

UNDERSTANDING CULTURAL ASPECTS OF BUREAUCRATIC REFORMS: THE CASE OF INDONESIAN PUBLIC INSTITUTIONS

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Doctor of Philosophy

ASTON UNIVERSITY

March 2012

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THESIS SUMMARY

This thesis is aimed to seek an in-depth understanding of how an extensive bureaucratic reform programme has been implemented in two critically important Indonesian public institutions. In doing so, this research contributes to the limited literature on the interactions between two powerful forces, bureaucratic reforms and culture. An ethnographic approach was adopted, in which the researcher was immersed in the life of the selected case organisations.

The reforms have moved the case organisations towards a more bureaucratic organisational form. While this has provided some quick wins in improving their effectiveness, some critical challenges were and are still faced by the case organisations, particularly related to the ingrained organisational culture, which is dominated by the native Javanese culture. The clash between Weber's rational legal bureaucracy and Javanese culture demonstrates an important challenge to the reform programme.

This research extends a relatively thin literature on the topic of control and culture in the Indonesian context. Also, this thesis fills a gap in the theoretic approaches for studying bureaucracy, which is dominated by Western theorisations. This study provides a reminder to the policy makers (including international donors) of the consequences of neglecting the cultural implications on bureaucratic reforms. Moreover, as the case organisations are designed to serve as a pilot of the reform programme, the recommendations of this research can be seen as timely and important.

The vast empirical data on the change of control systems as a result of the bureaucratic reform programme is a strength of this research, particularly due to the uniqueness of the research setting. Furthermore, the research makes an important contribution by drawing attention of the relation and importance of an awareness of native culture in a process of public sector reforms.

Keywords: Bureaucracy; Javanese Culture; Reforms; Ethnography, Indonesia.

DEDICATION

I wish to dedicate this thesis to my son, Muhammad Hadiid, who was born asleep on October 7, 2010.

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Alhamdulillah to Allah the Almighty to make my dream to earn a PhD degree comes true. The completion of this thesis and the commencement of my PhD have become one of the most critical periods of my life. This has been a wonderful, yet challenging journey for me. This accomplishment would not have been possible without the support from many people.

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PUBLICATIONS

The following papers and publications have been produced from part of the research reported in this thesis:

1. Wihantoro, Y. (2011), *Does Good Governance really deter Corruption?*, in Dahiya, S.B., Chakravarty, K., Rathee, N. and Lamba, S.V. (Eds.), *Governance Issues and Corruption*, Rohtak, India: Intellectual Foundation.
2. Wihantoro, Y. (2011), *The Cultural Aspects of Bureaucratic Reforms: Case Studies on Indonesian Public Institutions*, paper presented at the Management Accounting Research Group Conference, November 17th-18th, 2011, Birmingham.
3. Wihantoro, Y. (2011), *Structural Change Versus Cultural Change: The Case of Bureaucratic Reforms on Indonesian Public Institution*, paper presented at the EIASM 6th Colloquium on Organisational Change & Development: Advances, Challenges & Contradictions, September 15th-16th, 2011, Malta.
4. Wihantoro, Y. (2010), *Is Good Governance Paralyzed Against Organized Crime? A Case Study on Public Institution in Indonesia*, paper presented at the Critical Governance Conference, University of Warwick, December 13th-14th, 2010, Warwick.
5. Wihantoro, Y. (2010), *Does Good Governance Really Deter Corruption? A Case Study on Public Institution in Indonesia*, paper presented at the EBES 2010 Conference, October 28th-30th, 2010, Athens.

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

This research examines a set of concerns related to the bureaucratic reform process and strong cultural influences in the Indonesian public sector. The findings are framed utilising Weber's theory of bureaucracy (Weber, 1974; du Gay, 2008; 2011; Willmott, 2011) and Geertz's defining ideas on culture (Geertz, 1960; 1961; 1973; see also Efferin and Hopper, 2007; Tsamenyi, et al., 2008). The setting of the research provided a unique opportunity to observe the day to day interactions within the organisations during the processes associated with the implementation of bureaucratic reforms.

The government of Indonesia is in the midst of a major bureaucratic reform programme to improve its reportedly ineffective public service. This state of affairs has also been argued to stifle the development of the national economy since ineffective public sector can directly influence how well or poorly the state works (World Bank, 2003). The current international assessment of the nation's public sector ranks Indonesia as the 3rd most ineffective country in the South East Asian region in managing its public services (World Bank, 2011). Table 1.1 demonstrates the latest Governance Effectiveness Score, which includes the measurement of the quality of the civil service, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies (World Bank, 2011).

Table 1.1: Governance Effectiveness Score

Country	Governance Effectiveness Scores*				
	2006	2007	2008	2009	2010
Indonesia	-0.28	-0.27	-0.23	-0.26	-0.2
Malaysia	1.13	1.23	1.15	0.96	1.1
Myanmar	-1.5	-1.46	-1.52	-1.65	-1.67
Philippines	-0.07	0.08	0.02	-0.11	-0.1
Singapore	2.14	2.33	2.37	2.27	2.25
Thailand	0.31	0.33	0.21	0.17	0.09
Vietnam	-0.18	-0.18	-0.17	-0.29	-0.31

* Degree of effectiveness ranges between 2.5 (highly effective) and -2.5 (least effective)

Source: World Bank (2011)

Therefore, in response to this, the Indonesian government has launched an institutional reform initiative in central government institutions to improve the effectiveness of the problem public institutions. This agenda was started in three strategic institutions, namely the Ministry of Finance, the Supreme Audit Board, and the Supreme Court, which has become as a pilot project of bureaucratic reforms in central government (Ministry of Administrative Reform, 2008). This research will focus on the bureaucratic reform implementation at the Directorate General of Tax (DGT hereinafter) and Directorate General of Customs and Excise (DGCE hereinafter), the two largest units under the Ministry of Finance.

The reform process at the Ministry of Finance was, initially, instituted as part of an agreement between the government of Indonesia and the IMF under the Letters of Intent (LOIs) following IMF intervention in 1997. The IMF's LOIs were used to detail an extensive reform process including that of tax and customs administration which was a particular focus of the programme (Soesastro, et al., 2008). The detailed discussion on the background of the reform at the case organisations will be elaborated in chapter 2.

It is well-recognised that the IMF and the World Bank have been the main instigators of such agendas of public sector reform, which they refer to as Structural Adjustment Programmes or SAPs (O'Brien, et al., 1998; Uddin and Tsamenyi, 2005). These initiatives have been commenced in the less developed countries (LDCs) in several regions, including South East Asia, Latin America, and Africa. Despite the fact that these programmes have paved the way for the building of new public institutions, criticisms of these initiatives have remained. These include their failure to render the improvement of the nation's economy (Uddin and Tsamenyi, 2005) and the inapplicability of a Western framework of institutional reform in a non-Western setting (Ferlie et al., 1996; Gray, 1998; Minogue, 2001; Sozen and Shaw, 2002; Noordhoek and Saner, 2005; Bouckaert, 2007; Bowornwathana, 2007; Ohemeng, 2010).

The ongoing debate about whether there is a one-size-fit all approach of reforming public institutions has been one of the main motivations for this research. The so-called neo-liberalist's approach to revitalising the public sector claims that the management of public institutions in the LDCs should follow the methods used in developed countries (for example: Osborne and Gaebler, 1992). On the other hand, some writers believe that there should be careful modification of the promoted "New Public Management" to be able to work within different cultures (Hood, 1995; Ferlie, et al., 1996). This research builds upon the latter stance and suggests that a thorough evaluation of the adoption of a Western bureaucratic approach

within a specific context (Berger, 1957; Eisenstadt, 1968; Azumi and McMillan, 1975 in Horvath, et al., 1976), such as Indonesia, should be conducted.

This research approach is selected based on the underpinning conjecture that the adoption and implementation of control mechanisms within an organisation, such as that resulting from the bureaucratic reform programme in Indonesia, is dynamic and influenced by its context (Hopwood, 1987; Birnberg and Snodgrass, 1988; Dent, 1991; Ansari and Bell, 1991; Ahrens and Mollona, 2007). Therefore, the argument in this research is founded upon a belief that control systems are implicated in producing a socially constructed reality that is strongly influenced by powerful cultural traditions and norms of behaviour (Neimark and Tinker 1986; Morgan 1988; Miller 1994; Munro 1995).

This study seeks to give prominence to the impact of the organisational surroundings and particularly the influence of culture in understanding changes in organisational control systems. As Flamholtz (1996) advocates, studies to understand organisational control have to include culture and an appreciation of the external environment into their analytical framework. Some researchers have utilised anthropological inquiry in order to understand control, such as the work of Ansari and Bell (1991), which implicates national culture as a major explanatory element affecting control processes. Meanwhile, Dent (1991) and Ahrens and Mollona (2007) find that organisational culture influences the control mechanism within different organisation, including the public sector (see also Broadbent and Guthrie, 1992). This research adopts a similar approach to the recognition of culture as a critical explanatory factor in making sense of the implementation and the effects of bureaucratic reforms in the case organisations that are the focus of this research.

1.2. Research within Indonesian Setting

The name Indonesia is from the Greek 'indos' (India) and 'nesos' (islands), therefore Indonesia means islands near India (Torchia, 2007). Indonesia is the world's largest archipelago, which covers 1.8 million square kilometres (CIA, 2011), or almost eight times the size of Great Britain. It consists of 17,508 islands, lies between two continents, Asia and Australia, and between two oceans, Pacific and Indian (Forshee, 2006). See appendix 1.1 to familiarise with the map of Indonesia. With its current population of 237 million (BPS, 2011), Indonesia is the world's fourth most populous country, after the People's Republic of China, India and the United States (CIA, 2011).

The majority of the inhabitants reside in Indonesian seven main islands (BPS, 2011), namely Java (Jawa), Sumatra (Sumatera), Borneo (Kalimantan), Celebes (Sulawesi), Moluccas (Maluku), Papua, and Bali. Java is the most densely populated island in Indonesia and in the world; with about the size of England, it is the home for more than 57% of Indonesia's total population (CIA, 2011). From the latest census in 2010 (BPS, 2011), the level of population density in Java is 1,071 people per square kilometre or almost three times than it is in England.

In the past, Indonesia was recognised as one of the world's most famous spice producers. This had attracted European traders, such as from the Netherlands, Britain, Spain, and Portugal as well as Asian traders, including the Indian, Chinese and Arabic, to come to Indonesia. The Dutch secured a monopolistic trade position by subjugating and then maintaining Indonesia as their colony for approximately 300 years. After a long period of fighting, Indonesia declared independence on 17th of August, 1945.

The following sections describe the distinctiveness of conducting research within Indonesian setting. First is the fact that there was a significant change of regime in 1998. This paved the way for a major reform programme within the country, including the revitalisation of bureaucracy. Second, the domination of strong Javanese culture in Indonesia has implications for the country's efforts to reform its bureaucracy.

1.2.1 Indonesia as a New Democratic Country

The economic crisis in 1997 led to political and social unrest in Indonesia, which forced a change of government. After 32 years of dictatorships, Suharto¹ gave up the presidency. Suharto's resignation paved the way to build the new Indonesia, which is called in the Indonesian language as "*Gerakan Reformasi*" or reform action. Indonesia has been acknowledged to be undertaking a national change agenda, from an authoritarian government into a democratic country. A free and fair legislative election took place in 1999 after decades of repressive rule marked the new era for Indonesia to become the third largest democratic country in the world, after India and the United States of America (CIA, 2011).

¹ Occasionally written as Soeharto, using the old spelling of Indonesian language. Since 1972, the government introduced 'The Perfected Spelling System' ('*Ejaan Yang Disempurnakan*', abbreviated EYD) The aim was to generate greater standardisation of orthography between the Indonesian and Malaysian languages.

It was argued that democracy would produce promising developments for Indonesian bureaucracy (Robertson-Snape, 1999; McLeod and McIntyre, 2007). One of the important factors that existed in the country as a result of democratisation is the participation of the public, both directly or through the non-government organisation/NGOs (Ramage, 2007). The public has been involved in monitoring and evaluating national development, including the effectiveness of bureaucracy.

The present success of democracy, however, is achieved after long decades of struggling. Indonesia has experienced four types of democracy (as illustrated in figure 1.1), all of the first three stages are regarded as mock democracy and considered unsuccessful (Bhakti, 2004).

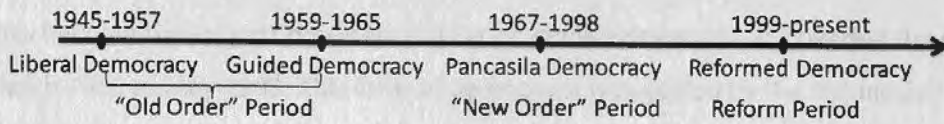


Figure 1.1: Stages of Democracy in Indonesia

Source: Adapted from Bhakti (2004)

An early failure for democracy in Indonesia occurred when parliamentary or liberal democracy was introduced after the independence producing many short lived administrations and achieving very little (Bhakti, 2004). This Indonesian political system was established under Indonesia's first President, Sukarno², from 1945-1957 (see figure 1.1). During this period, the continuously changing parliament, where one administration would often last for only 6 months, was held responsible for ineffective government (ibid, p. 197).

In response to this collapse, President Sukarno implemented his style of democracy, which he called as '*Demokrasi Terpimpin*' or translated as 'Guided Democracy', from 1959-1965. Using this system, the power was concentrated within the executive, particularly the president; therefore, this system of democracy is argued to provide camouflage for the dictatorial ruling regime (Liddle, 1992). This new democracy system was perceived as an opposition to liberal democracy, in a sense that in liberal democracy the process was emphasised, while 'guided democracy' focused the accomplishment of one major objective, which was "a just and prosperous society, only to be achieved by a systematic and planned democracy" (Bhakti, 2004, p. 198).

² Occasionally written as Soekarno. See footnote number 1.

This system of guided democracy lasted less time than the preceding liberal democracy. After six years, this system was deemed to have failed to create a sound economic condition for Indonesian people. By the mid 1960s, Indonesia was on the brink of bankruptcy, production had decreased dramatically, exports and imports had virtually stopped, and the country and its people were suffering hyperinflation of more than 600 per cent (Bank Indonesia, 2001). This economic breakdown was followed by a struggle for power between the army and the Indonesian Communist Party, which led to a period of chaos. Responding to this situation, the Army undertook a *coup d'état* on 11 March 1966 to bring down President Sukarno and his guided democracy (Bhakti, 2004).

Suharto, an army general, took over the presidency and introduced '*Pancasila Democracy*', which has become the longest presidency duration since independence, covering the period from March 1966 to May 1998. This form of democracy was guided by the Indonesian national ideology '*Pancasila*', a term which is rooted from Javanese words of '*panca*' means five and '*sila*' means pillar. It is the foundation on which the modern state of Indonesia is grounded. '*Pancasila*' comprises a set of five principles: belief in one God; just and civilised humanitarianism; national unity; consensual democracy; and social justice for all Indonesians (Robertson-Snape, 1999).

As he came to power, General Suharto "used the term '*Orde Baru*' or the 'New Order' and called Sukarno's guided democracy '*Orde Lama*', or the 'Old Order', the latter implying a rotten, bankrupt system" (Bhakti, 2004, p. 198). During the first era of his presidency, Suharto successfully brought the nation from its severe condition. The national economy was growing at a remarkable rate of 7% for a decade during the late 1980s and early 1990s, which has made Indonesia one of the 'Asian's Tigers' (Heller and Symansky, 1998). During this period Indonesia undertook a smooth transition from an agricultural to an industrial country (Oshima, 1986).

However, as the years passed, the New Order moved slowly and surely in the direction of an authoritarian government. The long life of Suharto's government was facilitated by the establishment of three channels (Subekti, 2001), namely ABRI (the Indonesian national army), Bureaucracy (civil servants), and Golkar (government political party). These organs of government have sustained a long period of security and the maintenance of political and economic stability during Suharto's era.

Some argue that Suharto is charged for the proliferation of practice of Corruption, Collusion, and Nepotism (see for examples: World Bank, 2003; Kristiansen et al., 2009, McLeod, 2006, Rohdewohld, 2005). This has created a huge imbalance between the poor and the rich within the Indonesian society. The high growth of economy was at the expense of economic disparity. This poor condition reached its pinnacle when economic crisis hit Indonesia in 1997, as discussed in the initial part of this section. Consequently, people forced Suharto to step down in 1998. It was reported that millions of people, mainly students from universities, were marching in the street in Indonesian major cities, such as Jakarta and Yogyakarta, to ask for change in regime (Budianta, 2000). Finally, the students in Jakarta succeeded to occupy the building of the People's Consultative Assembly (the highest political body) to ask its members to exercise their political rights to force Suharto to resign from his presidency.

The post-Suharto era was marked with the restoration of the legislative and judicial functions, which were previously muted under Suharto's regime. The legislative authority is under the House of Parliament and consists of elected members of political parties. The executive is led by the President and his/her administration. Since 2004, the President and the Vice President are directly elected by the people (Harijanti and Lindsey, 2006). Therefore, each 5 years there are two general elections; the election of the member of the parliament is conducted first followed by the election of the President and the Vice President. Meanwhile, the judicial authority is under the control of the Supreme Court.

1.2.2. The Dominance of Javanese Culture

Due to its location along the world main route of trade, Indonesia has been regarded as a melting pot for a blend of influences from many different civilisations (Vickers, 2005). This can be traced as far back as to the early years of the first century, when Hinduism and Buddhism were introduced from India to Indonesians. The influence of Arabic culture and Islam was brought by traders of both Arabic and Indian Muslim of Gujarat, during the 13th century. The influence of Chinese culture was also introduced to Indonesian people, as the result of the trade since 5th century. Last, but not least, is the influence of Western culture, mainly from Portuguese and Dutch settlers between the 15th and 20th centuries.

Of the current total population, 88% are Muslims or approximately 173 million people, which have made Indonesia as the largest Muslim population in the world (Vickers, 2005). However, Indonesia does not adopt Islamic law, or so called Sharia law; they rest the nation's life on the foundation of '*Pancasila*', the country's way of life (Darmaputera, 1988). Christianity is the

second largest religion with approximately 9% of the population and about two-thirds of these are Protestants. Buddhism consists 2% of the population and is mostly practiced by Indonesian Chinese. Hinduism, which used to be the predominant religion in Indonesia during the Kingdom era (1st to 14th century), is now practiced by nearly 2% of the population, particularly in Bali (Tsamenyi, et al., 2008).

The country consists of 300 different ethnicities, who speak their own native languages (Vickers, 2005), with thousands of dialects and accents (Tsamenyi, et al., 2008). Therefore, the Indonesian government has decided to use '*Bahasa Indonesia*', means Indonesian language, as the national language. This language is rooted from Sumatran coastal Malay's language; therefore '*Bahasa Indonesia*' has similarity with the Malaysian Malay language. Due to its concentrated population in Java Island, the majority of ethnicity is Javanese (45%), followed by Sundanese (14%), Madurese (7.5%), coastal Malays (7.5%), and other ethnic groups (26%).

Javanese culture has dominated Indonesian society for centuries (Geertz, 1960; Vatikiotis, 1998; Forshee, 2006; Woodward, 2008). Java Island has become the centre of the country's life since the Kingdoms era, centuries ago (Synnerstrom, 2007). The Javanese culture has been dominant to the Indonesian culture due to the sheer size of the community, the homogeneity of its culture and their influence on the nation's capital (Mann 1996; Magnis-Suseno 1997). According to Woodward (2008), one cannot separate Indonesia and Java as they are "overlapping [in] social, linguistic, cultural, conceptual and religious as well as geographic spaces and political entities" (p. 14).

The evidence of the impact of the Javanese culture on Indonesian culture can be seen in the adoption of the Javanese values of '*kekeluargaan*' or principle of family as the Indonesian way of life. It is stated in the nation's highest jurisdictions, the '*Pancasila*' as the national ideology and the Indonesia's 1945 Constitution (Robertson-Snape, 1999). The family values were the basis of the creation of '*Pancasila*' by the founding fathers after the country proclaimed its independence in 1945. Therefore, this norm has become the glue that mobilised Indonesian people to struggle for independence (Holtzapple, 1997). As the main proposer of '*Pancasila*' as the state ideology, Sukarno, himself, summarised that family values in combination with the principle of '*gotong-royong*' or mutual cooperation are the foundation of the Indonesian nation and state principle (Mulder, 1994; Robertson-Snape, 1999).

These values were developed from the traditions of the life of the Javanese village, which was based on the communal agricultural society (Geertz, 1960; 1973; Tsamenyi, et al., 2008). The word '*gotong royong*' originated from the Javanese word of '*ngotong*', which means "'several people carrying something together,' plus the pleasantly rhyming *royong*" (Bowen, 1986, p. 546). This verb illustrates the villagers' activities in carrying their crops together and represents the idea of mutual assistance and reciprocity, without any '*pamrih*' or reward. These concepts and values imply that the situations and conditions of the nation and social life should reflect the harmony ascribed to that in the family. One of the manifestations of this is the management of the national economy should be based on family values as stated in article 33 of Indonesia's 1945 constitution that "The economy will be organised collectively on the basis of the Family Principle".

For the Javanese, family or '*keluarga*' is placed as the most important entity in their life. They hold a belief that they rather live in misery as long as they stick together as a family. They follow the old Javanese norm '*mangan ora mangan kumpul*' or togetherness is more important than eating (Kayam, 1991; Sutarto, 2006). Some argue that this strong value of family could imply that Javanese are indisposed to others' values, which embrace those Javanese who have yet to become real Javanese, other ethnicities, and people from overseas. The Javanese use their own terms to refer to people that they call as 'the others' as "*'dudu bangsane'* or not our people" (Sutarto, 2006, p. 52). It is argued that, in some cases, Javanese people will bestow stronger loyalties to their family rather than to office or state; in other words, a public official's duty to his office is secondary to that towards his family or community (Robertson-Snape, 1999). Further, this author argues that the familial values have contained the Javanese society from Western individualism, which supposedly prefers the optimisation of the individual at the expense of society (ibid, p. 597).

The persistence and cultivation of the Javanese culture in the Indonesian life has also resulted from the Javanese people's beliefs that in their life, they should aim to be 'real or true Javanese' and attempt to make others become Javanese (Sutarto, 2006). By becoming a true Javanese, it is their belief that one's life is "*'bener'* (correct), '*pener'* (appropriate) and '*slamet'* (safe)" (ibid, p. 39). This belief was inspired and exercised by Suharto, the second President, who ruled for almost 32 years, since 1967. This long period of presidency not only resulted from his capability to conquer the politicians, the military, the bureaucracy, and the conglomerates under his own tight control, he also "managed to manipulate the Javanese cultural values as the source of legitimacy for his decisions and policies" (Sarsito, 2006, p. 447).

During his supremacy, the Javanese culture and values were re-infiltrated into the life of the nation. The regime proliferated, formally and informally, the Javanese culture by establishing what is known as '*Jawanisasi*' or 'Javanisation' (Tsamenyi, et al., 2008), by which Javanese cultures are institutionalised and internalised in all aspects of the Indonesian life. During this era, Suharto positioned himself as a father of the state and assumed the state was a big family, as advocated by Mulder (1994):

By having brought in the hidden familial assumption ('*kekeluargaan*'-functioning a family), the functioning of the state as a big family with a father as its head becomes clear. A father of state protects and guides, the population submits and follows (p. 62).

As a father of the nation, Suharto concentrated power in his own hands; he made all the decisions. During his leadership, he maintained distance from his aides; "he receives cabinet members and others individually rather than collectively, as petitioners rather than as colleagues" (Liddle, 1996, p. 80). He became 'the untouchable' figure because he had created a big gap between him as a ruler and the rest as the governed. This style of leadership was copied through the behaviour of political actors in a number of government institutions.

Javanisation was successful, in part, as a result of government propaganda and the promotion of the Javanese culture within the life of Indonesian people, through two channels, the education system and transmigration programme. The former refers to a course named '*Pendidikan Moral Pancasila*' or *Pancasila* Moral Education, which is compulsory for all students at all levels of education. The content of this subject is mainly related to the Javanese etiquette (Mulder, 1994), for example a teaching of how a student must give respect to the elders, the teachers, and the government officials. Another teaching material related to the requirement for a student to avoid dispute and give tolerance to others, in the Javanese term it is called '*tepa selira*'. Both of these teachings stem from two main Javanese values of '*hormat*³' or respect and '*rukun*' or harmony. Chapter 4 will elaborate these two prevailing values of Javanese culture.

Meanwhile, the transmigration programme refers to a system of relocating the dwellers of overpopulated islands, mainly Java, to less populated regions, such as Sumatra and Borneo. As a consequence, more Javanese families migrate to other islands, bringing the Javanese culture and customs with them. It is reported that the Javanese '*translok*' or local transmigration had

³ It was written as *urmat* in the Geertz's works based on Indonesian language old spelling but the meaning is exactly the same.

transformed the lives of '*orang asli*' or native people into Javanese society (Elmhirst, 1999). One of the reflections of the influence of Javanese culture in the transmigration area was demonstrated in the structure of the society established by the '*translok*':

"the community organisation in transmigration settlements is modelled on an idea of the "village" which owes much to an idealised notion of what constitutes a "Javanese" village: defined territorially, densely populated, divided into neighbourhoods or rukun, and hierarchical" (Elmhirst, 1999, p. 823-824).

The 'Javanisation' was also commenced by the appointments of the government's trusted Javanese people in some key positions in both the bureaucracy and the army throughout the archipelago (Budianta, 2000). These two institutions were created as the vehicle to sustain the government's power (Tjiptoherijanto, 2007). The more elaborated discussion on this political influence on public administration is discussed in the history of Indonesian bureaucracy section in chapter 2.

The role of the Javanese culture to shape social interactions among the indigenous Javanese as well as those who are non-Javanese was not without resistance. Some people perceive the Javanese culture an intolerant culture since they tend to dominate (Mulder, 1994). Others argue that this is due to the misuse of the Javanese culture by the leaders, not necessarily the Javanese values, themselves (Magnis-Suseno, 1997). The detailed discussion about the Javanese culture, including its predominant values, will be discussed in chapter 4.

1.3. Research Aim and Objectives

Motivated by the circumstances that exist currently in Indonesia, this research aims to seek a rich understanding of the effects of an extensive bureaucratic reform programme in two major Indonesian public institutions, the DGT and DGCE. The thesis will extend a discussion of the existing literature on bureaucracy, particularly due to its unique setting within the context of Indonesian bureaucracy.

This research has been designed to explore the background of the bureaucratic reform programme. This research also provides a detailed understanding of the implementation and the implications of the reform programmes. Subsequently, this research identifies and analyses the critical factors that influence the implementation of the programmes, particularly in relation with the effect of the native Javanese culture.

1.4. Research Questions

The bureaucratic reform initiatives both at the DGT and DGCE have been appraised as providing several immediate impacts, including: increased employee discipline, faster service delivery, more efficient budgeting, and the reduction of corrupt practices (Ministry of Finance, 2008a). However, the case organisations acknowledge they still face significant challenges in the continuing implementation of the reform programme. Therefore, this research seeks answers to the following specific questions:

1. Why were bureaucratic reforms conducted at the case organisations?
2. How are bureaucratic reforms conducted within the case organisations?
3. To what extent is the implementation of bureaucratic reforms within the case organisations affected by culture?
4. Are the Western concepts of organisation and administration compatible when applied in non-Western setting, such as Indonesia?

1.5. Research Approach

This research presupposes that the implementation of bureaucratic reforms at the case organisations must be studied in its broader context. The impact of the politico-social environment and in particular the cultural setting on the adoption and implementation of the control systems at the researched institutions must be appreciated and considered (Flamholtz, 1996). The researcher believes that the establishment of bureaucratic reforms at the case organisations is dynamic, involving a number of actor, rules, values, norms, and interests. Thus, the bureaucratic reform process at the case organisations is viewed as socially constructed by the interaction between the institution and its members, among individuals, and between the institution or individuals and their context, including their institutional, political, and cultural environments (for examples see Dent, 1991; Ahrens and Mollona, 2007).

In order to adequately explore the implication of the above assumptions, this research utilises an interpretive approach to understand the implementation of bureaucratic reforms at the case organisations. It has been reported that there is a growing support for the use of an interpretive methodology as a framework for researching organisations (for examples Morgan 1988; Covalleski and Dirsmith, 1990; Dent 1991; Llewellyn 1993; Alvesson and Deetz, 2000). Some authors also suggest that the traditional research approach that relies on statistical analysis and hypothesis testing barely captures the social phenomenon intended to be studied

(Tomkins and Groves, 1983; Chua, 1986) since such approach simplifies the complexities of an event.

The interpretive approach also fits the aim of the research, which is to obtain a detailed and intensive understanding of the implementation of bureaucratic reforms at the case organisations. This involves a consideration of values, beliefs, norms, and structures accepted by members of that institution, by which a qualitative method is said to be more advantageous in facilitating this compared to quantitative approach (Langfield-Smith, 1997; Mason, 2002).

Furthermore, the selection of an interpretive approach for conducting this research is to gain a comprehensive understanding of control system within the case organisations prior and post the bureaucratic reform programme. Llewellyn (1993) suggests, in a study of a programme of change in a management accounting setting, that such studies, should be undertaken using an interpretive methodology. Her proposition is based on a belief that while the conventional quantitative approach may unveil why accounting change occur, it does not provide an understanding of how it is achieved:

Any research that hopes to fully illuminate the process of ... change must work through an interpretive, if not a hermeneutic, methodology in order to demonstrate how change is accomplished through human agency. (Llewellyn, 1993, p. 243)

1.6. Contribution of the Research

There are three types of contributions this research can provide, namely literature, methodological, and practical contributions. First this research aims to contribute to the literature on bureaucracy, which is reliant on the Western theorisations (Berger, 1957; Eisenstadt, 1968; Azumi and McMillan, 1975 in Horvath, et al., 1976). This contribution is accomplished by presenting a thorough examination of the everyday implementation of bureaucratic reforms within the case organisations.

In the Indonesian context there is also a lack of research about control systems that considers cultural aspects (Efferin and Hopper, 2007). Some few works include those by Sudarwan and Fogarty (1996; 1997), who investigate the impact of culture on the reporting practices. Tabalujan (2001; 2002) examines the cultural effect on the implementation of corporate governance, particularly the element of transparency. The more recent research on control and the Indonesian culture include Efferin and Hopper (2007) and Tsamenyi, et al. (2008), who

have studied the Javanese cultural aspect on control system of Indonesian family-owned businesses.

Therefore, the researcher believes that this research may contribute to fill gaps in the existing literature on control and culture, at least, in two ways. First, since this research explores the native culture of the Javanese culture to understand the control mechanism within the case organisations, it can extend the scarce literature in the topic of control and culture in the Indonesian context. Second, the fact that this research is conducted at a public institution in Indonesia, it provides useful discussion to complement current literature, which focus on private sector (for examples: Efferin and Hopper, 2007; Tsamenyi et al., 2008).

The methodological contribution is provided by this research in regards to the selection of interpretive approach as the research methodology. This study is believed to enrich research within the organisation studies, which is still dominated by traditional functionalist approach. The utilisation of ethnographic case study as the research methods may also provide an alternative way of understanding organisational phenomena, as encouraged by current scholars (for examples Morgan 1988; Covalski and Dirsmith 1990; Ansari and Bell, 1991; Dent 1991; Llewellyn 1993; Alvesson and Deetz, 2000; Ahrens and Chapman, 2004; Ahrens and Mollona, 2007).

Lastly, this research may deliver practical recommendations for the policy maker, including the Indonesian government and international donors, such as the IMF and World Bank. Such evaluation and recommendation are arguably germane considering that the bureaucratic reform programmes are still ongoing.

1.7. Outline of the Thesis

The structure of this thesis follows what Yin (2003) terms a linear structure, which he argues has been the most typical approach for case study analysis:

The sequence of subtopics starts with the issue or problem being studied and a review of the relevant prior literature. The subtopics then proceed to cover the methods used, the findings from the data collected and analysed, and the conclusions and implications from the findings. (p. 152)

Chapter 2 elaborates the key motivation and pressures for the implementation of bureaucratic reforms within the case organisations. This chapter is directed to answer the research question number 1: "Why were bureaucratic reforms conducted at the case organisations?"

This thesis posits that bureaucratic reforms within the case organisations has been driven by forces external to the organisation itself, mainly by international pressures, from the IMF and World Bank. The bureaucratic reforms encompass three primary initiatives: organisation restructuring; business process improvement; and a modernised human resources management system (Ministry of Finance, 2008a).

