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Indonesia Management Development

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INDONESIA
MANAGEMENT DEVELOPMENT

VOLUME III

ANNEXES

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Background Papers Prepared for the Management Study

- de Bettingnies, H.C. "Management Education and Training in Indonesia." October 1982 (report on public and private business, management education and training prepared with support of the French Ministry for External Relations and the French Foundation for Management Development)
- Bicheron, Michel D "The Case of Indonesian Public Enterprises, the Agricultural Sector." October 1982 (report on agricultural enterprise management training and education prepared with support of the French Ministry for External Relations and the French Foundation for Management Development)
- Boyton, Robert Paul. "The Role and Future of the National Institute of Administration (LAN) in Education and Training of Civil Servants in Indonesia." September 1982
- Butterworth, J. "Management Development Study--Public Enterprise Report." October 1982 (report on supply side of public enterprise training and education supported by the British Overseas Development Agency and British Council)
- Davey, K.J., G.W. Glenworth and P.N. Mahwood. "Education and Training for Government in the Provinces." November 1982 (consultancy report supported by British Overseas Development Agency and British Council)
- Kavron, Dragoljub. "Central Guidance Cluster Organizations Report." October 1982 (consultancy supported by UNDP/DTCD)
- Khanna, Inderjit, "Management Education Study in Indonesia: Program and Project Management." October 1982 (review of management training and needs in family planning, transmigration, provincial area development and local government training programs; supported by the Ford Foundation)
- LPPM (Institute for Management Education and Development). "Survey on Management Education in Indonesia - 1982." October 1982 (report on survey of public enterprises and sectoral training centers)
- Lynton, Rolf P, "Public Sector Management Education: Technical Ministries with Special Reference to Health Education and other Social Services Ministries." July 1983 (volunteer, USAID consultant)
- Murthy, K,R,S, "Management Education in Indonesia: Private Sector Needs." October 1982 (prepared with support of the Four Foundation)
- Powell, Victor G,E, "Management Training and Development in Indonesia: the Public Enterprise Sector." September 1982 (consultancy supported by the ILO)
- Romos, Carlos P. "Report on Management Environment and Suggestions for Improvements with Special Reference to Infrastructure Ministries." November 1982 (consultancy supported by UNDP/DTCD)

Hirono, Ryokichi, (Seikei University). "Management Development in Japanese Industries: Lessons for Indonesia." February 1983

Samuel Paul, (Indian Institute of Management, Ahmedabad) and Nagy Hanna, "A Strategy for Management Development", April 1983 (details the rationale and linkages among components of the strategy)

Nagy Hanna, "The Environment for Management", June 1983

Nagy Hanna, "The Educational Environment and Implications for Management Development", August 1983

Nagy Hanna, "Understanding the Management Problem", December 1983

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Definitions of Recent Management Training and Development Concepts

Management Development

Management development is distinct from management education and training. Management education refers to the broad and basic knowledge skills and values needed by potential managers, Management training is primarily concerned with relatively short term courses for practicing managers, with a focus on upgrading specific skills for defined tasks or introducing new management tools. Management development may combine all approaches of formal education, training as well as planned on-the-job training. Courses are only one of the tools available for management development. More important developmental tools are the job, the superior and the planning systems for organizational and managerial development. Management development is a continuous life-long learning process, with emphasis on improving practice and on the design of successive assignments within an environment that is supportive to learning. Its aim is to enable managers to use their strengths fully and to provide them with the skills they need, rather than impose a ready-made training package.

Management development has the purpose of ensuring the continuity and development of the institution or enterprise. In contrast, the purpose of manager development is the growth and achievement of the manager, both as a member of the organization and as a person. Management development is concerned with the selection, development and testing of the managers of the future. It focuses on the organizational structure, the design of managerial jobs to satisfy the needs of future career managers and professionals, and the design of succession systems. It is vital for the continuity of the institution. Manager development, however, is the responsibility of the individual. The manager needs an opportunity to reflect on the meaning of his own experience and to develop his strengths. Self-development requires more than new skills and knowledge; it requires new experience. Apart from insight into one's own strengths, the most critical factors in self-development are experience on the job, timely feedback, and the example of the superior. The active participation, encouragement and guidance from the superior and the organization are needed for manager-development efforts to be fully productive.

Emerging Approaches to Management Training, Consultancy and Research

Several approaches to management training are now in use in various countries, but are not yet practiced in Indonesia. The common objectives of these innovations in training methods are: to improve relevance of knowledge and skills imparted to the trainee's background, to reduce the gap between the classroom and the workplace, to relate training to actual performance problems of organizations, and to have direct impact on management practice. Some of these approaches are defined below as they are referred to in many parts of this report.

In action training or action learning, training occurs through action in the field, as managers work individually or in teams to solve a practical problem. It may have a classroom component and involve a tutor or a consultant. It emphasizes learning through acting on real-life problems, under conditions that simulate apprenticeship, and that induce managers to reflect and learn from their own experiences. It encourages managerial self-development and group learning and views organizations as learning systems. It can be designed to get managers themselves to influence their own development in the course of their ordinary work. This approach is a promising training technology that may be particularly appropriate for developing countries like Indonesia where management teachers are in scarce supply and group learning is traditionally valued. It may also address the present gap between transferring knowledge through lectures (theoretical management education) and through action and achievement.

Action research has similar characteristics to action training, but is primarily intended to contribute to professional knowledge of the client organizations. It is a form of research where the solution of a problem (action) is both an outcome of the research and a part of the research process. It involves changing what is being investigated and involves the management researcher in the actual change process. It is concerned with providing information to help serve current needs, solve existing problems or generate decision alternatives in an action context.^{1/} Similar to action learning, this type of managerial research is almost absent in Indonesia.

Management Consulting ^{2/} should be differentiated from management research. Consulting involves offering advice to managers and providing solutions to specific problems. The body of information upon which management consultants can call is already known, and the problems are often recurring. For consulting, problems are fashioned mainly by the client, time schedule is more rigid, end product is better management practice, information is often confidential, and methodology is less academically rigorous than in research. Management education and training institutions should engage in management consulting to improve management practice, generate relevant case studies for teaching, develop insights into the "market place", improve the ability of teachers to relate conceptual issues to real life situations, and identify opportunities for research and for applications of research findings.

Leading management education institutions engage in management research in order to develop knowledge for educational programs, to help understand indigenous management practices, and to develop a capacity for

1/ For details of types of management research, see Management Research by Roger Bennet, ILO, Geneva, 1983. A good example of research on managing development programs is summarized in Bureaucracy and the Poor, Closing the Gap by D. C. Korten and F.B. Alfonso (eds.), Singapore, McGraw-Hill, 1981.

2/ For an excellent reference, see Management Consulting: A Guide to the Profession by Milan Kuber (editor), ILO.

adapting international management concepts and tools to the local environment. Research is also necessary to meet the special needs of social programs, small businesses and the like. If appropriately balanced within an education institution, management research and consulting can ensure the relevance and quality of management education and training.

Performance Improvement Programming (PIP) is a consulting and training methodology. It begins with diagnostic workshops in which senior managers identify problems faced in their organizations and advise solutions. Consultants and management specialists play a catalytic role. Instead of passively attending lectures, participants collectively set targets and prepare plans for pursuing them. Follow-up action is specific and immediate, sometimes leading to dramatic improvements. Improvements in management skills result in better planning and installation of more efficient monitoring and control systems that help maintain a performance orientation over the long-term. As a result of in-depth organizational diagnosis, training needs are closely tied to overall organizational requirements. PIP is a planned and systematic approach to organizational development with the active participation of managers.

Modular Training uses a package of training materials and/or activities designed to enable trainees with a specific background to achieve specific educational objectives. The packaging aspect of modules facilitates use and dissemination. By packaging tested and proven instruction, modules increase quality and control of the learning experience. Modules can be used in a variety of combinations and sequences to meet different needs of different learners and/or to form a standardized core of instruction. The individual needs and capabilities of the learner can be met by matching needs with different modules. Modules can be designed to ensure learner participation. Learning packages can be vehicles for synthesizing and utilizing best practice and research findings.^{3/}

ILO has developed a modular approach to supervisory training. Supervisory management development has been underestimated and neglected in developing countries and Indonesia is not an exception. Less than 10% of supervisors have any type of formal training in supervision. In many developing countries, especially where formal education is less developed, supervisors constitute a substantial pool for potential middle level managers. Moreover, they provide a critical link between higher management decisions and actual implementation by the work force. The training package of ILO contains 34 modules covering various aspects of management (such as finance and cost control, maintenance, purchasing, and salary and wage administration). Sectorally specialized modular packages have been also developed for public works and for cooperative management. The modules allow the users to select topics of greater relevance for their organizational setting, and to

^{3/} For an introduction to this approach and its underlying learning theory, see Bridging the Managerial Skills Gap Through Modular Instruction: Guidelines for Materials Development by John Middleton, Asian Center for Development Administration, KL, 1977.

incorporate local cases and problems into the prepackaged materials. Given the large size of the target group, supervisory training may be considered as an important part of organizational development and of management improvement efforts at the enterprise level.

**Indonesian Civil Service System
(Echelons/Grades/Training Levels/Educational Entry Points)
Integrated Chart**

ECHELON LEVEL	GRADE	TRAINING PROGRAMS
1st Echelon ----- 2nd Echelon ----- 3rd Echelon -----		Proposed focus of a new top executive development program SESPA
(Doctoral Degree) 4th Echelon (Bachelor's Degree) ¹ ----- 5th Echelon -----		SEPADYA SEPALA SEPADA
(Diploma Degree) ¹ ----- (Senior Secondary School)	b a d c	
(Junior Secondary School) ----- (Elementary School)	b a	

¹ Bachelor = sarjana; diploma = sarjana muda.

Echelons and Grades of Indonesian Civil Servants

Grades	Echelon (position)	Maximum grade	Entry point according to academic achievement
IVe			
d			
c	1st echelon	IVe	
b	2nd echelon	IVd	
a	3rd echelon	IVc	
IIIId			
c			
b	4th echelon	IIIId	PhD
a	5th echelon	IIIc	Bachelor's Degree
IVd			
c			
b			Diploma Degree
a			High School Certificate (SMA)
Id			
c			
b			Secondary School Certificate (SMP)
a			Elementary School Certificate (SD)

- Notes: 1. IIIa, IIIb, IVa, IVb and IVc are the minimum grades for the fifth, fourth, third, second and the first echelons respectively.
2. Those who exceptionally achieve a position although their ranks are below the minimum requirement can, according to regulation, be promoted every two years instead of every four years. Four years is the regular promotion period.
3. Salary

In addition to the standard salary, there are additional allowances as follows:

- an increase of 5% for wife/husband;
- an increase of 2% for each child;
- also a position allowance as follows:
 - 5th echelon - Rp 12,500,
 - 4th echelon - Rp 17,500,
 - 3rd echelon - Rp 25,500,
 - 2nd echelon - Rp 50,000,
 - 1st echelon - Rp 120,000.

4. To be accepted for training on one of the series of courses candidates have to satisfy the following requirements:

Course	Minimum grade	Having potential to rise to
SESPA	IVa	Echelon II
SEPADYA	IIIc	Echelon III
SEPALA	IIIa	Echelon IV
SEPADA	IIC	Echelon V

5. For promotion from Id to IIa, from IId to IIIa, and from IIIId to IVa, the officer concerned has to pass an examination.

Program Needs: Scale and Levels and the Number of Trainers Required to Meet Them

The number of administrators to be reached by education and training programs in any year is the sum of the present "stock" of administrators in ministries - about 200,000 - minus the losses (due to retirement and other reasons) plus the number of additional administrators to be recruited for expanding services - 30,000. Experience in other countries in the region suggests that 80% of the administrators need some further training, both to upgrade knowledge in their functional, technical and immediately related areas and in all-round managerial competence. All administrators also need some regular professional updating and refresher training, perhaps one week per year on the average.

The number of administrators to be involved in managerial education and training programs is then like this, by levels:

Echelon	Upgrading Existing (80%)	Newly Recruited Administrators (15%)	Updating Refresher Administrators	Training
I	720	180 /a	908 /b	
II	1,070	214 /a	1,314 /b	
III	8,997	1,506		
IV + V		132,000	24,750	188,357 /b
	142,787	26,540	200,000 /b	

/a 20%.

/b Increases year by year as cohort increases.

If the programs were no longer on the average than the refresher programs (one week per year), 20 managers were in each program and each trainer took 20 hours of sessions per week the year round, these programs alone would occupy, full-time, over 200 educators and trainers. In fact, the ratio of participants to trainer for learning management has to be more like 1 to 10 and trainers are not effective if they carry on training for more than 25 weeks per year, which means 800 trainers, and spend the other half of their time on research, preparing training materials and texts, and consulting, that means 800 trainers are needed. But this number, going up by 155 per year, would cover only the one week a year update when, for upgrading existing administrators and developing new administrators, considerably more program time is needed. If the time needed for these purposes were programmed evenly over five years, the number of trainers would (without secondary adjustment) be of this order:

Administrator	Average length program (weeks)	Program Weeks in Year ('000)				
		(1)	(2)	(3)	(4)	(5)
- to be upgraded - (20% p.a.)	4	114	114	114	114	114
- to be developed/ recruited	4	108	108	108	108	108
- to be updated/ refreshed	1	<u>200</u> 422	<u>210</u> 432	<u>220</u> 442	<u>230</u> 452	<u>240</u> 462
Training staff needed		1,688	1,728	1,768	1,808	1,848

The highest estimate of management trainers now employed as such in all sectors together in the country is 700, and of these not more than 300 in government; some 240 may be in the ministries - a shortfall of about 1,460 in 1981. The shortfall was actually larger. Since only a small percentage of training funds with ministries was budgeted for management training, even the few trainers available were probably used largely for training of other kinds. Besides that, they, like other trainers and all staff, spend additional time supplementing their incomes from other sources (which may, of course, have included working on management programs elsewhere).

INDONESIA

MANAGEMENT STUDY

The National Institute of Public Administration (LAN) ^{1/}

LAN and its Functions

1. The National Institute of Administration (Lembaga Administrasi Negara or LAN) was one of GOI@s earliest responses to the need to smooth the performance of the governmental apparatus. It was founded in 1956, with six employees, to serve as an arm of the President with the task of reforming the organization and procedures of administration. It immediately began selected training activities. The first regular educational activities were undertaken in 1961, and the first class of 34 Sarjana students graduated in 1964. Gradually, LAN acquired the resources and range of activities now associated with it.

