other scholars proposed frameworks of national culture (Hall, 1976; Kluckhohn and Strodtbeck, 1961; Ronen and Shenkar, 1985; Triandis, 1994; Trompenaars, 1993). Hofstede’s (1980) seminal work on national culture noted several dimensions along which national cultures differ: individualism vs collectivism, power distance (PD), uncertainty avoidance (UA), masculinity versus femininity, and time orientation. Hofstede (2007) maintained that these dimensions reflect ‘basic problems that any society has to cope with but solutions differ’.

Power distance, that is, the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally. High PD nations are more likely to have employees who obey the orders of their superiors without question. Indonesian public institutions are often characterized as highly centralized, control-oriented public sectors that are accountable to superiors (Haque, M.S, 2007). Poor governance practices at the lower levels are the consequence of poor practices at the higher levels. In addition, organizations that are high in PD have less employee participation in decision making. Conversely, Denison and Mishra (1995) found that low
PD among organizations in the USA was associated with greater employee involvement, enhanced efficiency, and faster growth. Similarly, Jaeger (1986) asserted that teambuilding and participative decision-making are not effective in high PD countries and cultures because employees from the different levels are not comfortable interacting face to face in a group due to the top-down hierarchical structure. This is against the basic principles of NPM – which is to encourage decision-making partnerships, networks, and interchange among stakeholders (Ferlie and Steane, 2002; Jorgensen, 1999). Kluckhohn and Strodtbeck’s (1961) relational orientation is related with Hofstede’s (1983) PD construct in which society emphasizes centralized decision-making by top-ranking and powerful bureaucrats. Within this setting decisions made by such groups are not made on the basis of merit and are therefore prone to paternalism, favoritism, and nepotism. In societies characterized by high PD, such an unethical application of power is unlikely to be challenged because an unequal distribution of power discourages subordinates from questioning authority (Park, 2003). Often Indonesian media coverage reveals scandals involving people in authority, and any such scandals are more likely to be concealed by loyal subordinates who feel that they must comply with a superior’s interests in the face of an ethical dilemma. People from a high PD culture are more likely to accommodate questionable business transactions than are people from a low PD culture (Husted, 1999). In this regard, traditional witness protection focuses on the safety of the witness; however, experience has shown that public officials will not be willing or available unless they have confidence that the systems in place will protect their rights as well as their safety. Public officials in high PD countries such as Indonesia are more likely to use and receive bribes and favors than those in low PD countries. Indeed, in high PD societies, a non-monetary favor might be granted to acknowledge superior status, without money being involved (Pippidi, 2003). Conversely, in low PD cultures subordinates and superiors consider each other to be existentially equal, and the hierarchical system is viewed as merely an inequality of roles established for convenience. In western countries, subordinates expect to be consulted and are not averse to holding their superiors accountable through social interaction and other informal means. In such societies, organizations are fairly decentralized and are characterized by fairly flat hierarchical systems (Hofstede and Hofstede, 2005). NPM-style reforms are more likely to have success in such low PD cultures. On the basis of the above discussion, it is proposed that a country with a higher PD is less likely to implement NPM successfully.
The first proposition of this study’s formulation is therefore presented as follows:

**Proposition 1: Country with Low Power Distance is More Likely to Implement NPM Successfully**

Hofstede (1980) coined the term ‘uncertainty avoidance’ (UA) to describe the extent to which members of a culture feel threatened by uncertainty. Clear procedures, well known strategies, and familiar rules reduce uncertainty and the discomfort of the unknown (Newman and Nollen, 1996). Schneider and de Meyer (1991) noted that people in high UA cultures tend to respond more forcefully to environmental uncertainty, have a greater concern for stability and security, and desire instruments to control their lives. Because they are uncomfortable with ambiguity, people in high UA cultures try to exercise greater control over the uncontrollable. People in low UA cultures are less structured in their activities and enjoy risk-taking, and such societies experience higher labor turnover and have more ambitious personnel. Employees are encouraged to use their own initiative, assume responsibility for their actions, and exercise greater discretion in decision-making (Hodgetts et al., 2006). In terms of entrepreneurial behavior, people in high UA favor well-defined rules and regulations that reduce innovation by public officials. This militates against the reforms initiated under NPM that aim to broaden managerial discretion and innovation in the interests of achieving substantive results (Hughes, 1998). In terms of a propensity for corruption, high UA cultures are characterized by relationships of dependency and power. The uncertainty associated with such dependency can lead to corrupt, wealth-creating behavior in an effort to relieve the uncertainty (Husted, 1999; Park, 2003). On the basis of the above discussion, it is proposed that a country with a higher UA is less likely to implement NPM successfully. The second propositions of this study’s formulation are therefore presented as follows:

**Proposition 2: Country with Low Uncertainty Avoidance is More Likely Successful to Implement NPM**

To exercise collectivism in Indonesia, individuals act both in social and in business activities based on the concept of “gotong-royong” and “musyawarah”. “Gotong-royong” refers to a philosophy that says that
people must help each other; whereas “musyawarah” refers to the fact that all decisions should be made only after a consensus or compromise has emerged (Magnis-Suseno, 1997). The demand for collectivism that is supported by “gotong-royong” and “musyawarah” is codified in a classical and well-known Javanese proverb: “Sepi ing pamrih, rame ing gawe, mangayu ayuning bawana – free from self interest, fulfill one’s obligation and make the world colorful (Sarsito, 2006). In contrast, in societies characterized by individualism, individuals view themselves as being primarily motivated by their own preferences, interests, and needs (Phatak et al., 2005). Individualism encourages disengagement from the collective and weaker bonds of social control (Cullen et al., 2004). Public servants in such an individualistic society have a greater degree of discretion, in accordance with the tenets of NPM. This is quite unlike the practice in the Indonesian public service, in which the discretion of individual public servants is significantly reduced by extensive rules and other formal constraints.

Several authors have discussed the relationship between collectivism and good governance (Banfield, 1958; Hooper, 1995; Husted, 1999; LaPalombara, 1994). Banfield (1958) associated collectivism with ‘amoral familism’ (favouritism for family members). LaPalombara (1994) noted that it is difficult to change a highly collectivist culture because people will not hesitate to violate laws if they are perceived to be contrary to their family loyalties.

According to Hofstede (1980), countries that are more individualistic are also wealthier, more urbanized, and more industrialized. Examples include the United States, Canada & Australia. As national wealth increases, members of a society have access to resources that allow them to be more independent (Steensma et al., 2000). Collective life is then replaced by independence (including financial independence) as members of society become less reliant on each other, families, and community groups. Moreover, officials in individualistic cultures tend to enjoy greater individual initiative and discretion. In Indonesia, the collective ethos can be characterized by the concept of s “rukun”, which shows how people should interact in a social relationship. Mulder (1978, p. 39) has described rukun as follows:

Rukun is soothing over of differences, cooperation, mutual acceptance, quietness of heart, and harmonious existence. The whole of society should be characterized by the spirit of rukun, but whereas its behavioural expression in relation to the supernatural and to superiors is respectful, polite, obedient, and distant, its expression in the community
and among one’s peers should be ‘akrab’ (intimate) as in a family, cozy, and ‘kangen’ (full of the feelings of belonging).

Rukun is characterised by cooperation, mutual acceptance, calm and unity (Magnis-Suseno, 1997). To achieve rukun, individuals should be a part of the group and their individuality should be expressed through the group. Hence, all obvious expression of conflict that leads to disharmony should be avoided. Moreover, collectivist cultures are characterized by laws, regulations, and rights that differ from subgroup to subgroup (Hofstede, 1980), and a single standard does not exist in such a society. The rule of law and related tenets of good governance are therefore likely to be adversely affected. In view of the above discussion, it is therefore proposed that a highly collectivist developing country is less likely to implement NPM successfully. The third proposition of this study’s formulation is therefore presented as follows:

**Proposition 3: Country with Low Levels of Collectivism is More Likely Successful to Implement NPM**

Drawing from Hofstede’s (1980) masculine and feminine dimensions of culture, the present study adopts the terms ‘quantity of life’ and ‘quality of life’. The dominant values of a focus on ‘quantity of life’ are success and money, whereas the dominant value of a focus on ‘quality of life’ is care for others (Hofstede, 1980). Countries with a stronger focus on ‘quantity of life’ (such as Germany, Austria, and Japan) emphasize income, recognition, and advancement (Hodgetts et al., 2006), and power, status, and wealth are important characteristics of such a culture. Hofstede (1983) argued that a desire for large-scale and high-speed achievement is important in such a culture, and that greed for ‘big’ and ‘fast’ achievement directly influences the tenets of governance. Park (2003) maintained that, in a high ‘quantity of life’ culture, people value speedy and substantial achievement more than they value legitimacy and social justice. This focus on material wealth and success is more likely to lead to a greater willingness to participate in activities that are in conflict with the basic premise of NPM. Because such a culture is achievement-oriented, individuals tend to be more prone to risk and more likely to spend time determining how best to improve their earnings. ‘Quantity of life’ societies are characterized by high levels of stress and many managers believe that employees should be under some degree of control. Moreover, cultures that have a greater focus on ‘quantity of life’ are less likely to perceive ethical issues in business transactions as being important.
The values that are characteristic of a strongly ‘quantity of life’ culture can create a more unwholesome environment for the successful implementation of reform strategies. Cultures that have a strong focus on the ‘quality of life’ orientation (such as Norway, Finland, and Sweden) tend to place greater importance on cooperation; individuals are encouraged to take responsibility for their actions and are therefore allowed more freedom. Such cultures also prefer to resolve conflict through negotiation and compromise, and significant discretionary powers therefore prevail (Pillay, 2008).

On the basis of the above discussion, it is proposed that a society that is more focused on quantity of life is less likely to implement NPM successfully. The fourth proposition of this study’s formulation is therefore presented as follows:

**Proposition 4: Country with Focus on Quality of Life is More Likely Successful to Implement NPM**

Drawing on frameworks of Hofstede’s national culture, the cultural ecology presents problem for NPM implementation in Indonesia. The four cultural dimensions reveals that Indonesia scores high in PD, medium in UA, high in collectivism and between the pole of quality of life and quantity of life.

The rhetoric of entrepreneurship, as expressed in NPM, cannot be applied universally in the presence of cross-cultural differences. Turner (2002) utilized a metaphor of three types of diners to illustrate this point in South East Asia Countries. Enthusiastic diners are represented by such countries Singapore and Malaysia, cautious diners are represented by Philippines, Thailand and Indonesia and diners who are unfamiliar with the menu are represented by Laos, Vietnam and Cambodia. The enthusiastic diners have bureaucracies that are capable of learning and adapting. The cautious diners demonstrate some degree of decentralization and privatization, but with only minimal changes within the centralized state. The unfamiliar diners have yet to build capacity and systemic processes to initiate and sustain public sector reform. Since Indonesia is placed in cautious diners, pragmatic and contextual application and adaptations of NPM are required in dealing with the NPM menu.
Summary

Since reformation era in 1998 has been established, NPM has had only superficial impact on the Indonesian public service. While Indonesian political players maintain that the country is adhering to democratic principles and transitioning towards modernization the link between democracy and modernization also stresses the importance of political and cultural renewal as Indonesia is still reflecting a traditional bureaucratic type culture. The Indonesian context, as described above, presents problems for NPM reform, which cannot be ignored. Even as public sector reform becomes more differentiated in the future and a variety of governance reforms (other than NPM) emerge (Bovaird and Lofller, 2003), most of these reforms – whether law-driven, service driven, or citizen-driven – will be located within the context of a country’s prevailing cultural dimensions. Empirical insights into NPM attempts most clearly indicate that Indonesian’s ability to fit into this framework is problematical. However, Indonesia can still learn from western administrative models, critically scrutinize their potential benefits and adverse outcomes, and selectively use only those components of such models that are relevant to its own societal contexts and people’s need.

References


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