To understand these IMF-inspired bureaucratic reforms adopted by the case organisations, this thesis utilises Weber's theory of bureaucracy (Weber, 1974; du Gay, 2011; Willmott, 2011) which is elaborated in chapter 3. This framework represents the Western approach of managing public sector (Berger, 1957; Sharma and Lawrence, 2009; Ohemeng, 2010). In particular, the bureaucratic dimensions of hierarchy, standardisation/formalisation, and impersonality, are elaborated. The modifications of these three bureaucratic elements of control have been the main features of the reforms initiatives at the case organisations.

Chapter 4 highlights the importance of the appreciation of the organisational context when studying about control system. In this chapter, culture as one of the most essential elements of organisational context is explicated. Within the Indonesian setting, the unique dominance of the Javanese culture is described. To understand the Javanese culture itself, this research utilises the seminal cultural works from both Clifford Geertz (1960; 1963; 1965; 1973) and Hildred Geertz (1961; 1974). A similar line of inquiry is utilised by recent works of Efferin and Hopper (2007) and Tsamenyi et al. (2008) to understand the influence of the Javanese culture on the Indonesian private organisations.

Chapter 5 outlines the research design and the procedure of data collection. In order to capture the phenomenon of the bureaucratic reforms and its cultural implications, an ethnographic case study approach is adopted as the research method. The detailed discussion on the data collection procedures and the issues of reliability and validity and of this research is also discussed. This chapter also presents the description of the research context. This includes a consideration of the organisation of DGT and DGCE. These two units under the Ministry of Finance are selected as the case organisations of this research. The elements of organisation that are elaborated within this section, includes the organisation task, structure, and process.

The empirical findings are presented in chapters 6, 7, and 8, which are ordered following the three pillars of the bureaucratic reform framework, namely the organisation restructuring, the

business process improvement, and the enhancement of the human resources management system. The discussions in these chapters are aimed to answer research question number 2: "How are bureaucratic reforms implemented at the case organisations?" This thesis finds that bureaucratic reforms were implemented by modifying the bureaucratic control element within the case organisations, namely hierarchy, standardisation/formalisation and impersonality; each corresponds with the three pillars of the reforms, respectively. The research also explicates the importance of cultural aspects, especially the impact of native Javanese culture, on the implementation of the reforms initiative. Therefore, the findings from the three empirical chapters are also directed to answer research question number 3: "To what extent the implementation of bureaucratic reforms within the case organisations is implicated by culture?"

Chapter 6 focuses on the implementation of the first pillar of reforms to restructure the organisation, particularly related to the hierarchy within the organisations. This chapter discusses how the Javanese conception of hierarchy shapes the organisation, in terms of its structure and the superior and subordinate interactions. As Javanese believe that people are born unequal, certain hierarchy must be followed. In particular, it is related to the Javanese values of '*hormat*' or respect. Within the case organisations, this strict hierarchy is carefully maintained and exercised, such as the appointment of the most senior official as the top leader within the Tax Office. A similar story is also revealed in the Customs Office, where the leader, himself, cannot by-pass the hierarchy. These result from the influence of the Javanese culture that has been ingrained within the life of the case organisations.

Later, chapter 7 elaborates the second pillar of business process improvement. The discussion in this chapter focuses on how standardisation and formalisation have been implemented both at the Tax and Customs Offices. This includes the implementation of the SOPs, which establish a uniform and standardised mechanism to generate certainty and predictability in the administration of Tax and Customs services. Later, the formalisation policy, which enforces the standardised procedure and rules, is elaborated. The discussion is followed by the cultural aspects of the implementation of standardisation and formalisation. First, the influence of the Javanese value of '*rukun*' or harmony on the introduction of the SOPs is discussed. Later, the Javanese concept of '*manut*' or to be obedient and '*nrimo*' or to accept without protest reflecting the Javanese value of '*rukun*' or harmony, which has implications for the implementation of formalisation policy, is elaborated.

Chapter 8 explains the last area of the reforms, which is to modify the HR management system to establish clear rules of demarcation in task performance and a culture of impersonality. Chapter 8 also examines the implications of the Javanese culture on the initiatives of reform to promote impersonality. The familial based culture of the Javanese society, along with the values of '*rukun*' or harmony, has influenced the implementation of this reform initiative.

Chapter 9 re-emphasises the importance of cultural aspects in the implementation of bureaucratic reforms. In a larger context, the research's evidence of the misalignment of culture may reflect the incompatibility of Western concepts within a non-Western setting (Kiggundu, et al., 1983; Sozen and Shaw, 2002; Sharma and Lawrence, 2009; Ohemeng, 2010). Therefore, the discussion in this chapter answers research question number 4: "Are the Western concepts of organisations compatible within non-Western setting, like Indonesia?"

The final chapter of the thesis summarises the key issues discussed by the research and reflects on the research objectives and questions. It is concluded that although the change of control system as a result of bureaucratic reform programme at the case organisations has provided quick wins, its sustainability is questioned, particularly due to the influence of culture. Therefore, this research suggests that neglecting native culture when changing control system within an organisation is dangerous.

CHAPTER TWO

BACKGROUND AND KEY INITIATIVES OF BUREAUCRATIC REFORMS

2.1. Introduction

As stated in chapter 1 section 1.1, there have been substantial claims made that the Indonesian public sector has been ineffective (World Bank, 2003; Dwiyanto, et al., 2008; World Bank, 2011). Some commentators have argued that the Indonesian public sector is characterised by “non-transparent process, underfunded institutions, an inadequately skilled public sector workforce and institutionalised corruption” (McLeod and MacIntyre, 2007, p. 17). These failings have been argued to weaken government accountability and have been identified as major impediments to national development in Indonesia (World Bank, 2003). Others have suggested that corruption is one of the most conspicuous pieces of evidence of the ineffectiveness of Indonesian public sector (World Bank, 2003; Tjiptoherijanto, 2007; Dwiyanto, et al., 2008).

The low score of Corruption Perception Index /CPI of Indonesia (as shown in table 2.1) verifies this condition of ineffective public institutions. The lower the score of CPI indicates the higher the degree of public sector’s corruption within the country (Transparency International, 2011a). This annual survey asked the observers from around the world, including experts living and working in country, how corrupt is one country’s public sector, including Indonesian public institutions (Transparency International, 2011b).

Table 2.1: Corruption Perception Index

Country	Corruption Perception Index (CPI) Scores*				
	2007	2008	2009	2010	2011
Indonesia	2.3	2.6	2.8	2.8	3
Malaysia	5.1	5.1	4.5	4.4	4.3
Myanmar	1.4	1.3	1.4	1.4	1.5
Philippines	2.5	2.3	2.4	2.4	2.6
Singapore	9.3	9.2	9.2	9.3	9.2
Thailand	3.3	3.5	3.4	3.5	3.4
Vietnam	2.6	2.7	2.7	2.7	2.9

* 10 (highly clean) and 0 highly (corrupt)

Source: Transparency International (2012)

The figures in table 2.1 are highly associated with the data in table 1.1 as shown in chapter 1. The country that displays effective public service is perceived as less corrupt; on the other hand, the country with poor effectiveness of its public sector is reported as more corrupt. This confirms the argument put forward in the first sentence of this chapter that corruption has been one of the problems to cause ineffective public sector, such as it is evidenced in the case of Indonesian public institutions.

The government of Indonesia has given special attention to policies designed to improve the effectiveness of the public sector, particularly by launching bureaucratic reform programme at the public institutions (Ministry of Administrative Reform, 2009). The most recent report stated that the Indonesian government has revised its target to achieve a CPI score of 5 by 2014 (Kompas, 2011b); compared to an earlier target of 3.5. With its 2011 CPI's score of 3 (see table 2.1), the country only have 3 years to significantly improve the CPI to achieve this target. Regardless of scepticism among the public, the decision to set this target can be seen as the current Indonesian government's seriousness to cope with this problem (Jakarta Post, 2011b).

The bureaucratic reforms conducted by the Ministry of Finance have, in fact, improved the CPI score of Indonesia (Transparency International, 2008). Quoting their annual press release of the CPI, the report suggested that the increase of Indonesian CPI of 0.3, from 2.3 in 2007 to 2.6 in 2008 (see table 2.1) largely resulted from the bureaucratic reform process within the Ministry of Finance.

Bold reform in the tax and custom administration and the ability of Corruption Eradication Commission to bring forward high profile cases have recently bolstered the perception that corruption is being addressed more aggressively. (Transparency International, 2008, p. 1)

In order to gain a sound understanding on the event of bureaucratic reforms which are the prime setting for the research, this chapter aims to provide discussion at a more macro level on the background of the bureaucratic reforms in Indonesia. The chapter will focus on the aspects of the reform process that impact the case organisations. First, it describes the history and outlook of the Indonesian bureaucracy. It is followed by the discussion on the driving forces of the commencement of the bureaucratic reforms in Indonesia, particularly the role of the IMF. Later, the discussion continues with the rationalisation of the bureaucratic reforms at the case organisations and followed by the elaboration on the major initiatives of the reform. As summary of key events related to bureaucratic reforms completes this chapter.

2.2. The Indonesian Bureaucracy: Current Outlook and Past History

The current Indonesian public service bureaucracy consists of a relatively large number of civil servants, approximately 4.7 million (Badan Kepegawaian Nasional, 2010). Several problems are still associated with the current public institutions in Indonesia, as stated in the first paragraph of this chapter. In an extensive study of Indonesian bureaucracy, Dwiyanto, et al. (2008) report several indicators of the ineffectiveness of the Indonesian public service, such as uncertainty in task completion time, lack of consistent service procedures and unfair service, caused by discrimination based on political, ethnic, religious, or personal relationships. In similar vein, Anwaruddin (2005) claims that Indonesian public institutions are still surrounded with the problems of unclear planning of work and assignments; inappropriate procedures and assignments; poor enforcement of reward and punishment systems; and lack of transparency in bureaucratic work performance that causes insufficient feedback for work improvement.

These poor conditions of public institutions are not only observed by the public, but also acknowledged by the public officials themselves. The results from the surveys to the Indonesian public officials conducted by the Institute for Policy and Community Development Studies (IPCOS) in 2000 and by the Partnership for Governance Reform in 2001 report that in conducting their office duty, the civil servants are characterised with subjective decision making, slow service delivery, and discriminatory attitude (World Bank, 2003).

Some studies report that the current problems of Indonesian public institutions are inherited from the previous bureaucracy (Setiawan, 1998; Synnerstrom, 2007; Dwiyanto, et al., 2008). Therefore, in order to understand the current condition of Indonesian bureaucracy, it is essential to encompass its historical presence (Dwiyanto, et al., 2008). The historical relationship between present and past bureaucracy may explain the above phenomena of the current Indonesian bureaucracy; whether traditional bureaucracy during Kingdoms period has implications on current outlook of bureaucracy (Setiawan, 1998; Dwiyanto, et al., 2008).

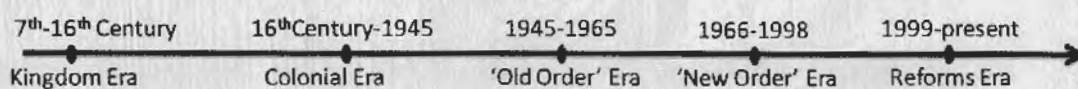


Figure 2.1: Periodisation of the Development of Bureaucracy in Indonesia

The existence of bureaucracy in Indonesia can be traced back as far as to the pre-colonial time, when Indonesia was dominated by Kingdoms approximately the 7th to 16th century. Within this

Monarchy system, the King was the sole and absolute power holder. The bureaucracy during this period was characterised as (Dwiyanto et al., 2008, p. 10):

1. The ruler regarded and utilised bureaucracy as private domicile
2. Bureaucracy was the extension of royal court
3. Wages were given as gifts and can be withdrawn anytime as wished by the King
4. The bureaucrats could do anything as they wish to the people as the King did to bureaucrats.

As bureaucracy was created as the extension of the royal court, their main role is to fulfil the Kingdom's needs and commands. It is argued that the traditional bureaucratic culture is derived from "the Indic court culture of the inland Javanese Kingdoms" (Geertz, 1965, p. 78), which "was built around a very intense concern for status; for smooth, constrained, hyperpolite behaviour" (p. 79).

In such settings, the highest level of bureaucrats, the District Officer, is seen to behave like a king. They distinguish themselves from their subordinates by their "dress, speech style, and deference gesture by a refined and explicit code of manners" (p. 79). The distant association between bureaucrats and the society (the commoners), has resulted from their maintenance of their hierarchical level and power and the established paternalistic and personalistic relationship between superior and inferior (Geertz, 1965).

The current condition of Indonesia's public sector also retains influences from Dutch colonial rule (Rohdewohld, 2005, p. 153). During its occupation of Indonesia, particularly between 16th century to mid 20th Century (see figure 2.1), the Dutch separated the bureaucrats from royal control and "gradually transformed [the bureaucracy] ... into a unified appointive civil service" (Geertz, 1965, p. 78). In this new form of bureaucracy, the civil service became the elected apparatus of a dualistic form of colonial administration. It is argued that this is the time when Weber's rational legal bureaucracy was firstly introduced in Indonesia (Pye, 1985). This small class of Javanese bureaucrats were utilised as the medium to rule the large mass of society as well as the representatives of the indigenous literate aristocracy.

However, bureaucracy through the colonial period was perceived as a system that was inaccessible to the public (Scott, 2002, cited in Kristiansen et al., 2009). During this period of time, there was close collusion between Dutch business interests and colonial administrators (Quah, 1999). This period is deemed to mark an early period of corruption in the civil service.

After independence, many features of the political system seemed to set back to the patrimonial politics of earlier, pre-colonial Javanese empires (Jones, 1984); during the phases of both the "Guided Democracy" under Sukarno and the "New Order" under Suharto (see figure 2.1). The development of the bureaucracy in Indonesia is closely associated with change in the Indonesian political system over time. As previously mentioned in chapter 1, the political system in Indonesia has experienced different types of democracy over a considerable period of history. During the liberal and guided democracy (see figure 1.1 in chapter 1), most of the energy of the government was occupied in maintaining the country's independence from external threats and to keep the country unified in the face of the internal menace of many rebellions. During this period, the democracy and bureaucracy remained underdeveloped.

Later, under the New Order regime and their '*Pancasila*' democracy, bureaucracy was mobilised as a vehicle to maintain power. Under this government, the civil service served a dual function for the ruler, as the government political vehicle and a strong and extensive system of control (Kristiansen et al., 2009). During the New Order period, a high number of civil servants were maintained by the government in order to minimise unemployment and mobilise them and their families as the ruling government's voters (Bhakti, 2004).

To sum up, the long development of the bureaucracy, which involved several transition periods, has influenced the current condition of Indonesia's public sector. Rohdewohld (2005) reports some dominating factors, namely the "Dutch colonial rule, indigenous [traditional] customs and values, and the legacy from "New Order" regime under Suharto" (p. 153), to shape the current Indonesian public sector. While this section focuses on the historical significance of Indonesian bureaucracy, the following section discusses the economic and political background of the reforms.

2.3. The Indonesian Economic, Political Background and Bureaucratic Reforms

Chapter 1 section 1.2.1 briefly describes how the severe recession in the Indonesian economy during the crisis that occurred in 1997 to 1998 triggered political and social unrest in Indonesia, and eventually forced a change of regime. The wind of democracy brought changes in the life of the nation, particularly the establishment of a more empowered public sphere, which used to be suppressed and alienated from the nation's decision making during the

previous authoritarian regime. Some commentators argued that at this time the public demanded what they call '*Reformasi Total*' or 'total reform' of all aspects of the life of the nation, including the political and economic systems (Tjiptoherijanto, 2007). This included a particular urgency to reform the Indonesian bureaucracy, which was still perceived as containing allies of the old regime.

Government bureaucrats suffered much criticism and contempt during the change of Indonesian presidency in 1998. They became the object of protest, particularly due to their alleged corrupt behaviour (Tjiptoherijanto, 2007; Dwiyanto, et al., 2008). In response to this increasing demand from the public, the People of Consultative Assembly, the highest political body in Indonesia, mandated the new president "to build the structure of the Indonesian bureaucracy that is transparent, accountable, clean, and responsible to the people and to become the people and state's servant, the example and the role model of the people" (Tjiptoherijanto, 2007, p. 2). This pressure from the people of Indonesia has been one of the main driving forces behind the launch of the bureaucratic reform process.

The previous 'New Order' regime under President Suharto claimed that bureaucratic reforms were underway during its time in government. This included "shifting the administrative authority to the upper echelons in the bureaucratic hierarchy, making the bureaucracy more responsive to the central authority's will and widening the new government's authority to consolidate the control of the regions" (Dwiyanto, et. al., 2008, p. 6). However, it is argued that the reform was conducted only to serve Suharto's interests to create and maintain his supremacy (Tjiptoherijanto, 2007); thus it has been a mock bureaucracy (Anwaruddin, 2005).

Another form of driving force, this time external, which provided impetus to the commencement of bureaucratic reforms, was the international pressure, which was urged by the IMF and the World Bank. The IMF's involvement started with the agreement of the first Letter of Intent (LOIs) at the end of October 1997 (Soesastro, et al., 2008). These LOIs resulted from Indonesia's need to request an IMF's bailout to save the economy, which was mainly concerned with ensuring macroeconomic stabilisation, requiring both monetary and fiscal adjustments (IMF, 2000). The latter has become the overarching framework of the commencement of the bureaucratic reforms in Indonesia due to its initiatives to achieve a healthy and sustainable fiscal position, which includes improving the efficiency of government expenditure (Soesastro, et al., 2008). The establishment of efficient bureaucracy in Indonesia is one of the main requirements under this initiative.

The new government post Suharto era subsequently launched institutional reform in central government institutions, which is regarded as one of the fastest and most comprehensive devolution reforms ever seen in Indonesia (Kristiansen et al., 2009). This agenda was started in three strategic institutions, namely the Ministry of Finance, the Supreme Audit Board, and the Supreme Court. This has become as a pilot project of bureaucratic reforms in central government. The bureaucratic reforms at the Ministry of Finance were officially launched in the late 2006; however partial reforms within several units under the Ministry of Finance had already been started earlier. This includes the tax administration reform which started in 2002 (see figure 2.2 for detail of the chronology of bureaucratic reforms).

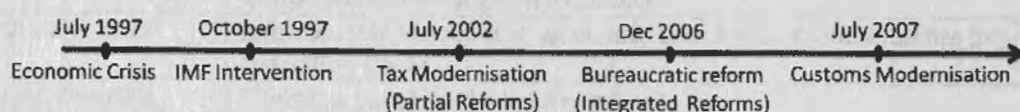


Figure 2.2: Bureaucratic Reform Timeline

The above discussion highlights the significance of the IMF's intervention in Indonesia. The following section, therefore, describes the content and the context of the IMF's involvement in Indonesia and the reactions from the public.

2.4. The IMF's Intervention and the Public's Reaction

The presence of the IMF in Indonesia has been influential in the country's efforts to recover from the crisis (Hill and Shiraishi, 2007). As stated in section 2.3, Suharto's government was forced to ask for assistance from the IMF as the crisis deepened (Soesastro, et al., 2008). In October 1997, the IMF agreed to provide USD 23 billion to save Indonesian economy, which was disbursed in several stages (see table 2.2 for the phases of the IMF's intervention). This rescue package came with the conditionalities, as stated in the LOIs, which must be fulfilled by Indonesia to ensure the disbursement of the loan. As elucidated by Neu et al. (2010), the conditionalities have become the standard document of the disbursement of loan as part of an overarching Structural Adjustment Programme (SAP). These conditionalities, such as stated in the LOIs, are argued as important factor of the re-formation of the economic and social landscape in the LDCs (Stiglitz, 2002).

Table 2.2: Stages of IMF's Involvement in Indonesia

Date	Events
31 October 1997	IMF agreed to provide USD23 billion economic rescue package for Indonesia.
16 January 1998	The signing of the LOIs by President Suharto.
6 March 1998	The IMF announced the delay of the release of USD 3 billion aid to Indonesia due to the unmet basic requirements.
7 April 1998	Indonesia and the IMF agreed on a new plan for the economy. Suharto and the fund made concessions that included continuing subsidies on food and fuel and closing more insolvent banks.
4 May 1998	The IMF resumed lending to Indonesia with the release of almost USD 1 billion.
5 May 1998	Thousands of people clashed with police in city of Medan (Sumatra Island) to protest against big increases in the price of gasoline and other basic necessities as a result of the IMF bailout plan. This had initiated similar protests throughout Indonesia.
25 June 1998	A revised IMF bailout deal was loaded with fuel and food subsidies for the nation's poor.
October 2006	Indonesia payoff all the liability to the IMF

Adapted from IMF (2010); Hill and Shiraishi (2007); Soesastro, et al., (2008)

The formal signing of the LOIs took place in Jakarta, 16th January 1998. For the Indonesian people, the signing of the LOI's was not perceived as a merely economic event; it was viewed as demeaning to the country's sovereignty. The gesture of the IMF managing director Michel Camdessus, "standing over ex-president Suharto, arms folded across his chest like a reproofing schoolmaster, as Suharto signed the first-ever Letter of Intent" (Asia Times, 1998, p. 1, see figure 2.3), was seen as a display of impertinence and insult to the country (Budianta, 2000). "The image of Michel Camdessus, the IMF managing director, standing erect, folding his arms, watching President Soeharto as the latter bent to sign the Indonesian agreement with the IMF in January 1998, will remain a public memory" (ibid, p. 120).



Figure 2.3: The Signing of the Letter of Intent

Source: Kompas (1998a)

Such event was deemed to help to build up the perception within Indonesian people to associate the IMF with colonial power, external pressure, or global threat (Budianta, 2000).

The bold statement from Dewi Fortuna Anwar, a leading Indonesian political scientist, as reported in the *New York Times*, reflected this anger within the Indonesian people:

How could our president be humiliated that way? Indonesia is a proud country. We have been known to choose to go hungry rather than to give in to outside pressure (Anwar, 1998 quoted by Mydans, 1998).

The widespread sentiment against the IMF was also ignited by the big increases in the price of gasoline and other essentials as a result of the IMF's order to the government to terminate subsidies for fuel and food. Several demonstrations, mobilised by the students, were reported to take place in Indonesian major cities to protest the IMF's policy (Budianta, 2000).

Regardless of these protests, the IMF insisted on imposing a series of neoliberal reforms, including the adoption of tighter fiscal measures, the abolition of state trading monopolies in various agricultural products, reductions in tariffs, and the liquidation of insolvent banks (Robison and Rosser, 1998). Through the aggravation and pain under the IMF's programme, Indonesia managed to recover from the crisis in 2005 as reflected in its growth of 4.5% (Aswicahyono, et al., 2008). Eventually, Indonesia paid off all of its liabilities to the IMF in October 2006. President Yudhoyono remarked this period as critical for Indonesian people and he emphasised:

"the government could stand equal before the IMF to give advice to continue reform to restart global economic development" ... "We are in a different position to 10 years ago. We are now in a more respectable position," he said when opening a Cabinet meeting later on Wednesday. (Jakarta Post, 2011a)

The above discussion demonstrates different reactions from the Indonesian public towards both the context and the content of the IMF's intervention in Indonesia (Budianta, 2000; Hill and Shiraishi, 2007; McLeod and McIntyre, 2007; Aswicahyono et al., 2008). Such complexities have implications on the implementation of bureaucratic reforms at the case organisations, as elaborated in the following section.

2.5. Background of Bureaucratic Reforms at the Case Organisations

The context of bureaucratic reforms in the case organisations cannot be separated from the circumstances at the national level as discussed in sections 2.3 and 2.4. The statement from the Chief of Bureaucratic Reform Committee verifies this argument:

The discourse of bureaucratic reforms has, actually, begun since the post 1998 crisis ... after the 1998 crisis public demand for total reform, which includes political, social, economic reform, etc. This demand was so massive at this time until it could force our President [Suharto] to step down. (Interview with Chief of Bureaucratic Reform Committee)

The new Indonesian government post-Suharto era took some initial strategic actions once they were elected, including the change in the management of state funding (Ministry of Finance, 2008b). This has brought a change in the mission of the Ministry of Finance. The legal foundation of the Ministry's existence has been transformed. This constitution amendment is known as 'reform of state financial management'.

One sector that was most severely hit by the 1998 crisis was banking sector... in response to this; government [central bank] has established the Indonesian Banking Architecture. Meanwhile in the financial sector, improvements were undertaken, including the reform of management of state finance, which was marked by the making of State Finance Law, State Treasury Law, and State Finance Supervision Law.

To cope with the crisis, the government has amended the act that embraces the status of the Ministry. The previous act was based on the Dutch colonial statutory about the management of state fund and wealth, which existed since 1886. The new acts have given the new strategic directions for the institutions, including the change in its mission, vision, and strategic objectives. (Interview with Chief of Bureaucratic Reform Committee)

As discussed in Chapter 1 section 1.1, the Ministry of Finance was selected as the pilot project of the national bureaucratic reforms in Indonesia. One of the main considerations in this selection was due to the Ministry's strategic role within the government, mainly due to its function as revenue collector in the form of taxation. The fact that Indonesia has experienced decreasing incomes from oil has led the government to focus on the taxation of citizens and companies as the main source of development funds for the country (von Soest, et al., 2011). Therefore, the bureaucratic reforms in the Ministry of Finance were expected to provide a quick win for the new government:

At that time [prior to the launch of reform programme], the institution had to deliver a concrete thing to regain public confidence. I might say that the execution of the reform programme cannot be separated from the political situation during that time, when a new President was elected. The new government needed a quick win to be delivered to mark the new era of managing the nation. The reform programme in the institution was selected as one of their short term programmes. (Interview with Member of Bureaucratic Reform Committee)

Demand for the reform of the Ministry also came from the public, represented by the main stakeholders of the Ministry of Finance. The following statement illustrates the acknowledgement of the interests of these stakeholders:

Most of the stakeholders of the Ministry of Finance are high profile...For examples rating agency, businessmen...These groups are people who are aware of their rights to be provided with good service and they are very demanding for their rights to be fulfilled...this has led to the change within the Ministry. (Interview with Member of Bureaucratic Reform Committee)

The above view from the case organisations is reflected in the initiative from the Ministry of Finance's stakeholders, who were concerned with the launch of the bureaucratic reforms in this organisation and its monitoring. It is reported that an independent monitoring team was established by the Indonesian Chamber of Commerce, involving other countries' representatives, including the Jakarta Japan Club Foundation, the American Chamber of Commerce in Indonesia, the International Business Chamber, and a number of independent economists (Soesastro, et al., 2008). This independent body, as reported by these authors, declared the critical areas that were demanded by the private sector in Indonesia, including reform of the tax and customs administration.

Furthermore, as the government was bound with the agreement under the IMF's LOI, the reform within the Ministry needed to be a priority, particularly at the Tax Office. As summarised by Stewart and Jogarajan (2004), from 1997 to 2003 Indonesia has 22 LOIs agreement with the IMF, each of them consists of tax administration reform. For instance, the first LOI signed on 31 October 1997 (see table 2.2) clearly stated tax administration reforms as one of the agreed initiatives between the government of Indonesia and the IMF:

The government [of Indonesia] also plans to improve tax administration and the structure of the tax system in line with recommendations of the Fiscal Affairs Department of the IMF to improve the buoyancy of non-oil tax revenues. Specific measures will include: (i) raising the annual audit coverage; (ii) developing an improved VAT audit programme to focus more on large potential taxpayers; (iii) developing a programme to implement a unique, single taxpayer registration number for all tax types; and (iv) improving the recovery of tax arrears. (IMF, 1997, p. 3)

Later, in 2002, Indonesian government agreed to implement reforms in the area of Indonesian customs and taxation.

To achieve the targeted improvement in non-oil revenues, the GOI [Government of Indonesia] plans to undertake four major initiatives to strengthen tax administration...

In the area of customs, the GOI will formulate a plan by June 2002 to improve procedures and strengthen administration. (IMF, 2001, p. 6)

It is reported by Rizal (2011, p. 420) that the modernisation of tax administration benefits from the assistance of international donors such as the IMF, AUSAID (The Australian Agency for International Development), CIDA, (Canadian International Development Agency) and JICA (Japan International Cooperation Agency). As reported by Rizal (2011), the initial IMF's intervention on the bureaucratic reform programme at the Tax Office was the establishment of large taxpayer units. Based on a survey of 40 countries, the IMF claims that the establishment of large taxpayer unit has been essential to assist the observed Tax Offices to handle the major operational weaknesses in tax administration and to visibly improve core tax administration functions (Baer, Katherine et al. 2002 in Rizal, 2011).

Furthermore, it is evidenced that the case organisation also received assistance from the World Bank:

The Directorate General of Tax (DGT) launched the second stage of Tax Administration Reform...This next chapter of reforms at the DGT is partly financed by the loan from the World Bank. (Kalsum and Darmawan, 2009)

In the Customs area, the IMF's involvement was in the form of technical assistance (IMF, 2001, Warta Bea Cukai, 2007). The following report from the Warta Bea Cukai (the Customs and Excise's Bulletin), the Custom's office internal magazine, demonstrates the IMF's intervention at the Customs Office:

This team [Customs Reform Team] was established to implement the IMF's recommendation. After 1998 crisis, Indonesia asked the IMF's assistance and as the consequences the Indonesian government were obliged to implement the IMF's prescriptions. In the area of Customs, the IMF also some prescribed recommendations. All the agreed recommendations would be implemented by the Customs Reform Team. The IMF's officials came to our office every three months to meet the management of the Customs Office and the Custom Reform Team to evaluate the implementation of those pre-determined programmes. (Warta Bea Cukai, 2007, p .62)

Notwithstanding that international pressures had forced the Ministry to launch the bureaucratic reforms; it is believed within the case organisations that all the initiatives of the reform come from within the Ministry itself. The following statement from the Finance Minister illustrates such belief:

The Minister of Finance said to me: "Do not associate our [reforms] programme with the IMF or World Bank. It is originated from our initiatives. It was you [the employees] who came up with the framework of the reforms. (Interview with Human Resources Director)

In a similar vein, a high level official within the case organisations expressed his view that:

... all the initiatives [the reforms] genuinely come from us. We were annoyed with the report from one of the international donor organisation, which stated that they involve in the reform. In fact, they only become the sponsor of a two day seminar at one hotel in Jakarta and invited three foreigners as the speakers, who presented materials that were not relevant to our programme. We already have our own framework...we do not want this reform is funded by other country's fund. We use our government's budget for any initiative. (Interview with Former Chief of Bureaucratic Reform Committee)

Such resentment may reflect the widespread sentiment against the IMF within Indonesia as discussed in section 2.4. In particular, such scepticism symbolises reluctance among Indonesian politicians and bureaucrats post Suharto era to be associated with the supposedly post-colonial intervention (Budianta, 2000). Nevertheless, the previous evidence of the involvement of the IMF in promoting reforms at the case organisations prove such dissociation between the reforms and the international forces to be exaggerated.

To respond to the above pressures, the Ministry launched the bureaucratic reforms in late 2006. This was marked by a ceremonial event to launch the programme by the Minister and the signing of the official document of the reform as stated in the Minister of Finance's Decision No. 30/KMK.01/2007 concerning Bureaucracy Reform in Ministry of Finance (Ministry of Finance, 2007b). By officially launching the bureaucratic reforms, the Ministry integrated all the partially established reform programmes within its units in order to synergise and accelerate the programme (Ministry of Finance, 2008a). At the strategic level, this centralised programme was directly guided by the Minister. Meanwhile, at the daily operational level, this was led by the Chief of the Bureaucratic Reform Committee (Ministry of Finance, 2008b).

As described in figure 2.2, the DGT had started their reforms programme prior to 2006. Due to its strategic role, the Tax Office was chosen to be the pioneer of reform programme. It started by introducing a newly modernised Tax Office for large tax payers, such as state-owned enterprises, large local companies, and foreign/multinational corporations (Bird, 2003; Stewart and Jogarajan, 2004; Soesastro, et al., 2008). Other partial reforms programmes were commenced by the Directorate General of Budget and Directorate General of Debt Management (Ministry of Finance, 2008a).