2. In the Decision of the President, No. 5, 1971, the following responsibilities and activities were identified:

- (a) propose improvements in organizational structures and procedures;
- (b) carry on research and development activities in the field of public administration;
- (c) plan and carry out educational and training activities for civil servants;
- (d) provide consulting services in the field of public administration;

1/ This annex was prepared based on data available as of late 1983. Since then, a new Chairman has assumed the leadership of LAN, and LAN has undertaken various initiatives to address some of the deficiencies outlined in this annex. These initiatives include: the design of a training cycle for senior civil servants that emphasis experiential learning, the introduction of policy-oriented courses, and the involvement of other departmental training centers in the formulation of training priorities and policies. LAN also intends to collaborate with the department of education in the development of public administration programs at the state universities. These initiatives are still at early start and will be institutionalized only if some of the policy constraints to LAN are reformed, such as the creation of full-time and career ladders for its faculty. Moreover, LAN will require sustained assistance to develop its trainers, teaching materials and its cadre of researchers and consultants to fulfill its new policy directions.

- (e) affiliate and cooperate in the field of public administration with domestic and foreign institutions; and
- (f) develop and advance the science of public administration in Indonesia.

A. A Description of LAN: Its Context and its Current Activities

A General Description of LAN

3. LAN has a formal complement of 500 civil servants, of whom 437 are currently in place and only about 50 are trainers. Figure 1 shows the distribution of these employees by civil service grade and class. In terms of its authorization, LAN is understaffed at the top of its service (Grade IV), those employees in the first, second and top of the third echelons. When compared with other selected nondepartmental agencies having scientific and/or regulatory functions, the number of Grade IV employees, both in place and authorized for LAN, appears uniquely large in comparison with the average for all institutions (see Figure 2). Three reasons for this high concentration of upper-level officials have been suggested. The first is the professional and "scientific" character of the organization. As Figure 2 clearly shows, all professional and scientific agencies stand well above the norm for the Government as a whole. A second explanation is LAN's relatively small size. The smaller the professional organization, the larger will be the percentage of high-ranking civil servants. A third reason given is that LAN's cadre of professionals joined the organization quite early in its history and have remained with it as an upward, mobile cohort group.

**Figure 1: THE DISTRIBUTION OF EMPLOYEES "IN PLACE" AND "AUTHORIZED"
BY CIVIL SERVICE GRADES AND CLASSES FOR 1982: THE NATIONAL
INSTITUTE OF ADMINISTRATION**

	In place	Authorized	% in place
IV - E	-	1	
D	1	5	
C	6	12	
B	18	27	
A	11	21	
Subtotal	<u>36</u>	<u>66</u>	54.5
III - D	9	8	
C	16	24	
B	30	27	
A	33	35	
Subtotal	<u>88</u>	<u>94</u>	90.4
II - D	24	25	
C	17	24	
B	63	74	
A	92	107	
Subtotal	<u>196</u>	<u>230</u>	85.2
I - D	22	16	
C	29	28	
B	36	35	
A	30	31	
Subtotal	<u>117</u>	<u>110</u>	106.4
<u>Total</u>	<u>437</u>	<u>500</u>	<u>87.4</u>

Source: Derived from LAN's documentation.

Figure 2: GRADE IV EMPLOYEES FOR SELECTED
NONDEPARTMENTAL AGENCIES, 1982/83

Agency	Grade IV		Total employees		Grade IV as % of total	
	In place	Autho- rized	In place	Autho- rized	In place	Autho- rized
National Institute of Administration	36	66	437	500	8.2	13.2
Space Institute	20	21	637	783	3.1	2.8
National Science Institute	97	107	3,398	4,015	2.9	2.4
National Planning Agency	13	22	296	377	4.4	5.7
All departments and agencies	13,186	17,187	1,179,125	1,327,650	1.1	1.3

Source: Based on figures supplied by Badan Administrasi Kepangawain Negara) (see Appendix 2).

4. There are six center-level units grouped into two clusters of three units each. Each cluster is supervised by a Deputy Chairman who, in turn, is "under the supervision of, and responsible to, the Chairman." One Deputy oversees "Education and Training" and the other, "Research and Development." Separation of two functions appears to be complete (see Figure 3). As we will see below, however, the dichotomy is illusory, because research, consulting, education and training are carried out to some extent within units in both divisions. The specialization is weakened further because most professional personnel engage in the range of activities undertaken by LAN as part of their daily activities. Thus, while unit management is specialized by function, to some extent the personnel are not.

Education and Training Activities in LAN

5. The education and training activities in LAN are centered primarily in the three center-level units under the Deputy Chairman for Education and Training. They are:

- (a) The Sekolah Tinggi Ilmu Administrasi (The Higher School of Administrative Science, translated as The School for Public Administration). This school offers both a baccalaureate-level degree and a first-level postgraduate degree. Neither degree has been certified by the Ministry of Education and Culture.
- (b) SESPA (The Administrative Staff College), which is responsible for the Executive Development Program for most of the civil servants within the central departments and agencies. (The military operates

a separate executive development system.) At present, LAN offers an "Interdepartmental SESPAs" and delegates to the various departments the authority to conduct SESPAs with "the guidance and pattern" provided by LAN.^{2/} LAN offers one SESPAs each year. On the average, 16 departments each offer one additional SESPAs program each year. The present development plans call for establishing a single Administration Staff College to be conducted by the National Institute of Administration.

- (c) PUSDIKLAT (Center for Education and Training). This center offers training in administration and management, and guides, coordinates and certifies such training carried on within departments and agencies. In addition, it is responsible for training trainers and for training managers of training for the departments and agencies.

Research and Development Activities in LAN

6. The research and development units of LAN are grouped into three centers under a deputy chairman:

- (a) The Center for Library and Documentation. The library collection is adequate and may include the best single collection on public administration in Indonesia. It has the beginning of an interesting collection of management training audiovisual materials. The upgrading of print and audiovisual materials was a priority activity of a prior World Bank-funded project (INS/77/X01). It suffers, however, from a lack of systematic collecting and continuous oversight by field specialists and it is far below the quality of the best libraries in similar developing countries. The staff, students and participants in LAN programs use the library facilities only on a limited basis. The resource is not integrated into LAN's educational mission.
- (b) The Center for Research and Development is responsible for LAN's basic research program on broad policy issues and organizational (structural) reform and improvement. It provides consultation in these areas. A major form of consultation in which this Center engages is training.
- (c) The Center for O&M and Consultation undertakes research and consultation on the internal problems of management and administration. It concentrates upon the development of efficient procedures (methods) and systems. This center also consults through training.

^{2/} Toward a More Effective Management Training in Indonesia, prepared by the National Institute of Administration, Republic of Indonesia, for International Seminar on Management Training in the Public Service, held in Kuala Lumpur, Malaysia, September 1-3, 1982.

7. In addition, a number of functions and administrative units are established under a Secretary. A request has been made for a revised formal organization plan. It is understood that this revision includes an upgrading of the Secretariate to the level of a deputy chairman with, at least, the added responsibilities of inspecting and certifying the educational and training activities of the departments and agencies of Government. It also includes the upgrading of the Administrative Staff College to the level of a deputy chairman.

8. LAN has two regional offices outside of Jakarta. The oldest establishment is in Bandung and serves much of the remainder of Java. A second office was established in Ujung Pandang, Sulawesi. Each of these regional offices offer educational degrees, training and consultation within their regions. Each has the task of coordinating and regulating training programs offered by the central Government departments and agencies within their regions. The dimensions and politics of this task has interest parallels to that of LAN's task of coordinating at the national level.^{3/}

9. The issues, problems and possibilities presented by the existence of these regional offices is not directly addressed by this Annex. One observation, however, is worth noting. If LAN is to have an impact upon the effectiveness of the delivery of Government programs to the people, communities, institutions and enterprises of the highly differentiated and widely distributed regions of Indonesia, it must have a continuous presence in those communities.

Training Activities Within the Center of Training and Education

10. The activities of the PUSDIKLAT consume one of the larger portions of the activities of LAN's employees. All training activities at a level below the Administrative Staff College are managed within this Center. Under the rules and regulations established by LAN, it is the responsibility of the Center to provide guidance for all education and training at these levels. Guidance has been interpreted by LAN to mean prescribing uniform subject coverage.

11. Figure 4 shows the three levels under PUSDIKLAT's oversight. PUSDIKLAT is directly responsible for providing, managing, overseeing and certifying 1,200 hours of management training for each participant. During the financial year 1980/81, for example, PUSDIKLAT's structured management program delivered 15,762 man-years of training (Figure 5).

^{3/} See, Muhammad Ma'mun, "Coordination of the Education and Training of Civil Servants in West Java" (M.Sc. thesis, Center for Technology and Administration, The American University, Washington, D.C.).

**Figure 4: LAN-APPROVED MANAGEMENT TRAINING FOR
STRUCTURAL POSITIONS BY EFFORT, LEVEL OF PARTICIPANT
AND TOTAL HOURS OF GENERAL VS DEPARTMENTAL-ORIENTED INSTRUCTION**

	SESPA	SEPADYA	SEPALA	SEPADA	Total
Total hours required	900	500	400	300	2,100
Level of participant					
Current grade	IVa-IVd	IIIx-IVv	IIIa-IIIId	IIc-IIIb	
Eligible echelon	II	III	IV	V	
% of instruction					
Administration	100	80	70	60	
Functional	-	20	30	40	
Total number of hours of instruction					
Administration	900	400	280	180	1,760
Functional	(810) <u>/a</u>	100	120	120	1,670 <u>/a</u>
					340 <u>/a</u>
					430 <u>/a</u>

/a SESPA's offered by the departments may contain 10% of departmental material.

Note: SESPA = Administrative Staff College
 SEPADYA = School of Upper Middle Managers
 SEPALA = School of Lower Middle Managers
 SEPADA = School of Supervisors

**Figure 5: TOTAL MAN-YEARS CONSUMED BY PARTICIPATION
IN LAN-STRUCTURED MANAGEMENT COURSES, 1980/81 /a**

	SEPADA	SEPADYA	SESPA	Total
1. No. of courses	13	12	17	78
2. Participant attendants	483	333	493	2,629
3. Hours per course	300	500	900	2,100
4. Total man-hours of instruction (1x2x3)	1,883,700	19,310,400	7,542,900	30,735,000
5. Total man-years of instruction (4x39x50) <u>/b</u>	966	9,903	3,703	15,762

/a Estimate based on an average attendance of 29.

/b Total is conservative in that it does not include holidays, sick leave or vacations.

12. In addition to this structured program PUSDIKLAT played some guidance role in the delivery of 245 courses in "Technical Management." Of varying lengths and sophistication, these provided training opportunities for 8,054 additional employees in 1980/81.

13. The PUSDIKLAT's 17 professional and semiprofessional personnel are engaged primarily in the administration of programs. The training activities are carried out by LAN's total professional complement and by selected external trainers. When a training course is held in a department or agency, the guidelines developed by LAN are followed. Most often, PUSDIKLAT is consulted about specific needs in implementing programs.

14. Instructors for programs are obtained from a list of approved trainers within the department or agency and from a master list developed by the PUSDIKLAT in conjunction with the departments. Thus, the great majority of the teaching in these programs is delivered by non-LAN employees. The supply of trainers, however, is controlled by LAN. LAN personnel are used to inspect programs and most often, they participate as instructors. The payment of instructors is determined by the level of the participants in the program. The higher the level of the participants, the higher is the instructor's honorarium.

15. The LAN instructions for implementing the structured management training program are very explicit in terms of the subjects to be taught and the number of classroom hours to be dedicated to each. This, combined with its control over instructor selection and the possibility of inspecting the classroom performance, provides LAN with a remarkably complete control system over the delivery of these programs.

16. The technical management programs produced in the departments and agencies vary widely in content and purpose. There are courses on "The Training of Trainers," "Organization and Management" (methods), "Management Analysis," "Materials Management Exercise," "Records Management and Filing Operations," "Managerial Statistics," "Leadership," "Management Auditing" and many, many more. While the role of the PUSDIKLAT will vary dramatically depending upon LAN's competence and interest in the area, it always must be consulted; it always must certify the results.

Training Activities Within SESPA (The Administrative Staff College)

17. The structure of LAN's relationship to the departmental SESPA's parallels the relationship exhibited by the PUSDIKLAT. If anything, LAN's authority and control is most complete over SESPA. LAN is the center for executive development activities in the Government. Its authority to provide SESPA's is delegated, temporarily, to the departments. It is LAN's intention, as noted earlier, to reclaim its monopoly when appropriate facilities and resources are available.

18. During the last few years, each of the departments has offered a "departmental SESPA" in addition to those offered by LAN. Figure 6 shows the total number of sessions delivered to date by LAN and the departments.

**Figure 6: SESSIONS AND ALUMNI OF THE ADMINISTRATIVE STAFF COLLEGE
BY INSTITUTION DELIVERING THE SESSION**

	No. of sessions	No. of alumni
LAN (interdepartmental)	20	639
Department of Home Affairs	7	232
Department of Foreign Affairs	6	151
Department of Justice	9	237
Department of Commerce and Cooperatives	5	114
Department of Information	5	110
Department of Agriculture	7	189
Department of Industry	8	249
Department of Public Works	9	316
Department of Communications	14	380
Department of Education and Culture	12	345
Department of Health	6	168
Department of Religious Affairs	7	194
Department of Social Affairs	4	92
Department of Labor and Transmigration	11	304
Department of Mining and Energy	2	60
Department of Defense	6	205
Department of Finance	-	-
<u>Total</u>	<u>138</u>	<u>3,995</u>
Average no. of participants per session		28.94
Total no. of hours of training (900 x 3,995)		3,595,500

19. The standard curriculum is divided into a number of small segments with time allotments of from 4 to 52 hours. Most of the time allotted to discussion is to discuss papers and field work and not for classroom discussion of lectures. Two hundred fifty hours are allocated to lectures (31% of allotted time), 210 hours (26%) to writing, 234 hours (29%) to seminars on the participant's papers and field work. The rest of the time is devoted to testing, evaluation and extracurricular activities. According to some who have been participants in the program, the discussion element does not comprise as large a percentage as the formal distribution suggests. Much of the discussion period is actually devoted to lecturing.

THE STRUCTURE OF A MODEL SESPA

	No. of hours
<hr/>	
<u>General Program</u>	
Basic subjects (4 segments)	28
Core subjects (general public administration theory) (15 segments)	110
Supporting subjects (communications, social psychology, economics and politics) (5 segments)	24
Subtotal	<u>162</u>
<u>Special Program</u>	
Current national issues (7 segments)	28
Business substantive problems (for public enterprise SESPA only) (10 segments)	60
Subtotal	<u>88</u>
<u>Reading and Paper Writing</u>	
Major group paper	52
Group papers (2 out of 12 hours each)	24
Field study reports	30
Individual paper	52
Reading	52
Subtotal	<u>210</u>
Discussion and seminar	234
Orientation, guidance and evaluation	98
Extracurricular activities	52
<u>Total Program Hours</u>	<u>844</u>

20. The philosophy behind this program is that there is a wide range of information which all top-level executives must know. The objective of the Staff College is to transfer that knowledge to the participant and to have him apply it.

21. It is easy to criticize this philosophy and its embodiment in the SESPA curriculum design. A lecture on managerial decision-making does not improve the managerial decision skills of the participant. One six-hour lecture on statistics probably bores some of the participants, confuses others, and provides a false sense of understanding for yet others.

22. Why is so much time expended reviewing management techniques? Haven't they had management techniques in the preceding 1,200 hours of course work? And, if they have not had the preceding course work, why are they admitted directly to this program?

23. These kinds of questions can be asked almost without end. They can be subsumed, however, under a few broad categories.

- (a) What critical information should all managers of major governmental activities know and understand?
- (b) What actual values should guide the manager's judgments?
- (c) What skills are essential if the manager is to accomplish the organization's objectives and those of Indonesian social and economic development?
- (d) What training environments and methods are most conducive to the transfer or development of each kind of knowledge, value commitment and skill?

24. It would appear that insufficient attention has been given to developing appropriate responses to these questions.

LAN's Training Activities and Their Critics

25. In the preparation of this report, visits were made to a number of Departmental Centers for Education and Training. In addition, conversations have been held with graduates of training programs, with LAN employees and with visiting experts attached to a variety of departmental agencies. There is general agreement that tensions exist between LAN and those who receive its services and are "guided" by it and there is a constant concern that the programs LAN delivers are ineffective, inappropriate or irrelevant. On the other hand, some others felt that LAN has a useful role to play in increasing organizations' awareness of management need and in guiding its own and department training courses.

26. Nevertheless, there appears to be considerable dissatisfaction with the way LAN has played its guidance role. Undoubtedly, part of the dissatisfaction relates directly to the perception of trespassing on established departmental territory. A large part of the dissatisfaction, however, remains rooted in perceptions of lack of relevance, and lack of sophistication in training.

27. At the heart of the controversy stand two issues. The first is the delivery of a uniform system of management education. We expect that if the quality of the training delivered were uniformly high and seen as relevant to the tasks of the individual and department, then all criticism would be abated. However, neither condition exists. What remains is an imposed program which is viewed by many as having no benefit and displacing training which might be beneficial.

28. The second issue is that LAN has authority over all training. Recently, LAN began reviewing the annual plans for all training programs. It is rumored that LAN would like to play a greater role in the development of training and education budgets for the departments and agencies. As LAN attempts to increase its regulatory role in allocating training programs and funds, the controversy may escalate.

The School of Public Administration: Degree-Related Education in LAN

29. LAN offers both a first-level degree program leading to the Sarjana Muda and a second-level postgraduate program leading to the Sarjana (lengkap). As of the January term 1982, there were 1,595 students in the baccalaureate program and 2,275 enrolled in the second-level or doctoral program for a total enrollment of 4,879 students.

30. The undergraduate program is six semesters long and the postgraduate program lasts for four semesters. Most students study on a part-time basis while remaining fully employed by their departments or agencies. A small number of students from the provinces are in residence full-time at STIA.

31. Admission to the program requires a license from the student's department or agency, a high school diploma and at least two years of Government work experience. In Jakarta, there are more candidates than places for both the graduate and the undergraduate program; and the graduate program is relatively selective.

32. Judging solely by the titles of the courses, both curricula fall well within the guidelines set for public administration programs.^{4/}

33. Each student studies an average of nine subjects each semester. Undergraduate students complete work in 53 subject areas in three years while graduate students complete 37 in two years. Obviously, the amount of subject matter covered by each "subject" is significantly less than that found in the American semester-length course.

34. An examination of the syllabi in a publication of LAN, *kurikulum dan sibaki Sekolah Tinggi Ilmu Administrasi (1982)* reveals a number of observations:

- (a) the broad topic areas of Public Administration appear to be covered by the total array of subjects;
- (b) there is considerable redundancy in the lecture materials and in the readings;

4/ See Guidelines and Standards for Graduates for Graduate Education Public Administration (Washington, D.C. re: National Association of Schools of Public Affairs and Administration). These guidelines develop a matrix of subjects and skills which should be present within MPA programs.

- (c) the readings listed (but not necessarily required) are relatively few in number;
- (d) the reading lists as a whole are very dated. While there are some notable exceptions to this observation, the largest bulk of references are from materials published in the 1950s and 1960s; and
- (e) one third of the readings are in English or Dutch. There is little evidence that most of the students read effectively in either language.

35. The STIA faculty all teach on a part-time basis. Faculty are drawn from LAN, MENPAN, BAPPENAS, the departments and agencies, and from the university communities. It should be noted that some members of LAN (and of other governmental institutions) are also members of the public administration faculty of the University of Indonesia.

36. The degree programs are also offered in the regional offices in Bandung and Ujung Pandang. For the year 1981/82, the following degrees have been awarded:

Figure 7: DEGREES AWARDED BY LAN, 1981/82 THROUGH JANUARY 1982

Campus	Akademi	Doktoral	Total
Jakarta	101	175	276
Bandung	71	106	177
Ujung Pandang	11	47	58
<u>Total</u>	<u>183</u>	<u>328</u>	<u>517</u>

Source: STIA Alumni Bulletin, 1982.

37. The attitude of Government officials interviewed toward STIA varies. While a STIA degree, by regulation, is certifiable as meeting the educational requirements for entrance to higher-level positions, most officials choose to hire and promote employees with University degrees rather than those with degrees from those Government department or agency institutions.

38. The fact that STIA degrees have not been recognized by the Department of Education and Culture weakens its position within the educational community and the credibility of its programs among Government officials. Despite the absence of Department of Education and Culture recognition, until very recently LAN and STIA have been seen as the unrivaled source of guidelines and standards for Public Administration education in Indonesia. The universities have looked to LAN for leadership and LAN staff members have assisted in establishing and teaching in the Public Administration program at

the University of Indonesia. However, it is possible that this situation is beginning to change. With a critical mass of academics now interested in the problems of public management and policy implementation, the intellectual leadership of public administration is likely to switch hands.

39. The STIA programs have a number of problems:

- (a) lectures are the dominant (if not only) method of transmitting knowledge;
- (b) for the most part, the lecturers are operating officials with little time or inclination to devote to remaining current in the literatures of their fields;
- (c) the reading material mentioned in the syllabi is dated and most often not available in Bahasa Indonesia. There is, in fact, very little relevant material in the Indonesian language. Most of the Public Administration theoretical material is in English or in an European language. As few STIA students (or Indonesian students in general) have an adequate reading comprehension, either in English or in European languages, these materials are useless to the students; and
- (d) the fragmented nature of the curricula does not permit the development of management technologies and skills, nor does it allow for an evaluation of the student's ability to practice what he has learned.

Research and Consulting in LAN

40. One half of the structure of LAN is committed to the support of research, development and consultation. Collectively, this employs 32 professionals or quasiprofessionals. There are two research centers. The primary task of the Research and Development Center is institutional policy-level research. Research on management-administrative systems is the responsibility of O&M and Consultation. In reality, the concerns of the two centers and their activities overlap.

41. Most projects undertaken by these centers are assigned to them in the Development Budget. This means that BAPPENAS is their primary client in terms of research directives and resourcing. Both centers do have some research and consulting activities that are sponsored directly by clients (for example, provincial governments and public enterprise agencies). The research budget for R&D for 1982/83 is Rp 24 million. This budget has experienced only marginal growth over the last few years. The budget for O&M and Consultation is approximately equal.

42. The development budget funds projects on an annual basis and a project may be funded for more than one year. The annual cycle becomes the basis for the planning of research activities. There appears to be a formula for the development and implementation of research projects that is tied to the budget cycle and to the need to financially reward a large number of

people. Generally, six or seven professionals are assigned to each project and each is paid Rp 30,000 per month. In reality, only two to four people do the bulk of the work on each research or consultation project.

43. The researchers and consultants for LAN-based projects come from the professional staff of LAN and individuals (often alumni of training programs) outside the agency.

44. Among the problems associated with the research and consulting activities of LAN are:

- (a) lack of functional, highly qualified research and consulting staff;
- (b) development budgets spread over a wide group of employees and friends with the objective of providing compensation rather than accomplishing research tasks; and
- (c) difficulty in determining who the client is as a result of centrally supplied funding. This is a greater problem for the R&D unit than for the O&M unit because of the latter's close ties to the departmental O&M units and to alumni of their O&M training program.

45. In addition to these research and consulting activities, both of these units carry on training programs (in conjunction with PUSDIKLAT). The O&M programs are aimed not only at the immediate consulting targets but at the establishment of effective O&M (management analysis) unit within each department.

46. The O&M training program is conducted both within LAN and within the departments and nondepartmental agencies. This program was begun as a joint venture with the Royal Institute of Public Administration of Great Britain (RIPA). In the beginning of the program, RIPA provided firm direction and most of the talent for the training events. Gradually, more and more of the programming has been taken over by LAN. It is one example of a relatively successful transfer of a management technology - perhaps the only major example in LAN.

47. There are 750 graduates of the O&M program. One hundred ninety-six of them occupy formal O&M positions. They are organized into an O&M association and regularly discuss and work on problems of organization and management. The center uses its alumni as adjuncts in its consulting activities.

B. Issues Relating to LAN and its Environment

48. We may conclude from our review of LAN's activities that there are a number of legitimate concerns with the ways in which LAN has implemented its mandate. There are also issues affecting LAN that have ramifications far beyond that organization.

49. One of these broad issues is the compensation system for civil servants.^{5/} Because of the base (routine) salaries of the Government employees cover only a fraction of their cost of living, other forms of income must be provided or sought out if civil servants are to maintain the expected standard of living. Additional income is derived from graduated in-kind payments, from task assignments in Development Budget-funded projects, as well as other unofficial forms of payment. Employees of one agency may participate in the budget of another agency. This is the primary method of recruiting consultants, teachers and researchers.

50. In the case of LAN, the multiple tasks assigned by Development Budget projects are a primary cause of the lack of specialization and of externally perceived competence. LAN's most active and able members undertake a large number of assignments and their time and attention becomes fragmented into a large number of small, discrete commitments. As a result, there is no way to effectively manage time in order to maximize accomplishments and organizational goals and objectives are not met. LAN employees appear to be going in all directions at once.

51. Thus, the compensation structure and its management are important because they provide the framework within which most of LAN's activities are developed, managed and produced. The size of payments, the distribution of the payments and, in some cases, the source of payments all affect that which is produced.

- (a) Most of the activities are financed on an annual basis and many projects are spread out over the year, regardless of normal time and effort required.
- (b) Projects are widely distributed among LAN employees and their friends and allies in order to provide compensation for the widest possible group. Decisions about who will participate are made on the basis of compensation needs and the "political" requirements of LAN, as well as any considerations of research, consulting or teaching skills or reputation. Thus, courses and seminars nearly always are fragmented into small, easily delivered lectures, and research and consultation are undertaken by committees of six or seven, although the workload is handled by only a few.
- (c) Most research projects are derived from BAPPENAS. Some projects have a clearly identifiable third-party client; others do not. Where the client is not well identified and where there is no relationship between the client's needs and the system of payment, much of the incentive for providing quality research, consultation and/or teaching services is lost.

^{5/} Clive Gray, "Civil Service Compensation in Indonesia," The Journal of Indonesian Economic Studies (Australia, 1979) is an excellent analysis of the operation of the compensation system.

52. A second issue is the regulation of training and education for civil servants. LAN has been given the mandate to regulate, encourage, coordinate, develop and guide education and training for the civil service. The departments and agencies express varying degrees of displeasure with LAN's role as regulator. The major issues are:

- (a) the departments honestly believe that they can identify their own training needs and determine ways to meet them;
- (b) the departments do not believe LAN has the competence necessary to control the technical training programs which constitute the overwhelming proportion of department and agency training budgets (95-99%); and
- (c) the departments take issue with LAN's rigid regulation of management and administrative training. LAN prescribes in great detail the subjects to be covered, the number of hours to be devoted to lecturing, to the preparation of papers and reports and for their oral presentation and discussion. LAN has prescribed at this level of detail 2,100 hours of training for managers. The curriculum focuses too much attention on theory and not enough on practice. They conclude that LAN's prescribed training is not responsive to their most pressing management training needs.

53. LAN's Education Activities Constitute a Third Issue. Many observers believe that educational activities carried on outside of a university setting are inherently less rigorous than those which take place within such a setting. These observers view education as closely related to research and reflection. LAN's working environment does not encourage the existence of scholarship. Indeed, as LAN attempts to fulfill its roles in training and in institutional reform, it must necessarily put aside scholarly detachments in favor of championing particular causes and methods. The issues surrounding LAN's education activities are:

- (a) the educational experiences provided by LAN are, as a whole, inferior to those students would receive in a university setting;
- (b) because the diplomas are not granted by an educational institution sanctioned by the Department of Education and Culture, the graduates often are not considered to be the equals of university graduates; and
- (c) LAN's use of its scarce resources to supply educational activities dilutes its ability to accomplish its critical tasks and to accomplish them well. Because STIA is funded only by the routine budget and by tuition, its education program, comparatively, is poorly resourced.

54. LAN's Training Activities for Public Enterprise. Considerable concern has been expressed about LAN's claim that it can provide education and training for the critical area of public enterprise managements. The issues are:

- (a) LAN is already overextended and cannot possibly take on a new area of training programming without significant added resources; and
- (b) LAN has no expertise in this area. The management of public enterprises is essentially a business activity and requires the knowledge, technologies and skill of the business community.

55. LAN Lacks Specialized, Expert Knowledge in Most of the Critical Areas of Public Management. The argument underlying this issue is that LAN has failed to develop its competence and to keep pace with the changes occurring in the theories and practices of public administration "in the broadest sense" and in the perceived needs of its client institutions. The current critical areas of public administration in which LAN appears to lack competency are: public financial management, systems implementation, information resource development and management, development and project management, policy analysis and operations research.

56. Within the context of this general issue are a number of concerns:

- (a) there is a scarcity of functional specialists within LAN. Those who are there are not well utilized as specialists;
- (b) there are too few appropriate educational and training materials in the Indonesian language; and
- (c) there is a lack of management resource planning by LAN (and others) to meet the real needs of the departments and agencies.

C. Recommendations for Revitalizing LAN

LAN's Range of Activities Should be Narrowed and its Resources Focussed Into a Limited Range of Critical Activities

57. LAN is expanding its limited resources in too many directions and not performing many of its basic functions well.

- (a) LAN should concentrate its resources on the education and training of the top level (Echelon II) executives. This means that the renewing and revitalizing of the Administration Staff College must become LAN's top priority.
- (b) The program for the Administrative Staff College should be developed on the basis of the results of a management needs analysis undertaken conjointly by LAN and its client institutions. Training is a management function. The responsibility for such training ultimately should be within the line agencies. For this reason, the survey, analysis and subsequent program development and implementation must be the joint responsibility of the line agency and the Administrative Staff College.