CHAPTER TWO

BACKGROUND AND KEY INITIATIVES OF BUREAUCRATIC REFORMS

2.1. Introduction

As stated in chapter 1 section 1.1, there have been substantial claims made that the Indonesian public sector has been ineffective (World Bank, 2003; Dwiyanto, et al., 2008; World Bank, 2011). Some commentators have argued that the Indonesian public sector is characterised by “non-transparent process, underfunded institutions, an inadequately skilled public sector workforce and institutionalised corruption” (McLeod and MacIntyre, 2007, p. 17). These failings have been argued to weaken government accountability and have been identified as major impediments to national development in Indonesia (World Bank, 2003). Others have suggested that corruption is one of the most conspicuous pieces of evidence of the ineffectiveness of Indonesian public sector (World Bank, 2003; Tjiptoherijanto, 2007; Dwiyanto, et al., 2008).

The low score of Corruption Perception Index /CPI of Indonesia (as shown in table 2.1) verifies this condition of ineffective public institutions. The lower the score of CPI indicates the higher the degree of public sector’s corruption within the country (Transparency International, 2011a). This annual survey asked the observers from around the world, including experts living and working in country, how corrupt is one country’s public sector, including Indonesian public institutions (Transparency International, 2011b).

Table 2.1: Corruption Perception Index

Country	Corruption Perception Index (CPI) Scores*				
	2007	2008	2009	2010	2011
Indonesia	2.3	2.6	2.8	2.8	3
Malaysia	5.1	5.1	4.5	4.4	4.3
Myanmar	1.4	1.3	1.4	1.4	1.5
Philippines	2.5	2.3	2.4	2.4	2.6
Singapore	9.3	9.2	9.2	9.3	9.2
Thailand	3.3	3.5	3.4	3.5	3.4
Vietnam	2.6	2.7	2.7	2.7	2.9

* 10 (highly clean) and 0 highly (corrupt)

Source: Transparency International (2012)

The figures in table 2.1 are highly associated with the data in table 1.1 as shown in chapter 1. The country that displays effective public service is perceived as less corrupt; on the other hand, the country with poor effectiveness of its public sector is reported as more corrupt. This confirms the argument put forward in the first sentence of this chapter that corruption has been one of the problems to cause ineffective public sector, such as it is evidenced in the case of Indonesian public institutions.

The government of Indonesia has given special attention to policies designed to improve the effectiveness of the public sector, particularly by launching bureaucratic reform programme at the public institutions (Ministry of Administrative Reform, 2009). The most recent report stated that the Indonesian government has revised its target to achieve a CPI score of 5 by 2014 (Kompas, 2011b); compared to an earlier target of 3.5. With its 2011 CPI's score of 3 (see table 2.1), the country only have 3 years to significantly improve the CPI to achieve this target. Regardless of scepticism among the public, the decision to set this target can be seen as the current Indonesian government's seriousness to cope with this problem (Jakarta Post, 2011b).

The bureaucratic reforms conducted by the Ministry of Finance have, in fact, improved the CPI score of Indonesia (Transparency International, 2008). Quoting their annual press release of the CPI, the report suggested that the increase of Indonesian CPI of 0.3, from 2.3 in 2007 to 2.6 in 2008 (see table 2.1) largely resulted from the bureaucratic reform process within the Ministry of Finance.

Bold reform in the tax and custom administration and the ability of Corruption Eradication Commission to bring forward high profile cases have recently bolstered the perception that corruption is being addressed more aggressively. (Transparency International, 2008, p. 1)

In order to gain a sound understanding on the event of bureaucratic reforms which are the prime setting for the research, this chapter aims to provide discussion at a more macro level on the background of the bureaucratic reforms in Indonesia. The chapter will focus on the aspects of the reform process that impact the case organisations. First, it describes the history and outlook of the Indonesian bureaucracy. It is followed by the discussion on the driving forces of the commencement of the bureaucratic reforms in Indonesia, particularly the role of the IMF. Later, the discussion continues with the rationalisation of the bureaucratic reforms at the case organisations and followed by the elaboration on the major initiatives of the reform. As summary of key events related to bureaucratic reforms completes this chapter.

2.2. The Indonesian Bureaucracy: Current Outlook and Past History

The current Indonesian public service bureaucracy consists of a relatively large number of civil servants, approximately 4.7 million (Badan Kepegawaian Nasional, 2010). Several problems are still associated with the current public institutions in Indonesia, as stated in the first paragraph of this chapter. In an extensive study of Indonesian bureaucracy, Dwiyanto, et al. (2008) report several indicators of the ineffectiveness of the Indonesian public service, such as uncertainty in task completion time, lack of consistent service procedures and unfair service, caused by discrimination based on political, ethnic, religious, or personal relationships. In similar vein, Anwaruddin (2005) claims that Indonesian public institutions are still surrounded with the problems of unclear planning of work and assignments; inappropriate procedures and assignments; poor enforcement of reward and punishment systems; and lack of transparency in bureaucratic work performance that causes insufficient feedback for work improvement.

These poor conditions of public institutions are not only observed by the public, but also acknowledged by the public officials themselves. The results from the surveys to the Indonesian public officials conducted by the Institute for Policy and Community Development Studies (IPCOS) in 2000 and by the Partnership for Governance Reform in 2001 report that in conducting their office duty, the civil servants are characterised with subjective decision making, slow service delivery, and discriminatory attitude (World Bank, 2003).

Some studies report that the current problems of Indonesian public institutions are inherited from the previous bureaucracy (Setiawan, 1998; Synnerstrom, 2007; Dwiyanto, et al., 2008). Therefore, in order to understand the current condition of Indonesian bureaucracy, it is essential to encompass its historical presence (Dwiyanto, et al., 2008). The historical relationship between present and past bureaucracy may explain the above phenomena of the current Indonesian bureaucracy; whether traditional bureaucracy during Kingdoms period has implications on current outlook of bureaucracy (Setiawan, 1998; Dwiyanto, et al., 2008).

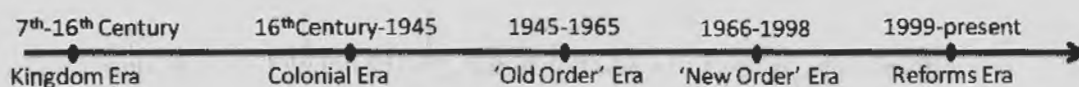


Figure 2.1: Periodisation of the Development of Bureaucracy in Indonesia

The existence of bureaucracy in Indonesia can be traced back as far as to the pre-colonial time, when Indonesia was dominated by Kingdoms approximately the 7th to 16th century. Within this

Monarchy system, the King was the sole and absolute power holder. The bureaucracy during this period was characterised as (Dwiyanto et al., 2008, p. 10):

1. The ruler regarded and utilised bureaucracy as private domicile
2. Bureaucracy was the extension of royal court
3. Wages were given as gifts and can be withdrawn anytime as wished by the King
4. The bureaucrats could do anything as they wish to the people as the King did to bureaucrats.

As bureaucracy was created as the extension of the royal court, their main role is to fulfil the Kingdom's needs and commands. It is argued that the traditional bureaucratic culture is derived from "the Indic court culture of the inland Javanese Kingdoms" (Geertz, 1965, p. 78), which "was built around a very intense concern for status; for smooth, constrained, hyperpolite behaviour" (p. 79).

In such settings, the highest level of bureaucrats, the District Officer, is seen to behave like a king. They distinguish themselves from their subordinates by their "dress, speech style, and deference gesture by a refined and explicit code of manners" (p. 79). The distant association between bureaucrats and the society (the commoners), has resulted from their maintenance of their hierarchical level and power and the established paternalistic and personalistic relationship between superior and inferior (Geertz, 1965).

The current condition of Indonesia's public sector also retains influences from Dutch colonial rule (Rohdewohld, 2005, p. 153). During its occupation of Indonesia, particularly between 16th century to mid 20th Century (see figure 2.1), the Dutch separated the bureaucrats from royal control and "gradually transformed [the bureaucracy] ... into a unified appointive civil service" (Geertz, 1965, p. 78). In this new form of bureaucracy, the civil service became the elected apparatus of a dualistic form of colonial administration. It is argued that this is the time when Weber's rational legal bureaucracy was firstly introduced in Indonesia (Pye, 1985). This small class of Javanese bureaucrats were utilised as the medium to rule the large mass of society as well as the representatives of the indigenous literate aristocracy.

However, bureaucracy through the colonial period was perceived as a system that was inaccessible to the public (Scott, 2002, cited in Kristiansen et al., 2009). During this period of time, there was close collusion between Dutch business interests and colonial administrators (Quah, 1999). This period is deemed to mark an early period of corruption in the civil service.

After independence, many features of the political system seemed to set back to the patrimonial politics of earlier, pre-colonial Javanese empires (Jones, 1984); during the phases of both the "Guided Democracy" under Sukarno and the "New Order" under Suharto (see figure 2.1). The development of the bureaucracy in Indonesia is closely associated with change in the Indonesian political system over time. As previously mentioned in chapter 1, the political system in Indonesia has experienced different types of democracy over a considerable period of history. During the liberal and guided democracy (see figure 1.1 in chapter 1), most of the energy of the government was occupied in maintaining the country's independence from external threats and to keep the country unified in the face of the internal menace of many rebellions. During this period, the democracy and bureaucracy remained underdeveloped.

Later, under the New Order regime and their '*Pancasila*' democracy, bureaucracy was mobilised as a vehicle to maintain power. Under this government, the civil service served a dual function for the ruler, as the government political vehicle and a strong and extensive system of control (Kristiansen et al., 2009). During the New Order period, a high number of civil servants were maintained by the government in order to minimise unemployment and mobilise them and their families as the ruling government's voters (Bhakti, 2004).

To sum up, the long development of the bureaucracy, which involved several transition periods, has influenced the current condition of Indonesia's public sector. Rohdewohld (2005) reports some dominating factors, namely the "Dutch colonial rule, indigenous [traditional] customs and values, and the legacy from "New Order" regime under Suharto" (p. 153), to shape the current Indonesian public sector. While this section focuses on the historical significance of Indonesian bureaucracy, the following section discusses the economic and political background of the reforms.

2.3. The Indonesian Economic, Political Background and Bureaucratic Reforms

Chapter 1 section 1.2.1 briefly describes how the severe recession in the Indonesian economy during the crisis that occurred in 1997 to 1998 triggered political and social unrest in Indonesia, and eventually forced a change of regime. The wind of democracy brought changes in the life of the nation, particularly the establishment of a more empowered public sphere, which used to be suppressed and alienated from the nation's decision making during the

previous authoritarian regime. Some commentators argued that at this time the public demanded what they call '*Reformasi Total*' or 'total reform' of all aspects of the life of the nation, including the political and economic systems (Tjiptoherijanto, 2007). This included a particular urgency to reform the Indonesian bureaucracy, which was still perceived as containing allies of the old regime.

Government bureaucrats suffered much criticism and contempt during the change of Indonesian presidency in 1998. They became the object of protest, particularly due to their alleged corrupt behaviour (Tjiptoherijanto, 2007; Dwiyanto, et al., 2008). In response to this increasing demand from the public, the People of Consultative Assembly, the highest political body in Indonesia, mandated the new president "to build the structure of the Indonesian bureaucracy that is transparent, accountable, clean, and responsible to the people and to become the people and state's servant, the example and the role model of the people" (Tjiptoherijanto, 2007, p. 2). This pressure from the people of Indonesia has been one of the main driving forces behind the launch of the bureaucratic reform process.

The previous 'New Order' regime under President Suharto claimed that bureaucratic reforms were underway during its time in government. This included "shifting the administrative authority to the upper echelons in the bureaucratic hierarchy, making the bureaucracy more responsive to the central authority's will and widening the new government's authority to consolidate the control of the regions" (Dwiyanto, et. al., 2008, p. 6). However, it is argued that the reform was conducted only to serve Suharto's interests to create and maintain his supremacy (Tjiptoherijanto, 2007); thus it has been a mock bureaucracy (Anwaruddin, 2005).

Another form of driving force, this time external, which provided impetus to the commencement of bureaucratic reforms, was the international pressure, which was urged by the IMF and the World Bank. The IMF's involvement started with the agreement of the first Letter of Intent (LOIs) at the end of October 1997 (Soesastro, et al., 2008). These LOIs resulted from Indonesia's need to request an IMF's bailout to save the economy, which was mainly concerned with ensuring macroeconomic stabilisation, requiring both monetary and fiscal adjustments (IMF, 2000). The latter has become the overarching framework of the commencement of the bureaucratic reforms in Indonesia due to its initiatives to achieve a healthy and sustainable fiscal position, which includes improving the efficiency of government expenditure (Soesastro, et al., 2008). The establishment of efficient bureaucracy in Indonesia is one of the main requirements under this initiative.

The new government post Suharto era subsequently launched institutional reform in central government institutions, which is regarded as one of the fastest and most comprehensive devolution reforms ever seen in Indonesia (Kristiansen et al., 2009). This agenda was started in three strategic institutions, namely the Ministry of Finance, the Supreme Audit Board, and the Supreme Court. This has become as a pilot project of bureaucratic reforms in central government. The bureaucratic reforms at the Ministry of Finance were officially launched in the late 2006; however partial reforms within several units under the Ministry of Finance had already been started earlier. This includes the tax administration reform which started in 2002 (see figure 2.2 for detail of the chronology of bureaucratic reforms).

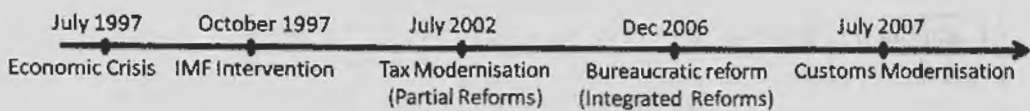


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The above discussion highlights the significance of the IMF's intervention in Indonesia. The following section, therefore, describes the content and the context of the IMF's involvement in Indonesia and the reactions from the public.

2.4. The IMF's Intervention and the Public's Reaction

The presence of the IMF in Indonesia has been influential in the country's efforts to recover from the crisis (Hill and Shiraishi, 2007). As stated in section 2.3, Suharto's government was forced to ask for assistance from the IMF as the crisis deepened (Soesastro, et al., 2008). In October 1997, the IMF agreed to provide USD 23 billion to save Indonesian economy, which was disbursed in several stages (see table 2.2 for the phases of the IMF's intervention). This rescue package came with the conditionalities, as stated in the LOIs, which must be fulfilled by Indonesia to ensure the disbursement of the loan. As elucidated by Neu et al. (2010), the conditionalities have become the standard document of the disbursement of loan as part of an overarching Structural Adjustment Programme (SAP). These conditionalities, such as stated in the LOIs, are argued as important factor of the re-formation of the economic and social landscape in the LDCs (Stiglitz, 2002).

Table 2.2: Stages of IMF's Involvement in Indonesia

Date	Events
31 October 1997	IMF agreed to provide USD23 billion economic rescue package for Indonesia.
16 January 1998	The signing of the LOIs by President Suharto.
6 March 1998	The IMF announced the delay of the release of USD 3 billion aid to Indonesia due to the unmet basic requirements.
7 April 1998	Indonesia and the IMF agreed on a new plan for the economy. Suharto and the fund made concessions that included continuing subsidies on food and fuel and closing more insolvent banks.
4 May 1998	The IMF resumed lending to Indonesia with the release of almost USD 1 billion.
5 May 1998	Thousands of people clashed with police in city of Medan (Sumatra Island) to protest against big increases in the price of gasoline and other basic necessities as a result of the IMF bailout plan. This had initiated similar protests throughout Indonesia.
25 June 1998	A revised IMF bailout deal was loaded with fuel and food subsidies for the nation's poor.
October 2006	Indonesia payoff all the liability to the IMF

Adapted from IMF (2010); Hill and Shiraishi (2007); Soesastro, et al., (2008)

The formal signing of the LOIs took place in Jakarta, 16th January 1998. For the Indonesian people, the signing of the LOI's was not perceived as a merely economic event; it was viewed as demeaning to the country's sovereignty. The gesture of the IMF managing director Michel Camdessus, "standing over ex-president Suharto, arms folded across his chest like a reproofing schoolmaster, as Suharto signed the first-ever Letter of Intent" (Asia Times, 1998, p. 1, see figure 2.3), was seen as a display of impertinence and insult to the country (Budianta, 2000). "The image of Michel Camdessus, the IMF managing director, standing erect, folding his arms, watching President Soeharto as the latter bent to sign the Indonesian agreement with the IMF in January 1998, will remain a public memory" (ibid, p. 120).



Figure 2.3: The Signing of the Letter of Intent

Source: Kompas (1998a)

Such event was deemed to help to build up the perception within Indonesian people to associate the IMF with colonial power, external pressure, or global threat (Budianta, 2000).

The bold statement from Dewi Fortuna Anwar, a leading Indonesian political scientist, as reported in the New York Times, reflected this anger within the Indonesian people:

How could our president be humiliated that way? Indonesia is a proud country. We have been known to choose to go hungry rather than to give in to outside pressure (Anwar, 1998 quoted by Mydans, 1998).

The widespread sentiment against the IMF was also ignited by the big increases in the price of gasoline and other essentials as a result of the IMF's order to the government to terminate subsidies for fuel and food. Several demonstrations, mobilised by the students, were reported to take place in Indonesian major cities to protest the IMF's policy (Budianta, 2000).

Regardless of these protests, the IMF insisted on imposing a series of neoliberal reforms, including the adoption of tighter fiscal measures, the abolition of state trading monopolies in various agricultural products, reductions in tariffs, and the liquidation of insolvent banks (Robison and Rosser, 1998). Through the aggravation and pain under the IMF's programme, Indonesia managed to recover from the crisis in 2005 as reflected in its growth of 4.5% (Aswicahyono, et al., 2008). Eventually, Indonesia paid off all of its liabilities to the IMF in October 2006. President Yudhoyono remarked this period as critical for Indonesian people and he emphasised:

"the government could stand equal before the IMF to give advice to continue reform to restart global economic development"... "We are in a different position to 10 years ago. We are now in a more respectable position," he said when opening a Cabinet meeting later on Wednesday. (Jakarta Post, 2011a)

The above discussion demonstrates different reactions from the Indonesian public towards both the context and the content of the IMF's intervention in Indonesia (Budianta, 2000; Hill and Shiraishi, 2007; McLeod and McIntyre, 2007; Aswicahyono et al., 2008). Such complexities have implications on the implementation of bureaucratic reforms at the case organisations, as elaborated in the following section.

2.5. Background of Bureaucratic Reforms at the Case Organisations

The context of bureaucratic reforms in the case organisations cannot be separated from the circumstances at the national level as discussed in sections 2.3 and 2.4. The statement from the Chief of Bureaucratic Reform Committee verifies this argument:

The discourse of bureaucratic reforms has, actually, begun since the post 1998 crisis ... after the 1998 crisis public demand for total reform, which includes political, social, economic reform, etc. This demand was so massive at this time until it could force our President [Suharto] to step down. (Interview with Chief of Bureaucratic Reform Committee)

The new Indonesian government post-Suharto era took some initial strategic actions once they were elected, including the change in the management of state funding (Ministry of Finance, 2008b). This has brought a change in the mission of the Ministry of Finance. The legal foundation of the Ministry's existence has been transformed. This constitution amendment is known as 'reform of state financial management'.

One sector that was most severely hit by the 1998 crisis was banking sector... in response to this; government [central bank] has established the Indonesian Banking Architecture. Meanwhile in the financial sector, improvements were undertaken, including the reform of management of state finance, which was marked by the making of State Finance Law, State Treasury Law, and State Finance Supervision Law.

To cope with the crisis, the government has amended the act that embraces the status of the Ministry. The previous act was based on the Dutch colonial statutory about the management of state fund and wealth, which existed since 1886. The new acts have given the new strategic directions for the institutions, including the change in its mission, vision, and strategic objectives. (Interview with Chief of Bureaucratic Reform Committee)

As discussed in Chapter 1 section 1.1, the Ministry of Finance was selected as the pilot project of the national bureaucratic reforms in Indonesia. One of the main considerations in this selection was due to the Ministry's strategic role within the government, mainly due to its function as revenue collector in the form of taxation. The fact that Indonesia has experienced decreasing incomes from oil has led the government to focus on the taxation of citizens and companies as the main source of development funds for the country (von Soest, et al., 2011). Therefore, the bureaucratic reforms in the Ministry of Finance were expected to provide a quick win for the new government:

At that time [prior to the launch of reform programme], the institution had to deliver a concrete thing to regain public confidence. I might say that the execution of the reform programme cannot be separated from the political situation during that time, when a new President was elected. The new government needed a quick win to be delivered to mark the new era of managing the nation. The reform programme in the institution was selected as one of their short term programmes. (Interview with Member of Bureaucratic Reform Committee)

Demand for the reform of the Ministry also came from the public, represented by the main stakeholders of the Ministry of Finance. The following statement illustrates the acknowledgement of the interests of these stakeholders:

Most of the stakeholders of the Ministry of Finance are high profile...For examples rating agency, businessmen...These groups are people who are aware of their rights to be provided with good service and they are very demanding for their rights to be fulfilled...this has led to the change within the Ministry. (Interview with Member of Bureaucratic Reform Committee)

The above view from the case organisations is reflected in the initiative from the Ministry of Finance's stakeholders, who were concerned with the launch of the bureaucratic reforms in this organisation and its monitoring. It is reported that an independent monitoring team was established by the Indonesian Chamber of Commerce, involving other countries' representatives, including the Jakarta Japan Club Foundation, the American Chamber of Commerce in Indonesia, the International Business Chamber, and a number of independent economists (Soesastro, et al., 2008). This independent body, as reported by these authors, declared the critical areas that were demanded by the private sector in Indonesia, including reform of the tax and customs administration.

Furthermore, as the government was bound with the agreement under the IMF's LOI, the reform within the Ministry needed to be a priority, particularly at the Tax Office. As summarised by Stewart and Jogarajan (2004), from 1997 to 2003 Indonesia has 22 LOIs agreement with the IMF, each of them consists of tax administration reform. For instance, the first LOI signed on 31 October 1997 (see table 2.2) clearly stated tax administration reforms as one of the agreed initiatives between the government of Indonesia and the IMF:

The government [of Indonesia] also plans to improve tax administration and the structure of the tax system in line with recommendations of the Fiscal Affairs Department of the IMF to improve the buoyancy of non-oil tax revenues. Specific measures will include: (i) raising the annual audit coverage; (ii) developing an improved VAT audit programme to focus more on large potential taxpayers; (iii) developing a programme to implement a unique, single taxpayer registration number for all tax types; and (iv) improving the recovery of tax arrears. (IMF, 1997, p. 3)

Later, in 2002, Indonesian government agreed to implement reforms in the area of Indonesian customs and taxation.

To achieve the targeted improvement in non-oil revenues, the GOI [Government of Indonesia] plans to undertake four major initiatives to strengthen tax administration...

In the area of customs, the GOI will formulate a plan by June 2002 to improve procedures and strengthen administration. (IMF, 2001, p. 6)

It is reported by Rizal (2011, p. 420) that the modernisation of tax administration benefits from the assistance of international donors such as the IMF, AUSAID (The Australian Agency for International Development), CIDA, (Canadian International Development Agency) and JICA (Japan International Cooperation Agency). As reported by Rizal (2011), the initial IMF's intervention on the bureaucratic reform programme at the Tax Office was the establishment of large taxpayer units. Based on a survey of 40 countries, the IMF claims that the establishment of large taxpayer unit has been essential to assist the observed Tax Offices to handle the major operational weaknesses in tax administration and to visibly improve core tax administration functions (Baer, Katherine et al. 2002 in Rizal, 2011).

Furthermore, it is evidenced that the case organisation also received assistance from the World Bank:

The Directorate General of Tax (DGT) launched the second stage of Tax Administration Reform...This next chapter of reforms at the DGT is partly financed by the loan from the World Bank. (Kalsum and Darmawan, 2009)

In the Customs area, the IMF's involvement was in the form of technical assistance (IMF, 2001, Warta Bea Cukai, 2007). The following report from the Warta Bea Cukai (the Customs and Excise's Bulletin), the Custom's office internal magazine, demonstrates the IMF's intervention at the Customs Office:

This team [Customs Reform Team] was established to implement the IMF's recommendation. After 1998 crisis, Indonesia asked the IMF's assistance and as the consequences the Indonesian government were obliged to implement the IMF's prescriptions. In the area of Customs, the IMF also some prescribed recommendations. All the agreed recommendations would be implemented by the Customs Reform Team. The IMF's officials came to our office every three months to meet the management of the Customs Office and the Custom Reform Team to evaluate the implementation of those pre-determined programmes. (Warta Bea Cukai, 2007, p .62)

Notwithstanding that international pressures had forced the Ministry to launch the bureaucratic reforms; it is believed within the case organisations that all the initiatives of the reform come from within the Ministry itself. The following statement from the Finance Minister illustrates such belief:

The Minister of Finance said to me: "Do not associate our [reforms] programme with the IMF or World Bank. It is originated from our initiatives. It was you [the employees] who came up with the framework of the reforms. (Interview with Human Resources Director)

In a similar vein, a high level official within the case organisations expressed his view that:

... all the initiatives [the reforms] genuinely come from us. We were annoyed with the report from one of the international donor organisation, which stated that they involve in the reform. In fact, they only become the sponsor of a two day seminar at one hotel in Jakarta and invited three foreigners as the speakers, who presented materials that were not relevant to our programme. We already have our own framework...we do not want this reform is funded by other country's fund. We use our government's budget for any initiative. (Interview with Former Chief of Bureaucratic Reform Committee)

Such resentment may reflect the widespread sentiment against the IMF within Indonesia as discussed in section 2.4. In particular, such scepticism symbolises reluctance among Indonesian politicians and bureaucrats post Suharto era to be associated with the supposedly post-colonial intervention (Budianta, 2000). Nevertheless, the previous evidence of the involvement of the IMF in promoting reforms at the case organisations prove such dissociation between the reforms and the international forces to be exaggerated.

To respond to the above pressures, the Ministry launched the bureaucratic reforms in late 2006. This was marked by a ceremonial event to launch the programme by the Minister and the signing of the official document of the reform as stated in the Minister of Finance's Decision No. 30/KMK.01/2007 concerning Bureaucracy Reform in Ministry of Finance (Ministry of Finance, 2007b). By officially launching the bureaucratic reforms, the Ministry integrated all the partially established reform programmes within its units in order to synergise and accelerate the programme (Ministry of Finance, 2008a). At the strategic level, this centralised programme was directly guided by the Minister. Meanwhile, at the daily operational level, this was led by the Chief of the Bureaucratic Reform Committee (Ministry of Finance, 2008b).

As described in figure 2.2, the DGT had started their reforms programme prior to 2006. Due to its strategic role, the Tax Office was chosen to be the pioneer of reform programme. It started by introducing a newly modernised Tax Office for large tax payers, such as state-owned enterprises, large local companies, and foreign/multinational corporations (Bird, 2003; Stewart and Jogarajan, 2004; Soesastro, et al., 2008). Other partial reforms programmes were commenced by the Directorate General of Budget and Directorate General of Debt Management (Ministry of Finance, 2008a).

CHAPTER TWO

BACKGROUND AND KEY INITIATIVES OF BUREAUCRATIC REFORMS

2.1. Introduction

As stated in chapter 1 section 1.1, there have been substantial claims made that the Indonesian public sector has been ineffective (World Bank, 2003; Dwiyanto, et al., 2008; World Bank, 2011). Some commentators have argued that the Indonesian public sector is characterised by “non-transparent process, underfunded institutions, an inadequately skilled public sector workforce and institutionalised corruption” (McLeod and MacIntyre, 2007, p. 17). These failings have been argued to weaken government accountability and have been identified as major impediments to national development in Indonesia (World Bank, 2003). Others have suggested that corruption is one of the most conspicuous pieces of evidence of the ineffectiveness of Indonesian public sector (World Bank, 2003; Tjiptoherijanto, 2007; Dwiyanto, et al., 2008).

The low score of Corruption Perception Index /CPI of Indonesia (as shown in table 2.1) verifies this condition of ineffective public institutions. The lower the score of CPI indicates the higher the degree of public sector’s corruption within the country (Transparency International, 2011a). This annual survey asked the observers from around the world, including experts living and working in country, how corrupt is one country’s public sector, including Indonesian public institutions (Transparency International, 2011b).

Table 2.1: Corruption Perception Index

Country	Corruption Perception Index (CPI) Scores*				
	2007	2008	2009	2010	2011
Indonesia	2.3	2.6	2.8	2.8	3
Malaysia	5.1	5.1	4.5	4.4	4.3
Myanmar	1.4	1.3	1.4	1.4	1.5
Philippines	2.5	2.3	2.4	2.4	2.6
Singapore	9.3	9.2	9.2	9.3	9.2
Thailand	3.3	3.5	3.4	3.5	3.4
Vietnam	2.6	2.7	2.7	2.7	2.9

* 10 (highly clean) and 0 highly (corrupt)

Source: Transparency International (2012)

The figures in table 2.1 are highly associated with the data in table 1.1 as shown in chapter 1. The country that displays effective public service is perceived as less corrupt; on the other hand, the country with poor effectiveness of its public sector is reported as more corrupt. This confirms the argument put forward in the first sentence of this chapter that corruption has been one of the problems to cause ineffective public sector, such as it is evidenced in the case of Indonesian public institutions.

The government of Indonesia has given special attention to policies designed to improve the effectiveness of the public sector, particularly by launching bureaucratic reform programme at the public institutions (Ministry of Administrative Reform, 2009). The most recent report stated that the Indonesian government has revised its target to achieve a CPI score of 5 by 2014 (Kompas, 2011b); compared to an earlier target of 3.5. With its 2011 CPI's score of 3 (see table 2.1), the country only have 3 years to significantly improve the CPI to achieve this target. Regardless of scepticism among the public, the decision to set this target can be seen as the current Indonesian government's seriousness to cope with this problem (Jakarta Post, 2011b).

The bureaucratic reforms conducted by the Ministry of Finance have, in fact, improved the CPI score of Indonesia (Transparency International, 2008). Quoting their annual press release of the CPI, the report suggested that the increase of Indonesian CPI of 0.3, from 2.3 in 2007 to 2.6 in 2008 (see table 2.1) largely resulted from the bureaucratic reform process within the Ministry of Finance.

Bold reform in the tax and custom administration and the ability of Corruption Eradication Commission to bring forward high profile cases have recently bolstered the perception that corruption is being addressed more aggressively. (Transparency International, 2008, p. 1)

In order to gain a sound understanding on the event of bureaucratic reforms which are the prime setting for the research, this chapter aims to provide discussion at a more macro level on the background of the bureaucratic reforms in Indonesia. The chapter will focus on the aspects of the reform process that impact the case organisations. First, it describes the history and outlook of the Indonesian bureaucracy. It is followed by the discussion on the driving forces of the commencement of the bureaucratic reforms in Indonesia, particularly the role of the IMF. Later, the discussion continues with the rationalisation of the bureaucratic reforms at the case organisations and followed by the elaboration on the major initiatives of the reform. As summary of key events related to bureaucratic reforms completes this chapter.

2.2. The Indonesian Bureaucracy: Current Outlook and Past History

The current Indonesian public service bureaucracy consists of a relatively large number of civil servants, approximately 4.7 million (Badan Kepegawaian Nasional, 2010). Several problems are still associated with the current public institutions in Indonesia, as stated in the first paragraph of this chapter. In an extensive study of Indonesian bureaucracy, Dwiyanto, et al. (2008) report several indicators of the ineffectiveness of the Indonesian public service, such as uncertainty in task completion time, lack of consistent service procedures and unfair service, caused by discrimination based on political, ethnic, religious, or personal relationships. In similar vein, Anwaruddin (2005) claims that Indonesian public institutions are still surrounded with the problems of unclear planning of work and assignments; inappropriate procedures and assignments; poor enforcement of reward and punishment systems; and lack of transparency in bureaucratic work performance that causes insufficient feedback for work improvement.

These poor conditions of public institutions are not only observed by the public, but also acknowledged by the public officials themselves. The results from the surveys to the Indonesian public officials conducted by the Institute for Policy and Community Development Studies (IPCOS) in 2000 and by the Partnership for Governance Reform in 2001 report that in conducting their office duty, the civil servants are characterised with subjective decision making, slow service delivery, and discriminatory attitude (World Bank, 2003).

Some studies report that the current problems of Indonesian public institutions are inherited from the previous bureaucracy (Setiawan, 1998; Synnerstrom, 2007; Dwiyanto, et al., 2008). Therefore, in order to understand the current condition of Indonesian bureaucracy, it is essential to encompass its historical presence (Dwiyanto, et al., 2008). The historical relationship between present and past bureaucracy may explain the above phenomena of the current Indonesian bureaucracy; whether traditional bureaucracy during Kingdoms period has implications on current outlook of bureaucracy (Setiawan, 1998; Dwiyanto, et al., 2008).

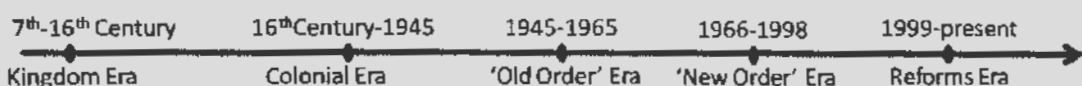


Figure 2.1: Periodisation of the Development of Bureaucracy in Indonesia

The existence of bureaucracy in Indonesia can be traced back as far as to the pre-colonial time, when Indonesia was dominated by Kingdoms approximately the 7th to 16th century. Within this

Monarchy system, the King was the sole and absolute power holder. The bureaucracy during this period was characterised as (Dwiyanto et al., 2008, p. 10):

1. The ruler regarded and utilised bureaucracy as private domicile
2. Bureaucracy was the extension of royal court
3. Wages were given as gifts and can be withdrawn anytime as wished by the King
4. The bureaucrats could do anything as they wish to the people as the King did to bureaucrats.

As bureaucracy was created as the extension of the royal court, their main role is to fulfil the Kingdom's needs and commands. It is argued that the traditional bureaucratic culture is derived from "the Indic court culture of the inland Javanese Kingdoms" (Geertz, 1965, p. 78), which "was built around a very intense concern for status; for smooth, constrained, hyperpolite behaviour" (p. 79).

In such settings, the highest level of bureaucrats, the District Officer, is seen to behave like a king. They distinguish themselves from their subordinates by their "dress, speech style, and deference gesture by a refined and explicit code of manners" (p. 79). The distant association between bureaucrats and the society (the commoners), has resulted from their maintenance of their hierarchical level and power and the established paternalistic and personalistic relationship between superior and inferior (Geertz, 1965).

The current condition of Indonesia's public sector also retains influences from Dutch colonial rule (Rohdewohld, 2005, p. 153). During its occupation of Indonesia, particularly between 16th century to mid 20th Century (see figure 2.1), the Dutch separated the bureaucrats from royal control and "gradually transformed [the bureaucracy] ... into a unified appointive civil service" (Geertz, 1965, p. 78). In this new form of bureaucracy, the civil service became the elected apparatus of a dualistic form of colonial administration. It is argued that this is the time when Weber's rational legal bureaucracy was firstly introduced in Indonesia (Pye, 1985). This small class of Javanese bureaucrats were utilised as the medium to rule the large mass of society as well as the representatives of the indigenous literate aristocracy.

However, bureaucracy through the colonial period was perceived as a system that was inaccessible to the public (Scott, 2002, cited in Kristiansen et al., 2009). During this period of time, there was close collusion between Dutch business interests and colonial administrators (Quah, 1999). This period is deemed to mark an early period of corruption in the civil service.

After independence, many features of the political system seemed to set back to the patrimonial politics of earlier, pre-colonial Javanese empires (Jones, 1984); during the phases of both the "Guided Democracy" under Sukarno and the "New Order" under Suharto (see figure 2.1). The development of the bureaucracy in Indonesia is closely associated with change in the Indonesian political system over time. As previously mentioned in chapter 1, the political system in Indonesia has experienced different types of democracy over a considerable period of history. During the liberal and guided democracy (see figure 1.1 in chapter 1), most of the energy of the government was occupied in maintaining the country's independence from external threats and to keep the country unified in the face of the internal menace of many rebellions. During this period, the democracy and bureaucracy remained underdeveloped.

Later, under the New Order regime and their '*Pancasila*' democracy, bureaucracy was mobilised as a vehicle to maintain power. Under this government, the civil service served a dual function for the ruler, as the government political vehicle and a strong and extensive system of control (Kristiansen et al., 2009). During the New Order period, a high number of civil servants were maintained by the government in order to minimise unemployment and mobilise them and their families as the ruling government's voters (Bhakti, 2004).

To sum up, the long development of the bureaucracy, which involved several transition periods, has influenced the current condition of Indonesia's public sector. Rohdewohld (2005) reports some dominating factors, namely the "Dutch colonial rule, indigenous [traditional] customs and values, and the legacy from "New Order" regime under Suharto" (p. 153), to shape the current Indonesian public sector. While this section focuses on the historical significance of Indonesian bureaucracy, the following section discusses the economic and political background of the reforms.

2.3. The Indonesian Economic, Political Background and Bureaucratic Reforms

Chapter 1 section 1.2.1 briefly describes how the severe recession in the Indonesian economy during the crisis that occurred in 1997 to 1998 triggered political and social unrest in Indonesia, and eventually forced a change of regime. The wind of democracy brought changes in the life of the nation, particularly the establishment of a more empowered public sphere, which used to be suppressed and alienated from the nation's decision making during the

previous authoritarian regime. Some commentators argued that at this time the public demanded what they call '*Reformasi Total*' or 'total reform' of all aspects of the life of the nation, including the political and economic systems (Tjiptoherijanto, 2007). This included a particular urgency to reform the Indonesian bureaucracy, which was still perceived as containing allies of the old regime.

Government bureaucrats suffered much criticism and contempt during the change of Indonesian presidency in 1998. They became the object of protest, particularly due to their alleged corrupt behaviour (Tjiptoherijanto, 2007; Dwiyanto, et al., 2008). In response to this increasing demand from the public, the People of Consultative Assembly, the highest political body in Indonesia, mandated the new president "to build the structure of the Indonesian bureaucracy that is transparent, accountable, clean, and responsible to the people and to become the people and state's servant, the example and the role model of the people" (Tjiptoherijanto, 2007, p. 2). This pressure from the people of Indonesia has been one of the main driving forces behind the launch of the bureaucratic reform process.

The previous 'New Order' regime under President Suharto claimed that bureaucratic reforms were underway during its time in government. This included "shifting the administrative authority to the upper echelons in the bureaucratic hierarchy, making the bureaucracy more responsive to the central authority's will and widening the new government's authority to consolidate the control of the regions" (Dwiyanto, et. al., 2008, p. 6). However, it is argued that the reform was conducted only to serve Suharto's interests to create and maintain his supremacy (Tjiptoherijanto, 2007); thus it has been a mock bureaucracy (Anwaruddin, 2005).

Another form of driving force, this time external, which provided impetus to the commencement of bureaucratic reforms, was the international pressure, which was urged by the IMF and the World Bank. The IMF's involvement started with the agreement of the first Letter of Intent (LOIs) at the end of October 1997 (Soesastro, et al., 2008). These LOIs resulted from Indonesia's need to request an IMF's bailout to save the economy, which was mainly concerned with ensuring macroeconomic stabilisation, requiring both monetary and fiscal adjustments (IMF, 2000). The latter has become the overarching framework of the commencement of the bureaucratic reforms in Indonesia due to its initiatives to achieve a healthy and sustainable fiscal position, which includes improving the efficiency of government expenditure (Soesastro, et al., 2008). The establishment of efficient bureaucracy in Indonesia is one of the main requirements under this initiative.

The new government post Suharto era subsequently launched institutional reform in central government institutions, which is regarded as one of the fastest and most comprehensive devolution reforms ever seen in Indonesia (Kristiansen et al., 2009). This agenda was started in three strategic institutions, namely the Ministry of Finance, the Supreme Audit Board, and the Supreme Court. This has become as a pilot project of bureaucratic reforms in central government. The bureaucratic reforms at the Ministry of Finance were officially launched in the late 2006; however partial reforms within several units under the Ministry of Finance had already been started earlier. This includes the tax administration reform which started in 2002 (see figure 2.2 for detail of the chronology of bureaucratic reforms).

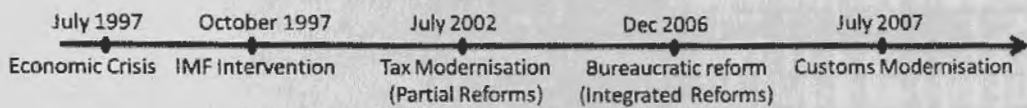


Figure 2.2: Bureaucratic Reform Timeline

The above discussion highlights the significance of the IMF's intervention in Indonesia. The following section, therefore, describes the content and the context of the IMF's involvement in Indonesia and the reactions from the public.

2.4. The IMF's Intervention and the Public's Reaction

The presence of the IMF in Indonesia has been influential in the country's efforts to recover from the crisis (Hill and Shiraishi, 2007). As stated in section 2.3, Suharto's government was forced to ask for assistance from the IMF as the crisis deepened (Soesastro, et al., 2008). In October 1997, the IMF agreed to provide USD 23 billion to save Indonesian economy, which was disbursed in several stages (see table 2.2 for the phases of the IMF's intervention). This rescue package came with the conditionalities, as stated in the LOIs, which must be fulfilled by Indonesia to ensure the disbursement of the loan. As elucidated by Neu et al. (2010), the conditionalities have become the standard document of the disbursement of loan as part of an overarching Structural Adjustment Programme (SAP). These conditionalities, such as stated in the LOIs, are argued as important factor of the re-formation of the economic and social landscape in the LDCs (Stiglitz, 2002).

Table 2.2: Stages of IMF's Involvement in Indonesia

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25 June 1998	A revised IMF bailout deal was loaded with fuel and food subsidies for the nation's poor.
October 2006	Indonesia payoff all the liability to the IMF

Adapted from IMF (2010); Hill and Shiraishi (2007); Soesastro, et al., (2008)

The formal signing of the LOIs took place in Jakarta, 16th January 1998. For the Indonesian people, the signing of the LOI's was not perceived as a merely economic event; it was viewed as demeaning to the country's sovereignty. The gesture of the IMF managing director Michel Camdessus, "standing over ex-president Suharto, arms folded across his chest like a reproofing schoolmaster, as Suharto signed the first-ever Letter of Intent" (Asia Times, 1998, p. 1, see figure 2.3), was seen as a display of impertinence and insult to the country (Budianta, 2000). "The image of Michel Camdessus, the IMF managing director, standing erect, folding his arms, watching President Soeharto as the latter bent to sign the Indonesian agreement with the IMF in January 1998, will remain a public memory" (ibid, p. 120).



Figure 2.3: The Signing of the Letter of Intents

Source: Kompas (1998a)

Such event was deemed to help to build up the perception within Indonesian people to associate the IMF with colonial power, external pressure, or global threat (Budianta, 2000).

The bold statement from Dewi Fortuna Anwar, a leading Indonesian political scientist, as reported in the New York Times, reflected this anger within the Indonesian people:

How could our president be humiliated that way? Indonesia is a proud country. We have been known to choose to go hungry rather than to give in to outside pressure (Anwar, 1998 quoted by Mydans, 1998).

The widespread sentiment against the IMF was also ignited by the big increases in the price of gasoline and other essentials as a result of the IMF's order to the government to terminate subsidies for fuel and food. Several demonstrations, mobilised by the students, were reported to take place in Indonesian major cities to protest the IMF's policy (Budianta, 2000).

Regardless of these protests, the IMF insisted on imposing a series of neoliberal reforms, including the adoption of tighter fiscal measures, the abolition of state trading monopolies in various agricultural products, reductions in tariffs, and the liquidation of insolvent banks (Robison and Rosser, 1998). Through the aggravation and pain under the IMF's programme, Indonesia managed to recover from the crisis in 2005 as reflected in its growth of 4.5% (Aswicahyono, et al., 2008). Eventually, Indonesia paid off all of its liabilities to the IMF in October 2006. President Yudhoyono remarked this period as critical for Indonesian people and he emphasised:

"the government could stand equal before the IMF to give advice to continue reform to restart global economic development"... "We are in a different position to 10 years ago. We are now in a more respectable position," he said when opening a Cabinet meeting later on Wednesday. (Jakarta Post, 2011a)

The above discussion demonstrates different reactions from the Indonesian public towards both the context and the content of the IMF's intervention in Indonesia (Budianta, 2000; Hill and Shiraishi, 2007; McLeod and McIntyre, 2007; Aswicahyono et al., 2008). Such complexities have implications on the implementation of bureaucratic reforms at the case organisations, as elaborated in the following section.

2.5. Background of Bureaucratic Reforms at the Case Organisations

The context of bureaucratic reforms in the case organisations cannot be separated from the circumstances at the national level as discussed in sections 2.3 and 2.4. The statement from the Chief of Bureaucratic Reform Committee verifies this argument:

The discourse of bureaucratic reforms has, actually, begun since the post 1998 crisis ... after the 1998 crisis public demand for total reform, which includes political, social, economic reform, etc. This demand was so massive at this time until it could force our President [Suharto] to step down. (Interview with Chief of Bureaucratic Reform Committee)

The new Indonesian government post-Suharto era took some initial strategic actions once they were elected, including the change in the management of state funding (Ministry of Finance, 2008b). This has brought a change in the mission of the Ministry of Finance. The legal foundation of the Ministry's existence has been transformed. This constitution amendment is known as 'reform of state financial management'.

One sector that was most severely hit by the 1998 crisis was banking sector... in response to this; government [central bank] has established the Indonesian Banking Architecture. Meanwhile in the financial sector, improvements were undertaken, including the reform of management of state finance, which was marked by the making of State Finance Law, State Treasury Law, and State Finance Supervision Law.

To cope with the crisis, the government has amended the act that embraces the status of the Ministry. The previous act was based on the Dutch colonial statutory about the management of state fund and wealth, which existed since 1886. The new acts have given the new strategic directions for the institutions, including the change in its mission, vision, and strategic objectives. (Interview with Chief of Bureaucratic Reform Committee)

As discussed in Chapter 1 section 1.1, the Ministry of Finance was selected as the pilot project of the national bureaucratic reforms in Indonesia. One of the main considerations in this selection was due to the Ministry's strategic role within the government, mainly due to its function as revenue collector in the form of taxation. The fact that Indonesia has experienced decreasing incomes from oil has led the government to focus on the taxation of citizens and companies as the main source of development funds for the country (von Soest, et al., 2011). Therefore, the bureaucratic reforms in the Ministry of Finance were expected to provide a quick win for the new government:

At that time [prior to the launch of reform programme], the institution had to deliver a concrete thing to regain public confidence. I might say that the execution of the reform programme cannot be separated from the political situation during that time, when a new President was elected. The new government needed a quick win to be delivered to mark the new era of managing the nation. The reform programme in the institution was selected as one of their short term programmes. (Interview with Member of Bureaucratic Reform Committee)

Demand for the reform of the Ministry also came from the public, represented by the main stakeholders of the Ministry of Finance. The following statement illustrates the acknowledgement of the interests of these stakeholders:

Most of the stakeholders of the Ministry of Finance are high profile...For examples rating agency, businessmen...These groups are people who are aware of their rights to be provided with good service and they are very demanding for their rights to be fulfilled...this has led to the change within the Ministry. (Interview with Member of Bureaucratic Reform Committee)

The above view from the case organisations is reflected in the initiative from the Ministry of Finance's stakeholders, who were concerned with the launch of the bureaucratic reforms in this organisation and its monitoring. It is reported that an independent monitoring team was established by the Indonesian Chamber of Commerce, involving other countries' representatives, including the Jakarta Japan Club Foundation, the American Chamber of Commerce in Indonesia, the International Business Chamber, and a number of independent economists (Soesastro, et al., 2008). This independent body, as reported by these authors, declared the critical areas that were demanded by the private sector in Indonesia, including reform of the tax and customs administration.

Furthermore, as the government was bound with the agreement under the IMF's LOI, the reform within the Ministry needed to be a priority, particularly at the Tax Office. As summarised by Stewart and Jogarajan (2004), from 1997 to 2003 Indonesia has 22 LOIs agreement with the IMF, each of them consists of tax administration reform. For instance, the first LOI signed on 31 October 1997 (see table 2.2) clearly stated tax administration reforms as one of the agreed initiatives between the government of Indonesia and the IMF:

The government [of Indonesia] also plans to improve tax administration and the structure of the tax system in line with recommendations of the Fiscal Affairs Department of the IMF to improve the buoyancy of non-oil tax revenues. Specific measures will include: (i) raising the annual audit coverage; (ii) developing an improved VAT audit programme to focus more on large potential taxpayers; (iii) developing a programme to implement a unique, single taxpayer registration number for all tax types; and (iv) improving the recovery of tax arrears. (IMF, 1997, p. 3)

Later, in 2002, Indonesian government agreed to implement reforms in the area of Indonesian customs and taxation.

To achieve the targeted improvement in non-oil revenues, the GOI [Government of Indonesia] plans to undertake four major initiatives to strengthen tax administration...

In the area of customs, the GOI will formulate a plan by June 2002 to improve procedures and strengthen administration. (IMF, 2001, p. 6)

It is reported by Rizal (2011, p. 420) that the modernisation of tax administration benefits from the assistance of international donors such as the IMF, AUSAID (The Australian Agency for International Development), CIDA, (Canadian International Development Agency) and JICA (Japan International Cooperation Agency). As reported by Rizal (2011), the initial IMF's intervention on the bureaucratic reform programme at the Tax Office was the establishment of large taxpayer units. Based on a survey of 40 countries, the IMF claims that the establishment of large taxpayer unit has been essential to assist the observed Tax Offices to handle the major operational weaknesses in tax administration and to visibly improve core tax administration functions (Baer, Katherine et al. 2002 in Rizal, 2011).

Furthermore, it is evidenced that the case organisation also received assistance from the World Bank:

The Directorate General of Tax (DGT) launched the second stage of Tax Administration Reform...This next chapter of reforms at the DGT is partly financed by the loan from the World Bank. (Kalsum and Darmawan, 2009)

In the Customs area, the IMF's involvement was in the form of technical assistance (IMF, 2001, Warta Bea Cukai, 2007). The following report from the Warta Bea Cukai (the Customs and Excise's Bulletin), the Custom's office internal magazine, demonstrates the IMF's intervention at the Customs Office:

This team [Customs Reform Team] was established to implement the IMF's recommendation. After 1998 crisis, Indonesia asked the IMF's assistance and as the consequences the Indonesian government were obliged to implement the IMF's prescriptions. In the area of Customs, the IMF also some prescribed recommendations. All the agreed recommendations would be implemented by the Customs Reform Team. The IMF's officials came to our office every three months to meet the management of the Customs Office and the Custom Reform Team to evaluate the implementation of those pre-determined programmes. (Warta Bea Cukai, 2007, p. 62)

Notwithstanding that international pressures had forced the Ministry to launch the bureaucratic reforms; it is believed within the case organisations that all the initiatives of the reform come from within the Ministry itself. The following statement from the Finance Minister illustrates such belief:

The Minister of Finance said to me: "Do not associate our [reforms] programme with the IMF or World Bank. It is originated from our initiatives. It was you [the employees] who came up with the framework of the reforms. (Interview with Human Resources Director)

In a similar vein, a high level official within the case organisations expressed his view that:

... all the initiatives [the reforms] genuinely come from us. We were annoyed with the report from one of the international donor organisation, which stated that they involve in the reform. In fact, they only become the sponsor of a two day seminar at one hotel in Jakarta and invited three foreigners as the speakers, who presented materials that were not relevant to our programme. We already have our own framework...we do not want this reform is funded by other country's fund. We use our government's budget for any initiative. (Interview with Former Chief of Bureaucratic Reform Committee)

Such resentment may reflect the widespread sentiment against the IMF within Indonesia as discussed in section 2.4. In particular, such scepticism symbolises reluctance among Indonesian politicians and bureaucrats post Suharto era to be associated with the supposedly post-colonial intervention (Budianta, 2000). Nevertheless, the previous evidence of the involvement of the IMF in promoting reforms at the case organisations prove such dissociation between the reforms and the international forces to be exaggerated.

To respond to the above pressures, the Ministry launched the bureaucratic reforms in late 2006. This was marked by a ceremonial event to launch the programme by the Minister and the signing of the official document of the reform as stated in the Minister of Finance's Decision No. 30/KMK.01/2007 concerning Bureaucracy Reform in Ministry of Finance (Ministry of Finance, 2007b). By officially launching the bureaucratic reforms, the Ministry integrated all the partially established reform programmes within its units in order to synergise and accelerate the programme (Ministry of Finance, 2008a). At the strategic level, this centralised programme was directly guided by the Minister. Meanwhile, at the daily operational level, this was led by the Chief of the Bureaucratic Reform Committee (Ministry of Finance, 2008b).

As described in figure 2.2, the DGT had started their reforms programme prior to 2006. Due to its strategic role, the Tax Office was chosen to be the pioneer of reform programme. It started by introducing a newly modernised Tax Office for large tax payers, such as state-owned enterprises, large local companies, and foreign/multinational corporations (Bird, 2003; Stewart and Jogarajan, 2004; Soesastro, et al., 2008). Other partial reforms programmes were commenced by the Directorate General of Budget and Directorate General of Debt Management (Ministry of Finance, 2008a).

To summarise, the bureaucratic reforms within the case organisations has been mainly driven by external forces. The reforms have come from domestic concerns, namely the public, as represented by the parliament, and it also comes from the direct users of the services provided by the case organisations. But most significantly, international institutions, such as the IMF and World Bank, have been the main force behind the launch of the reform, particularly within the Tax Office.

The following section provides brief description of the framework of the bureaucratic reforms at the researched organisations, including its key initiatives.

2.6. Key Initiatives of Bureaucratic Reforms at the Case Organisations

From the analysis of the documentation of the reform programme, it is stated that this ultimate goal of the bureaucratic reforms is to regain the public's trust and confidence on the case organisations. The Minister of Finance always emphasised that as the most strategic department the Ministry of Finance has to ensure that it can become a trusted institution.

At the very end, like what the Minister always says...the ultimate [goal] is to regain the public trust...trust to the Ministry of Finance...the confidence that we [the public] have a Ministry that we can trust...that's the ultimate goal. That is the big picture why reform should be undergone. (Interview with Public Relation Manager)



Figure 2.4: Bureaucratic Reform Framework

Source: Ministry of Finance (2008a)

This ultimate goal of the reforms is achieved by accomplishing its strategic objectives, namely: the Enhancement of Public Service, the Improvement of Performance, and the

Implementation of Good Governance as exhibited in their framework of bureaucratic reform programme in figure 2.4.

Based on office documents and interviews with some key officials of Bureaucratic Reform Committee, it is inferred that the reform programme has emphasised the hard side or the structural elements of the organisations (Siegal, et al., 1996), which encompasses structures and systems (Holbeche, 2002). It is reflected on its three pillars of the reform programme, namely organisational restructuring, business process improvement, and human resource management enhancement (see figure 2.4), which all represent the hard elements of the organisation. This resulted from a belief within the Ministry that by establishing new systems, people will be changed accordingly.

I was confident to tell them [the reform team] that system is the tool that can drive people to change to be better. I gave an example that when a disobedient Indonesian man is put in Singapore, he will be conformed... Why? Because the system, the environment, law enforcement [in Singapore] are already in place and integrated. (Interview with Former Chief of Bureaucratic Reform Committee)

The following section elaborates the key initiatives in each pillar of the reforms, namely organisational restructuring, business process improvement, and Human Resources Management Enhancement (Ministry of Finance, 2008a). In describing the bureaucratic reform programme at the case organisations, this thesis based on the official document as titled 'The Profile of Bureaucratic Reforms at the Ministry of Finance', which was published by the Ministry of Finance in 2008. Within the case organisations, this document is called as '*Buku Biru*' or 'the blue book' referring to the colour of its cover.

2.6.1. Organisational Restructuring

The bureaucratic reforms commenced by restructuring the organisation, which consisted of the separation of different functions and a reconfiguration of the organisational hierarchy. These initiatives were believed to be critical to generate better accountability within the researched organisations; thus improving effectiveness and alleviating corrupt practices. The latter is associated with attempts to deliver a faster service to the public (Ministry of Finance, 2008a).

In contrast to the previous organisational structure, the Reform Committee decided to transform the organisation based on functional specialisation, instead of based on product or

service. The philosophy of this separation can be traced to Montesquieu's 'trias politica' (McIntyre, 2001), which requires separation of planning (legislative branch), doing/actuating (executive branch), and controlling (judicial branch). As a result, the former Directorate of Budget was divided into two units, namely Directorate General of Budget and Directorate General of Treasury (Ministry of Finance, 2007). The former conducts the budget planning and the latter functions as executor. Previously, the Directorate General of Budget functioned to both plan and create the organisational budget as well as to execute the budget. This refers to the product basis the prior organisation structure, where the budget referred to products to be delivered by the Ministry. However, this former structure was said to be prone to misuse and poor practice since one unit delivers all the tasks (Ministry of Finance, 2008a).

This separation was intended to ensure better clarity of accountability procedures within the organisation. It is reported that the prior practices in the organisation allowed one unit to undergo an activity from a to z and so were prone to misconduct. The previous structure generated a conflict of interest among the units, for example a budget planning unit also functioned as budget executor and controller. The new organisation structure gives assurance for check and balance action to take place in the organisation.

Another form of separation is the clear delineation of authority between head quarter and branch (Ministry of Finance, 2008a). With the implementation of bureaucratic reforms, headquarter only plays as the centre of policy making and analysis and the implementation and executing process only carried out at the branches or Regional Offices. One of the examples of the division of the authority is shown in the new office structure of the DGT. The head quarter of the Directorate General functions as the Centre of Policy Making and Analysis. It also conducts back office activities, not the front office operational activities.

The initiatives under the first pillar of organisation restructuring also reconfigure the hierarchy within the organisation (Ministry of Finance, 2008a). First, the case organisations have slashed one level of the office hierarchical level. Second, the appointment of external civil servants as the Director General for both Tax and Customs Office is argued to shake the hierarchy of the office. This is due to its traditional convention that the top hierarchy of the case organisations should be filled by the internal career-bureaucrat. The appointment of the outsiders was aimed to accelerate the bureaucratic reform initiatives within the case organisations. Both of these initiatives will be further discussed in chapter 6.

2.6.2. Business Process Improvement

As the organisation was reshaped, it has given implication for the design of the business process. One of the most significant initiatives under business process improvement is the standardisation and formalisation of the rules and procedures (Ministry of Finance, 2008a). The generation of standard operating procedures (the SOPs, hereinafter) is argued as the new way of doing business within the case organisations.

The new business process gives certain rules and flow for the employee. It also plays as benchmark for external stakeholders for demanding their service. This has limited the room for officials to conduct illegal practice, such as asking for bribe. The declaration of the SOPs to the public, for examples via office website or posters at the lobby, has enforced officials to stick to the SOPs.

The implementation of the newly introduced rules and procedures SOPs are ensured by the formalisation policy. One of the distinct formalisation of rules is the adoption of the new absence system within the Ministry. As this new system is linked with the remuneration system, employees are forced to conform to the formal office hour. Chapter 7 will discuss both of the initiatives of standardisation and formalisation at the case organisations.

2.6.3. Human Resource Management Enhancement

The last pillar of the bureaucratic reform programme is to improve the human resources systems within the organisation. The initial action was to establish assessment centres, which uses objective tools for employee profiling (Ministry of Finance, 2008a). It is reported in the '*Buku Biru*' that previously employees do not have certain job description and target; the annual performance reviews were also neglected. This result was that the organisation had no techniques for measuring employee performance. As a consequence, employees have been managed on the basis of subjective criteria. The new assessment centre has provided the management with more accurate and objective information. This human resources data has also played as a check and balance tool within the organisation (ibid, p. 44).

It is argued that previously the subjective decision on the appraisal of individual staff may be due to a lack of distance between different levels of authority (or impersonality) within the

case organisations. The bureaucratic reforms have encompasses the promotion of impersonal interaction intra and inter organisation. By commencing bureaucratic reforms, the case organisations have attempted to limit the client-official interaction, thus minimising the probability of collusion and corruption. It is argued that the previous high interaction between officials and clients had created some undisclosed procedures both at the Customs and Tax Offices. Some new procedures and mechanisms were introduced to reduce unnecessary interaction between employees and customers, including the introduction of the Code of Conduct. This has provided new demarcation of the interaction between officials and clients. The case organisations' efforts to establish an impersonal work climate are elaborated in chapter 8.

Besides these three pillars, the bureaucratic reform initiative also includes the improvement of the remuneration system within the case organisations. For some employees, one of the differences brought by bureaucratic reforms is, indeed, the new reward remuneration system. It is documented that the average salary of the Ministry of Finance employees has increased three to five times compared to its prior level following the implementation of bureaucratic reforms (Ministry of Finance, 2008b; Ministry of Administrative Reform, 2009; Artjan, 2011).

By implementing the reforms, the employees of the case organisations could enjoy an increase of remuneration in terms of a new allowance, which is called as '*Tunjangan Kegiatan Tambahan/TKT*' or extra activity allowance (Ministry of Finance, 2008b). This special allowance has distinguished the remuneration earned by the case organisations' employees compared to the reset of the civil servants in Indonesia. The so called '*TKT*' comprises 75% of the total take home pay of the employees. This new remuneration system is regulated by the Minister of Finance's Decree No. 164/KMK.03/2007 (Ministry of Finance, 2007a)

The previous research demonstrates how the salary of Indonesian civil servants was inadequate (Robertson-Snape, 1999). This author argues that based on the statistics, during the 1990s the civil service wage could only cover one-third of an official's household needs. This poor condition has affected the performing task by the officials, particularly when the job is strategic and high risk. Therefore, in case of the Ministry, one of the justifications of the increase was the important duty and its risks burden.

Prior to the [bureaucratic] reform, a staff like me could not pay for my basic necessities. Don't ask me to perform my job well. (Interview with Customs Official)

The high remuneration is also perceived by some employees as an appreciation from the public that tax administration is a strategic function in Indonesia. If the Tax Office is clean then it will also spread these practices to other organisations. First, since the Tax Office could access the financial statements of the companies it can force the private sectors to implement good governance effectively. Second, the public institutions, which are also obliged to report their taxes, can also be educated to implement transparency, at least, through their financial statements.

Another aspect of the increase in remuneration is its role in enforce a punishment mechanism, by which remuneration does not operate only as a reward but also functions as a punitive control over the level of actual salary. One claimed:

Once the remuneration is increased, there is no reason for an official to conduct corruption. (Interview with Head of Supervision and Consultation Section)

Another official expressed:

I am shameful to the taxpayer [whom I face everyday] ... how can I misuse their money since their taxes is used to pay my salary. (Interview with Account Representative 1)

Compared to previous initiatives to enhance employees' discipline, the current code of conduct is more effective because it is introduced in parallel with the increased remuneration.

Employee sanction has existed since 1970; however it had never been effective. The increase of remuneration since the reform has bound employees to comply with the code of conduct. (Interview with Deputy Head of Division)

The above statements from the employees are in line with the study from Artjan (2011), which summarises several impacts of the introduction of this remunerations system at the case organisations, which include: (p. 392)

- Reform in remuneration system had brought significant improvement in officials 'motivation and integrity'.
- It helps to reduce sense of uniform remuneration level based only on rank and seniority regardless of the job and responsibility of each official holds.
- The new remuneration system also had correlation with official's attendance and discipline (for examples disciplinary sanction will affect in reduced allowance).

The more detailed discussion on this new remuneration scheme will be discussed in chapter 7, particularly in relation with the introduction of new absence system as part of the formalisation of rules and procedures.

2.7. Summary

The impetus of the bureaucratic reforms in Indonesia has been closely related with external forces, particularly from the IMF, following the Asian Crisis of the late 1990s. Different reactions to the IMF's involvement in Indonesia were expressed by the public. On the one hand, the IMF was considered as an influential external pressure to force Suharto to step down from his long presidency, thus paved the way to democracy (McLeod and McIntyre, 2007). The IMF was also perceived as an external hand to help Indonesia to overcome the economic crisis (Hill and Shiraishi, 2007). On the other hand, the IMF has been associated with an international threat to Indonesian sovereignty (Budianta, 2000). The IMF's economic prescription has also been claimed to deepen the crisis (Soesastro, 2007; Aswicahyono et al., 2008). Robison and Rosser (1998) claim that "so severe has been the IMF medicine that some critics have argued that it has aggravated the crisis and deepened the recession rather than rebuilding confidence" (p. 1594).

This chapter also reported that the launch of bureaucratic reforms was part of the Indonesian government's response to improve the effectiveness of the public service delivery. It is argued that the ineffective Indonesian bureaucracy is also shaped by its development across periods (Setiawan, 1998; Synnerstrom, 2007; Dwiyanto, et al., 2008). The government of Indonesia has initiated to launch the bureaucratic reforms at three most strategic public agencies in Indonesia, namely the Ministry of Finance, the Supreme Audit Board and the Supreme Court. The reforms efforts within the Ministry of Finance have been praised to be a success story of the reforms.