- (c) The research and consulting activities of the Administrative Staff College must be integrated into its primary mission. LAN must gain expertise in those areas of management which support the requirements of the institutional-level managers who will become its natural client group. LAN's research and consulting services should be seen as "state of the art" activities, closely related to the missions of the departments and agencies, and particularly to the functions of the central guidance institutions.

58. The arguments in support of this recommendation are clear. LAN cannot directly control and deliver management and training services for the whole Government. In the words of one of LAN's own papers "The priority must be given to multiplying and innovative types of management training such as the Administrative Staff College for senior public officials, training of trainers, new management techniques, etc."

59. One of the greatest multiplier effects is to be found in the education and training of top managers. This education must include an understanding of the appropriate role of training in the development of personnel, the impact of new technologies and the need for flexibility in organizational arrangements and procedures.

60. The activities of the Administrative Staff College, thus, must be responsive to the perceived needs of the departments. Undoubtedly, many departments will have greater resources to deliver portions of the executive development program than will LAN. Where that is the case, the departments should be encouraged and supported in their efforts to do so.

61. It follows from the preceding discussion that the whole executive development package offered cooperatively by the departments and LAN must be flexible in form and content. A continuous, long-term training program could replace the standard 900-hour program. It might be composed of modules delivered in different contexts (sometimes at LAN, sometimes at the departmental PUSDIKLAT, sometimes in the field, etc.).

62. The personnel of the Administrative Staff College would have to be seen as experts in training planning and management, curriculum development, pedagogical techniques, action research and performance evaluation. In addition to these methodological skills, the Administrative Staff College faculty/trainers, researchers/consultants, also must be creditable specialists in the critical fields of public management and policy analysis. This will require the addition to LAN of many academic and professional specializations. In many respects, engineers are seen as the best trainers for infrastructure, physicians for health, agriculturalists for agriculture, etc. If LAN wishes to achieve credibility, the technological expertise (or at least language) as well as managerial and policy analysis expertise must be included within its organization.

A Second-Level Priority Must be the Reform of LAN's Support Activities for Those Departments and Agencies Which Cannot Provide Management Education and Training for Themselves

63. Many of the agencies of Government, including some departments, are not equipped to provide their own management development programs. LAN should continue to provide training services for such agencies on a fee-for-service basis.

- (a) LAN's training services at this level should be one of the options available to an agency. The agency might get its services from a university, from a private institution or from another agency or department. LAN's services should be in competition with these alternative sources on a fee-comparable basis. Such an arrangement would help to reinforce a client orientation and the quality of the training delivered.
- (b) LAN should be funded directly through the development budget to undertake research and training which has a time frame or subject matter beyond the interests of any one line institution. The public sector should have a capacity for educating and training in those areas where the special interests or near-term concerns of the line institutions do not provide that capacity. An institution such as LAN can provide that capability.
- (c) LAN should develop a high level of competence in the closely related specializations of training trainers and in the management of training. There is a wide recognition among training officials that the quality of training programs in Indonesia is adversely affected by a lack of qualified trainers. There is a need for individuals who, at some point in their career, actively engage in full-time teaching or training as well as in research and consultation. The current request by LAN before MENPAN for the establishment of functional positions and career pattern for trainers is a reflection of this felt need. A number of directors of departmental training programs seconded the need for the establishment of functional positions and also underscored the need for external support in researching and training of trainers. Most suggest LAN as the logical site of such activities.

64. As estimated by any conventional measure, the training and education of civil servants is a costly enterprise. It has been estimated that 50% of the total education budget is directed toward education and training for civil servants. To insure its efficient and effective use, the management of this resource should be a major concern of those who allocate funds and set priorities. In common with all forms of technical management, the management of training has its own unique problems, opportunities and techniques of implementation. LAN could provide a center for researching, consulting and training in this area as well.

LAN's Authority to Regulate and Provide Guidance for Education and Training of Civil Servants Should be Revised and its Role Redefined

65. No activities of LAN are more controversial than are its regulation and control functions. Clearly, the total range of training and education carried on within governmental departments and agencies is beyond LAN's effective competence to control under the present circumstances. Either one of two outcomes should occur: (i) LAN should be given control over the development of annual and long-term training plans, over the budget for training and provided with the specialized manpower required to effectively manage these major resources; or (ii) these control activities should be carried out by the existing central planning and allocating agencies. Considering the possible implications of each of these alternatives, it is recommended that:

- (a) Control over education and training plans and facilities should be vested in the central development planning agency (BAPPENAS) and subject to the normal review process established there.
- (b) LAN should serve as a consulting and research service for BAPPENAS and the Minister of Reform on questions relating to the uses, allocation and implementation of training programs, facilities and resources. This function would grow naturally out of LAN's training, research and consulting activities in the area of training and its management.
- (c) LAN should announce its willingness to work with major departments and nondepartmental agencies in order to introduce tailored management development programs responsive to departmental needs and focused upon the learning of new skills and useful technologies.
- (d) The Chairman of LAN may be appointed to serve ex-officio as chair of a Government-wide council on public management education and training. This council would represent the training interests of the larger departments and nondepartmental agencies. It would be responsible for setting national guidelines and standards, for suggesting national training strategies, for maximizing the use of available resources, facilities and means of training and for helping LAN set its research and consulting priorities. The council would be advisory to the Minister of Reform and to BAPPENAS on matters of management education and training.

The Degree-Granting Programs in LAN Should be Transferred to a University Setting

66. The questions relating to LAN's role in degree-level education cannot be solved without giving attention to the broader questions of the general policy toward degree-granting institutions within agencies and departments as a whole. One suggestion which has some standing as official policy is that all degree-granting programs be transferred to established public institutions of higher education - the universities of Indonesia. In

some cases, this may be a feasible solution; in other instances, this solution can only weaken existing programs. LAN's educational programs could be transferred to the regional universities, particularly those chosen as "centers of excellence." As a long-term strategy, this would spread public administration education across the nation and create the academic credibility such programs do not currently enjoy in Indonesia.

67. A second alternative strategy would be to build an interdepartmental College of Management, utilizing the resources currently scattered among the department, nondepartmental agencies and LAN. Major elements for this college would come from LAN, the Departments of Home Affairs, Finance and others. The College would offer both full-time and part-time educational programs and would be governed by its own board (perhaps the interdepartmental council on management education and training). The advantage of this proposal is that it provides for the possibility of creating a center for excellence in public administration, "in the broadest sense," connected directly to the Government and with a broad clientele base. The weakness of the proposal is that academic institutions still probably will see it as not part of the academic world.

68. The educational programs offered in the regional offices of LAN at Bandung and Ujung Pandang could be combined with the regional programs of the Department of Home Affairs and with the Public Administration programs of local universities. The results would be a greatly enriched university-based educational program meeting the needs of the regional and local offices of the central government and local officials as well. LAN could continue to have a relationship with these programs through its leadership roles in organization and management research and consultancy, its publishing and educational material development programs, and through its activities in the training of trainers.

69. At the present time, we do not have sufficient information to recommend firmly either strategy. However, if sufficient resources could be directed toward the establishment of a separate College, it would be free of university-related restrictions. However, this may be more difficult than transferring the degree program to an already established state university.

The Functional Position of "Trainer/Educator" Should Be Established and Used as the Basis for Career Patterns Within LAN and the Other Training Institutions of Government

70. This functional position would permit the development of specialists with the knowledge base, skills and interests that are necessary for the development, management and implementation of quality training courses and programs. There are several cautions which should be introduced, however, the first is that the existence of such a category does not free the managers from the need to creatively use development budgets to reward specialization and high-quality activities. The second is that the trainer must be perceived as an expert in what is being taught. In the areas of management and policy studies, expertise is in part a function of doing. The trainer's career pattern, therefore, must permit regular, significant management or management consulting experience.

LAN Should be Restructured in Such a Manner as to Reflect and Support its Priority Activities

71. (a) The Administrative Staff College should be a major unit of LAN under a Deputy Chairman and should contain its own faculty, research and consulting facilities for centers.
- (b) A Center for Training Activities (BADANDIKLAT) should be established directly by a Deputy Chairman of LAN with its own faculty, research and consulting activities. Upon request, it would offer training for departments and agencies and provide research and consulting services in O&M, management techniques and technologies, and in the training of trainers. It should be the Government's primary facility for the training of trainers.
- (c) Until such time as a decision is made to disestablish it, the School of Public Administration should be considered a third major priority area within LAN and be placed under a Deputy Chairman. An extensive review should be undertaken of STIA's curriculum, course requirements, teaching methodologies and student selection processes. A full-time faculty should be developed and more resources should be applied to the school.
- (d) The offices of the Chairman should be reorganized to emphasize and provide support for LAN's interdepartmental and agency roles. Special attention should be given to the coordinating activities of LAN as well as to its procedures for working conjointly with individual institutions or with small clusters of institutions.

The System of Provincial and Local Administration

I. Basic Structure

1. Indonesian regional government operates at four levels: province, kabupaten (regency) or kotamadya (municipality), kecamatan (subdistrict) and desa (village). Three of these levels are "autonomous," i.e. they have an elected assembly with power to make laws (subject to the approval of the next higher level); they have their own budgets and levy taxes and charges. The kecamatan level is not autonomous - merely an administrative agency between the kabupaten/kotomadya and the desa. Law No. 5 of 1974 sets out the basis for the system, concentrating on "first" level (province) and "second" level (regency/municipality) levels. Further intermediate levels of administration exist in some large provinces, the keresidenan between province and kabupaten, and the kewedanaan between kabupaten and kecamatan; these are not tiers of autonomous local government, however.

2. There are 27 provinces, varying greatly in area and population. Outside the special provinces of Jakarta and Yogyakarta, there are three provinces in Java each with populations between 25 and 29 million, Kalimantan, by contrast, has four provinces with a combined population of 6.7 million, Population generally varies inersely with land area, Java's 91 million people and 5 provinces are packed into an island of 132,000 square kilometers. Maluku's 1.4 million are spread over 998 islands spanning 850,000 square kilometers of land and water.

3. Kabupaten and kotamadya have equal status as second level authorities. There are 294 of these authorities of which 49 are kotamadyas, constituting the larger towns and their immediate environs, while kabupatens cover smaller towns and the whole of the rural area. (There are five additional kotamadyas in the special capital province of Jakarta but these are administrative subdivisions, not autonomous units. Jakarta operates a single budget incorporating the incomes and expenditures pertaining to both provincial and kotamadya levels.)

4. Below the kabupaten and kotamadya are approximately 3,500 kecamatans and 58,000 desas, The structure of desa (village) administration varies greatly between provinces, partly reflecting different local traditional organization. It is outside the scope of this report.

II. Internal Management

5. Each level of regional government is headed by an administrator who is both chief executive of the regional authority and representative of the central government with coordinating powers in respect of all services. As representative of the central government they are known by the titles:

Province	-	Gubernur (Governor)
Kabupaten	-	Bupati (regent)
Kotamadya	-	Walikota (Mayor)
Kecamatan	-	Camat (Subdistrict Officer)
Desa	-	Lurah or Kepala desa (Village Head)

As chief executives of local governments they are known as kepala daerahs. (Camats are not heads of local government authorities as these do not exist at their level.) The Minister of Home Affairs appoints governors from a panel of names submitted by the provincial assembly (DPRD - Dewan Perwakilan Rakyat Daerah). Similarly, walikotas and bupati are appointed by the governor from nominations by the DPRD at second level, Village heads are appointed by the bupati/walikota from names emerging from popular election. The formal process of nomination and appointment tends to be preceded by informal negotiations between those concerned.

6. To assist the chief executive at each level, there is a secretariat. Formal structures for the province and regency secretariats - the two levels of most interest to this study - are apparently fairly standard, The introduction in 1980 of an A, B, C classification for provinces raised the number of bureaus (biros) in the governor's secretariat from 9 to between 14 and 16, The A, B, and C classifications reflect differences in the population and wealth of provincial governments. A class A province (a total of 7) now has the governor's secretary (the SEKWILDA) and four assistant secretaries in charge of not less than 16 bureaus. A class B province (5 in number) has 3 assistant SEKWILDAs and a maximum of 16 bureaus and class C (15) 13 assistant SEKWILDAs and not more than 14 bureaus.

7. This enlarging of provincial governments was in recognition of the general growth in provincial responsibilities, and aimed at strengthening the secretariat's capacity to lead and coordinate provincial development. Most of the new bureaus deal with development - regional and rural development, local production, infrastructural development and population and environmental management.

8. In practice, the strength and effectiveness of these secretariats varies greatly from province to province, and between regencies and municipalities in the same province, Much of their "coordinating" work is also less developmental than it sounds, consisting of routing processing and authorization of programs essentially undertaken by the technical departments.

III. Provincial Functions and Departments

9. Functional responsibilities are conferred upon regional governments by regulation and they vary among provinces. Responsibility for elementary education, public health (excepting communicable disease), provincial and district roads, agriculture, animal industry, plantations, fisheries and forestry is universally devolved on regional government. Some other functions such as traffic control (lalu lintas darat - land traffic) and social affairs are delegated to a few of the larger provinces only.

10. Regional government services are discharged at province and kotamadya/kabupaten level by agencies known as DINASes. These are departments of the regional government under the administrative control of the governor, walikota or bupati. They are subject also to technical supervision and guidance by the appropriate technical agency at the superior level, i.e., a kabupaten DINAS by the provincial DINAS, a provincial DINAS by the relevant ministry (department) of the central government.

IV. Central Government Agencies

11. Central government responsibilities at the provincial/local level are normally discharged by a regional "vertical" office known as a kantor wilayah (territorial office) or KANWIL for short. The relationship between KANWIL and DINAS varies according to the practice of each central ministry. There are, of course, many KANWILs which have no relationship to a DINAS, since local government has no responsibility in their field.

V. Financing

12. Funding sources for expenditure by provincial and local governments and agencies can be categorized as follows:

- (a) Sectoral allocations from the central government budget (APBN) known as DIKs (routine budget) and DIPs (development budget). These are transmitted from central ministries to their local vertical agency for expenditure; this may be a KANWIL or a DINAS.
- (b) Grants from central to local government. The major grant is the subsidi daerah otonom which meets the salaries and most of the fixed allowances of all civil servants working for local government (whether as seconded central employees or as provincial employees); approximately half this grant is used in paying teachers. Two other regular grants are the ganjaran meeting routine non-salary costs of the administrative hierarchy in its capacity as representative of the government, and the SPP/SD which covers part of the routine costs of the primary school system.
- (c) INPRES grants for various developmental purposes. The INPRES DATI I and II is paid directly to provincial and regency governments, respectively, for multipurpose expenditures on roads, irrigation, etc. Six other INPRES programs are earmarked for specific purposes - roads, markets, health centers, primary schools, etc.. Targets and guidelines are laid down by central government but kabupaten and kotamadya have some choice in projects, locations, etc. in their execution of the program;
- (d) Assigned revenues, collected under national legislation but allocated in whole or part to local government. The most significant are IPEDA -a tax on land and buildings - and forest royalties;

- (e) Local government revenues (known as pendapatan asli daerah) from local taxes, charges, enterprise profits, etc..

13. It is difficult to estimate how much money is handled by provincial agencies. In 1981/82 approximately 15% of the national budget was formally allocated to local government grants; in REPELITA II such grants constituted two thirds of local government revenue, the remaining third coming from local revenues. However, these figures exclude the very large amounts of money spent by both KANWILs and DINASes from sectoral DIKs and DIPs.

14. One can make no orderly connection between the status of a provincial agency and its source of funding. In one province, for example, we found all the Ministry of Agriculture DIPs being spent by DINASes while the agricultural KANWIL was only spending money from the province budget.

VI. Planning and Coordination

15. Each province has a regional Development Planning Board (BAPPEDA). The BAPPEDAs, which are constituted separately from the secretariat, directly assist the governor in six main activities:

- (a) preparing the overall provincial plan and the province's sectoral five-year development plans;
- (b) formulating annual implementation plans to be financed by the province and the central government;
- (c) coordinating the development plans of kabupatens/kotamadyas, provincial DINASes and the KANWILs;
- (d) drafting the annual provincial development budget in conjunction with the finance bureau;
- (e) supervising implementation, monitoring and evaluation activities;
- (f) conducting relevant research.

16. Second-level BAPPEDAs in kabupatens and kotamadyas have corresponding responsibilities, the results of which are fed into provincial plans. BAPPENAS, the national planning agency, integrates provincial plans into the national plan. Guidelines and instructions on national priorities issue from BAPPENAS down through the same network, BAPPENAS, however, is not the parent agency of BAPPEDAs. Like the rest of provincial and local government, they are supervised by the Ministry of Home Affairs (MHA) and particularly the Directorate General of Regional Development.

17. BAPPEDAs are now becoming an established feature of provincial and local government. They are beginning to move from a "negative" role in which they endorse individual DINAS's and KANWIL's plans to a more positive formulation and coordinating role on behalf of the governor. They have a potentially powerful position since they are required to scrutinize and endorse all expenditure proposals within their territory whether by central or local government agencies.

VII. Staffing

18. It has not been possible to obtain accurate up-to-date figures for civil servants in provincial government and central government KANWILs at provincial and regency levels. The latest figures available are from the Carroll and Swerdlow Report for the World Bank in 1979:

**Table 1: NUMBER AND SALARY GRADE OF CIVIL SERVANTS IN CENTER
AND ATTACHED TO PROVINCES, 1978**

Salary grade	Total Civil Service		Civil servants in provinces		Central Service attached to provinces		Central Civil Service in center	
	Number	%	Number	%	Number	%	Number	%
I-Total	656,551		206,633	50.1	107,721	18.9	250,584	37.9
a	183,015		50,081		23,356			
b	214,300		79,954		37,787			
c	150,504		45,523		25,284			
d	99,732		28,075		21,294			
II-Total	993,884		191,655	47.2	439,003	77.2	313,630	47.4
a	491,781		92,586		243,484			
b	239,100		56,716		74,734			
c	183,937		30,548		88,843			
d	79,066		11,805		31,942			
III-Total	112,835		9,759	2.4	18,365	3.2	82,850	12.5
a	57,303		5,784		10,815			
b	30,985		2,458		4,126			
c	15,123		926		1,966			
d	9,424		591		1,458			
IV-Total	9,161		291	/b	954	1.6	7,823	1.2
a	5,228		221		560			
b	2,313		53		248			
c	326		16		106			
d	326		1		33			
e	161		-		7			
Nongraded	56,966		832		2,414		7,308	1.1
Grand Total	1,829,397	100.0	406,170	100.0	585,457	100.0	661,925	100.0

/a Excludes temporary and other non-civil service employees.

/b Less than 0.1%.

Source: Central Personnel Board (BAKN)

These figures include primary school teachers, of whom there were over 600,000 in 1979.

19. An accurate picture of staff shortages among regional and local administrators is difficult to ascertain. A number of impressions have been formed from visits and interviews:

- (a) there is no serious shortage of people willing to work in Government - the main problem is of qualifications and experience, particularly at lower levels and in some of the more remote provinces;
- (b) the rapid expansion responsibilities and staff in provincial and regency government has stretched the management capacity of these agencies, The increased number of bureaus in provincial secretariats and the creation of BAPPEDAs are the main causes; and
- (c) there is no evidence of any exodus or large scale turnover among provincial and lower level staff. The status and security of government service is still highly valued in spite of any disadvantages there may be in remote areas. Loyalties to the job and to superiors are very strong. Equivalent opportunities in the private sector do not exist in many provinces.

20. All the permanent staff of regional authorities are members of the national civil service, appointed with the approval of BAKN - the national civil service agency - and paid by central government subsidies. They fall into three categories:

- (a) Pegawai Negeri Sipil Pusat Dipekerjakan - officials attached by central ministries to regional government but paid by their ministry of origin (they are very few in number).
- (b) Pegawai Negeri Sipil Pusat Diperbantukan - officials of a central ministry attached to regional government and paid by it during their secondment;
- (c) Pegawai Negeri Sipil Daerah - officials of the provincial government who are nontransferable.

21. Apart from transferability and the mechanics of salary payment, there are no fundamental differences in the status or conditions of service of these three categories of staff. Salaries, perquisites, promotions, pension entitlement, etc. are uniform. Similarly, staff in the provinces receive the same pay and conditions as staff in central government. As far as we have been able to establish, the only group who receive incremental allowances for service in remote rural areas are medical doctors.

22. There are a number of key features worth noting in the practice of this system:

- (a) There are significantly fewer senior-graded positions at provincial and kabupaten levels. SEKWILDAs and some senior bupati are in

echelon II as are the heads of a number of large KANWILs. Assistant SEKWILDAs and heads of DINASes are in echelon III and most provincial and KANWIL staff are in much lower echelons. Basic salaries are broadly related to echelon status;

- (b) Opportunities for the additional sources of earnings upon which Indonesian civil servants depend vary enormously from province to province and department to department. Variations depend on the number of development projects being planned or implemented, on the INPRES programs in operation, and on various special duties and responsibilities - including involvement in training as a participant or teacher. Such opportunities are thought to be as great at the provincial level as in Jakarta, but less at kabupaten or kotamadya level;
- (c) Staff are seldom transferred between provinces or between central government and the provinces, except for, small groups of senior officials - KANWIL heads and deputy heads, particularly in technical departments, and occasionally DINAS heads. SEKWILDAs are rarely moved except in the remote, less developed provinces. The bulk of provincial civil servants spend their careers in one province, most often in the same agency.

VIII. Recruitment and Career Profiles

23. Recruitment is the responsibility of individual ministries and provincial administrations, and is done according to position entitlements and gradings laid down by BAKN. Approval for recruitment to fill vacancies should be obtained from BAKN. The provinces and lower level administrations therefore maintain the same entry standards as the rest of government.

<u>Qualification</u>	<u>Salary grade</u>	<u>Title</u>
Elementary school	Ia	Junior clerk
Junior high school	Ib	First class junior clerk
Senior high school	IIa	Junior supervisor
Bachelor's degree	IIb	First class junior supervisor
Master's degree	IIIa	Junior superintendent

Master's graduates are junior members of the lowest of the echelon ranking No. V.

24. Promotions are generally given automatically every four years, and for "extraordinary performance" after two years. No formal definition of performance is laid down, but assessment is by supervisors and by passing a "service test" for promotions between certain grades.

25. There are a number of key features again worth noting in the practical realities of this system:

- (a) The question of the geographical origins of civil servants is both difficult and sensitive especially in provincial and local adminis-

tration. Officials from Java have been numerically preponderant in technical fields, but a growing proportion of civil servants are being recruited at first and second levels who have been born and/or educated in the province. As educational facilities develop at all levels, particularly in the more outlying provinces, this trend is likely to continue;

- (b) This growing preference for local recruits is likely to lead to significantly different educational profiles for civil services in different provinces. This highlights the growing diversity in regional administration, in terms of level and quality of education of their recruits as well as their degree of identification with local priorities and institutions;
- (c) Promotions come automatically every four years in the provinces as they do in the rest of government, but they are subject to the availability of vacancies, which in the smaller establishments of provincial units are likely to be fewer. This is especially true at higher levels;
- (d) Again at senior levels, "fast track" promotions after two years, which are fundamentally a matter of favorable impressions on superiors, are perhaps less easy to obtain in the case of KANWIL staff. The superiors who count are in Jakarta and provincial level chiefs are out of sight and out of the limelight. Evidence, however, is conflicting on this. Successful implementation at first or second levels of a high priority central government program can also lead to rapid advancement;
- (e) Historically, the most important positions in local government administration have been held largely by members of a specifically trained administrative class or cadre, sometimes referred to as the pamong praja. This cadre is still recruited as such, but it no longer commands exclusive access to managerial positions within the system. Appointments to such posts are frequently made from the armed services, from technical personnel or from other branches of public and private life.

IX. Motivation

26. As might be expected in such a diverse system, the evidence on the attractiveness of careers in regional and local administration is conflicting. Government service is a sought after and respected form of employment. But according to one view, service in remote rural provinces is a form of punishment. Promotional opportunities are few and officials are forgotten by provincial headquarters and central government ministries. Additional earning opportunities are nonexistent. Social life is poor and the normal fringe benefits of the civil service are not available. The only hope is escape to provincial headquarters level or better still to the center.

27. The alternative view is quite different. The status and prestige of a local government career is higher in the rural areas than in the province or

ministry. Officials, particularly if they are from the area, enjoy respect and power. Work at provincial and particularly lower levels is less rulebound and more challenging and responsible. The INPRES programs and the growth in decentralized functions provide a great deal of interesting work. Fringe benefits in the form of access to government housing and transport are more available. Perks are more easily obtainable as there are fewer civil servants and less control and supervision.

28. The truth does not in this case lie somewhere in the middle but in the fact that both views are widely held by provincial governments and KANWILs in the same province, This increases uncertainties involved in tackling motivational issues in management training.

EDUCATION AND TRAINING FOR PUBLIC ADMINISTRATION
The case of GADJAH MADA University

1. Academic and special training programs for public administration have been offered at Gadjah Mada University since the establishment of the University in 1949. Even though there were a number of organizational changes in the University during its formative years, there was always a unit and special programs whose major function was to train civil servants, for local administration, and also at the provincial level as well as for service in the central government bureaucracy.

2. In 1959 with the creation of additional faculties the Department of Public Administration was established as one of the departments within the Faculty of Social Sciences. Visiting professors supplied by donor agencies assisted with the development of the curriculum, with the acquisition of textbooks and other teaching materials, with the planning of physical facilities, and also served as members of the teaching staff. During the twenty-five years since the establishment of the Department of Public Administration there has been a remarkable degree of continuity both in the teaching program and in the teaching and administrative staff. For a number of years the program in public administration at Gadjah Mada University has been considered as the leading program in Indonesia in this field. Graduates of the Gadjah Mada University program in Public Administration now staff the programs in this field at a number of other universities in Indonesia.

3. The Department of Public Administration is one of the departments in the faculty now designated as the Faculty of Political and Social Sciences. The other departments in the Faculty are: Government, International Relations, Sociology, Rural Development, and Mass Communication. It is important to note that the other Departments in the faculty (and this is especially true of Government and International Relations), also feel that they are training individuals for the public service, where they will be administrators and managers. Moreover, there are departments within other faculties as well, including Law, where there continues to be a high expectation that graduates will join the civil service in administrative capacities.

Quality Profile of the Public Administration Program

4. The following quality profile is based on interviews with a number of students and teachers at Gadjah Mada, Department of Public Administration:

- (a) There is an enormous gap between the ideal of good teaching and research environment and the reality of the program.
- (b) Some particular courses seem to be good, and some of the students who are enrolled in the program seem to be satisfied. Indeed, it is so difficult to get admitted to the University that students feel they have arrived once they are enrolled. However, there is no systematic feed-back from junior faculty members, or from the students regarding the quality of the program and how to improve it.

The Curriculum in Public Administration

<u>Name of Course</u>	<u>Credit Hours</u>
A. General Courses offered by the faculty :	
1. Introduction to Sociology	3
2. Introduction to Political Science	3
3. Introduction to Law	3
4. Introduction to Economics	3
5. Indonesian Social System	3
6. History of Indonesia	3
7. The Indonesian Political System	3
8. Introduction to Cultural Anthropology	3
9. Legal System of Indonesia	3
10. Social Science Research Methodology	3
11. Work and Service in Rural Areas (KKN)	4
B. Courses Offered by the Department of Public Administration	
1. Organization Theory	3
2. Management Theory	3
3. Internship (Practicum)	3
4. Social Science Research Methodology	3
5. Introduction to the Study of Public Administration	3
6. Planning Theory	3
7. Control and Management Theory	3
8. Personnel Administration	3
9. Financial Administration	3
10. Provincial Administration	3
11. System and Procedure of Administration	3
12. Law of Public Administration in Indonesia	3
13. Social Statistics	3
14. Development Administration	3
15. Ethics and Administration	3
16. Public Finance and Tax Policy	3
17. Theory of Public Administration	3
18. Comparative Public Administration	3
19. Administrative Leadership	3
20. Methodology of Research on Administration	3
21. Local Government Administration	3
22. Government Field Services Administration	3
23. Administrations of International Organizations	3
24. Accounting and Mathematics	3
25. Legal Relations in Organizations	3
26. Administration of Higher Education	3
27. Planning, Programming and Budgeting Systems	3
28. Public Policy	3
29. Institution Building and Development	3
30. Indonesian Public Administration System	3
31. Comparison of Management Systems	3
32. Problems of Development	3
33. Network Planning	3
34. Information Systems in Administration and Management	3
35. Comparative Study of Organizations	3
36. Development Theory	3
37. Thesis Research and Writing	6

GADJAH MADA UNIVERSITY

Students Enrolled, and Students Graduating from Department
of Public Administration
1960-1983

Year	New Students	Total Enrolled	Graduates (Bachelor)	Graduates (3 Year Diploma)
1960/1961	161	555	46	98
1961/1962	394	1,645	114	134
1962/1963	238	1,054	124	118
1963/1964	184	1,141	77	135
1964/1965	124	1,088	122	145
1965/1966	123	1,086	105	234
1966	155	1,003	200	178
1967	62	732	142	80
1968	64	497	61	66
1969	48	442	44	32
1970	36	332	25	27
1971	30	283	18	34
1972	36	273	31	15
1973	29	220	28	24
1974)	40	222	18) 34
1975)	38	210	21)
1976	45	234	20	30
1977	38	227	4	35
1978	43	253	11	16
1979			6	29
1979/1980	52	292	11	40
1980/1981	63	305	25	42
1981/1982	68	334	37	41
1982/1983	69	353	49	-

- (c) Little attention is paid to improving the curriculum, preparing teaching materials, obtaining books for the library, etc.
- (d) The Department of Public Administration, and the operation of the teaching and research program ought to be considered as a "laboratory for the students, and an example of how the public service works. If even the most elementary principles of good communication, attention to making assignments clear, meeting classes, etc. are not practiced by the faculty, the point is certainly not lost on the students.
- (e) Faculty members are very busy; all of the senior members hold important positions outside of the faculty.