The bureaucratic reforms implemented at the case organisations have been based on a standardised and uniform framework, which comprises three key pillars: organisational restructuring; business process improvement and HR Management enhancement (Ministry of Finance, 2008a, see figure 2.4). The first pillar encompasses the initiatives to separate function and reconfigure the hierarchy. The second pillar mainly focuses on the standardisation and formalisation of rules and procedures as the new way of doing business. The last pillar is principally concerned with efforts to establish impersonality within the case organisations to

minimise subjective and personal personnel decision within organisations and to alleviate close interactions between officials and users, which leads to collusion and thus may be conducive to corrupt practices.

The implementation of the bureaucratic reforms at the case organisations will be elaborated in the empirical chapters 6, 7, and 8. This research focuses on the key initiatives of the reforms within each pillar, namely reconfiguration of hierarchy (first pillar), the adoption of standardisation/formalisation (second pillar), and the establishment of impersonal behaviour (third pillar). These initiatives are considered to be the essential features of the bureaucratic reforms (Ministry of Finance, 2008a). The discussions in chapters 6, 7 and 8 are ordered consecutively around these three pillars of the reform process.

CHAPTER THREE

CONTROL WITHIN BUREAUCRATIC AND POST-BUREAUCRATIC ORGANISATION

3.1. Introduction

The discussion in chapter 2 broadly illustrates the background of the launching of bureaucratic reforms at the case organisations. It is reported that by commencing the programme, the researched institutions attempt to regain trust and confidence from the public, who perceive the organisation as ineffective (Ministry of Finance, 2008a). The following statement from the Chief of reform programme may describe this circumstance:

Our bureaucrats are slow, fat, lazy, inefficient, and corrupt...this image has been embedded into our bureaucracy for years... they [the public] have no trust to us ... Therefore our main mission is to regain the public trust. (Interview with Chief of Bureaucratic Reform Committee)

This ultimate goal to regain public trust is aimed at implementing several initiatives, which are categorised in three different programmes, namely organisational restructuring, business process improvement, and human resources management enhancement (see figure 2.4 in chapter 2). By establishing these three main initiatives, the case organisations attempted to modify their control mechanisms, as the previous ones were deemed to be ineffective (Ministry of Finance, 2008a). The reforms cover changes of almost all elements of control mechanism at the case organisations, from organisation structure to human resources system (ibid, p. 1). As elucidated by Ansari and Bell (1991), control encompasses "all organizational arrangements-formal and informal designed to accomplish organisational objectives" (p. 4). It is "a combination of techniques including rules, standard operating procedures, job descriptions, budgets, accounting measurements, and performance appraisal systems" (Flamholtz, 1996, p. 596).

To change the control system, such as resulted from bureaucratic reforms, there are, at least, two different directions that can be taken by the organisations, either to strengthen or to loosen its bureaucratic controls. The advocates of the former approach believe that ineffectiveness of public service delivery occur as a result of the negligence of Weber's idea of bureaucracy (Parker and Bradley, 2004; Grey, 2005; McSweeney, 2006; du Gay, 2005; 2011; Hopfl, 2006; 2011). As suggested by Willmott (2011), the effort to alleviate bureaucratic

disease, such as corruption, will make sense when the organisation distils its bureaucratic mode of governance. He further advocates "if minimising corruption as well as incompetence in administration is valued, then the diligent application of bureaucratic principles provides the relevant means" (p. 259).

A stark contrast to this view suggests that instead of adopting strong and detailed structures and systems, organisations should ignore bureaucratic procedures and employ the opposite philosophy in order to improve their performance (Blau, 1955). The more current criticisms of bureaucratic control claim that bureaucracy is something that must be banished (Osborne and Plastrik, 1997). Instead of generating efficiency, bureaucracy is blamed as the cause of inefficiency, "pettifogging legalism and red-tape" (Clegg, 2011, p. 207).

This current discourse of post-bureaucracy may imply that there is either an increasing discontent with bureaucracy or there are needs that cannot be satisfied by traditional bureaucracy alone (Heckscher, 1994; Grey and Garsten, 2001, Lowe and Locke, 2008, Reed, 2005; 2011). Some authors illustrate this condition as having produced an anti-bureaucracy movement by perhaps emotionally claiming that:

...there has in recent years been a war going on. I am not talking about the war in Iraq, Afghanistan or even the nebulous 'War on terror'... I am talking about the war against bureaucracy (Garsten, 2005, p. 85).

From an academic perspective, the introduction of post-bureaucracy or post-modern organisational forms has been argued to demonstrate the demise of bureaucracy (Heckscher, 1994). Some have reported a radical shift in the shape of organisations and the way the organisation works away from traditional. They suggest this marks a shift away from Weber's ideal bureaucracy that suggests a radical change from organisational bureaucracy and its key feature of hierarchical view of management (Grey and Garsten, 2001). This movement includes business-process reengineering, total quality management, and human resources management. In contrast with bureaucracy, the post-bureaucratic organisation may offer a new organisational design, which is adaptive to changing conditions in its environment as well as bestowing interesting and challenging jobs for its people (Styhre, 2008).

Similar arguments are also offered in popular management literature, which claim bureaucracy as unresponsive to the current business environment, which changes rapidly (Handy, 1996, Drucker, 2001, Hammer and Champy, 1995, Welch and Byrne, 2001). These so-

called management gurus argue that bureaucracy has stifled the generation of creativity and innovation as a response to turbulent market demands since it requires organisations to conduct regular activities that are distributed in a stable way, which must conform to rules (Greatbatch and Clark, 2005).

Reflecting on this debate of bureaucracy and PBO, some argue that both forms of control cannot exist together in an organisation (Gouldner, 1955; Pugh, et al., 1968; Kallinikos, 2004). Others see these two forms of control as duality (for examples Adler and Borys, 1996; Reed, 2001; Armbruster, 2002; Möllering, 2005); therefore they both can be adopted in an organisation.

This chapter discusses these different control mechanisms that can be adopted by an organisation when commencing a change programme, such as bureaucratic reforms. First it elaborates Weber's idea of bureaucracy, including a detailed discussion of Weber's bureaucratic dimensions. Later, the explanation of the so called post-bureaucratic organisation is presented. A summary of the key concepts on bureaucracy and post-bureaucratic organisation completes this chapter.

3.2. Weber's Ideal-Type of Bureaucracy

As discussed in the introduction of this chapter, the discourse on bureaucracy and post-bureaucratic organization involves a consideration of control systems as its key aspect. Barker (1993) suggests that ever since Max Weber postulated his idea of bureaucracy, control has been a core concept in organization studies. In similar vein, Seeck and Kantola (2009) claim that "the Weberian notion of bureaucracy and the idea of rational control embedded in it, have become perhaps the most influential model of organisational control" (p. 243).

Weber is widely acknowledged as the earliest scholar to introduce formalised conceptions of bureaucracy in the early of 1900s. Through his seminal work, which was translated by Gerth and Mills in 1974 (Weber, 1974 hereinafter), he proposes the idea of a formal organisational structure to avoid overlapping functional divisions of labour, a hierarchy of coordination and control, by which procedures and rules of action create formalised and impersonal relationships among its members (Weber, 1974). This form of organisation was recommended to eliminate paternalism that relies on patron-client relationships. For Weber, this movement into so-called modern organisation produced efficient operations, a reduction of nepotism and

other opportunistic behaviours, and the emergence of new professional classes and groups in society (Styhre, 2008).

Weber's idea of rational bureaucracy is based on the Western context in the late 19th century (Treiber, 2007 in Sager and Roser, 2009). As illustrated by Mansfield (1973), Weber was mainly concerned to end the non-rational forms of domination, which, at that time, the Western civilisation was dominated by monarchy system. Weber introduced what he called as 'rational-legal' authority, in which "reference is made to some coherent system of laws or rules stemming from an overall system of administration" (Mansfield, 1973, p. 477). This new form of domination is argued to be distinctive with the previous two forms of authority, namely the traditional authority and charismatic authority. The former refers to a form of domination in which "a person claims identity with some group of persons who have always had authority" (Mansfield, 1973, p. 477); while the latter denotes a form of authority, in which "an individual has recourse to personality, expertise, or the use of sacred symbols specific to himself" (ibid, p. 477).

Such clear demarcation engendered by bureaucracy to distinguish between 'the unmodern' and modernity, as elucidated by Kallinikos (2004):

Bureaucracy and modernity are . . . inextricably bound up with one another. Bureaucracy is the organization form of modernity. It is closely associated with the overall cultural orientations of modern man, the social mobility that coincided with the gradual dissolution of premodern stratification, and the burgeoning bourgeois ideals of individual freedom and justice, which it helped itself to embed. (p. 22)

It has been reported that bureaucratic techniques still dominate the selection of control mechanisms of the organisation (Parker and Bradley, 2004; Grey, 2005; du Gay, 2005; McSweeney, 2006). Some factors have contributed to the persistence of bureaucracy, both in the business practice and within the studies of organisation. From the work of Weber (1974), bureaucracy has been dominant due to its technical supremacy compared to any other form of organisation:

The decisive reason for the advance of bureaucratic organisation has always been its purely technical superiority over any other form of organisation. The fully developed bureaucratic mechanism compares with other organisations exactly as does the machine with the non-mechanical modes of production.

Precision, speed, unambiguity, knowledge of the files, continuity, discretion, unity, strict subordination, reduction of friction and of material and personal costs-these are raised to the optimum point in the strictly bureaucratic administration, and especially in its monocratic form. (p. 214)

What Weber (1974) envisaged more than a century ago are still evidenced in the present time. The study from Walton (2005) investigated the form of control mechanism used by several organisations since the 1960s. The findings of this research confirm that “the model of bureaucratic control is an enduring part of modern organisational theory” (Walton, 2005, p. 569). In similar vein, Seeck and Kantola (2009) argue that the bureaucratic forms of organisation, as posited by Weber, have become the most significant model of organisational control.

The longevity and enduring persistence of bureaucracy within the life of society has transformed social action into rationally organised action (Seeck and Kantola, 2009). Due to its rational calculations, bureaucracy has provided predictability and certainty to the organisations and their users (du Gay, 1995; Willmott, 2011). These two elements are essential for the ‘going concern’ of the organisations, both in private and public sectors. To achieve its advancement in providing a rational-legal nature of work, some characteristics of bureaucratic control are posited by Weber, as summarised by Blau and Scott (1962):

Organisational tasks are distributed among the various positions as official duties. The positions or offices are organised into a hierarchical authority structure. A formally established system of rules and regulations govern official decisions and actions. Officials are expected to assume an impersonal orientation in their contacts with clients and with other officials. Employment by the organisation constitutes a career for officials. (p. 32-33)

3.3. Weber’s Bureaucratic Dimensions

To understand Weber’s idea of ‘rational-legal’ bureaucracy, we have to analyse the elements of his idea of bureaucracy. According to Weber (1974), modern organisation operates in the following particular mode of activities, which encompasses the existence of the principle of fixed and official jurisdictional areas; the principles of office hierarchy and of levels of graded authority; the management of the modern office is based upon written documents (‘the files’); the commencement of thorough and expert training; the requirement of the full working capacity of the official, irrespective of the fact that his obligatory time in the bureau may be firmly delimited; and the conformance to the general rules, which are more or less stable, more or less exhaustive, and which can be learnt (p. 196-198).

The above Weber’s characteristics of bureaucracy has been interpreted by various scholars to be applied in the real world, such as by Blau and Scott (1962); Hall (1963); du Gay (1995; 2005; 2011); Willmott (2011). One of the earlier works that attempt to systemise Weber’s

characteristics of bureaucracy is a study by Hall (1963), which “represents the most systematic attempt to measure organisational bureaucratisation” (Punch, 1969, p. 49). By conducting an extensive literature review on bureaucratic characteristics, he proposed six bureaucratic dimensions, namely “a division of labour based upon functional specialization; a well-defined hierarchy of authority; a system of rules covering the rights and duties of positional incumbents; a system of procedures for dealing with work situations; impersonality of interpersonal relations; and promotion and selection for employment based upon technical competence” (Hall, 1963, p. 43).

In similar vein, other scholars have identified Weber’s idea bureaucracy in the form of structured hierarchies; rational systems based on rules and procedures; the formalisation of decision making processes and advancement based on administrative expertise (for examples Bozeman, 1979; Perry and Rainey, 1988 in Parker and Bradley, 2004). Further, Parker and Bradley (2004) describes the characteristics of bureaucracy in public sector institutions as hierarchical, rule enforcing, impersonal in the application of laws, and constituted by members with specialised technical knowledge of rules and procedures. The prolonged investigation by Walton (2005) of current practice of organisational control in the last four decades found some major characteristics of bureaucracy, including “a fixed division of labour, a hierarchy of positions and authority, administration based on written documents and adhering to general rules, thorough and expert training of personnel, and full-time commitment to official activities” (p. 569).

Table 3.1 briefly summarises the bureaucratic dimensions as studied in several research. This summary is adapted from the similar table created by Hall (1963), which summarised until early 1960s. The summary in table 3.1 updates Hall’s table (1963) with the more current research on bureaucracy.

Table 3.1: Summary of Study on Bureaucratic Dimensions

	1	2	3	4	5	6	7
Specialisation	v	v	v	v	v	v	v
Hierarchy	v	v	v	v		v	v
Standardisation	v		v	v	v	v	v
Formalisation	v	v	v	v	v	v	v
Impersonality	v	v	v				v
Competence	v	v	v				v

Adapted from Hall (1963, p. 34)

The following discussion will elaborate Weber's (1974) conceptualisation of bureaucracy by utilising Hall's (1963) operationalisation of bureaucracy, which includes specialisation, hierarchy, standardisation, formalisation, impersonality, and technical qualifications or competence (see table 3.1).

3.3.1. Specialisation

The first two characteristics of Weber's bureaucracy, specialisation and hierarchy, are commonly grouped as bureaucratic differentiation, which refers to "the number of structural components that are formally distinguished' on any basis that divides members into positions, ranks or subunits (Blau 1970, p. 204, in Walton, 2005). Specialisation or division of labour refers to horizontal differentiation while hierarchy of authority is called as vertical differentiation (Walton, 2005).

Specialisation is concerned with the division of labour within organization, which is the distribution of official duties among a number of positions. Miner (2007) refers specialisation as "the degree to which activities are divided into specialised roles" (p. 277). One of the objectives of specialisation is "to produce more and better work with the same effort" (Fayol, 1949, in Burton and Thakur, 1995, p. 43). According to Fayol (1949), by adopting specialisation the number of objects to which attention and effort must be directed can be reduced; thus output can be increased.

The principle for horizontal differentiation in bureaucracy is specialisation (Hall, 1963; Blau and Scott, 2003). According to Weber (1974), bureaucracy must have an elaborate, rationally derived and systematic division of labour. Therefore, work operations are divided up and specified based on the principle of specialisation (Bolin and Harenstam, 2008). In bureaucratic mode of control organisation, the variety of work is limited because people work according to his/her area of specialisation (Hall, 1963).

By generating a clear division of labour, work and people are grouped into specialised units with the specification of their respective of roles in the organisation (Pugh et al., 1968; Robbins and Barnwell, 2002). This division of labour engenders job specialisation, by which tasks are separated into "small, repetitive parts of tasks, thereby decreasing the number of tasks included in a role" (Mintzberg, 1983 in Bolin and Harenstam, 2008, p. 545). This new way of job completion had provided essential advantage of production during the initial mass production era.

By adopting specialisation and division of labour, organisations are argued to have higher productivity (Gajduschek, 2003) since “specialisation allows the individuals to build up expertise and thereby be more productive” (Fayol, 1964, p. 87 in Pugh and Hickson, 1993). Through specialisation, responsibilities and activities are grouped into positions (Blau, 1970) to accelerate the completion of work in organisations. Blau (1968; 1970) summarises some advantages of specialisation, including increase the performance outcomes and improve control over activities, broadens responsibilities of experts, narrowing managers’ spans of control and increasing the number of managerial levels (Blau, 1968:, p. 61).

3.3.2. Hierarchy

Meanwhile, vertical differentiation provides bureaucracy with a formal and clearly defined hierarchical structure of power and authority (Weber, 1974). This idea of how power and authority should be exercised within an organisation has become the distinct feature of bureaucracy compared to pre-bureaucratic forms of domination. Weber categorised three different of forms of domination, namely traditional, charismatic, and rational-legal (Weber, 1974; Hughes-Freeland, 2007; Tsamenyi, et al., 2010). Within the first setting, people obey someone because this person has the historical reasons to be followed, such as the monarchy or other inherited leadership positions. The second form of domination exists when people obey a person with the charisma, which refers to “an extraordinary quality of e person, regardless of whether this quality is actual, alleged, or presumed” (Weber, 1974, p. 295).

Weber (1974) criticised these two forms of power and authority as unjust and irrational. He, therefore, proposed what he referred as rational-legal bureaucratic domination (Tsamenyi, et al., 2010), by which leadership and authority were gained and exercised on the basis of a more rational framework than was the case before. This rationality is established as leaders were followed due to their subscription to the values of logic, efficiency, and reason (Weber, 1974).

The hierarchical structure is, indeed, one of the most frequently occurring dimensions of bureaucratic organisation as dictated by Weber (1974). Within the bureaucracy, hierarchy coordinates people, who are rationally unequal (Coser and Rosenberg, 1969). This very nature of bureaucracy has sustained the bureaucratic form of control within organisations for a long period of time, as illustrated by Jaques (1998):

The existence of the managerial hierarchy is a reflection in the organisational life of discontinuous steps in the nature of human capability [and helps to] explain the

continuous existence of the managerial hierarchy in all post-tribal societies for the past 3,000 years (and suggest that it is likely to be around for the next 3,000 years) (p. 1).

The hierarchical structure endows the vertical differentiation, by which organisation activities are segmented into different layers. The complexity of the activities determines the number of hierarchical levels in an organisation (Walton, 2005). The logical consequence of hierarchy is that the lower level is under control of the upper bureaucracy (Blau, et al., 2000). As Weber (1974)) postulates “the principles of office hierarchy and of levels of graded authority mean a firmly ordered system of super and subordination in which there is a supervision of the lower offices by the higher ones” (Weber, 1974, p. 197). By designing such a tall hierarchical structure, control and monitoring process are better ensured (Grey and Garsten, 2001).

The ordinal structure of authority and decision making may imply that the centralisation of decision making by top management. It is the extent to which “the authority for decision-making rests at the higher levels in the organisation” (Horvath, et al., 1976, p. 66). In a hierarchical organisation, an employee cannot make his/her own decisions without checking with anyone else (Hall, 1963). This procedure is argued as the underpinning philosophy of bureaucracy (Pugh et al., 1968). By following a hierarchical order of authority, bureaucracy provides solution to the problem of delegation and related exercise of discretion, which is more impersonal compared to patronage style of governance (Willmott, 2011).

The consequence of hierarchy also influences the rights of the lower to the higher positions. The hierarchical structure enables “the governed the possibility of appealing the decision of a lower office to its higher authority, in a definitely regulated manner” (p. 197). Consequently, the potential abuse of power by the officials can be minimised.

3.3.3. Standardisation

The third bureaucratic feature, the standardisation of the business process, refers to “the extent of coverage and application of operating procedures, rules and regulations uniformly in organisations” (Price and Mueller 1986; Pugh et al. 1968, in Walton, 2005, p. 573). In similar vein, James and Jones, (1976) consider standardisation as “the extent to which activities are subject to standard procedures and rules “.The adoption of standardisation is particularly effective within the organisations, whose jobs or tasks are routine.

By implementing standardisation, the members of organisation are required to follow strict operating procedures at all times. This means of control of bureaucracy relies on a number of rational means of control, for example, written instructions, Standard Operating Procedures (SOPs), reporting procedures, and job descriptions (Styhre, 2008). The standardisation of process functions as the guidance for employees to perform and coordinate those differentiated and interdependent activities (Walton, 2005) particularly due to jobs are differentiated horizontally and vertically within bureaucratic form of organisation.

Several advantages of standardisation include the minimisation of role conflict and role ambiguity, the reduction of the feelings of alienation; thus these all will lead to an increased commitment (Adler and Borys, 1996). As previously mentioned, job standardisation generate routinisation of the completion of organisational tasks. Therefore, standardisation of work can decrease the amount and diversity of contact with other organisational members; thus preventing role ambiguity of job demands (ibid, p. 64).

Notwithstanding, this bureaucratic control may also cause several negative consequences, such as the decrease in job satisfaction, the generation of the feelings of powerlessness and self-estrangement, alienation, undermines employees' commitment and fosters dissatisfaction, thus limits innovation (Adler and Borys, 1996, p. 63). Therefore, it is suggested that organisations should find the right balance of the standardisation of work (ibid, p. 87).

3.3.4. Formalisation of Rules

The fourth aspect of bureaucratic control requires all activities within an organisation to be governed by "a set of general, formal, explicit, exhaustive and largely stable rules that were impersonally applied in decision-making" and later "all decisions and communications were recorded in permanent files and such records were used to refine existing rules and derive new ones" (Jain, 2004, p. 2). This mechanism is recognised as formalisation, by which rules, procedures, instructions, and communications are written in the organisation (Horvath, et al., 1976). Furthermore, formalisation also functions as the tool of enforcement for the implementation of the pre-determined rules and procedures (Tyler and Blader, 2005). As Rainey and Bozeman (2000) elucidates that formalisation is "the extensiveness of rules and formal procedures and their enforcement" (p. 453).

When such procedures are in place, all organisation members are relatively easy to learn to perform their duties optimally based on their understandings on the institutionalised rules and

regulations. Therefore, bureaucracy provides technically efficient instruments of administration. Formalisation, according to Pugh and Hickson (1976) and Mintzberg (1979), is a focal characteristic of Weber's ideal type of bureaucracy and a significantly studied element of organisational structure.

Formalisation has become another distinctive feature of modern organisation compared to the traditional entity and the monarchy since the bureaucratic style of administration is ordered by a system of rules. On the other hand, the pre-modern organisations are based on the wish and command from the leaders. As Weber (1974) suggests "the reduction of modern office management to rules is deeply embedded in its very nature" (p. 198). Consequently, it can be inferred that "the variable in Weber's description which best defined an administrative system as bureaucratic was the extent to which that administration was based on procedures proscribed by general rules" (Mansfield, p. 478).

Such a written document of this institutionalised rules and regulations is the job description, which should state one's roles and responsibility. Not only this documentation becomes the guidance for an employee to perform his job, this also ensures the segregation of the job description assignments from the employees' social status (Kallinikos, 2004). A manager can use this procedure to constantly check the employees' rules conformance. Such rule setting and controlling is the embedded dimension of bureaucracy as suggested by Hall (1963).

In principle, the application of rigid rules is essential to work the bureaucracy. Willmott (2011) asserts that when rules are absent or neglected "and/or when the ethos of bureaucracy is weak, that 'personalisation' expands to support or promote diverse kinds of 'goal displacement'-in the form of 'soldiering' (restriction of output), empire-building, patronage, etc., in addition to forms of corrupt and fraudulent activity" (p. 263). The increased formalisation is still demonstrated in some organisations at the present time. As investigated by McSweeney (2006), the civil service or bureaucracy reforms have increased in formality, complexity, intensity, and specialisation (Hood and Peters, 2004); they are, indeed, examples of intensifications of bureaucratisation (Runciman, 2004; Gains, 2003, in McSweeney, 2006).

3.3.5. Impersonality

The implementation of the previously discussed bureaucratic features of differentiation (horizontally and vertically), formalisation, and standardisation, requires an impersonal behaviour from the officials. This will ensure the non-discriminatory treatment from the

bureaucrats both to their colleagues as well as their service users (Willmott, 2011). Such impersonal ethos of the bureaucratic member is well recognised as what Weber pronounced as '*sine ira et studio*', which means "without hatred or passion, and hence without affection or enthusiasm" (Albrow, 1992, p. 313). Furthermore, Willmott (2011) elucidated that this principle of distance and procedural fairness is one major factor of the formal rationality, which underlies Weber's idea of modern bureaucracy.

By adopting impersonality as the work ethos, the relationship between officials and the users, the superiors and subordinates, and between colleagues, are conducted based on a devotion to impartial and functional objectives not the basis of person relationships (Albrow, 1992; du Gay, 2008; 2011). This practice of impersonality creates a distinctive separation between the 'un-modern', which are the monarchy or patrimonial forms of authorities, and the modern bureaucratic office (du Gay, 2008; 2011). Within this impersonal atmosphere, all the users are treated in exactly the same manner (Hall, 1963). Nevertheless, this uniformed identical service delivery may be perceived as ineffective to some people (Willmott, 2011).

3.3.6. Technical Qualifications or Competence

Lastly, to guarantee that bureaucracy can operate effectively, its members must be selected based on technical competency, rather than on a familial or friend basis (Weber, 1974). They are selected on the consideration of their qualifications and are appointed by the superior, thus not elected (Hopfl, 2006). As Willmott (2011) advocates, the formal rationality of Weber's bureaucracy influence both the design of the office and 'the capabilities of the office-holder that are established on the basis of formal qualifications and relevant experience' (p. 264). This professional expertise will determine the employees' status and authority within the organisations (Hopfl, 2006). These professional qualifications and knowledge are maintained and increased through personnel development training programme (Weber, 1974).

Within bureaucracy officials are "selected by their superiors...not elected" (Hopfl, 2006, p. 10) and promotion is by "next in line" and not merit, and salaries relate to status, not to performance, at least if bureaucrats have their way (ibid, p. 11). Therefore, officials are to develop their careers within the organisations.

The development of career within bureaucracy requires "the full working capacity of the official, irrespective of the fact that his obligatory time in the bureau may be firmly delimited" (Weber, 1974, p. 198). Throughout their careers bureaucrats are compensated by "a fixed

salary and provided with job security" (ibid, p. 198). It is argued that bureaucratic jobs are a long-life career; therefore the office should provide the officials with the right to a pension and some security against arbitrary dismissal (Hopfl, 2006).

Despite its technical superiority in providing certainty and predictability, the bureaucratic organisation is not without its own disadvantages. Some argue that bureaucratic control has restrained the employees' freedom (Seeck and Kantola, 2009). Such condition is referred as living in an 'iron cage' (DiMaggio and Powell, 1983; Clegg and Courpasson, 2004, Reed, 2005), where the freedom of employees is neglected because they are expected to become compliant subjects (Josserand et al., 2006). Consequently, it is implied that the success of bureaucracy may potentially be generated with the trade-off of employee well-being (Adler and Borys, 1996).

The requirement of conformance to rules and regulations may have a negative implication – where people are satisfied with the status quo that may create a short term focused organisation. In the long run, such a bureaucratic organisation may be incapable of adapting to a changing business environment (Handy, 1996, Drucker, 2001, Hammer and Champy, 1995, Welch and Byrne, 2001).

Claver et al. (1999) summarise some of the shortcomings of the bureaucracy as a result of its formalised controls:

- The management style is authoritarian, and there is a high degree of control.
- There is little communication, and the management is usually a univocal, top-down one.
- Individuals search for stability, have limited scope for initiative, and are oriented towards obeying orders.
- The decision-making process is repetitive and centralised.
- There is reluctance to start innovative processes.
- There are high degrees of conformity.
- These beliefs are highly reluctant to change. (p. 459)

The above discouraging portraits of the organisations have motivated the movement to the alternative form of control that goes beyond bureaucracy. The following section discusses this movement of what is commonly referred as post-bureaucratic organisation discourse.

3.4. The Post-Bureaucratic Organisation

Despite its dominance within the academic literature and the practical world, bureaucratic forms of organisation have been widely criticised (Heckscher and Donellon, 1994; Clegg, 1990;

2011; Osborne and Plastrik, 1997; Hammer and Champy, 1995). As discussed in the introduction section of this chapter, it is asserted that there has been a move from bureaucracy, both in the organisational literature and business practice, due to its limitation in coping with increased competition occasioned by globalisation, deregulation, the emergence of powerful developing economies and developments in information technologies (Berry, et al., 2009). This conception of the post-bureaucratic organisation has been utilised by a number of scholars to denote a variety of organisation forms differing from the conventional bureaucratic organisation (for examples Heckscher, 1994; Grey and Garsten, 2001; Maravelias, 2003; Lowe and Locke, 2008; Styhre, 2008).

Several different terms are proposed to differ the new organisations from bureaucratic type organisation, including 'network organisation' (Castells, 2000), 'postmodern organisation' (Clegg, 1990), and 'post-bureaucracy' (Heckscher and Donnellon, 1994; Maravelias, 2002; Child, 2005). Among the advocates of this post-bureaucratic movement, Heckscher (1994) is considered as one of the initial scholars, who lay the foundation of post-bureaucratic organisation. As Grey (2005) suggests, "Heckscher is at least a serious and committed researcher, compared with most of those who trot out this line of sophisticated and insightful reasoned" (p. 87).

Some features of post-bureaucratic organisation include "fluidity, permeable and porous boundaries, and informal and organic structures" (Styhre, 2008, p. 639); "flatter, leaner and thus more responsive structures" (Berry, et al., 2009, p. 7); "reliance on new forms of subjectivity and forms of identification constructed in the workplace" (Iedema, 2003, p. 639); and emphasis on consensus and dialogue among organisation members (Lowe and Locke, 2008). Others purport that post-bureaucratic organisation is characterised by less rule-following, less hierarchical control, more self-organised units, and more decentralised decision-making (Daft and Lewin, 1993; Grey and Garsten, 2001; Heckscher, 1994).

Furthermore, Heckscher (1994) has proposed what he calls the post-bureaucratic ideal type, which represents the contrasts to Weber's ideal type of bureaucracy. He proposes twelve characteristics of post-bureaucratic organisation, as follows:

1. Consensus is not achieved through compliance to authority, rules, or traditions but aimed through institutionalised dialogue.

2. Such dialogue is characterised by the use of influence rather than power; thus persuasion rather than formal command.
3. Trust is utilised as the basis of influence and persuasion. In such climate people are believed to act on behalf of the organisation rather than maximising their own interests.
4. Organisational mission becomes the glue that integrates the members of organisation, who work interdependently and whose fluid roles.
5. The extensive information sharing mechanisms enable employees to “break free of the boundaries of their ‘defined’ jobs to think creatively and cooperatively about improvements in performance”.
6. Organisation works on principle-based rather than rule-based mechanism. Consequently, people are demanded “to think about the reasons for constraints on their actions, rather than rigidly following procedure”.
7. Since the nature of work is fluid, the decision making mechanism should be regularly reconstructed. The decision of “who to go to” is not governed by hierarchical order but rather by the nature of the problem. This can be allowed by the set-up of a cross functional team and committee.
8. The mutual trust that underlies people relationship within such organisation is not established upon the merely friendship or community relationship but rather on the reliable exchange of knowledge.
9. An open and thoroughly detailed peer assessment system is conducted to provide accurate information of people’s capabilities and deficiencies. This mechanism is also employed to become a normal form of employees’ engagement.
10. In this post-bureaucratic system, there is less barrier of entry and exit; thus employees are encouraged to develop their careers inter organisations rather than within the hierarchy.
11. There is an individualised employee’s performance evaluation, which is linked to individual reward system.
12. Since change is expected to be constant, the organisation’s schedules are therefore tied to specific projects rather than to cyclical ‘calendar’ periods. Timeframes are therefore inherently flexible and unstable (all the twelve points are adapted from Heckscher, 1994, p. 25-28).

To sum up, Heckscher (1994) argues that there are two fundamental features of post-bureaucratic organisation, namely the use of influence rather than of power as the basis for

organisational control and the acknowledgment that this type of organisation is not solely distinguish from bureaucracy but is an evolutionary development beyond it.

The latest work from Reed (2011) describes a one-to-one comparison between the elements of Weber's rational-legal bureaucracy and the ones of post bureaucratic organisation. Table 3.2 summarises this comparison, which Reed (2011) refers to as the revolution of control.

Table 3.2: Rational Bureaucratic Organisation/Post Bureaucratic Organisation

Rational Bureaucratic Organisations (RBO)	Post Bureaucratic Organisations (PBO)
Specialisation	Collaboration
Standardisation	Flexibility
Formalisation	Negotiation
Centralisation	Dispersal
Depersonalisation	Personalisation
Collectivization	Individualisation

Source: Reed (2011, p. 233)

The comparison of bureaucracy and PBO in table 3.2 may reflect what is referred to as a duality approach (Adler and Borys, 1996; Reed, 1997; 2001; 2005; Armbruster, 2002; Möllering, 2005), which sees these two forms of control as a continuum (McSweeney, 2006). This line of argument suggests that to analyse control systems within an organisation, one should not see as a dualism (for examples Gouldner, 1955; Pugh, et al., 1968; Kallinikos, 2004). As a consequence, innovation on systems of organisation, such as PBO should be considered as reflective of an increased diversity of organisational arrangements (Schultze and Stabell, 2004), rather than a newly distinct form of organisation.

This research takes the duality stance, which views that both bureaucratic and post-bureaucratic characteristics can exist simultaneously within a single organisation. Willmott (2011) suggests that according to Weber, himself, the form of bureaucracy in real life is "‘occurring in historical reality’ rarely, if ever, correspond to any ‘ideal-type- specification. Rather, they ‘constitute combinations, mixtures, adaptations, or modifications of ‘pure types’" (Weber, 1978 in Willmott, 2011, p. 274).

3.5. Summary

This chapter elaborates two different control mechanisms that can be adopted by an organisation as a result of change programme, such as bureaucratic reforms. The first so called bureaucratic control relies on clear hierarchy authority; division of labour based on

specialisation (Weber, 1974; Hopfl, 2006); "formal rules and procedures; the formal delegation of tasks within a centrally-determined framework; mechanisms for monitoring compliance; and explicit standardised systems of reward and sanction to ensure conformity" (Ferner, 2000, p. 522). Others characterise bureaucratic control with tight monitoring (McSweeney, 2006), the reliance on written, formalised rules (Parker and Bradley, 2004); the use of extrinsic reward and the dominance of institutional power (Sundaramurthy and Lewis, 2003).

The alternative control system relies on trust (Heckscher, 1994; Grey and Garsten, 2001; Lowe and Locke, 2008; Styhre, 2008). Heckscher (1994) distinguishes the post-bureaucratic organisation type from traditional bureaucracy by the focal emphasis on the use of influence rather than of power. The adoption of trust demarcates the post-bureaucratic movement away from the traditional one. Trust is the centre variable in the post-bureaucratic discourse, through which activities in the organisation are governed (Heckscher, 1994, Lowe and Locke, 2008). Therefore the organisation has to be designed to allow trust to blossom in the organisation. This initiative could include the flatter organisation, empowerment of employees, and open communication (Heckscher, 1994). Maravelias (2003) recommends the adoption of emancipation principles to gain individuals' trust and commitment.

Reflecting from the framework of bureaucratic reforms at the case organisations as discussed in chapter 2 section 2.4 (see also figure 2.4), this thesis posits that the reform initiatives will move the researched organisations towards more bureaucratic control. Therefore, some key conceptions on Weber's rational-legal bureaucracy as elaborated in this chapter will be employed in the empirical chapters 6, 7, and 8. Furthermore, this thesis is conducted on the assumption that the modification of control mechanism is implicated by the organisational context; therefore the following chapter 4 will discuss the association between control and culture. In particular, this chapter will focus on the Javanese culture which is prevalent within the research setting.

CHAPTER FOUR

JAVANESE CULTURE: THE DOMINANT INFLUENCE IN INDONESIAN LIFE

4.1. Introduction

The previous chapter 3 describes different control mechanisms that can be adopted by an organisation as a result of a change programme, such as that resulting from the '*Reformasi Birokrasi*' or bureaucratic reforms at the case organisations. Control system in an organisation can be viewed as solely technical in nature, which comprises largely mechanistic procedural jobs; therefore the decision to adopt and implement a control mechanism is often based on technical considerations (Hopwood, 1978; 1987). However, in order to gain an in-depth understanding of the implementation of changed control systems as a result of bureaucratic reforms at the case organisations, the observation and analysis of this research goes beyond the mere technical aspects of the programme (Laughlin, 1987).

This approach is based on the underpinning conjecture that the adoption and implementation of control mechanism within an organisation is dynamic and influenced by its context (Hopwood, 1987; Birnberg and Snodgrass, 1988; Dent, 1991; Ansari and Bell, 1991; Ahrens and Mollona, 2007). Therefore, as noted in the introduction section of chapter 1, the argument in this research is founded upon a belief that control system is implicated by its context in producing a socially constructed reality (Neimark and Tinker, 1986; Morgan, 1988; Miller, 1994; Munro 1995).

Building on the assumption that the implementation of control systems are affected by its surroundings, contextual aspects, such as history, politics, and economics, have been employed by researchers to analyse organisational control. The work of Wickramasinghe and Hopper (2005) discusses the implementation of budget systems in Sri Lankan textile mills is influenced by the political economic situation, where the organisation is situated. Meanwhile, Wickramasinghe, Hopper, and Rathnasiri (2004) find the influence of a nation's political system to the implementation of new control system.

Another element used to understand the construction of meaning and practice of control within the organisation is culture (Ansari and Bell, 1991; Ahrens and Mollona, 2007), which includes values, norms, and beliefs. This research adopts a similar approach to the recognition

of culture as an explanatory aspect to make sense the implementation and effect of bureaucratic reforms in the case organisations.

From the work of Berry, et al. (2009), it is reported that the relationship between culture and control systems has become an increasing interest of scholars. By summarising the latest topics in the field of accounting, these writers suggest that culture and control has been emerging as a new topic, along with “decision making for strategic control, performance management for strategic control, control models for performance measurement and management, management control and new forms of organisation, control and risk, and information technology” (ibid, p. 3). However, as it is still in its early phase, the research on the association between organisational control and culture is argued as relatively unexplored (Pfister, 2009).

Different directions still persist within the literature in understanding the relationships between control and culture. Berry et al. (2009) summarise the associations between control and culture and categorised them into three different streams, which includes culture is dominated by control, both culture and control are interdependent and culture dominates control.

Some advocate that culture is directed by control, by which the organisation can select its own organisational culture (as suggested by Peters and Waterman, 1982; Schein, 1985; Simons, 1995). This approach is argued to stem from research from sociology and social psychology, which suggest that management practices, including control, can determine and change the organisational culture over time (see for examples O'Reilly and Chatman, 1996; Wiener, 1988 in Pfister, 2009).

The middle of the roaders take a position that “cause and effect between culture and control go in both directions” (Pfister, 2009, p. 34). Culture can be seen as a mediator between specific controls that influence culture, and culture in turn influences specific control outcomes. Culture is argued to establish norms and beliefs within the organisations, which shape everything and control also reconstitutes culture (Homans, 1950, in Berry et al., 2009).

On the other hand, others claim that culture shapes control adopted in an organisation. As Scott (1995) suggests, culture has implications to the control structures and procedures through norms, cognitions and modes of order. Furthermore, it is inferred that culture influences the adoption and implementation of control systems as well as determines the

effectiveness of a control mechanism, through the extant values, norms and beliefs in an organisation (Oliver, 1991). In a similar vein, Hopwood, et al. (1994) advocate that culture, customs, norms, and institutions give impact on the practice of accounting.

Consequently, a control system operated in one organisation is not culture-free. Using the analogy of an organism Hopwood et al. (1994) conclude that:

... accounting is intimately implicated in the construction of facilitation of the contexts in which it operates. It cannot be extracted from its environment like an individual organism from its habitat. (p. 228)

This research agrees with this last proposition that culture influences control in the organisation (Hopwood, 1987; Birnberg and Snodgrass, 1988; Dent, 1991; Ansari and Bell, 1991; Scott, 1995; Ahrens and Mollona, 2007).

One of the limitations of the study of the association between control and culture is the dependency of the literature on Western evidence and theorisation (Berger, 1957; Horvath et al., 1981; Bouckaert, 2007; Bowornwathana, 2007; Pfister, 2009). Consequently, such studies neglected any potential differences, which exist across different settings (Horvath, et al., 1976). The dominant Western view of organisational control, therefore, should be evaluated in the light of significant cultural differences in different parts of the world.

Different cultures are likely to require distinct or carefully modified organisational forms, which fits its specific cultural concepts and practices (Eisenstadt, 1968; Azumi and McMillan, 1975 in Horvath, et al., 1981). In similar vein, Hovarth et al. (1976) stipulate that "there are important cultural influences in organisations with respect to the level and forms of bureaucratisation" (p. 69). In this study, the bureaucratic control, which is regarded as Western approach of governing the organisation, may interact with the organisation setting, which is preoccupied by Eastern culture.

This chapter discusses the cultural perspectives that influence the control systems to operate within Indonesian context. It begins with a general discussion on what culture is and how to study culture, including definition of culture and different ways to understand culture. The following section elaborates the development of Javanese culture across periods. Later, a detailed discussion on two main Javanese cultural values, '*hormat*' or respect and '*rukun*' is presented. A summary of some important concepts on culture completes this chapter.

4.2. Understanding Culture

The word culture is etymologically derived from the Latin word of '*cultura*', which refers to "tilling the soil" (Thompson, 1990, p. 124) or "tending, guarding, cultivating" (Brinkmann, 2007). In the words of Thompson (1990):

...the term 'culture' is generally used in the sense of cultivation, improvement and ennoblement of the physical and spiritual qualities of a person or people. The histories of culture thus expressed the Enlightenment belief in the progressive character of modern era, while at the same time conveying the positive connotation of 'culture' as the genuine development and ennoblement of the human faculties. (p. 125)

As suggested by Alvesson (2002, p. 3), however, "culture has no fixed or broadly agreed meaning even in anthropology" (see for examples Borowsky, 1994; Ortner, 1984, cited by Alvesson, 2002). In similar vein, Sathe (1983) advocates that culture is "the set of important understandings (often unstated) that members of a community share in common" (p. 6). Therefore, it is implied that an attempt to understand culture requires a study of "meanings created, maintained, and transmitted by people" (Ott, 1989, p. 181) because the word culture "does not come with meanings already built in or attached" (Parker, 2000, p. 220).

From the above quotation from Sathe (1983) that culture is a shared understanding within a community, there is less likelihood for a party to impose their culture on another community. One of the critical implications of adopting the above idea of culture into this study is the researcher's belief that one cannot label one's culture as better or worse than others'. This conviction is in line with the idea of cultural relativism, as explicated by Levi Strauss, which stipulates that:

One culture has no absolute criteria for judging the activities of another culture as "low" or "noble". However, every culture can and should apply such judgment to its own activities, because its members are actors as well as observers (in Hofstede, 1997, p. 7).

Different methodologies have been utilised to understand culture. The seminal work of Hofstede (1984) relied on the use of surveys to analyse and generalise culture. Though it has been widely adopted by scholars across the world, who use culture as one of the explanatory factors in both accounting and management studies, Hofstede's work is not without scepticism. One of the criticisms of his work is the weakness of his simplified method to understand culture (McSweeney, 2002). Other critics claim that Hofstede's Culture's

Consequences merely based on the quantification of culture (Baskerville, 2002), by which he attempts to measure the unmeasurable (MacIntyre, 1971; Smelser, 1992 in McSweeney, 2002).

An alternative methodology to understand culture is based on a belief that culture should be understood within its context; therefore a researcher should immerse him/herself into the daily life of the researched unit to understand their culture (Geertz, 1973). This line of research is stemmed from the tradition of anthropology, which mostly adopt ethnography as its method of inquiry. Only by utilising this approach, a researcher has the opportunity to analyse all of the cultural dimensions, namely assumptions, values and artefacts (Schein, 1985).

The first feature of culture, the assumptions, is the deeply embedded subconscious views of human nature and social relationships, which are taken for granted. Values characterise both the inclination for alternative outcomes and the means to fulfil those results. Artefacts represent the more solid or physical feature of culture, including rituals, slogans, traditions and myths (Parker and Bradley, 2004).

Based on Geertz's approach, the work of Ansari and Bell (1991) investigated the culture of a textile mill in a non-Western setting. They observed and analysed the organisation members' linguistic categories and idiom and kinship and clan structures to explain events. Others follow Geertz's requirement of the production of 'thick description' to gain a rich understanding of culture (see for example Nahapiet, 1988; Covalieski and Dirsmith, 1988).

In the Indonesian setting, such ethnographic works (for examples Geertz, 1960; 1961; 1963; 1974) have motivated current research in the accounting and control, including the works of Efferin and Hopper (2007) and Tsamenyi et al. (2008). Both studies acknowledge that the adoption and implementation of control system in Indonesia is heavily affected by the native culture, particularly Javanese culture. To gain an in-depth understanding on cultural aspects of the implementation of control system as a result of bureaucratic reform programme at the case organisations, this research adopts the Geertz's approach; thus this research differs from studies from Gani (2004) or Irawanto et al. (2011a; 2011b), who utilises Hofstede's generalisation of culture.

4.3. The Development of Javanese Culture across Period

Whereas there are 300 different tribes in Indonesia, most studies on Indonesian native culture concentrate on understanding Javanese society. Javanese culture and its society is the sole ethnic group in Indonesia that has been studied by most scholars, both in terms of the research's length and scrutiny (Errington, 1984). One obvious explanation of this is due to the domination of Javanese culture in Indonesia, as briefly discussed in chapter 1 section 1.2.2. As argued by Robertson-Snape (1999), "since early colonial times the Javanese have been the core ethnic community in an ethnically diverse state and this cultural dominance has been reinforced since independence" (p. 597).

Given this unique circumstance, this section appreciates the importance of exploring the development of Javanese culture across period. The periodisation of the development of Javanese culture can be categorised in four different times, from the Kingdom era to today's situation. This periodisation is similar with the development of bureaucracy in Indonesia as described in figure 2.1 in chapter 2.

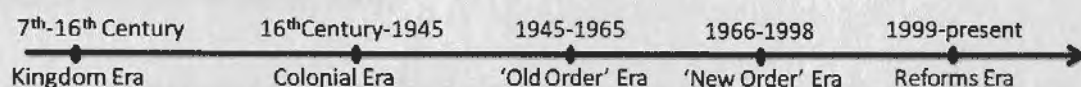


Figure 4.1: Periodisation of The Development of Javanese Culture

4.3.1. Kingdom Era

It is argued that the development of Javanese culture started during the era of Javanese Kingdom in the 7th century (Forshee, 2006). The earliest Kingdom in Java Island is the Kingdom of '*Mataram*', which was a Hindu-Buddhist Kingdom. '*Mataram*' reached its pinnacle under the '*Sailendra*' dynasty (750-850 AD), one of which is reflected by the building of Borobudur temple in central Java (Forshee, 2006).

The most important Kingdom within the Javanese or even Indonesian history is the era of '*Majapahit*' Kingdom (1293-1500). '*Majapahit*' reached the top of glory during the reign of King '*Hayam Wuruk*', assisted by its '*Mahapatih*' (Prime Minister) '*Gajah Mada*' (Forshee, 2006). It is documented that during this era this Javanese Kingdom had conquered almost the entire Indonesia territory and some part of Malaysia, Thailand, and the Philippines (Munoz, 2006).

Within this period, Javanese culture was mainly influenced by Hindu-Buddhist religion and philosophy. One of the manifestations of the effect of Hindu and Buddhist in the life of Javanese culture is the hierarchy within Javanese society, which was rooted in the caste system practised by Hinduism in India (Geertz, 1960). Other cultural artefacts of Hindu-Buddhist religion are the building of many temples throughout Java Island, including the most prominent temples of '*Borobudur*' (Buddhist temple) and '*Prambanan*' (Hindu temple) in Central Java.

Later, the influence of Islam also effected the development of Javanese culture. It is reported that the Muslims' traders from Arab and India brought the Islamic religion and way of life to the Indonesian people, particularly who lived in the coastal area, in 13th century. Gradually, Islam reached its triumph in Java Island and replaced the previous Hindu-Buddhist domination, as marked by the reign of the Sultanate of '*Demak*' (1475-1548) in Central Java. This also undermined the domination of '*Majapahit*' in Java Island. Yet, the '*Mataram*' Kingdom managed to survive since it transformed to become an Islamic monarchy. The Islamic Mataram Kingdom rose to power, subjugating most of Java and invading the formerly Hindu-Buddhist interior (Forshee, 2006).

Despite the prevailing of Islamic Kingdoms, the Javanese culture during this period was still significantly influenced by Hindu-Buddhist philosophy (Geertz, 1960). Islam in Java has interacted with the native culture and formed what is called as 'syncretism':

Javanese Islam is syncretic in that it contains diverse pre-Islamic elements from animism and Hindu-Buddhism, but all high religions are syncretic. What is really surprising about Islam in Java is the thoroughness in the transformation and integration of these pre-Islamic elements into a set of Islamic principles. This was achieved by the adoption of the Sufi theory of kingship at the early stages of the Mataram Kingdom in central Java. (Mitsuo, p. 718)

Such variety of influences in Java Island for centuries had implications on the social structure of the Javanese society. In the seminal book of '*The Religion of Java*', Geertz (1960) categorised Javanese people into three main different groups, namely '*santri*', '*priyayi*', and '*abangan*'. According to Geertz (1961), the first two groups of '*santri*' and '*priyayi*' are "derived from 'great traditions' [of Islam and Hindu-Buddhism]...which are systematised, universalistic, and proselytising" (p. 2). Meanwhile, the '*abangan*' is "a 'little tradition' of animistic household and neighbourhood rituals" (ibid, p. 2).

4.3.2. Colonial Era

During the colonial era, mostly under the Dutch administration, Javanese culture was not much influenced by the Western culture. It was due to their indirect approach to rule the nation, by which the Dutch administration only interacted with the Kings, mostly in Java Island; they did not directly interact with the people. Nevertheless, the colonial administration fragmented the surviving Kingdoms, including the '*Mataram*' Kingdom, to suit their political needs. It is argued that in their attempt to subjugate the whole archipelago under their hegemony "the Dutch turned a competitive diversity in which Java was prominent into a hierarchical one in which it was pre-eminent" (Geertz, 1995, p. 37).

Under the Dutch colonisation, '*Mataram*' Kingdom was disintegrated into two sub-Kingdoms, which were given power and authority by the colonial settlers to govern their respective regions. This had undermined the power of this long established Kingdom. These sub-Kingdoms were named as Ngayogyakarta Hadiningrat dynasty centred in Yogyakarta and Surakarta Hadiningrat dynasty centred in Surakarta (Irawanto, et al., 2011b).

It is documented that in 1811 Java fell under control of the British administration. Thomas Stamford Raffles was appointed as lieutenant governor in Indonesia. During this period, the temple of Borobudur, the most iconic Javanese artefact, was rediscovered after buried under centuries of volcanic soil (Forshee, 2006). Later, he arranged for excavation but completed under the Dutch administration after they regained Indonesia from the British (Forshee, 2006).

4.3.3. 'Old Order' Era

After declaring its independence in 17 August 1945, Indonesia was led by Sukarno, the first Indonesian president. Sukarno is a Javanese and came from '*abangan*' family from Blitar, a small town in East Java. Using Weber's classification of domination, as described in chapter 3 section 3.2, Sukarno is a pure charismatic leader (Hughes-Freeland, 2007; Breuilly, 2011), with a great skill of oration (Irawanto, et al., 2011).

Sukarno positioned himself as '*ratu adil*' or 'just king', a Javanese conception of a messianic Javanese ruler who would set the Javanese people free from all kinds of oppression (McIntyre, 2001). Sukarno succeeded to inspire and mobilise the whole nation to unite to build Indonesia. He occasionally included Javanese words and provided his own interpretation of those terms. As mentioned in chapter 1 section 1.2.2, the national language of Indonesia is '*Bahasa*

Indonesia', which means Indonesian language. This national language is originated in coastal Malay's language; while Javanese language is rooted in the Sanskrit language from India (Zoetmulder, 1982). The examples of the Javanese words used by Sukarno included '*ratu adil*', which he denotes as "...the notion of '*ratu adil*' actually refers to social justice' (McIntyre, 2001, p. 86).

The most significant contribution of Sukarno is his idea of '*Pancasila*' as the nation's ideology (Robertson-Snape, 1999). '*Pancasila*' was inspired by the Javanese concept of '*kekeluargaan*' or the principle of family. Sukarno emphasised that to free Indonesian people from any oppression, they had to unite as a big family and displayed mutual cooperation ('*gotong-royong*') in their lives (Mulder, 1994; Robertson-Snape, 1999).

4.3.4. 'New Order' Era

There was a change of leadership in Indonesia in 1966 from Sukarno to Suharto due to the economic and political turmoil in Indonesia (Sarsito, 2006). The new leader, another Javanese, grew up in Yogyakarta, Central Java. It is argued that Javanese culture was allowed to strengthen its influence on Indonesia during the leadership of Suharto (Irawanto, et al., 2011b). Suharto is widely recognised as a persistent holder of Javanese teachings; he clearly stated "until I am president I never change my principle. I always uphold these teachings and I trust the truth of the teachings" (Dwipayana and Ramadhan, 1989, p. 13).

Besides his militaristic oppression, Suharto also utilised Javanese culture as the source of legitimacy for his long leadership (Sarsito, 2006). Suharto believed that by following the teachings of Javanese culture, Indonesian people will have "a noble and generous mind or '*berbudi bawa laksana*'" (ibid, p. 447). Suharto emphasised that if people could comprehend Javanese cultural values, "it would not be difficult for Indonesian people to improve their consciousness as the nation of Indonesia in their state, government and social life on the basis of *Pancasila*" (Rukmana, 1993, p. xi).

Consequently, Suharto and his government deliberately re-infiltrated Javanese culture and values into the life of the nation. As explained in chapter 1 section 1.2.2, the regime proliferated, formally and informally, the Javanese culture by establishing what is known as '*Jawanisasi*' or 'Javanisation' (Tsamenyi, et al., 2008) to internalise Javanese culture within all aspects of people's life.

The success of the 'Javanisation' programme was mainly allowed by the support from Suharto's main vehicle of power, the bureaucracy. As stated in chapter 2 section 2.2, during the 'New Order' era, the bureaucracy served a dual function for the ruler, as the government political vehicle and a strong and extensive system of control (Kristiansen et al., 2009). Suharto had subjectively appointed his trusted Javanese aides to hold some key positions in the bureaucracy (Budianta, 2000). Consequently, the nature of bureaucracy during this period is embedded with the institutionalisation of Javanese culture, which deliberately shaped the Indonesian bureaucratic culture (Tjiptoherijanto, 2007). Some examples of the internalisation and institutionalisation of Javanese culture in the life of bureaucracy is the use of Javanese words to name some bureaucratic elements, such as '*Bina Ghra*' (means House of government) to refer to the Presidential office and '*pamong praja*' to identify the civil servants (Dwiyanto, et al., 2008).

Other practices were also reported as the deliberate effort to 'Javanise' the bureaucracy, including the use of Javanese dialect within the unofficial state idioms and jargon (Budianta, 2000). Suharto emphasised to his assistants, albeit they came from different ethnic groups, to adopt the Javanese principles of life (Sarsito, 2006). Therefore, as this author argues, it is implied that to be loved by Suharto, everyone had to painstakingly comprehend the tradition and ethic of Javanese culture.

The effect of Javanese culture on the development of Indonesian bureaucracy has been reported by a number of researchers, particularly in the socio-political field (Jackson, 1978; Anderson; 1990; Antlov, 1995; Penders, 1975; Renoe, 2002). Penders (1975) claims that the antecedents for the Indonesian bureaucratic polity stem from Javanese culture which sees human life and the socio-political order as a reflection of the cosmic order (in Jones, 1984). The 'Javanisation' has consequently also influenced the life of the researched organisations, which will be discussed in the empirical chapters 6, 7, and 8.

In leading Indonesia Suharto also positioned himself as the "Javanese King", similar to what Sukarno did during his leadership. In the words of Jenkins (2010):

Suharto stood at the apex of the pyramid; his appointees sat in each of the key executive, legislative, and judicial branches of government...His writ extended into every department and into every state-run corporation; it reached down, if he chose, to every village...In short, he had established himself as the paramount figure in a society in which deference to authority is deeply rooted. (p. 37)

Simultaneously, Suharto also treated the country as a big Javanese family, at which he was the father (Sarsito, 2006). He was awarded as '*Bapak Pembangunan*' or 'Father of Development', which reflected his desire to be treated as a father by the nation (ibid, p. 460). As elucidated by Geertz (1961), a father within Javanese family is not only the figure who has to be respected, but also whose words have to be accepted without any question.

As the father, Suharto disallowed any disagreement with his ideas and policy (Sarsito, 2006). This had undermined the freedom of expression within Indonesian society. By manipulating the Javanese teachings, Suharto alleviated differences among the people by forcing a uniform policy. Suharto's government argued that uniformity was the answer to the problem of Indonesia's large population, which is made up of approximately 600 different ethnic groups (Vickers, 2005).

The government declared '*Bhinneka Tunggal Ika*' as the national slogan in 1950 under President Sukarno's era (see figure 4.2). These Javanese words mean 'unity in diversity' (Yumarma, 1996). The following picture of '*Garuda Pancasila*', the national emblem of Indonesia, shows the national motto held by the bird '*Garuda*', which illustrates the importance of the idea of unity in diversity within the life of Indonesian people. This idea was regarded as the ultimate objective of Javanese people.



Figure 4.1: The '*Garuda Pancasila*' (The Indonesian National Coat of Arms)

Although this initiative had succeeded in maintaining national unity, it is also criticised as undermining and even eliminating cultural identity (Yumarma, 1996). During the 'New Order' period, the '*Tunggal Ika*' (unity) was more strongly emphasised than the '*Bhinneka*' (diversity). The former was created by forcing a unified, standardised effort within the life of Indonesian people, including through bureaucracy (Yumarma, 1994). For example is the standardisation of the nomenclature of bureaucratic title and element across Indonesia (Dwiyanto, et al., 2008).

Through standardised and uniformed education system, uniformity was encouraged by requiring pupils to learn national songs and wearing national school uniforms, as well as using the same textbooks across the country (Bertrand, 2009).

4.3.5. Reform Era

After the fall of the Suharto regime in 1998, Indonesia was successively led by four different Presidents; three of them are Javanese (Irawanto, et al., 2011b). The only non-Javanese president, B.J. Habibie, came to presidency only because he was the vice president of Suharto. Therefore, when Suharto stepped down from presidency in 1998, Habibie became the interim president until the general election took place in 1999. The dominance of Javanese people in the Indonesian presidency may prove the persistence of Javanese supremacy within Indonesia until present.

The current President Yudhoyono is an '*olus*' (refined) Javanese person. He thoroughly follows the Javanese values to guide his life (Irawanto, et al., 2011b). The latest event of the marriage of his second son, which adopted Javanese customs, may demonstrate his subscription to Javanese culture:

"We will conduct all the procession of the wedding by following what is regulated in our religion and customs...this [the wedding procession] is a mix of Javanese and Palembang culture," said President Susilo Bambang Yudhoyono on Tuesday 22 November 2011. He further added ... the covenant of marriage will be held in Cipanas palace using Palembang customs, South Sumatera. Meanwhile, the wedding reception will be in Javanese customs. (Kompas, 2011b)

The persistence of Javanese culture within the life of Indonesian people can also be demonstrated in their day-to-day activities. The practice to wear '*Batik*', which is originated from Javanese customs, by current Indonesian people, is one of the most obvious evidence of the Javanese influence. At least, every Friday all students and civil servants must wear '*Batik*' in schools and offices.

4.4. The Javanese Cultural Values

The seminal anthropological works of Clifford Geertz (1960; 1963) and Hildred Geertz (1961; 1974), who plunged themselves into the life of the Javanese community in the late 1950s, have been the main reference for any research that deals with Javanese culture not only in the field of anthropology but also in the accounting research (for examples: Efferin and Hopper,

2007; Tsamenyi, et al., 2008). These works have provided some notable analysis and characteristics of Javanese culture. The convergent discussion on Javanese culture across periods since early 1960s (such as Geertz, 1960; 1961; 1973; 1974) and the current works (see for examples Efferin and Hopper, 2007; Tsamenyi, et al., 2008) may imply the persistence of Javanese culture and its predominance in the Indonesian context.

According to the Geertz's works, when discussing Javanese culture one must understand the two prevailing values of Javanese concept, which are distinctive (Geertz, 1961). These are, first, the cluster of values involved in the Javanese view of the etiquette of "respect," and secondly, those concerned with the Javanese emphasis on the maintenance of "harmonious social appearances" (Geertz, 1961, p. 147). These two distinctively Javanese values have appeared often in the previously mentioned descriptions of family life. While the two together are not the only moral guides underlying Javanese kinship behaviour, they are of central importance to it. They are interdependently related and according to Geertz (1961) both sets of values "represent important forces for the cohesion and resiliency of the Javanese family and, also Javanese society as it is today" (p. 146).

The former, which refers to the Javanese conception of '*hormat*' or feeling '*sunngkan*', is formed "on the traditional Javanese view that all social relationships are hierarchically ordered, and on the moral imperative to maintain and express this mode of social order as good in itself" (Geertz, 1961, p. 147). The latter, refers to '*rukun*', requires Javanese people to minimise the overt expression of any kind of social and personal conflict to "maintain harmonious social appearances" (p. 147, emphasis in original). This second value is founded on the Javanese view that "emotional equilibrium, emotional stasis, is of the highest worth, and on the corresponding moral imperative to control one's own impulses, to keep them out of awareness or at least unexpressed, so as not to set up reverberating emotional impulses to others" (p. 147).

4.4.1. '*Hormat*': The Concept of Respect within the Hierarchy

The Javanese concept of respect necessitates people to exhibit "proper respect to those with whom one comes into social contact" (Magnis-Suseno 1997, p. 62), both in verbal and non-verbal communication. Some argue that the importance of demonstrating respect is due to Javanese' beliefs that human beings are created and live in different ordinal hierarchy, both in the life of family and society (Mulder, 1994). In general, this distinct hierarchy represents the two opposite polar of people's position, '*alus*' and '*kasar*' (Geertz, 1960; Mulder, 1994; Efferin

and Hopper, 2007; Forshee, 2006; Woodward, 2011). '*Alus*' is literally means smooth and refined, this represents a higher status, while '*kasar*' means crude or raw and it is associated with low status (Amir, 2000). This definition has implication on the hierarchy within Javanese society, by which the higher hierarchical levels should demonstrate and be treated with the '*alus*' acts, language, and behaviour, while at the lower levels '*kasar*' may suffice (Geertz, 1960; Mulder, 1994; Efferin and Hopper, 2007; Woodward, 2011).

The mastering of proper attitude towards different hierarchical level distinguishes mature Javanese people and who are not (Geertz, 1961). One is considered as '*durung Jawa*' or not yet Javanese before he/she can demonstrate proper respect. Therefore, the building of this value in every child has become one of the most essential roles of any Javanese parents. The development of such values starts in the childhood period of Javanese people by teaching them the conceptions of '*wedi*', '*isin*', and '*sungkan*', which denote three kinds of feeling states felt to be appropriate to situations demanding respectful behaviour (Geertz, 1961; Beatty, 2005).

It is suggested that the first internalisation of respect is when child is taught to be '*wedi*', means afraid, "in both the physical sense and in the social sense of apprehension of unpleasant consequences of an action" (Geertz, 1961, p. 111). This feeling of '*wedi*' can be demonstrated in different states, such as afraid of ghosts, afraid of being punished by the father, and afraid of the presence of strangers.

Gradually, a child as young as three years old, learns to be '*isin*' or shy or ashamed or embarrassed or guilt. This feeling can be illustrated when children feel shy of the presence of guests in their home; they usually withdraw themselves with shyness and become completely unresponsive (Geertz, p. 111). Further in her later work, Geertz (1974) define '*isin*' as "a complex anxiety reaction, involving not only fear but also lowered self-esteem, and concerns only social anxieties, usually those having to do with social distance, including distance self-imposed through social transgression" (p. 258).

The third norm which builds the Javanese value of respect is '*sungkan*'. This last custom is argued as unique to Javanese; thus it cannot be translated in to Western terms. Geertz (1961) proposes a rough definition of '*sungkan*' as "a feeling of respectful politeness before a superior or unfamiliar equal" (p. 114). Compared to previous value, '*isin*', '*sungkan*' is lighter; it is '*isin*' only without the feeling of doing something wrong. Once a child is able to perform

'*sungkan*', on the right manner and in the right time, he accomplishes the child's education of becoming Javanese. Further, it is argued that '*isin*' and '*sungkan*' characterise "civilised, mature inner states" (Geertz, 1961, p. 118; Beatty, 2005).

One of the concrete demonstrations of respect is expressed in the use of language by Javanese people. As suggested in the work of Sutarto (2006), to be respectful to others a Javanese has to master what they call as '*panata basa*', which refers to "being polite in speaking" (p. 45). In Javanese language there are three hierarchical levels of written and oral language. The following example demonstrates the different level of Javanese language used to refer to same fact. The word "die" in Javanese language can be expressed as '*mangkat*' (refers to royal family); '*seda*' (used by inferiors when speaking to superiors); and '*mati*' (used by ordinary people or used by superiors when speaking to inferiors).