- (f) There is discontent on the part of junior members of the Department, due to, among others, lack of communication, poor environment, and little understanding on the part of the senior staff.
- (g) This point was made to the team several times: The bureaucracy does not want administrators or managers who would rethink present arrangements, who would take initiative, who would use imagination. The program is to teach potential administrators to be patient, behave properly, and not upset anyone.

CASE STUDY: THE INDIAN INSTITUTE OF MANAGEMENT

at Ahmedabad ^{1/}

1. The Indian Institute of Management, Ahmedabad (IIMA), was established in 1962 by the Government of India in collaboration with the State Government of Gujarat, the Ford Foundation and Indian industry. IIMA was one of the two semi-autonomous national institutes set by the Government of India to meet the growing demand in the country for managerial personnel. The two institutes were set up outside the university framework as it was felt that, in order to innovate in the new field of management education, they would require a large measure of autonomy. Though this proposal was opposed by the major universities in India, which had by then established their own programs for management education, the Indian Government decided that on balance the new institutes would perform better as autonomous centers rather than as part of the existing Indian universities. Like the Indian Institutes of Technology, which had also been set up on similar lines, IIMA was financed and supervised by the Ministry of Education of the Government of India through a board of Governors which included the representatives of the Federal Government, the State Government of Gujarat and industry.

2. One of the earliest decisions of the Government of India concerning IIMA was in regard to the choice of a foreign collaborator for the new project. Though some Indian universities had their own management (business administration) departments and the Administrative Staff College of India was already in existence, the Government invited the Harvard Business School (HBS) to provide technical assistance to the new institution. The proposed assistance scheme was financed by a grant from the Ford Foundation, which had advised the Government earlier on the establishment of a national management institute.

Role of the Collaborator

3. The role of IIMA's foreign collaborator, the Harvard Business School, was fourfold. It assist IIMA in choosing and adapting a model of management education appropriate to Indian conditions. Clearly, in this endeavor, HBS was very much influenced by its own philosophy, past experience and an assessment of what Indian managers needed. The model they recommended emphasized experience-based teaching with a heavy reliance on the case method. The Indian leaders involved in planning IIMA had prior associations with HBS and had little difficulty in accepting this advice. HBS also provided a team of consultants led by a senior person based in Ahmedabad and a project leader at HBS who visited and kept in touch with IIMA periodically.

^{1/} Case Study by S. Paul, reproduced from M. Kubr (ed.): Managing a Management Development Institution (Geneva, ILO, 1982) with the Permission of the Publisher. The case provides a concrete example of the process of institutionalizing a "model of excellence" in management education.

By virtue of their role as collaborators, they were consulted on major decisions though the formal decision-making rested with their Indian counterparts. In most academic matters, HBS consultants initiated a number of ideas and interacted closely with the Indian faculty both formally and informally. Thus their role in planning and implementation processes was significant in spite of occasional problems and frictions, and extended over a period of five years.

4. A major role of the collaborator in the initial phase was in the selection and development of the faculty of the new institute. Several of the IIMA faculty were identified from among young Indians who were either in industry at home or in graduate schools abroad. Before they began to teach at IIMA, all or most of them in the early years were sent for further training at HBS for a period of one year. In some cases a few were sent for MBA for doctoral programs, which meant that they stayed abroad for two or three years to complete their studies. The training given to the new faculty was not limited to academic courses. At HBS they were also exposed to the problems of curriculum planning, selection and admission of students, placement, case development and a variety of other academic and administrative matters. The program of training abroad was gradually phased out by the end of the first decade. Though the understanding was that the involvement of HBS faculty members in teaching at IIMA would be minimal, short-term assistance in teaching was provided in the initial phase when many Indian teaching staff were sent abroad for training.

5. HBS consultants based in Ahmedabad were active in field work and case writing. This role flowed from the educational model, which placed considerable emphasis on problem solving and practice-oriented teaching. The case writing program helped to generate new teaching materials adapted to the needs of the Indian environment. This program also enabled the Indian staff to become acquainted with the problems of management in Indian enterprises and establish links with managers and entrepreneurs in a wide range of industries and locations. Professional collaboration between the HBS consultants and Indian faculty members in this area was particularly fruitful.

6. There were other areas also in which HBS collaborated actively. The development of the library and the planning of academic and physical facilities are some examples. On the whole, it should be correct to conclude that the role of HBS was largely confined to academic and technical matters and that in administrative matters, its advice and assistance were rarely sought. Though the formal collaboration contract ended after the first five years, informal exchanges and programs of assistance continued between the two institutions.

Strategic Decisions

7. Industrialization was a major theme in India's development strategy in the 1950's. The second five-year plan, which was initiated in 1956, allocated substantial resources for industrial development. This pattern was continued in subsequent five-year plans and led to the establishment of a large number of enterprises in both the private and public sectors. A major consequence of this strategic shift was the growing demand in India for

managerial personnel at different levels. The number of Indians trained abroad in management and who returned to take up jobs was small. Awareness that professional training in management was desirable was also growing, some exposure having been provided by the Administrative Staff College and the university departments of management. The All India Council of Technical Education had also noted the importance of training managerial personnel, and as an apex body had considerable influence of governmental thinking on the subject.

8. The Indian Government's decision to set up IIMA was thus made in extremely favorable circumstances: there was growing interest in management education at the highest levels in government; there was genuine demand for trained managerial manpower; and the awareness of the industrial sector in this respect was also a positive factor. It is not surprising therefore that when IIMA was established, no formal demand forecasts of managerial manpower for any systematic project analysis preceded the decision. The strategic decisions relating to IIMA fall into four categories, concerning IIMA's mission and goals, key institutional tasks, leadership and faculty, and linkage building.

Mission and Goals of IIMA

9. At its start, in 1962, the objectives of IIMA were stated in rather broad terms so as to leave the new institute free to adapt and expand as the environment changed. But the mission of IIMA which could be discerned from the initial statement was that its primary purpose was to "improve management practices" in India and to augment the supply of managerial manpower. The original decision in setting up the institute did not specify the precise means by which this purpose was to be achieved nor limit its scope to management practices in industry, whether private or public.

10. Guidelines for establishing the priorities and phases of IIMA's institutional tasks were worked out by the Board of Governors and the Ministry of Education. Three key tasks were identified at the outset: teaching, research and consulting. The content and impact that each was expected to have on management practices were left for discussion between the foreign collaborator and IIMA leaders. In terms of priorities, IIMA's operating goals emphasized (a) the development of young people for careers in management, (b) the training of practising managers, and (c) advisory or consultancy services to organizations to improve their management. Research in the wider sense of the terms was given priority only after educational programs had taken off. There was, however, general agreement that teaching, research and consultancy were complementary and mutually reinforcing tasks and that eventually IIMA should work out a reasonable mix of the three activities. Initially, however, operating goals were stated in terms of the numbers and quality of graduates to be trained, the number of practising managers to be trained and the number of cases to be developed to support these two activities. Goals for consulting and research were not stated clearly and on the whole these two activities took on a residual role.

Key Institutional Tasks and Programs

11. Teaching was the key task identified as the "entry point" to achieve IIMA's mission. It was decided to start off with a two year "post graduate program" in management (PGP) for young people with a bachelor's degree in any subject, and to complement it with a short-term program for practicing managers, which came to be known as "the three-tier program". Although, questions were raised about the dangers of early diversification, the rationale for offering the three-tier program was that it could help the PGP by creating client contacts for placement, and opportunities for the development of teaching materials, both of which were directly relevant to the new program.

12. In subsequent years, additional executive development programs were offered by IIMA, both in the general management and in specialized or functional fields. Similarly, a fellow program in management (FPM) was started to augment the supply of teachers in management by offering the title of "fellow", which was regarded as equivalent to a doctoral degree. Project research was also initiated in later years, though in the early phase "case research" was the major area of attention. The only exception was the creation of a small group to carry on research into the problems of agricultural and cooperative enterprises. This group has expanded over the years and is today known as the Center for Management in Agriculture (CMA). A key concern from the start was that scarce resources, especially staff, should not be spread too thinly.

Leadership and Faculty

13. The selection of faculty members was an activity in which the Director, the Board of Governors and the Foreign Collaborator were involved. Though advertisements were used to attract candidates, informal channels were also employed to identify suitable persons and encourage them to join the institute. IIMA's basic strategy in this respect was to select relatively young people with a good academic record or work experience and develop them through further training, using the collaborator's facilities. In the new field of management, which required experimentation and adaptation, it was felt that reliance on older persons who were already set in the traditions of their discipline might be less appropriate. A common experience and some degree of indoctrination were provided to the young faculty members by their HBS training. The first 20-25 went through the HBS program. Subsequently training programs and sources were diversified and the role of HBS declined. Deliberate efforts were made from the outset to recruit staff from the diverse disciplines and functional areas relevant to management and to evolve a mix of expertise in terms of both academic competence and field experience and knowledge. Blending such diverse groups was by no means easy and IIMA inevitably experienced inter-personal frictions and tensions as a result.

Principal Linkages

14. IIMA's leaders and collaborators devoted considerable attention to the creation of linkages with other relevant institutions. These included the Indian Government, the State Government of Gujarat and industrial leaders, all of whom were important in terms of financial and political support for the

institute. These three groups were represented on the Board of Governors, provided the leadership for mobilizing the resources needed by IIMA, and facilitated its early development.

15. As a prerequisite for organizing the different training programs and case development, IIMA also developed functional links with a variety of organizations which had a great deal to offer to it. For field work (case development) and consultancy, close contacts were established with many industrial enterprises. To facilitate the placement of fresh graduates from IIMA, links were forged with senior managers in many enterprises. Contacts were established also with academic institutions abroad where potential Indian staff members could be located or trained. In this sense, HBS also played the role of a functionally associated institution for IIMA.

16. It would have been of value for the IIMA to maintain cooperative relations with Indian universities and other academic bodies which had a common interest in management development. Unfortunately, because of the initial hostility displayed by the major universities, IIMA was unable to build up these lines. Over the years, however, the situation improved considerably as IIMA began to offer programs for university teachers and share cases and other teaching materials with colleagues in other institutions. It did not collaborate with its sister institution in Calcutta and the Administrative Staff College, largely because of the sense of competition that prevailed among them. However, there was a common forum, the All India Board of Studies in Management, in which all these institutions were represented and which provided occasional opportunities to share common problems and explore areas for mutual collaboration. This was an official advisory council for the Ministry of Education, set up by the Government of India: although it too was marked by hostility and mutual suspicion when India started establishing its national management institutes, the situation improved somewhat in later years.

Organizational Design

17. IIMA started with a small faculty nucleus which enabled some measure of informality to prevail in the institutional environment. Apart from the director, there was no other functionary in IIMA who had formal powers. Even when coordinators and committees were appointed to plan and manage different programs, collegiality rather than formal authority was the basis of decision-making and action. Occasionally problems arose because of a lack of clarification of the channels of communication and distribution of power. The situation was further complicated by the involvement of the foreign collaborator who had considerable prestige and influence, but no formal power in the institutional structure. The role of the faculty in the formulation of policies and academic decisions was left to evolve and this again caused some friction between the director and the faculty. The strategy of the director seems to have been to leave things deliberately vague and not to structure the organization too rigidly right at the outset when the setting, people and programs were all new and creative initiatives were most desirable.

18. By appointing chairmen for its different programs, IIMA adopted an organizational structure that was built around its major task groups. The

focus was on planning and operating programs of training and research and not on the different disciplines which provided inputs to the programs. Eventually, academic and functional groups called "areas" were also created in order to provide an intellectual or academic base to the faculty members coming from different disciplines. Every faculty member belonged to a program as well as an area. IIMA thus moved towards a full-fledged matrix form of organization with dual controls operated by program chairmen and area chairmen, both of whom were supervised by the director.

19. Many of the academic norms which were evolved in IIMA came out of the joint deliberations of the faculty, the director and HBS consultants in the early years. An academic decision-making, the faculty's role progressively expanded over time and the director confined himself to setting broad directions, allocating resources, resolving conflicts and monitoring performance. Staff evaluation and promotion were initially decided by the director alone. This approach was subsequently modified to one involving a faculty committee which advised the director in these matters.

20. An innovative aspect of IIMA was the decentralized planning of academic programs, which was encouraged almost from the beginning. Faculty members, irrespective of rank, participated in different committees and took turns in holding academic administration positions. The wider sharing of these responsibilities and the experiences it provided seem to have contributed to a greater sense of commitment, maturity and vigor to the staff. The director has also encouraged the faculty to review activities periodically and to think about the future directions of the institute, an exercise which has forced them to look at their environment and potential choices critically and propose realistic goals and action plans for the years ahead.

An Assessment

21. IIMA has been in existence only for about two decades. Its experience and problems are perhaps not sufficiently broad and diverse to let us draw definitive conclusions on strategic management. A few tentative insights may, however, be offered.

22. There are five factors that appear to have contributed importantly to IIMA's success:

- (a) The quality of the faculty and leadership at IIMA is a significant factor to which those who planned the institute paid considerable attention. This tradition has been kept up in spite of growth.
- (b) The degree of autonomy that IIMA enjoyed was deliberately sought and achieved. The decision to earn a substantial part of its revenues instead of relying only on governmental funding was a conscious choice which gave IIMA a good deal of independence and flexibility.
- (c) The special and consistent efforts made to create links with client groups, sources of financial and political support and other institutions deserve to be noted. Without these links, IIMA could not have moved ahead even with strong academic resources.