Some explanations of the different use of Javanese language level are summarised by scholars to show the complex relationships in Javanese setting (Sawarjuwono, 1995). According to these authors, the most respected person, for example the royal family, should be communicated in '*kromo inggil*', the highest level of Javanese language (Geertz, 1961). This level of language is spoken to demonstrate respect because the opposite speakers are older, possess more wealth, or have higher official rank. The second level is the '*krama madya*', literally means middle language. This is used among colleagues, particularly in a bureaucratic setting. It can also be used in informal dialogue, when speakers want to display a sense of respect as well as maintain a relatively more egalitarian language. Lastly, the '*wong cilik*' or peasantry or commoners gain '*ngoko*' language. They are the so-called under class, who are not well educated, living in rural villages.

Not only in written and spoken language, the use of polite language to demonstrate respect must also be exhibited in non-verbal gesture (Magnis-Suseno, 1997). The bowing before the older person is one of the practices of a respectful body language. To show respect, one also has to kiss other's hand when they both shake hands; just like a child do to his/her parents. A Javanese, therefore, is required to have proper information of the other party, including their ages and positions, in order to demonstrate proper respect. In Javanese context, one will ask other's age on their first contact so he/she can deliver appropriate salute to the respected party; such practice does not exist in the Western context. The following expression from a Western teacher from Australia, who visited one of the Indonesian primary school, may demonstrate this distinctive practice of respect in the Javanese setting:

I can observe that pupils in Indonesia are very respectful to their teachers. To be honest, I was surprised with the tradition of kissing teachers' hands by the pupils as the manifestation of respect, "said Emily Sullivan, a teacher at 'Our Lady of Sacred Heart College, Adelaide. (Kompas, 2012)

As the consequence of the Javanese value of '*hormat*' or respect, any Javanese individuals should be aware of their status and tasks and honour and respect those in higher levels while maintaining to be benevolent and responsible for those in lower positions (Magnis-Suseno 1997). The values of respect act as a guide to social behaviour in many different settings, such as toward government officials, in the schools, in the political parties, in relationship among neighbours, among others (Geertz, 1961).

Such application of this value of respect is demonstrated in the relationship between superior and subordinates in Indonesian context, where a leader is required to be a father figure, known as '*Bapakisme*' or 'Fatherism' (Magnis-Suseno, 1997; Efferin and Hopper, 2007; Tsamenyi, et al., 2008). As a '*Bapak*', a superior should play as "a father and reliable patron who should be honoured and followed, whose whim and wish is a command, and who cares for his subjects" (Mulder, 1994, p. 60).

This practice of '*Bapakisme*' has been reported to shape the nature of interaction between one who are in higher level of hierarchy and his/her inferiors within Indonesian context (Geertz, 1961; Rademakers, 1998 in Efferin and Hopper, 2007; Tsamenyi, et al., 2008). Such relationship is argued to form paternalism and patronage of hierarchy. This '*Bapakisme*' form of dependency embraces any relationship between the higher and lower hierarchy from the presidential court to the rural areas (Jackson, 1978); both in private sectors (Rademakers, 1998; Dean, 2001; Efferin and Hopper, 2007; Tsamenyi, et al., 2008) and public institutions (Jones, 1984; Anderson, 1972; Jackson, 1978; Mulder, 1995; Antlov, 1995). In the Indonesian bureaucracy settings, Jackson (1978) further claims that "only when a bureaucrat is a '*Bapak*' can the official be sure that his orders will be carried out (p. 35).

To understand this '*Bapakisme*' nature of superior-subordinate relationship, this research employs Hildred Geertz's (1961) understanding of the father-children bond in the Javanese family. By living with two different Javanese families in a prolonged period, Geertz (1961) had an in-depth understanding of the life of the Javanese. She illustrates that the father-child relationships within the Javanese family engender a great dependency from child to his/her father, by which the children should demonstrate complete respect to their father.

The respect for a father in Javanese family has some unique features, including the belief that if a child argue with his/her father, he will be condemned as '*mbalelo*' or '*duraka*' (literally means rebellious). A mother always reminds her children not to do such things by emphasising that this conduct can cause '*kuwalat*' or inevitable supernatural sanction and as a consequence it will be punished by God (Geertz, 1961; Jackson, 1978). In similar vein, Mulder (1994) further elaborates that for Javanese people, some people are created unequal and they are entitled of worship ('*pepundhen*') and extreme reverence. This includes elders, teachers, and especially parents. This higher place is given as resulted from their care, protection, and teaching.

As a consequence, it is implied that in the Javanese society subordinates are expected to respect those in authority and are not allowed to question such an authority (Dean, 2001). In similar vein, Whitfield (2003) detects analogous situation, which suggests that decision can only be made by a superior. Such circumstance establishes the concentration of power in the hand of the higher level of hierarchy (Tsamenyi et al, 2008)

The '*Bapakisme*' relationship establishes dependency from followers to their leaders. Jackson (1978) claims that to be a leader in Indonesian setting is difficult and complex. Apart from the above characteristics of Indonesian subordinates, the leader's responsibilities go beyond his official position. As a '*Bapak*', a superior's extensive responsibilities for his '*anak buah*' or subordinates embrace their emotional and social life. Thus, a leader should also be concerned with his/her subordinates' private or family's difficulties, such as financial distress and illness or death of subordinate's family member. In turn, the subordinates owe him the incalculable debt of '*hutang budi*', "a form of indebtedness with which they will struggle incessantly to repay but which continues to endure even into the next generation" (Pye, 1985, p. 117).

A superior can also be dependent to his/her subordinates due to subordinates' assistance, particularly related to the leader's personal matters. For example, a leader will be indebted of '*hutang budi*' when his/her subordinates help the preparation of the leader's daughter's wedding ceremony. Therefore, in such situation, who uses whom becomes unclear (Mulder, 1994; Dwiyanto, et al., 2008):

4.4.2. '*Rukun*': The Concept of Maintaining Social Harmony

Besides '*hormat*', another important set of values in the Javanese culture is the concept of '*rukun*' or the maintenance of social harmony (Geertz, 1961, Magnis-Suseno, 1997). Within

such setting the life of the society works by the establishment of '*gotong royong*' or mutual assistance and any decision is made through communal meetings and gatherings ('*musyawarah*') to achieve '*mufakat*' or consensus (Tsamenyi, et al., 2008).

Such a condition is characterised by cooperation, mutual acceptance, calm and unity (Magnis-Suseno 1997). It implies "a state of agreement, of unanimity in a group concerning its means and purposes" (Geertz, 1961, p. 149). Furthermore, this concept implies harmonious social integration in the sense of obedience to superior ('*manut*'), kindness, avoidance of conflict, understanding of others, and empathy (Geertz, 1961; Koentjaraningrat, 1985). It is described as "basic social properties of self control and avoidance of disapproval" (Geertz, 1961, p. 114).

This state of '*rukun*' is created by the avoidance of all form of direct conflict among people. Geertz (1961) illustrates one group to be '*rukun*' "if there is no overt expression of divisive opinions and feelings" (p. 114). Whereas Javanese people are required to exercise '*panata basa*' or being polite in speaking to show respect, they also need to demonstrate '*panata rasa*' or how to manage one's senses or feelings. Consequently, they are demanded to "being smart in managing one's senses or feelings regarding oneself and others and striving to make others happy" (Sutarto, 2006, p. 45)

These embedded norms make people tend to feel '*pekewuh*' or embarrassed reverence toward their superior or someone whom they respect (Geertz, 1961). Tsamenyi, et al. (2008) report that day-to-day activities of organisation in Indonesia are affected by the conception of '*rukun*', where subordinate and superior create a '*pekewuh*' culture. '*Pekewuh*' is a Javanese phrase, which means reluctance and failure among superiors to punish subordinates because of the development of familial relationships in the workplace.

To create a '*rukun*' society one has to know each other well through closely personal interaction. The Javanese people are allowed to ask personal and family matters in their first acquaintance and the respected party should be voluntarily willing to answer to such question (Magnis-Suseno, 1997). Such an interaction is not common in Western context. Another way to build a friendly relationship in Javanese setting is to establish the gift exchange (Verhezen, 2003), by which "a desire for authentic recognition allows the giver, and consequently the receiver, to enter into a social relationship" (p. 1). In Javanese settings, gifts are presented on many events (Jackson, 1978). Geertz (1961) describes some communal events which involve the gift mechanism, including the ceremony of '*mitoni*', where a Javanese woman enters her

7th month of pregnancy, the birth and the anniversary of the baby. The delivery of gifts may function as a means for "stratifying new relationships and for extinguishing status ambiguity" (p. 37).

Verhezen (2002) gives an illustration of different implications of gift mechanism in Western and Javanese context. Within the Western society, the delivery of gift is considered as 'positive debt', which demonstrates "a profound appreciation of the beloved one instead of a perceived debt" (Verhezen, 2002, p. 2).

On the other hand, within the Javanese setting the presentation of gift has different implications of the above illustration of the Western culture. Within Javanese society, one the dedication of presents should not be rejected since such a refusal is viewed as paying disrespect to the giver. When a gift is given to an official, he/she is required to reciprocate in some manner. A failure to do so may cause '*sungkan*'. Therefore, to present a gift may instigate a potential dependency relationship; "if the recipient does not give some token, and preferably more valuable, gift in return, it is an implicit admission of the recipient's subordinate position" (Jackson, p. 37). Consequently, within such circumstances it is implied that the acceptance of the gift becomes 'negative debt' (Verhezen, 2002).

Moreover, the repayment of such debt is more compelled when the debt is in the form of non-material gift. By owing such incalculable debt of '*hutang budi*', the Javanese people are obliged to repay this kind of debt; this can even be carried through their descendants (Pye, 1985). In relation to this, it is the Javanese people's belief that "debts in money are easily paid but debts in '*hutang budi*' endure 'till the grave'" (Jackson, 1980, p. 349, emphasis in original).

4.5. Summary

The discussion in this chapter elaborates how Javanese culture has dominated the life of people in Indonesia across periods. The influence of Javanese culture within the life of Indonesian people reached its pinnacle during the 'New Order' period under Suharto. By establishing a programme of '*Jawanisasi*' or 'Javanisation', Javanese culture was deliberately proliferated within the life of Indonesian people, throughout the country. It is argued that 'Javanisation' programme was successful through bureaucracy (Budianta, 2000).

To understand the Javanese culture, two key Javanese values are utilised in this research. First, the Javanese value of '*hormat*' or respect, which requires people to demonstrate proper

respect to the ones who are in the higher hierarchy. Second, the principle of '*rukun*' or harmony necessitates Javanese people to minimise overt conflict and to put the interests of society or group before the individual desire.

These two Javanese values are utilised to understand the impacts of culture on the modification of control systems, resulting from the bureaucratic reforms. This research posits the value of '*hormat*' or respect to closely associate with the reconfiguration of hierarchy (chapter 6). Meanwhile, the value of '*rukun*' or harmony may interact with the specialisation/formalisation initiatives (chapter 7) and the case organisations' attempt to promote impersonality (chapter 8). Nevertheless, these two distinctive Javanese values are closely related and interdependent (Geertz, 1961); therefore the potential correlation between the two concepts in explaining the phenomena of the study is expected.

As this study involves an understanding of "others" culture, an ethnographic approach has been adopted in this research. The following chapter 5 will elaborate the detailed discussion of the research's methods and the procedures to gather data during the field study.

CHAPTER FIVE

RESEARCH DESIGN

5.1. Introduction

It was noted in the introduction section of chapter 1, this research views the implementation of bureaucratic reforms at the case organisations as a socially constructed by the interaction between the organisations and their members, among employees, and between the case organisations and their context (Efferin and Hopper, 2007; Tsamenyi, et al., 2008). Such important contexts include the institutional, social, economic, political, and cultural environments (for examples see Ansari and Bell, 1991; Uddin and Hopper, 2001; 2003; Uddin and Tsamenyi; 2005).

This research highlights the importance of understanding the research context when studying control or accounting in general (Burchell et al., 1980; Hopwood, 1987; Birnberg and Snodgrass, 1988; Dent, 1991; Ansari and Bell, 1991; Quattrone and Hopper, 2001; Ahrens and Mollona, 2007). As Stake (2010) corroborates, "context and situation are the background" hence "our interpretations depend on good understanding of the surrounding conditions, the context and situation" (p. 50). In a similar vein, Berger and Luckmann (1966) argue that studies that involve people cannot be undertaken outside the social context within which they are shaped.

Chapter 2 and 4 discussed the importance of these contextual elements of the bureaucratic reform processes at the case organisations. The economic and political backgrounds of the reforms were elaborated in chapter 2 while chapter 4 discussed the cultural aspects. This chapter presents the institutional context of the reforms by presenting a detailed description of the case organisations, the Tax and Customs Office. Such detailed descriptions of the researched organisations were gained through the field study conducted by the researcher.

This chapter consists of four main parts. The following section describes the rationale of the selection of ethnographic case study as the method of qualitative inquiry utilised in the research. Later, the description of the case organisations, where the study is undertaken, is elaborated. This includes the description of the organisation structure and the broad administrative processes in each organisation. Further, the discussion in this chapter provides detailed information on data collection procedures and what types of data were collected. It is

followed by data analysis and finally the writing up of the research findings. A summary of the key elements of the research design completes this chapter.

5.2. The Use of Ethnographic Methods in a Case Study Setting

As noted in chapter 1 section 1.5, my study has adopted an interpretive approach to understand the establishment of bureaucratic reforms at the case organisations. This selection of interpretive inquiry is based on the argument that the bureaucratic reform processes at the case organisations are implicated by its contextual aspects. Based on this approach, an ethnographic case study has been adopted as the research method to investigate some organisational phenomena (for example: Lowe and Jones, 2004; Ahrens and Mollona; 2007; Efferin and Hopper, 2007; Tsamenyi, et al., 2008), including the implementation of bureaucratic reforms at the case organisations. It has been argued that the ethnographic approach is predominantly appropriate for study that necessitates "detailed understanding of social or organisational processes because of the rich data collected in context" (Hartley, 1994, p. 323).

The selection of ethnography also fits the research questions being asked. As stated in chapter 1 section 1.4, the main research questions for this study involve the "how" and "why" questions, which makes ethnography an appropriate choice of research method (Hammersley and Atkinson, 1995; Creswell, 2007). Therefore, ethnographic method has allowed me to generate a detailed, in-depth understanding of the implementation of bureaucratic reforms at the case organisations as it involves the observation of "the fine detail of lived life" (Geertz, 2000, p. 16)

My research, in particular, focuses on the implication of cultural aspect of the reforms. By utilising an ethnographic method, I could gain an intensive understanding of the interaction between reforms and culture. As suggested by Geertz (2000), the anthropological approach, such as ethnography, is appropriate for a study that attempt to understand "other peoples' cultures" which involves "discovering who they think they are, what they think they are doing, and to what end they think they are doing it" (p. 16). Ethnographic method provides what Geertz (2000) requires "...it is necessary to gain a working familiarity with the frames of meaning within which they enact their lives" (p. 16).

Doing ethnography requires participation of the researcher, either overtly or covertly, participates in the day to day lives of the research object for a prolonged time, "watching what

happens, listening to what is said, asking questions; in fact collecting whatever data are available to throw light on the issues with which he or she is concerned" (Hammersley and Atkinson, 1983, p. 2). During my field work, I was immersed myself in the life of the case organisations to gain a detailed observation, both through direct and participation observations, to generate a narrative-based interpretation of events (Dey, 2002).

By conducting ethnographic research, I could gain a rich description of the day-to-day implementation of bureaucratic reforms at the case organisations from the insider's perspective (Maxwell, 1992 in Huberman and Miles, 2002) or the native point of view (Spradley, 1980). Therefore, an ethnographic case study not only allows a researcher to observe everyday practices in an organisation but also understand the meanings of these practices to members of organisation being involved (Brewer, 2000). It has been argued that such intensive information is rarely revealed in the brief and superficial contact typical of alternative research approaches; ethnography is described as "the art and science of describing a group or culture" (Fetterman, 1998, p. 1).

In my study, the ethnographic method was conducted in a case study setting. This approach differs from the traditional case study since the ethnographic approach analyses day-to-day aspects of life, rather than focusing on the unusual (Chua, 1988). By conducting an ethnographic case study, I studied the everyday life of the case organisations instead of an extreme occasion within the institutions.

In fact, the case study setting can be used by both positivist and interpretivist researchers. Research from a positivist tradition uses case study as a sample to represent a larger population. By assuming this sample possess similar properties of the population, a case study is utilised to generate statistical generalisation. It is argued that in positivistic works, exploratory case study is endowed to engender hypotheses and further tested through extensive surveys (Scapens, 2004).

On the other hand, interpretive research employs case study methods to gather in-depth understandings and meanings from a specific context (Ryan, Scapens, and Theobald, 2002). The interpretivists make use of explanatory case study to seek for deep and rich meaning of the phenomenon (Scapens, 2004). In the interpretivist approach, researcher and the researched are inseparable. Another distinguishing feature of ethnographic case study is that it requires researchers to immerse themselves in their research object. In the traditional case

study, a researcher is able to produce a high quality case study without leaving the library and the telephone (Yin, 2003 and Tinker, 1998).

5.3. Description of the Case Organisations

The research was undertaken in two units within the Ministry of Finance of Indonesia, the DGT and DGCE. These organisations were selected because of evidence and strong claims of their efforts to implement extensive bureaucratic reform initiatives. The bureaucratic reform programme in the researched organisations has been praised as a success story of the public administration reform (Kompas, 2009).

According to Denscombe (1998), a case study “normally depends on a conscious and explicit choice about which case to select from among a large number of possibilities”. The case organisations were selected on the grounds that, far from being typical, the case provides something of a contrast with the norm, which is called an extreme instance. For example is the selection of an organisation which is notably smaller or notably larger than usual. The selection of the Tax and Customs Offices as the case organisations in this research follows Denscombe’s extreme instance, where a relatively more effective organisations are studied among a population of institutions that are mostly perceived as ineffective. These two units have been accepted as the most advanced or sophisticated organisations in implementing bureaucratic reform programmes within the Ministry of Finance (Ministry of Finance, 2008b).

Before discussing these two Directorate Generals, the following discussion briefly describe the setting of the Ministry of Finance as the overarching body of these two units. The office of the Ministry was initially located at ‘*Lapangan Banteng*’, which was located next to the Presidential palace, demonstrating its strategic role within the function of the Indonesian government. The old building is shaped like old colonial building, with large pillars at the front and two enormous gate doors (see appendix 5.1). The construction of this building took 19 years, from 1809 to 1828 during the Dutch colonial era (see figure 2.1 for the timetable). Recently, the Ministry has been relocated to a new building, adjacent to the old one. Like other modern buildings in Jakarta, these new buildings are modern skyscrapers. There are two main buildings in this complex, namely Djuanda I and II building. The name was given to commemorate the first Finance Minister of Indonesia. Each of these buildings has 20 floors. Based on direct observation, it can be reported that the identity of the Ministry is represented

by a big logo of the Ministry, which is attached at Djuanda II Building (see appendix 5.2). The Minister's office is located at the 3rd floor of Djuanda I building.

As a part of the government office, the main task of the Ministry is to assist the President in establishing government revenue duties and taxes to manage nation funding and wealth, which encompasses tasks in the policy making, regulating, executing, controlling, and reporting (Ministry of Finance, 2010a). These broad tasks are carried out to achieve its missions in the area of fiscal, economy, politic, social and culture, and institution. To achieve those mandated missions, the Ministry has determined its vision, which is to be an internationally respected nation fund and wealth organisation, which is trusted and proud by public as well as a means to transform the nation into a just, prosperous and civilised society.

The structure of organisation of the Ministry is categorised as a big holding company (Hay Group, 2009). This represents its breadth of tasks, which embraces broad and complex tasks, and its depth, which is reflected by its vertical structure from the head quarter to its smallest branch in the region. At the present time, the Ministry has 12 Directorate Generals, which is the highest organisation unit in the government structure. This has made the Ministry of Finance as one of the biggest ministries. It currently consists of 63,000 employees allocated throughout Indonesia and some representative office overseas. The current organisation structure of the Ministry is as illustrate in the following chart:

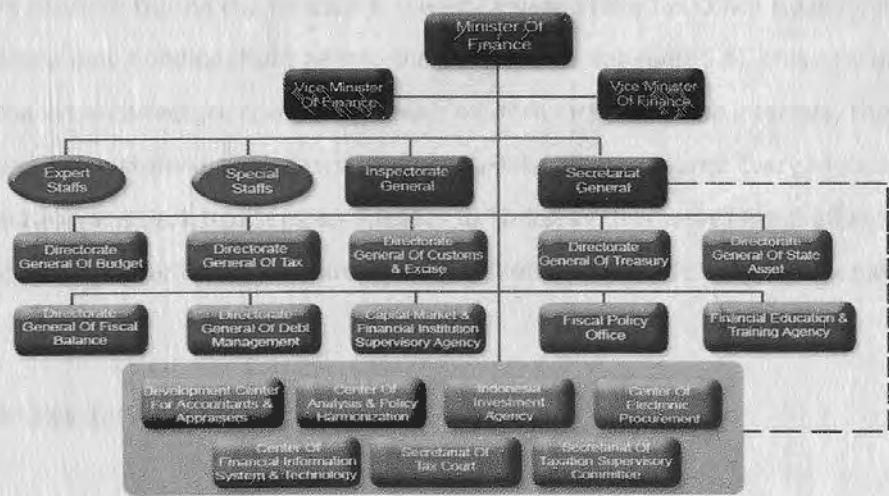


Figure 5.1: Organisation Chart of The Ministry of Finance
Source Ministry of Finance (2010a)

The average age of the employees of the Ministry of Finance at the time of the field work is 45 years old (Ministry of Finance, 2010a) which indicates that most of the employees were grown

up under the 'New Order' regime (see figure 2.1 for the timetable). This may lead to a conclusion that they are significantly affected by the 'Javanisation' programme, as discussed in chapter 1 section 1.2.2 and chapter 4 section 4.3.4. Such impacts are demonstrated in their daily conducts as bureaucrats. This will be elaborated in the empirical chapters 6, 7, and 8.

5.3.1. DGT

The DGT is the biggest unit within the Ministry. Its domination is also represented in term of assets management, by which this organisation holds about 609 trillion rupiahs⁴ or 71% of the national income (DGT, 2010). This office holds responsibility to formulate and implement policy and technical standard on tax management of the country.

The Tax Office is given annual target by the parliament of tax revenue, which currently is at 633 trillion rupiahs⁵. This constitutional mandate is secured by the law, by which all citizens that acquire income of some particular amount are obliged to pay tax. As reported, currently approximately 10 million citizens and organisations are registered with tax number or approximately 5% of the Indonesian population (Ministry of Finance, 2010a).

The DGT currently consists of 14 directorates and approximately 270 branches throughout Indonesia (see appendix 5.3 for the organisation chart of the DGT). The head quarter of the DGT is located on Sudirman Central Business District, where most of the big companies head offices are located. During the fieldwork, the employees in the Tax Office Head quarter just moved in to a new building, built next to the old one (see appendix 5.4). This new building is a state of the art architecture construction with modern facilities of the interiors. The tax officials wear casual shirts with ties; they do not have special uniform. Every Monday they wear white top and dark trousers, on Tuesday to Thursday they wear formal office clothes and every Friday they wear Batik, the Indonesian traditional shirt made from traditional Javanese cloth.

Gangsar⁶ Tax Service Office

To gain an intensive understanding of day-to-day implementation of bureaucratic reforms, I also conducted a field work on a '*Kantor Pelayanan Pajak/KPP*' or Tax Service Office in Jakarta,

⁴ Equals to GBP 43.5 billion (calculated by using current exchange rate 1 GBP=Rp 14,000).

⁵ Equals to GBP 45.2 billion (calculated by using current exchange rate 1 GBP=Rp 14,000).

⁶ Pseudonym.

the capital of Indonesia. By conducting field study on both headquarter and branch office, a more comprehensive understanding of the implementation of bureaucratic reforms was gained. This Tax Service Office's name is *Gangsar* office. *Gangsar* refers to the name of "*Kecamatan*", a municipal area where this office operates, which is situated at Central Jakarta.

There are four Tax Service Offices, which serve different *Kelurahan* within this '*Kecamatan*'. '*Kelurahan*' refers to the smallest public service structure in Indonesia; four or five '*kelurahan*' constitute one '*Kecamatan*'. If compared with the UK system, '*Kecamatan*' is relatively similar to one postcode area, such as Selly Oak (B29) while '*Kelurahan*' is comparable to 15 blocks of residential houses.

Gangsar office operates in *Kelurahan Kebon Kelapa* area, which covers 0.78 km square of land. There are approximately about 10,678 people or 4,276 families in this *Kelurahan* (see appendix 5.5 for the tax district area of *Gangsar* Tax Service Office). In these areas, the main stakeholders of this office are relatively big companies. In current system, as part of modernisation programme, all the biggest tax payers are concentrated in the Large Tax Office (the LTO). Therefore, although one big company is located near *Gangsar* office, it is not served by this office; the LTO does. However, some relatively big companies are still managed by this office, such as two international companies of tyre industry.

This office serves more than 10,000 customers (*Gangsar*, 2010), which can be categorised as corporate taxpayers (6,010) and individual taxpayers (4,721). There are 76 employees in *Gangsar* office and they are grouped in 12 sections. A section is the smallest unit within the organisation (see appendix 5.6 for the organisation chart of *Gangsar* Tax Service Office).

Based on data in 2009, this office has exceeded the tax revenue target by 13%, where the target was 300 billion rupiahs⁷ and the realisation was 370 billion rupiahs⁸. This outstanding performance has placed this office as one of the most improving Tax Offices in the country.

This office occupies a 5 story building at the central of the area (see appendix 5.7 for the picture of the building of *Gangsar* Tax Service Office). On the ground floor the service section, where everyday tax report and submission occurs, is located. The Head of Office room is located on the first floor as well as general affair section and supervisory and consultation

⁷ Equals to GBP 21.4 million (calculated by using current exchange rate 1 GBP=Rp 14,000).

⁸ Equals to GBP 26.4 billion (calculated by using current exchange rate 1 GBP=Rp 14,000).

sections. On the second floor are located claim, expansion, and data and information section. The supervisory team and section occupies the third level. The top level is the auditorium room, used for office general meeting.

When conducting the field work at this office, the researcher utilised the “If I were” approach to gain detailed understanding of the business activities at the researched organisations. Therefore, in this Tax Office, the researcher usually asked a question to the interviewee, such as: “If I were a taxpayer, how would you serve me”. Using this method some detailed illustrations were collected to describe this organisation’s business process, as follows.

1. Tax Report Submission

In Indonesia, the deadline of annual tax report return is every 31st of March for individual taxpayer and 30th of April for organisation/corporate. Besides, corporate taxpayer is also obliged to submit monthly report obligation, related to value-added tax and income tax.

A taxpayer must go to the reporting desk to submit his/her tax report (see appendix 5.8). This unit is under Service Section. On the completion of this process, he/she will be given the submission receipt. When a taxpayer requires assistance to fill the tax form, he/she can go to the help desk, near the reporting desk (see appendix 5.9). One official from supervisory and consultation section is stand-by on this desk.

2. Tax Report Analysis

The current tax system adopts the self-assessment report method, by which taxpayers determine the amount of their tax obligation by themselves. To analyse the real potential tax obligation of a taxpayer, the supervisory and consultancy section generate what so called tax payer profile. This includes some information of the taxpayer’s financial statement and its respective industry average earnings. Consequently, such benchmarking analysis to generate accurate information on taxpayer’s tax obligation can be conducted.

3. Tax Report Audit

To ensure the accuracy of data provided by the taxpayers, such as the amount of sales and profit, the Tax Office can conduct the on-site supervision to the pre-determined taxpayers. This task is conducted by the audit team. However, the decision of which taxpayers are to be audited is made by the higher office, the Regional Tax Office.

Once the taxpayer is decided to pay more obligation, the collection section will follow-up the recommendation made by the supervision team. However, the taxpayer has the right to disagree with the auditor's findings. They can ask for appeal process, which is conducted at the Regional Tax Office. If an agreement has not been made between the disputed parties the appeal process goes to the tax court, which is not part of the Ministry of Finance.

5.3.2. DGCE

The second largest unit within the Ministry of Finance is the DGCE. There are approximately 11,000 employees in the Customs Office or one third of those in Tax Office. The strategic role of this office, particularly due to globalised economy, includes: revenue collector, community protector, trade facilitator, industrial assistance, and compliance cost.⁹

The employees wear special uniform at the office. This, according to the HR people, is adopted to distinguish customs people with its customers. It also creates the "esprit d' corps" among employees. Each level of employees differs by its badge, which shows the hierarchical order within the office.

Yes, we want to create a sense of cohesiveness...Within the Ministry, we are the only unit that wears uniforms. One of the positive aspects of wearing uniform is that we can still identify our officials wherever they are, especially in the port where many parties involve. (Interview with HR Personnel of Customs Office)

There are 9 directorates within this Directorate General and approximately 45 branches throughout Indonesia (see appendix 5.10). The head quarter building is located outside Central Jakarta. It is situated near the location of the port, about 20 minute driving. At the head quarter, there are 3 big buildings, namely main building, A and B buildings. At the front of this office, there are stacks of containers, which give clear identification of Customs Office. Different with the building of Tax Offices' headquarter, these buildings are not skyscrapers. The main building only has 7 levels, while A and B buildings are 4 story buildings (see appendix 5.11).

⁹ Ministry of Finance's decree number 131/pmk.01/2006 concerning The Organisation and Procedures of The Ministry of Finance.

'Tanjung Priok' Main Customs Service Office

As in the Tax Office, the field study was also conducted in the operation office. The '*Tanjung Priok*' (see appendix 5.12 for the picture of the port of *Tanjung Priok*) office is selected as the case organisation, due to its size and strategic role within the DGCE. The modern '*Tanjung Priok*' office was established on July 2007, which marked the beginning of reform programme at the Customs Office (see appendix 5.13 for the picture of this office building). The establishment of this office, so called '*Kantor Pelayanan Utama*' (KPU) or translated as 'Main Service Office', marked the starting of bureaucratic reforms at the Customs Office. There are 1,050 employees in this office, which consists of 95% male and 5% female (DGCE, 2010a).

There are two main service offices; one is located at Jakarta (*Tanjung Priok*) and another office at Batam. *Tanjung Priok* is the biggest port in Indonesia, where approximately 75% of export-import activities are commenced. Meanwhile, the reason of establishing a modern office at Batam is due to its location near Singapore. The working area of *Tanjung Priok* office occupies all the area of port of *Tanjung Priok* and port of Koja (see appendix 5.14).

Within KPU, which consists of 11 divisions, is led by an official, who has the same hierarchical level as the head of a directorate in the headquarter (see appendix 5.15). This office serves more than 10,000 customers (DGCE, 2010a), which can be categorised as importers (10,780), exporters (10,817), and freight forwarders (446).

The business process in this office can be illustrated by following the flow of containers from its arrival on the port until it is discharged through customs exit gate. The flow of document of the container is also an important part to understand the procedures applied in this organisation.

1. Flow of Containers

After the vessel arrived at the port, the customs official along with quarantine and immigration officials are board into the vessel. The customs official's duty is to make sure that there are no illegal stuffs carried by the vessel crew, such as illegal drugs.

Later, the containers were discharged from the vessel to the port bay, using the giant crane. Then some trucks remove those containers to the temporary custody. Only those containers which are under priority channel can be immediately released to the exit gate. The rest have to be moved to temporary custody until the release document published by the Customs Office.

In the temporary custody, a physical examination of the container contents is conducted. This is intended to make sure the container contents exactly the same with which is reported in the document (see appendix 5.16 for physical examination process). This is, mainly, undertaken for containers under red channel.

As this process takes times, some companies utilise the x-ray scan device for this physical examination. These are the companies that want their goods to be released as soon as possible, for example for perishable good importers. Therefore, since they are under red channel they are willing to pay extra money for X-Ray physical inspection.

When all the previous process as well as the documents required is complete then the container can be released through the Customs exit gate. At the exit gate, there are two parties involved, which are Customs Office and Container Handling Company. The customs official checked the document submitted by the truck driver, the physic of the container, and the file in the system.