- (d) IIMA was fortunate to have a foreign collaborator of international standing who played supportive and adaptive roles in key areas in which the new institute needed special assistance. Staff development and case development through field work in India are prime examples of this contribution. The fact that collaboration could be phased out without creating a dependency syndrome again reflects the positive role played by the collaborator.
- (e) Though not as evident as the foregoing factors, the participative management processes developed at IIMA have also contributed considerably to its performance and stability. These are difficult and delicate processes to operate, and yet are capable of creating a greater sense of commitment and enthusiasm among the key actors involved in the institute.

23. While these positive features are impressive, it is important to point out some of the weaknesses in IIMA's strategic planning.

- (a) The frictions and tensions which developed between the IIMA leadership and the foreign collaborator show that better planning of the roles of each would have been of considerable assistance. Lack of clarity of roles and too narrow definition of technical or academic assistance may have limited the full contribution that the collaborator might have made.
- (b) The historical setting in which IIMA was born and the determination to preserve autonomy seem to have led to rather dysfunctional relations with universities. The potential influence of IIMA was limited in the early years simply because of the manner in which the universities were dealt with in the entire process. Clearly, this is problem in linkage building which, with hindsight, appears to deserve greater attention.
- (c) As an institution grows in size and complexity, the nature of faculty participation and decentralized decision-making needs to be reviewed carefully. A special problem with the way in which IIMA's staff evolved has to do with the administrative load that many of its members seem to carry. Beyond a point, this can be counter-productive and may also be at the expense of their academic contribution. While their active involvement in academic administrative matters was essential in the initial stages, the system can become cumbersome and self-defeating if a more efficient division of labor is not worked out and scarce staff talent conserved.
- (d) The early growth of IIMA was made possible by its sharp focus on certain key priorities and programs. There is a real danger that as diversification is encouraged, goal achievement gets blunted and control of performance becomes more difficult. Internal conflicts tend to multiply as an institution moves into highly diverse activities simultaneously. Striking a balance in this difficult area of choosing goals is precisely the task of strategic planning.

Towards a National Movement, Council and Philosophy

A national movement for management and productivity improvement would start by generating commitment at top management levels at various institutions for management development. It would gradually involve the grass roots and rely on both formal and informal organizations to reach the widest audience. This can help promote self-reliance; future challenges will put a high premium on continued learning by managers and on their taking primary responsibility for self development. It would involve professional associations, bodies representing entrepreneurs in the private sector, practicing managers, management educators and researchers, as well as business leaders and policy makers. Management associations in different towns and the national productivity center may participate actively in this movement. The movement and its forums would provide the enabling mechanisms to support local and institutional initiatives and innovations that can have national significance. It may also put public pressure for reforms in management education and promote collaboration among leading management training institutions.

A national movement would need some enabling mechanisms, structural arrangements, resources, and channels for communication. A national advisory council for management development could provide a national forum for the movement and a central drive for promoting successful management practices. Other forums and channels for mobilization and communication would be necessary to heighten awareness of management development opportunities, break institutional isolation and lend support to promising local initiatives. Business and government leaders may be exposed to improved management concepts and practices in other environments to generate commitment for managerial improvements.

The national advisory council may promote experimentation with different management education models and facilitate collaboration among Indonesian management development institutions and between them and foreign aid agencies. It may also help forge a partnership between the Government and private sector, develop forums for dialogue on the policy environment, and provide feedback from business leaders to policy makers. This may encourage the formulation of realistic and mutually acceptable agreements on ways to make industries more competitive. The council may also help build a national analytical capability for formulating policies and programs for management development. To do so, it may fund management education institutions to conduct policy studies, research and surveys on management development and to disseminate such information widely. Finally, the council and other forums of the national movement should help establish the identity of the management profession and a search for excellence.

The present Western management theory is an outgrowth of almost 80 years' history of research designed to improve the nature of management as a social science applied to the industrialized world. Although we believe that many management concepts and tools are transferable, they can be no more than "patchwork" if they are not appropriately selected, adapted and grounded in the Indonesian context. They should be conceived within a social process, driven by clear goals and reinforced by other social and policy interven-

tions. A national philosophy of management can provide the direction to creative adaptation and synthesis of management development interventions from various sources, both from within and without. It can also provide a sense of perspective and long-term commitment to successful management. A movement towards disseminating successful management practices in a country may require the development of such a management philosophy. It is a reeducative change process that goes beyond individual performance towards the whole organization or the country. Recent research indicates that a company's philosophy (objectives) gives people a sense of values to work and live by.^{1/} It sets forth the company's motivating spirit for all to understand. This applies with more force to a national philosophy of management. In many cultures, commitment and participation may spur more performance than purely individual monetary incentives.

This philosophy should be grounded in Indonesian realities. It is easy to identify a set of isolated practices that ought to be changed in an organization or a nation. The difficulty comes in making the desired change, since practices are mutually reinforcing. Only a process to increase understanding of the whole complex of managerial practices should help uncover the underlying causes and begin to bring a change about. This national philosophy may be built on the underlying principles and values that are natural to any stable society or organization but which, unless explicitly stated, can be easily lost in day-to-day demands. It should be built upon reflection and review of past experience and on identifying a society's norms and how realistic they are as a guide to managing in the present international and national contexts. Over time, it should lead to better managerial practices and help generate a management culture that advances the underlying purposes of the society.

The drive to formulate a national management philosophy should spur research on effective management practices for Indonesian managers operating in diverse field situations and technologies. This highlights the need to build various models of local successes to emulate or adapt. A national drive should give publicity to such models. It should develop forums to share successful practices among programs, provinces, educational institutions, and enterprises. A broader appreciation of field conditions should help successful transfer and adaptation of models from within Indonesia and from outside.

The search for a national philosophy of management may require both inward and outward search for excellence.^{2/} The challenge is not to mimic or transfer the art or science of American or Japanese management. It is to realize what can succeed in the Indonesian context and to discover successful "home-grown" managerial practices. Building an Indonesian approach to management requires applying the Indonesian mind to learn from within and without

/1 See, for example, Ouchi, William G.: Theory Z, Addison-Wesley Co., USA, 1981.

2/ For an example, see In Search of Excellence, Op.cit.

and applying Indonesian ingenuity to the development of new organizational and managerial solutions.

A national philosophy of management should not be static, since it should reflect an evolving national identity. It is a living and evolving philosophy. It is by no means monolithic. Rather, it should grow out of common experience. It should be widely discussed and interpreted by various levels of management, and by different organizations, regions and sectors. It may be periodically reviewed to ensure a contemporary attitude that addresses new realities and issues. It should be used as a process for self-renewal and identification of areas for improvements. Review of past practices and achievements should, in turn, provide a realistic sense of future changes, including changes in the national management philosophy.^{3/}

^{3/} There are some recent attempts to articulate the concept of Indonesian management. These attempts are at very preliminary and theoretical stages. See Konsep Management Indonesia, LPPM, Jakarta, 1980.

Transplanting Management: The Case of Japan ^{1/}

1. The following synopsis of Japan's management movement and philosophy illustrates their instrumental role in promoting a successful national management development process. It highlights the importance of a widespread national commitment, both from business and government to improved management standards. Although every national experience is in some sense unique, some lessons from this movement may be relevant to Indonesia.

2. American style management development programs were first introduced by the Occupation Forces and later modified to suit the changing corporate needs in Japan. These programs were instrumental in clarifying for Japanese businessmen the distinction between management and other technical/professional functions. Management, including an appreciation for human behavior, came to be recognized as a profession, that can contribute significantly to economic growth.

3. An important feature of the management movement in Japan was that it eventually became a mass movement, inspired and led by the most respected leaders of the private sector. Initially top management study teams consisting of outstanding industrialists and bankers were sent to the United States and Europe between 1957-60. Upon their return, the study teams organized mass meetings, for representatives of the public and private sectors, in major cities throughout Japan to report on their observations, which ranged from the social responsibilities of private enterprise to the appropriate functions of top management. These meetings, in turn, circulated the study teams' messages among their colleagues in offices and factories. Mass media were also used to report on the findings of these study teams, and the management movement thus became a grass-roots effort.

4. Management consulting firms, management training and development institutions and management research centers, all in the private sector, were also instrumental in introducing, and adapting new management principles in Japan. Executives from these institutions were sent to observe management principles and techniques in the United States and Europe. In turn, they organized seminars, workshops and overseas study tours for the same purposes. These relied heavily on participation by foreign management scholars and practitioners, familiar with Japan; case studies were used extensively.

5. Since the late 1950's, many large Japanese corporations have instituted in-house management development programs to compensate for a generally poor quality training at universities and other private institutions. Gradually, large firms began to realize that formal training programs

^{1/} For further details see background paper to the study by Professor Hirono, 1982; see Ezra Vogel, Japan as Number One, Harvard University Press, 1979; M.Y. Yoshino, Japan's Managerial System, MIT Press, 1968; and William G. Ouchi, Theory Z, Addison-Wesley Co., 1981. The brief account here focuses on the post-war period.

are only one component in a comprehensive management development program. Progressive firms took the lead in integrating educational efforts with other aspects of personnel management, such as assignments, promotions, and career development. In addition, there was widespread reliance on systematic on-the-job training. Line managers were directly involved in identifying and training their successors and other subordinates.

6. The post-war effort to improve managerial standards in Japan began with a largely wholesale adoption of Western managerial practices. It soon became obvious that without considerable adaptation, such techniques were unsuitable for Japanese business conditions. Certain personnel practices, such as firing and enforced geographic mobility, were particularly incompatible. Thus, a process of synthesizing the best from Japan and Western business practices was begun, and has continued ever since. This ability to choose and adapt has in fact characterized much of Japan's post-war economic growth.

7. Since large scale industrialization began nearly one hundred years ago, Japan's managerial system has sought an ideology or philosophy of continual adaptation and innovation in a changing environment. During the crisis-filled years immediately after the war, with a whole system of private enterprise verging on total collapse, a business association called the Doyukai began to articulate a new philosophy. At the time (1946) when Japanese management was exhausted by a militant union movement, the Doyukai formed a "partnership" with union leaders. It subsequently shifted its role to "ultimate harmonizer" of conflicting interests and later (1964) to a bold assertion of the legitimacy of the profit motive in private enterprise.^{2/} Earlier business philosophy drew heavily on the American business philosophy. Later declarations of Doyukai sought answers in Japan's tradition rather than blind importation of American managerial practices. They exhorted business leadership to recognize that some of the traditional managerial practices had become obsolete and that they needed to be replaced by more efficient and culturally adapted practices. They also emphasized fair competition, innovative and creative functions of management, the need to refine the positive elements of traditional managerial practices, and the public responsibilities of corporate managers as leaders and promoters of economic growth. This evolving managerial philosophy has helped provide managers with a set of ideals, attitudes and guidelines that promote effective managerial practices for a changing environment.

8. The Japanese experience shows that improved management is a continuous process, as the demands placed on managers change with economic conditions, and evolving social concerns. Progress is more likely to result from iterative experiments rather than from a blueprint approach. Further, the total involvement of industrial and commercial leaders, as well as a national commitment to management excellence, enabled Japan to devise and implement effective management strategies, based on foreign practices, but successfully reshaped to suit local needs.

^{2/} Yosino, Op. cit.

Civil Service Compensation Policies

Problems and Options

Introduction

The task force on civil service policies may first address compensation issues. It may engage a group of consultants to provide the technical basis for the policy recommendations of the task force. A study of Civil Service Compensation Policies should be focussed on selected problems and objectives in order to be manageable and responsive. These problems would be selected by concerned Indonesian policy makers, based on an assessment of what needs to be done in the near future, what is politically and administratively feasible, and what may be necessary to prepare the groundwork for further and more comprehensive reforms. This assessment may also differentiate between policies that can be implemented in the short term and policies that have to be based on extensive surveys, on longer-term processes of consultations to reach a broad consensus, and/or on pilot projects and experimentation to build confidence and adapt strategies to departmental conditions. Reforms may have to be conceived within a longer term framework but introduced gradually.

The scope of the study and the institutional arrangements for its implementation should be based on clearly-established objective(s) priorities among the possible issues on the agenda. It is critical that the study does not become academic and does not get bogged down by a large effort in data collection. It should remain focussed, problem-solving, and action-oriented in order to address the pressing needs for timely and informed advice on public sector compensation issues.

Civil Service Performance Problems and Compensation Policies

The following are the main performance problem areas of the present civil service system. Compensation policies may be reviewed with the objective of addressing one or more of these problem areas.

1. Lack of incentives for outstanding performance. According to the present system, promotion is relatively automatic and there is little room for managers to use incentives to reward outstanding performance. Lacking such tools to improve performance, civil service management ends up with demoralized staff, underutilized human resources and disinterested agents of development. This may also account for some observed imbalances and bottlenecks in the system, where top managers are overburdened while redundancy and low - productivity prevail at the lower levels of the civil service. In turn, low demand for quality in the civil service reduces the incentives for improving quality in the civil service reduces the incentives for improving quality in the education. Closely related is the lack of incentives, and possibly, the existence of compensation disincentives for training. Officials on overseas training (study leave) are entitled to receive only their take-home pay to support their families in Indonesia; all other official income sources

lapse. This frequently makes it impractical for a civil servant to leave his family and take up the study opportunity. Compensation policies may be reviewed with the objective to introduce performance incentives that would promote professionalism, initiative, and productivity.

2. Multiple-job Holding. Key staff dissipate their energies in many agencies and activities. Commitment to a job and career development are undermined by this "part-time system". Multiple job Holding also contributes to an apparent high rate of absenteeism. Performance deteriorates significantly as single individuals hold many positions simultaneously, beyond the capacity and often the competency of one individual to perform adequately. This practice also limits the upward mobility of younger and more competent staff. Factors contributing to this problem are many, but the present compensation system appears to be a key one.

3. Common perception of inequities, inconsistencies and complexity of the compensation system. The inclusion of various types of allowances, special payments, honoraria, and particularly, in-kind fringe benefits, makes the compensation system less transparent, extremely complicated and difficult to control (in terms of cost-effectiveness). This system produces inequities and inconsistencies which, in turn, give rise to suspicious about favoritism and reinforce a feeling that administrative corruption is justified. Dubious official practices such as "topping" the salaries of certain groups from the development budget and paying subsidies to senior officials from public enterprises create pressures for various special arrangements and generates some kind of official pungli. Moreover, discrepancies in compensation between "fat" (gemuk) and "lean" (kurus) departments, based largely on the amount of project fund available to be tapped for supplementing employee emoluments, hamper recruitment by certain agencies with important social tasks (see (4)) and lead to inequities in the living standards among government employees.

4. Practice of pungli (administrative corruption). This problem is closely related to above problems, but is more comprehensive and covers illegal collections. The reasons for corruption may be many. One commonly held reason, however, is the meager official salaries of civil servants. Another, is that middle and lower - level officials are generally well aware of the order of magnitude by which their superiors' emoluments exceed nominal levels, and of the mechanisms employed to this end. Costs to the economy are not limited to cash leakage, but also include staff morale, efficiency and attitudinal distortions. The Government is also aware of the policy, tied with some disciplinary measures and strategic controls could help reduce this problem.

5. Development planning and budgeting is made more complex by including a large amount of personnel costs in the DIPs to supplement incomes. The development budget, and hence development planning, budgeting and financial administration are overburdened by personnel costs for honoraria and other legal supplements to income. This creates unnecessary burdens on the central planning and control agencies such as BAPPENAS and Finance. Moreover, staff members and entire units are encouraged to focus on activities in proportion to their income-generating potential rather than national development priorities. Compensation policies, in a sense, could distort the absorptive capacities of department and their proposals for development programs.

6. Superfluous activities and complex procedures tied to piecework payment system and supplementary income generation. Officials receive honoraria, meeting fees, and travel allowances in proportion to the level of their activities in projects and special studies. This encourages wasteful activities like irrelevant training, repetitious studies, etc. Moreover, the productive economy, implementation capacity, and the private sector may be burdened by regulatory procedures that are instituted to ensure a decent living to civil servants rather than to implement development goals. An examination of compensation policies could be made to reduce these social costs and release the capacity of the public and private sectors to focus on more developmental and socially-profitable activities.

7. Lack of inter-agency mobility (horizontal transfer). Agency-specific emoluments (in cash and in kind) represent a substantial share of total compensation and are based on prerequisites peculiar to, or under the control of a particular agency. Tying of staff members to agencies via the discretionary emoluments to which they gain entitlement through seniority and contacts in a given agency hampers inter-agency mobility and coordination. For the same reasons, horizontal movement is limited not only among departments (ministries) but also among provinces, and among directorates - general within a department. Some of the costs of this limited mobility are: limited communication among agencies, limited inter-ministerial coordination, limited breadth of experience of top managers, departmental parochialism and lack of "fresh blood", limited career opportunities for talented staff, non-optimal allocation of scarce human skills, and possibly, resilience of corruption within departments. Other instruments that affect mobility, beyond compensation, are the lack of a government-wide reassignment policy and mechanism and the lack of information about vacancies. However, appropriate compensation policies are a prerequisite for the working of these other instruments.

8. Inadequate incentives to service the Other Islands and the local Governments. The compensation system may be examined and selectively adjusted to increase incentives to service the other islands and lower levels of government, in line with Government objectives on equity and deconcentration. Once they are away from Jakarta, civil servants are likely to miss opportunities for advancement, for honoraria and for other benefits. These disincentives run contrary to the need for competent administrators in the field and for having administrators in the central bureaucracy with a first-hand experience in one or more of the diverse regions in Indonesia. The problem may be also related to the salary scales of provincial staff, in comparison with central government staff. A case in point is the problem of staffing the BAPPENAS.

9. Lack of functional positions and career streams for subject specialists in key skill areas. Closely related is the problem of inability to compete with the private sector for bright individuals. Present compensation policies may have hampered the development of some key skills within the government such as training and provincial planning. Such functions do not provide the same opportunities for financial rewards as the management of development projects. Similarly, nominal emoluments, which are all that graduate recruits can expect to receive initially, are generally constrained below compensation obtainable in the private sector for bright individuals and

for key skills. Relatively large numbers of low-paid poorly qualified manpower thus substitute for a smaller number of higher-paid better qualified manpower. This results in a bias in the mix of skills available to managers, away from what they may consider optimal. In the same way, job descriptions are biased towards mediocrity. The results are visible in the shortage of key skills in the areas of planning, research and development, and education and training.

Priorities and Options

Many of the above problem areas are interrelated. Their underlying causes are common: (a) the low proportion of total compensation (in Cash and kind) that is derived from nominal remuneration (salary plus automatic supplements); (b) the high proportion of benefits in kind in the total compensation; (c) the heterogeneity of compensation in different government agencies for staff of comparable qualification and responsibility; and (d) the low levels of sanctioned civil service salaries in relation to the organized private sector and what may be perceived as a decent standard of living.

Changes in these common characteristics of the present civil service compensation system may be directed to solve one or more of the above systemic performance problems. While most of these problems are interrelated, some are more strongly interrelated that they cannot be solved in isolation or in sequence. Piecemeal solutions may also render the compensation system more complex and unmanageable or may reinforce other interrelated problems. Hence some problems may have to be addressed simultaneously. Also, recommendations that are targeted to a specific problem objective should be also assessed in terms of their likely impact on other interrelated problems.

Options may be explored for targeting solutions to some of the problems, to the higher level echelons, where improvements to overall system performance may be more substantial. Alternatively, some problems such as corruption may lend themselves to some phasing, starting at levels below the D. G. to ensure political feasibility and to establish pressures for upward reforms, or starting with the D. G. levels and above, to establish commitment to a clean government and good examples for the bulk of civil servants. A policy of integrating supplements with basic salaries and simplification of compensation system may be easier to start at the lower echelons or within few key ministries. These options should be first explored and then targets chosen, depending on what the government might assign as priority problem areas or objectives and what might be considered to be politically and administratively feasible and economically and socially rewarding.

Other Civil Service Policies

Some problems may need other civil service policy reforms beyond compensation policies, such as, those related to recruitment, job classification, assignments, promotions, job evaluation, and training. Some of these reforms can be reinforced by other than civil service policies such as by budgetary and procedural changes and by a strategy of deregulation. The compensation policy study may provide a first, but major step towards addressing the rest of civil service policies.

Sources of Technical Cooperation ^{1/}

USA

The bulk of the world's business schools are located in the USA. Some like the Harvard Business School, focus on general management and executive development through their MBA programs. Others, like the Chicago School of Business, Wharton, Carnegie Mellon, and MIT emphasize functional specializations. Some schools like Stanford and Yale have recently initiated graduate programs in public sector management. All leading business schools offer executive development programs for practicing managers.

Professional management associations, as well as consulting firms, are active in management training. The American Management Association and its local chapters conduct many short term training programs and publish journals and books for managers. Some consulting firms, such as Arthur D. Little, offer MBA programs tailored for students from developing countries.

Education for public service is provided by a large number of universities, offering both Master's and Doctoral degrees in public administration. In recent years, several universities have started public policy programs for people interested in careers in policy analysis. Most of the in-service training in the public sector takes place in federal and state training institutions. In addition, however, public servants are often granted leave to pursue university degree programs. Some universities offer training programs for public servants at the local and state level. A number of US universities and institutions have assisted developing countries in setting up schools of management and public administration. USAID and the Ford and Rockefeller Foundations have been particularly active in this field.

The United Kingdom

Though management education in the UK is a post World War II phenomenon, many British Universities now include business faculties. The London Business School, the Manchester Business School, the Scottish Business School and the management departments of the new technological universities (Bradford, Loughborough, etc.) attract many foreign students. Many British institutions have collaborated with institutions in developing countries in language training programs. The management departments of the technological universities are also active in research and consulting.

^{1/} This summary is based on a survey of the interests of donor agencies and educational institutions and on the experience of various Indonesian institutions with some of these sources. Other sources to be consulted on a regular basis are the Bulletin of the ILO/UNDP Interregional Project "Cooperation among Management Development Institutions" (INTERMAN) and, of course, the various aid agencies and professional management associations of the donor countries.

Civil service training in the UK has been strengthened considerably in recent years. Apart from government's own training centers, many universities, such as Birmingham, have begun to train local government officials. The British Government's experience in organizing in-house consulting services for public agencies is an innovation worthy of study. The Overseas Development Agency (ODA) and British Council are the major agencies responsible for organizing and administering most of the collaborative programs between developing countries and British institutions.

France

France has several institutions, experiences and innovations which may be of interest to Indonesia. Some French Business Schools conduct post graduate as well as short term executive development programs. At Lyon, there is an institute experienced in agricultural management. Recent changes introduced in France's public service training may be of interest to Indonesia; ENA, the public service training institute is well known and has collaborative programs with LAN. Apart from these centers, the French universities are also active in the field of business management. The French Foundation for Management Education (FNEGE) was set up to promote management education and training for French professors and executives, first abroad and then in the country. Now, it also acts as a central link between French aid, companies, educational institutions and foreign organizations. The experience of FNEGE as a vehicle for transferring, adapting and updating modern management methods on a national scale is worth reviewing.

Japan

Japan has been especially innovative in management development over the past few decades. The Japanese Productivity Center was a pioneer in the quality control movement which institutionalized productivity improvements through decentralized group involvement and decisions making. This experience may offer some useful lessons for Indonesia's proposed national management movement. Japan also offers extensive in-service training in both the private and public sectors. Universities have been relatively less active in this field, except for centers like the Keio Business School.

There are many short term training courses in Japan, especially for practicing managers which might be relevant to Indonesia; study tours to get acquainted with specialized institutions and organizations might also be desirable. The growing commercial relationship between Indonesia and Japan suggests that such training would have considerable mutual benefits. There is a growing recognition of this potential; nine major Japanese electronics companies have set up recently the Foundation for Asian Management Development to sponsor workshops, training and research for support to small- and medium-size businesses in the ASEAN countries. The recent cooperation on a Productivity Development Project between the Japanese Productivity Center and the National Productivity Board of Singapore, with assistance from Japan International Cooperation Agency (JICA) may provide a promising model for supporting a productivity movement in Indonesia.

Australia

Australia has several business schools and public service training institutions. Given the proximity to Australia, Indonesian institutions may find twinning arrangements involving faculty development, short term and long term visiting faculty, joint research, etc., attractive.

India

Management development in India has expanded and matured in the past two decades. There are three autonomous national institutes of management, an administrative staff college and over sixty university business schools which offer graduate level and in-service training programs. There is a new institute for rural management which caters to the dairy sector. Many private and public enterprises have well organized in-house management training centers. The All India Management Association, with chapters in all cities, conducts a wide variety of executive development programs. Several management consulting firms have grown up in recent years which also organize training programs, some geared especially to the needs of small industry. A wide variety of public service training institutions exists at the central, state and local levels which offer both entry level and mid-career training programs.

The experiences of Indian institutions seem particularly relevant to Indonesia because of the similarity of environmental conditions (see Annex 3 to Chapter 7 on Indian Institute of Management, Ahmedab).

Malaysia

Malaysia has a well deserved reputation for high quality public service training. INTAN, the central public service training institution, is an innovative and well organized center. The Malaysian Government has also introduced major civil service reforms, including rationalization and improvement of compensation. Though its industrial sector is small, it has an active management association. In view of Malaysia's proximity and socio-cultural ties to Indonesia, study tours and collaborative training programs may be extremely useful. The institutional experience of INTAN may be especially relevant to LAN.^{2/}

Philippines

There are a number of business schools in the Philippines which offer both graduate level and executive training programs. At least one of them, the Asian Institute of Management (AIM), offers international training

^{2/} For specific details of INTAN's role in "planned training", integration of training with research and consultancy, and experimentation with new methods of training, see Appendix "INTAN of Malaysia, A Case of Successful Training Strategy", in Training for Public Administration and Management in Developing Countries, by Samuel Paul, World Bank Staff Working Paper No. 584.

programs. The Philippines Executive Academy is an interesting model for senior management development programs. Part-time evening training programs are offered by several business schools; these programs may be relevant to Indonesian executives who cannot be released for extended periods for post-experience education. Public service training has expanded significantly in recent years and a number of new training institutes have been established. There is a specialized institution for the small industry sector. Private firms are also active in in-service training. Some of the Philippine consulting firms are also active internationally; the Philippines' experience with management consultancy would be of interest to Indonesia. Since the Philippines is in many ways similar to Indonesia, collaboration between the two countries would appear promising.

The Asian Institute Management (AIM) provides an interesting model of adaptation of management education to the East Asian context. Its establishment with strong support from private business and its experience in faculty development and management are of particular relevance to Indonesia. The institute has set as its primary objective the training of managers who will understand the cultural environment of Asia and will thus be able to develop its resources while preserving its culture and values. It is interested in collaborating with other management development institutions in expanding management research in two areas - rural development management and the unique characteristics of Asian business. It is also seeking an increased participation of Indonesians in its educational programs (especially MBA); the primary constraint at present is English language proficiency. Special effort should be made to overcome this constraint and to increase collaborative research and training programs with Indonesian management development institutions.

Ireland

The Irish Management Institute has been quite active in management development and training in several developing countries. This is a useful institution to study from the standpoint of initiating a national management movement in Indonesia. Similarly, the Irish Institute for Public Administration was established at the initiative of senior civil servants, with broad representation from central and local governments and universities, and its experience may be relevant to Indonesia's self-help efforts.

European Programs

There are at least two institutions, IMEDE and GEI, in Switzerland which offer international management development programs, using English as the language of instruction. Their faculties also consult extensively in the developing world. The European Institute of Business Administration at Fontainebleau, France (INSEAD), provides post-graduate and short-term executive development programs. It provides an European perspective of business management and expose senior executives to international dimensions of marketing, finance and competition. It has established a Euro-Asia Centre, which focuses on short-term executive development programs. There is also a consortium of European business schools which offers an international teachers' program (2-3 months) every year, This is a facility which Indonesian

institutions might wish to use for short term faculty development.

International Labor Organization (ILO)

The Management Development Program of the ILO has a wide range of activities and resources which might be of interest to Indonesian institutions. The Program has diversified experience with technical cooperation with countries of different size, level of industrial and economic development, and socio-cultural setting. It is linked through cooperation and information networks with a large number of management institutes in both industrial and developing countries. The areas on which ILO has focused in recent years include country needs and strategies for the development of managerial manpower, institution building for management development, advisory services for national councils and programs of management development and productivity improvement, organization of cooperation among institutions, management development and performance improvement (PIP) in public enterprises, small enterprise and entrepreneurship development, accountancy education and training, and microcomputer applications in management and training. Sectoral management programs and training materials have been developed in construction, transportation, rural development, energy, water supply and environmental management. The ILO has produced guides and training methodologies for management trainers, consultants and researchers, for managing management institutions, and for supervisory development and maintenance management. A number of training courses in these areas are available from the ILO training center in Turin, Italy. ILK regional advisers in management are stationed in Bangkok and Jakarta.

UNDP

UNDP has a division of development administration which offers training and consultancy services in institution building and public administration. Indonesia has access, through executing agencies such as OPE and UNDTCD, to a wide network of technical assistance from many countries.

APDC

The Asian and Pacific Development Center (APDC) is an intergovernmental institution located in Kuala Lumpur engaged in training and advisory work on development policy and public administration in the South and South-east Asian region. Short term training programs, workshops and publication of comparative research are among its ongoing activities. Indonesia is a member of APDC and could take greater advantage of its services.