There are two divisions which relate to activities of post import release, namely division of investigation and enforcement and division of audit. The former unit has three main tasks, namely intelligent, enforcement and investigation. The later conducts post audit to the companies.

The activity cycle in the division of investigation and enforcement begins at intelligent section, which includes activities, such as: data/information gathering, data analysis, investigation recommendation. The data sources are mainly generated from desk analysis and field data collection. The former relies on team members' analytical thinking on documents reported by the importers, including past history of import data and data cross check against other importers. The latter are information gathered from field persons, such as truck drivers, gate guard, and foreman. All of this information is processed to generate output of recommendation on investigation. Therefore, the intelligent sections do not conduct the enforcement and investigation.

The cycle continues to the enforcement sections to follow-up the information about import or export fraud. The information can come from many sources, particularly from intelligent sections. The activities in this section include sealing, detaining and inspecting the suspected containers. For avoiding the release delay of the containers, these enforcement sections are allowed to require some priority containers, for example for perishable commodities, to be scanned under x-ray equipment.

Once the fraud information is proven, the investigation sections will follow-up this information. There are two stages of investigation, namely preliminary investigation and investigation. The first stage includes conducting interview to respective importers. The later stage is the initiative to file the fraud to court system, whether it is administrative or criminal

case. The members of these sections are by law functioned similar to police investigator. They can arrest and detain the fraud import suspects. Therefore, they do not need police involvement in commencing their duties.

The final process of the post container release is the audit activity. There are three main stages of audit process in this office, namely audit preparation, implementation, and post-audit. The auditor is entitled to conduct on-site inspection to the importer's office and warehouse. To effectively conduct an audit, this unit shares information about fraud and other illegal practices of the importers with the aforementioned unit, the division of investigation and enforcement.

Along with the processing of the containers, the administration of documents is the main activities performed by this Customs Office.

2. Flow of Documents

Before the arrival of a container, the shipping line has to electronically submit the manifest document to the Customs Office and container handling company. Manifest is a document explaining what commodity is in the vessel and how many containers are in there, and who are the exporters and the importers. Using the information system, the manifest section checks whether there are some discrepancies of this data.

The office has utilised the use of electronic system to process the document submission. The following figure 5.6 illustrates the flow of document of current import clearance system. From the illustration in figure 5.6., we can see that most of the processes done through the information system. There are only two sub-processes that require human involvement, namely: document check for yellow and red channel and physical examination for red channel. This new mechanism is adopted to minimise client-official interaction during the process of container and document release.

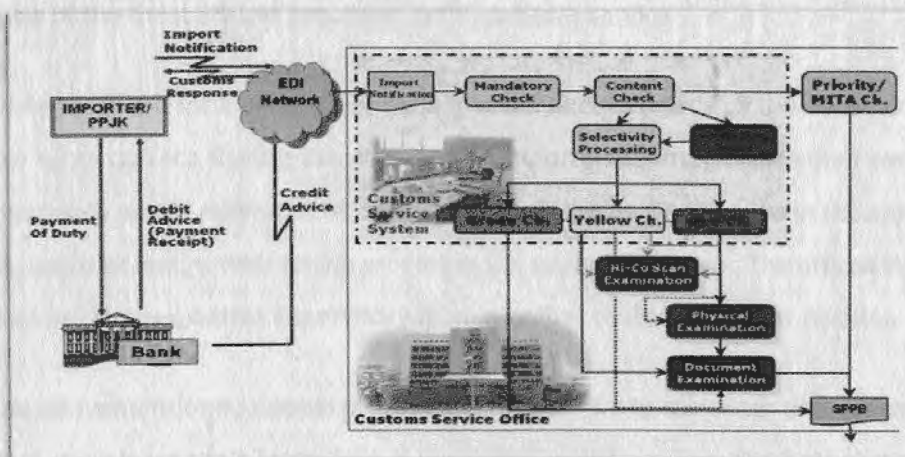


Figure 2.1: Import Customs Clearance Procedure

At this Customs Office, there are two different document check activities. The first is related to the information related to the completion of physical documents or administration matters, such as invoice, tax payment receipt. The second analyses the content and the accuracy of the information of the document, for examples the real value of the goods, which become the basis of the determination of import tax value of the goods.

The first tasks are carried out by two sections, namely: the Green and Yellow Channel Documentation section and Red Channel Documentation channel. Although it is described that the green channel does not require the documentation check, the importers on this channel are obliged to submit their hard copy documents, such as: import notification report, trade invoices, L/C document, and Bill of Lading. In this section, the official cross-checks the information inputted by the importers and the information from the real document provided by the importers. This is due to the self-assessment report in the Customs system. The same regulation is also applied for yellow and red channel. The difference is that the importers under yellow and red channel can only release their containers once their documentations are cleared at the respective section.

The later processes are carried out by the functional document supervision officials. As its name, this team is fluid and not hierarchical. This team is positioned directly under the Head of Office. As previously mentioned, this unit analyses the accuracy of the information provided by the importers. Some benchmarking analyses are carried out to compare the inputted information against its real value, for examples the current commodity price. The output from this team is the decision whether the import data is correct or not. When the information is correct then the import clearance letter can be issued. When it is not, the importers have to complete their duties, such as the payment of tax import discrepancies. This process in this team is one of the most critical processes in the customs service.

The importers can ask for a plea if they think that the decision made by the document supervisor is not correct. During this process, the importers can still release their containers by giving a warranty worth minimum of the value of their duties. The process in the appeal section is, more or less, similar to the process in the supervisory team. The official in this section can ask the respective supervisory team member to discuss his/her decision.

During the abovementioned appeal process, importers have to surrender their warranty, cash or non-cash, to release their containers. If the appeal process goes to the further step, which is

the tax court process, the warranty can be detained up to one year, depending on the completion of the process. If the decision by the appeal section or tax court is in favour to the importers, this section will give back the warranty given by the importers. However, before the officials at this section commence the warranty restoration, they will check the importers' outstanding duties to the Claim section.

The last activity involved in the post document process is the claim procedure, commenced by the claim section. The process of claim is quite clerical, by which this section physically administers and keeps the warranty given by the importers during the appeal process. According to the Head of Section, the satisfaction of this section services is low because sometimes the importers have to wait for a long time to have a decision on their appeals. Therefore, the service of this section is really dependent on other organisation, mainly the tax court.

5.4. Data Collection Procedures

The following sections elaborate the data collection procedures, which encompass some stages of data gathering, namely: access to the case organisations, data source, and data recording (Creswell, 2007, Yin, 2003, Mason, 2002, Bryman, 2008).

5.4.1. Access to the Case Organisations

As the nature of this research is a field-based research, by which researcher establish direct interaction with the research object, obtaining access to the selected case is a prerequisite. The attempt to gain research access to the selected organisation was initiated by sending a formal letter to the research organisation on 6th of August 2009 (see appendix 5.17). The letter was sent directly to a contact person, whom I know, and this person had direct access to the Minister of Finance. This attempt was deliberately taken to shorten the time and perhaps more importantly to ensure the request was not rejected. After more than two months, a reply letter from the Ministry was received by email on 16th of October 2009 (see appendix 5.18). The letter was signed by the Head of Bureau of Human Resource of the Ministry of Finance and copied to the Secretary of State, which functions as coordinating body for the cabinet.

I must bring this reply letter anytime during my field work to prove that I had been granted permission to conduct research at the case organisations. Prior to the first day of my field

work, I visited the office of the Head of Bureau of Human Resource to deliver my gratitude and formally asked for permission to conduct my research. Although I already had a letter of permission, such visit was essential to show my respect and gratitude. In Javanese term, this visit is called '*sowan*', which reflect to a deliberate visit by a person in lower level of hierarchy to the one in higher level (Geertz, 1961).

During this visit, I was also provided with the formal letter from the Secretariat General of the Ministry of Finance to Director General of Tax and Director General of Customs and Excise (see appendix 5.19). This letter was a memorandum stating that I had been granted permission by the Minister of Finance to conduct research at both units and the objective of my research. This document was essential to start my field work at the Tax and Customs Office.

On the first day of my field work, I was directed to meet the Director of Public Relations, who was in charge with the office's affairs with external parties, such as with a researcher like me. I showed the letter from the Secretariat General of the Ministry of Finance to the Director of Public Relations' secretary. She replied me by showing a similar letter from Secretariat General of Tax Office to Director of Public Relations (see appendix 5.20). Later, I was also required to hand a letter from Directorate of Public Relations to *Gangsar* Tax Service Office (Appendix 5.21) to gain access to conduct my research at this particular branch. Similar procedure was also applied to gain access at the Customs Office (see appendix 5.22).

This rigid procedure of gaining access had provided me with an initial observation of the nature of bureaucratic control at the case organisations. As suggested by Ahrens (2004), the gaining of access may reflect the culture of the organisation. In this case, the long period of time to process the letter can imply that the Ministry still adopts a bureaucratic culture despite their current effort to improve the working process through bureaucratic reforms. This bureaucratic culture was also confirmed from a conversation between the researcher and an employee within the HR Bureau, who sent the email attaching the letter of permission. This person told the researcher that the consideration of access went up and down from one department to the other, from superiors to their subordinates.

The above illustration of the procedure of gaining access also demonstrated nature of the hierarchy within the case organisations. Although I already held a formal letter of permission from the HR director, I could not automatically conduct my study at Tax and Customs Offices. I should follow the hierarchical order within the case organisations to gain access at these

particular offices. As advised by Ahrens (2004), top management approval does not necessarily guarantee access at the lower level.

During the first two weeks of my field work, it took four to five working days to have one interview appointment. Gradually, the access became easier as the rapport with the members of the organisations was successfully established. Personal connections also played an essential role to the success of the field study at the case organisations. For example, one interviewee gave personal reference to other officials to be interviewed. This so-called 'snowballing' technique saved a quite amount of time of getting access during the field work (Bryman and Bell, 2007). This personal approach was proven to be more effective than the formal one, particularly under the Javanese setting within the case organisations, which requires close and personal touch during interactions (Mulder, 1994).

5.4.2. Role of Researcher

The previous discussion indicates that by using an ethnographic approach to the case study, the researcher seeks an understanding of the way of life from the actors within the organisation (Spradley, 1980). In this research, this native point of view sometimes is known as emic perspective (Yin 2003, Creswell, 2007), were interpreted by researcher as an outsider, etic perspective. This position, as a so-called visitor, is argued to be the most common perception of the case researcher, in which the researcher visits the case site and observes overtly the subjects in their 'natural' context (Ryan, Scapen, and Theobald, 2002).

Such position is suggested by Blau (1964), who recommends that researchers who engage with bureaucracy, especially who are not experienced, should not select a disguised role:

It is difficult to simulate a role successfully over long periods of time, and if concerns over detection adds to the observer's other worries he is not likely to be effective in discharging his research responsibilities. (p. 28)

The position the researcher takes aims to help maintain objectivity with respect to the observations that are conducted. This objectivity is facilitated at the beginning of the fieldwork because the researcher was not a member of the case organisations. The case organisations were un-recognised by the researcher, and vice versa. This produces a condition where researcher and the object of research are "anthropologically strange" (Chua, 1988, p. 64).

This condition has provided a distinctive prospect for the researcher to develop an understanding of the practices in the case organisations, particularly in relation with the change of control system as a result of bureaucratic reform programme. This may occur because the reactions from the members of organisation did not make sense from the researcher's point of view at the time of field study.

5.5. Data Source and Recording

Ethnographic method involves multiple data sources and collection (Creswell, 2007). There are many possible sources of data to be collected from an ethnographic case study, namely: documentation and archival records, interviews, participant-observation, and physical artefacts (Yin, 1993). In fact, everything can be considered as data by ethnographers (Hammersley and Atkinson, 1995). This study utilises different sources of data in order to gain meaningful understanding of bureaucratic reform implementation practices at the case organisations.

This field study was conducted for the period of four months from February to May 2010. It involves 83 interviews, 12 participant observations, and the attendance of and observation of 9 meetings. At the end of the field work, the researcher has achieved "saturation," a condition where incremental improvement by additional data collection is minimal (Dent, 1991 in Marginson, 2004, p. 331). According to Fetterman (1998), the researcher should complete his/her field work when the general picture reaffirms itself over and over again (ibid, p. 10).

5.5.1. Documentation and Archival Records

During the field work, I was given access to many key documents of the case organisations and the case event, the bureaucratic reform programme. When researching public sector reform, Claver et al. (1999) suggest the importance of what they call as auditing the printed material. These authors argue a researcher may gain rich material to understand the public institution's culture, particularly by focusing on the meaning of culture rather than some series of figures (Hummel, 1994). Printed documents may also be valuable in studying an organisation's culture, including explanatory reports of yearly activity, statements on the strategic directions of the public body, formal documents from the management, and existing documents on past events (Claver et al., 1999).

The first source of data gained from the field study was in the form of documentation and various archival records. Some materials on the research settings were gained both in the form of hard and soft copies. These include the history of the case organisations, its functions and roles and demographic information on employees. Some documentation on the bureaucratic reform programme was also provided by the researched organisations. One of the main documents is the so-called blue book as titled '*Profil Reformasi Birokrasi*' or 'Bureaucratic Reform Profile'. As discussed in chapter 2 section 2.6, this document elaborates the reform programme in detail. In addition, I was given access to the some legal documents, such as the 'PMK' (*Peraturan Menteri Keuangan*) and 'KMK' (*Keputusan Menteri Keuangan*). The former refers to the Ministry of Finance's Decree and the latter refers to Ministry of Finance's Decree. Both are the highest jurisdiction of legal documents within the case organisations. The example of this legal document, which I gained during my field work, is the Minister of Finance's Decision No. 30/KMK.01/2007 concerning Bureaucracy Reform in Ministry of Finance. This document describes the framework and initiatives of the reforms.

Document and archival records are unobtrusive data collection techniques (Yin, 2003). They become a vital resource for the study because they provide data that has not been prepared by or for the researcher. This may overcome researcher bias, which sometimes becomes a criticism of qualitative study (Atkinson and Shaffir, 1998). One example of this is the access to the unpublished book of "*Berkah*" an acronym of "*Berbagi Kisah dan Harapan*", which consists of real examples of day-to-day practices prior and post the bureaucratic reform programme. This book is essential, particularly to provide the organisational practices before the launch of the programme since the field study was conducted post the reform programme. Despite its usefulness, I should acknowledge the potential bias engendered by the use of this book, by which I would be expected to try to verify to an extent through interviews with participants serving through the earlier period.

Some documentation of the organisation and the reform programme were also available from the local media. This was due to the public acknowledgement of the success of some of these reform programmes in the Ministry of Finance. The leading Indonesian language newspaper "*Kompas*" and English language "*The Jakarta Post*" became the useful references during the field work.

5.5.2. Direct and Participant Observation

Further, the researcher conducted direct observation during the field study. The preliminary observation embraced studying physical land and office space, people and events. Physical land space scrutiny included analysis of the shape and location of the Ministry of Finance's building and its comparison with other public agencies' buildings, (Jorgensen, 1989). Further, this author claims that by learning these bodily landscapes, the researcher gains a rich description about the research setting, thereby generating a feeling of engagement with the researched organisations.

Another initial observation involved an enquiry about people and events. This inquiry provided the researcher with some useful information such as the number of employees in certain departments, what they wear, what ethnicity makes up the groups and how interactions take place among them. Later observations combined with these enquiries revealed the patterns that emerged within certain groups, like the organisation of people in teams, cliques, or family groups (Jorgensen, 1989).

Observations were made throughout the fieldwork phase and were recorded in field notebooks. Direct observation differs from participant observation for data gathering classification purposes in that these observations involved no interaction with the subject. An example is documenting the observed routines of staff performing their duties. This was done from a distance and differs from participant observation in that the researcher does not actually perform the tasks himself, but simply documents the ways in which these tasks are performed. This level of observation has been characterised as "passive participation" (Spradley, 1980, p. 59).

After a period of two weeks, both the researcher and the research participants had become familiar and rapports have been well established. This has enabled the researcher's involvement in the participant observation. It has been argued that participant observation becomes the distinguished feature and the main method of data collection of ethnographic approach (Jorgensen, 1989). It is a mode of data gathering that demands the direct involvement of the researcher in the daily lives in the case organisations, which enables the researcher to observe and experience meanings from an insider's perspective, beyond formal procedures and structures (Bryman, 2008).

According to Schensul, Schensul, and leCompte (1999), participant observation functions as the opening point for the researcher in the field location because of its roles to provide both intuitive and intellectual understanding of the way things are organised and prioritised. Using this approach, a researcher may have the opportunity to be exposed by some organisational secrecy and taboo since he/she is regarded as the member of the organisation. Lastly, these authors claim that participant observation endorse the presence of the researcher in the community. Nevertheless, the researcher must be aware of any potential biases occurred by being an active participant (Jorgensen, 1989).

Another rationale of the use of participant observation in this study is because the researcher is interested on the implementation side of the reform; not only on the conceptual level. As Ahrens (2004) suggests that management lies in how it is done and not how one talked about it. Therefore, being a participant observer gives the researcher the day to day implementation of bureaucratic reforms at the case organisations.

During the field work, the researcher was at the research organisation following normal working hour time of the Ministry of Finance, which is from 07.30 am to 5.00 pm, five days a week. Therefore, the researcher had opportunities to participate in the daily lives of the institution. The researcher was involved in some routine meetings in the researched organisations; usually take place every Monday morning, as well as ad hoc meeting. Additionally, researcher asked for permission to attend and observe management meetings. This has provided a strategic views and practices of the case organisations.

At the Tax Office, I was involved in the 'one-day-done service' task force, which administered the return of tax reports. I also had opportunities to accompany an Account Representative (AR) to visit the taxpayers (see appendix 5.23). During my field work at the Customs Office, I was engaged with the activities of the intelligent officer at the port (see appendix 5.24). These participant observations have provided me with real experiences of being the member of organisations.

The recording of both direct and the participant observations were written in the research journal. To attain a detailed understanding of the members of organisation, personal journal entries of impressions and observations were created. This journal also recorded researcher's experience within the organisation (Atkinson and Hammersley, 1998). The researcher had

prepared for a standard form of field note form, adopted from Schensul, Schensul, leCompte (1999), as shown in appendix 5.25.

Some evidences from meeting in form of minutes of meeting were also collected during the field study. Other physical materials, such as handouts and presentations distributed at the meetings were also become the evidence for the research. These have provided an informative view of the rituals of the organisations when followed up with informal interviews and conversations (Jorgensen, 1989, in Creswell, 2007). The researcher also took some photographs during the participant observation, for example during taxpayer visit and visiting the port.

When making ethnographic record, some rules as suggested by Spradley (1980) were followed. First, I distinguished participant's language in order to generate documentation that "reflects the same differences in language usages as the actual field situation" (Spradley, 1980, p. 66). As a result, the mix of language among the researcher, participants, or among participants, was avoided. Second, I adopted the verbatim recording, by writing down word-for-word of what the participant said. The tendency of researcher to translate the informants' words into their own words may lead to a failure of learning the inner meaning of the research object's culture.

5.5.3. Interviews

As mentioned in the opening of this section, a total of 83 interviews were conducted during the field study. The average length of the interview is 1.5 hour, which makes the total time of the interview is 125 hours (see appendix 5.26). This massive amount of interview data, therefore, has become the major source of data of this research.

According to Fetterman (1998), interviews "explain and put into a larger context what the researcher sees and experiences" (p. 37). By conducting interviews, I was familiarised with the language the members of organisation use and the way they communicate using that language, both verbal and non-verbal. During the field work, I mixed some types of interview, namely semi structured, unstructured and reflexive interviews.

Firstly, formal semi structured interviews were utilised. The rationale of the selection of this type of interview is due to the newness of the phenomenon (Horton, Macve, Struyven, 2004). The bureaucratic reforms were considered as a relatively new issue in the Ministry of Finance

since it was only launched for 2.5 years when the field research conducted. Some standardised questions were asked to the research participant during this semi structured interview generated from the research questions (see figure 5.3). In addition, such demographic information (position, rank in the hierarchy, tenure) and their involvement on the reform programme were also asked. The examples of questions of the semi structured interviews are described in figure 5.3.

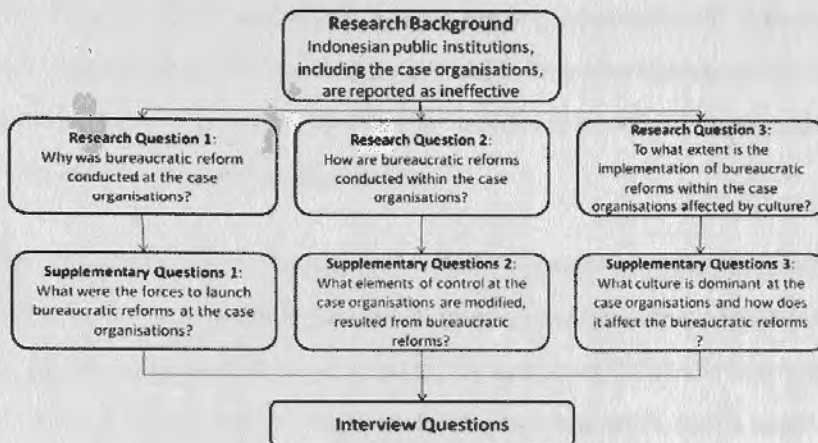


Figure 5.3: The Generation of Interview Questions

Secondly, some informal unstructured interviewing was also performed, particularly to collect data from non-managerial members of the Ministry. The selection of informal unstructured interview is as a result of potential cultural obstacle among the lower level employees. This is concerned with unfamiliarity of members of organisation with such research. Interview was in form of open-ended, unstructured questions in order to allow the research participant to answer in as detailed or as abrupt a manner as they feel comfortable (Silverman, 2005). Using this approach, the researcher offered a setting, where the participants were free to express their thoughts and experiences. I utilised office break and after hour time to conduct these interviews. The topic of these informal interviews include the participants' roles within organisation, their understanding with the implementation of bureaucratic reforms, and their experiences of daily work prior and post the reform programme.

Nevertheless, the researcher was aware of the limitations of this kind of interview, such as the tendency of the interviewees to give responses they want the interviewers to have and testify, rather than their real values and arguments (Horton, Macve, Struyven, 2004). To minimise such problem, the researcher had assured the confidentiality of the interview. As a result, the most informal situation, within which research participants could be encouraged to be open about their opinions, can be set up (ibid, p. 340). I also compared the informant's explanation

with other sources of data, such as office's documentation. This, so called, data triangulation can increase the reliability of a qualitative research. This issue will further be elaborated in section 5.7.

Lastly, another type of interview utilised in this research is reflexive interview, by which the interviewer attempted to reconstruct the past. This requires interviewees to recollect past time information (Fetterman, 1998). In this research, retrospective interviews were utilised to seek understanding of control mechanism prior to the implementation of bureaucratic reforms in the case organisations, which is before 2007. This information of the understanding and past experience of control system within the Ministry is beneficial to generate a comparison between current and past practices.

When conducting the interviews, the researcher followed some procedures of ethnographic interview (Spradley, 1979) in order to gain a rich understanding on the adoption of control system within the case organisations. As required by Spradley (1979), the interviewer needs to put emphasis on the purpose of the interview. During the field work, in the beginning of each interview, I always elaborated the interview's objective. Another initial explanation prior to the interview was the explanation of data management, such as how the interview recorded and transcribed. All these statements were written in the consent form given to each participant before the interview initiated (see appendix 5.27).

Spradley (1979) also demands the researcher to encourage the participants to use their own native language. For example, the bureaucratic reform programme was referred by the participants as the English word 'reform' not Indonesian translation of '*reformasi*'. Other native language used by the interviewees was the word '*sungkan*', which comes from Javanese language referring to the state of feeling reluctant. The detailed explanation of the meaning of this Javanese word was discussed in chapter 4.

The maintenance of the 'native' or colloquial use of language is quite an important issue in itself. Therefore, I adopted the procedure followed in the works of Efferin and Hopper (2007) and Tsamenyi, et al. (2008), who also report the case studies in Indonesian setting into journal articles in English language. Consequently, these works deal with the translation of the Javanese words into English. As adopted in both of the studies, I have utilised the previous works on Javanese setting to translate Javanese words into English (for examples Geertz, 1961, Mulder, 1994).

Lastly, doing an ethnographic interview should involve the use of ethnographic questions, which gave opportunity for the researcher to gain detailed explanation about the phenomenon (Spradley, 1979). Such ethnographic question demanded the interviewee to describe a concept or event. However, during the field study the researcher found it tricky to ask the interviewees for definition, such as a question like “How do you define bureaucratic reforms?” Being asked such question, some interviewees felt like being tested; therefore, they asked for sometimes to look for book or document to search for the exact definition. This reaction was, mainly, due to the context that they were being asked by an academic.

To maintain the credibility of information gained during interview, an interview protocol, as suggested by Yin (2003), was followed. This includes “the researcher’s respect for the culture of the group under study” (Fetterman, 1998, p. 40). This required researcher to be fully aware of values or norms of the group. Such consciousness to the research participant was to wear similar attire of the people in the group and speaking their language. During the field work, I wore similar clothes with the members of the researched organisations. I wear white top and dark bottom every Monday and Batik (Indonesian textile) every Friday.

Further, as a researcher I demonstrated “respect for the person” (Fetterman, 1998, p. 47). As the participant provided favour to the researcher, such as their time, I always attempted to get well prepared with the time schedule. During every interview, I showed the appreciation that the participants had their own duty to be completed. I often looked at the participant’s body language, including their sight to the watch indicating that interview should be stopped.

The recording of the interview was dependent on the situation of the interview. The formal interviews were recorded with digital voice recording, subject to consent of the interviewee. During the field study, I could gain 100% agreement from the interviewees to have our conversations recorded. The use of a digital voice recorder has provided a more accurate account of an informant’s comments. However, researcher was aware of undue stress and concern of confidentiality for the interviewees (Fetterman, 1998). In order to cope with such condition, prior to the interviews, the researcher gave a brief explanation of the research and its benefits for the organisation. The consent form was also distributed to each participant.

The researcher utilised the digital voice recorder not only during the interview but also prior and after the interview. The pre interview recording documented the description of the objective of interview, the connection of current interview with previous ones, the expected

information to gain, and the commencement of the interview. The post interview recorded non-verbal aspects, such as body language and intonation, and assessment of the interviewee's responses during interview, whether she/he is exposed or concealed (Scapens, 2004).

All the recorded interviews were self-transcribed to allow in depth analysis as the transcription progresses. It is argued that by transcribing oneself the field worker may have a better feeling for the data (O'Dwyer, 2004). The transcription was usually commenced in the evening after the office hour. It took 10 hours to transcribe the first interview, which lasted for 1.5 hours. However, the more frequent of transcribing the quicker the process. In average, it took 6 hours to transcribe a 1.5 hour interview.

Meanwhile, information gathered from the informal interviews was stored in the researcher's field notes. This recording time took place during lunch time or after office hour in order to maintain unobtrusive information collection. During the field work, the researcher usually utilised the lunch time to take notes of informal interview. This immediate recording was aimed to minimise errors and inaccuracies of retrieving of what has been said during conversation.

5.5.4. Artefacts

During the field work, the researcher also utilised artefact as source of evidence. Indeed, artefact has become a unique feature of an ethnographic approach (Creswell, 2007), which includes language, jargon, metaphors, stories, myths, legends, scripts, ceremonies, and physical arrangements, such as dress and decor (Ott, 1989). Mission statement, flyers and posters, and PowerPoint presentations from meetings were other artefacts for this research. For example, at the Tax Service Office, some new posters of anti corruption were displayed at the lobby. This may be aimed to change the image of the Tax Office to the public.

As this research involves the study of culture, the artefact is essential to explore the espoused culture within the case organisations. Claver et al., (1999) recommend the commencement of physical analysis of the public body because this may detect at first glance the material symbols of the organisation. For example, different office layout and facilities may represent different hierarchy within the case organisations. The office location may also imply its importance within the Ministry.

Another important artefact is the use of jargon by the members of organisation, which could usually be understood among them. The term of '*teknis*' and '*non-teknis*' division to refer to lucrative versus non-lucrative unit is one of the jargons widely used in both case organisations. Others refer these as wet versus dry place. The former refers to section or division, where a big amount of money is managed (such as tax appeal unit at Tax Office) and the latter to the units which hold fewer funds (such as general affair section).

5.6. Data Analysis

After data and information were collected from the field work, the consequent phase was to make sense of them. It has been argued that data analysis in ethnographic studies is not separated from other research process (Hammersley and Atkinson, 1995). It may start prior to field-work stage and continue through to writing up process. Creswell (2007) suggests some practical steps of data analysis, namely: data preparation and organisation, data classification, and data representation. Marshall and Rosmann (1999) advise two main processes in analysing qualitative data, namely data reduction and data interpretation. The former encompasses its sub activities, which are organising data, generating categories, themes and patterns, coding data. The latter comprises of searching for alternative explanation and writing up. Another approach of qualitative data analysis includes data reduction, data display, and data interpretation, as suggested by Huberman and Miles (1994).

Despite differences in naming the stage of qualitative data analysis, there is common understanding among researchers that in the practice those processes are somewhat overlapping (O'Dwyer, 2004); iterative and not sequential (Creswell, 2007); and iterative and progressive (Seidel, 1998). In this research, the data analysis process included some steps as aforementioned, namely: data organisation, data reduction, and data interpretation.

As previously mentioned, most of the research data were collected during the field work. This included three main categories of information. Firstly is in form of research notes, which contain observational material and interviews. This includes transcripts of interviews, interview notes, field journals, field notes. Secondly, is in form of documentation, such as: booklets, press releases, job descriptions, press cuttings on contextual and background of the researched. Lastly is in form of diary reflections, which captured researcher's feeling, emotion, thought, and interpretation of phenomena in the field study.

These bulks of information were organised into structured forms (Creswell, 2007), based on its forms, namely interview, observation, documentation, and artefacts (see appendix 5.28). In addition, a summary of quotes from the interview transcript was also produced (appendix 5.29). After bulks of data are organised, the next step was to reduce these data into classified information. As the nature of the research is an explanatory case study, the primary analysis technique utilised for this research was the explanation building using pattern matching. As previously discussed in the data collection section, full transcripts of the interviews and participant observation were prepared by researcher. Analysis of these transcripts combined with research notes were employed to the identification of key themes of the research, mostly around two main concepts, namely control and culture. Additionally, as this research utilise participant observation, researcher's personal journal, which records day-to-day life in the case organisations, allow researcher to gain an in-depth understanding of both the actors' response during the field-work and the process of interaction itself.

Finally, the research findings were presented in the narrative description in chronological order and thematic sequence. The chronological phase was used to illustrate some historical information, such as the history of the case organisations and the timeline progress of the reform process. Meanwhile the thematic categorisation was utilised to capture some evidence, which are more important and convincing. This is supported by descriptive tables and figures in order to create a thick description of the research results (Wolcott, 1994 in Creswell, 2007). In this research, some figures from the surveys which represent the organisational performance, prior and post reform programme, are utilised to complement the narration. For examples: surveys of performances of Tax Offices by AC Nielsen (Nielsen, 2005a; 2005b) and Customs Office by Hay Group (Hay Group, 2009; 2010).

5.7. Writing Up

The last step is to write up the analysis and interpretation. A researcher who adopts ethnography is said to be in a unique position when he/she writes up the ethnographic report because the writing is presented to the participants and to the reader. Each of the parties may display different understanding and interpretation of the writing (Van Maanen, 1988).

Hammersley and Atkinson (1995) suggest some alternatives in writing up the findings of the research. The first of these is named as "natural history" (ibid, p. 215). This option can be adopted if the organisation of the text corresponds with the process of discovery of the

results. The second approach proposed by these authors is the so called "chronology," by which the organisation of the texts follows some "development cycle", "moral career" or "timetable" of activity (ibid, p. 217). It is argued that such strategy fits when writing findings that closely relate to the passage of time. The third strategy is described as a "narrowing and expanding of focus," by which the writing is structured in a series of episodes that enable analysis at different levels to become more narrow, or broad, and flashback or forwards. This style of writing is like zooming in and out of the phenomena of the research according to different aspects of interest to the ethnographer. Hammersley and Atkinson's further method of writing is the separation of the interpretation from the analysis. This approach is useful when the space for writing is not limited, for example is writing of a thesis. Lastly, these authors recommend "thematic organisation", which utilised to capture some more important and convincing evidence.

The chronology strategy is adopted in this research to elaborate some sequential events within the case organisations, such as the staging of bureaucratic reforms (see figure 2.2 in chapter 2). This approach is also utilised to generate a narration of the research setting, including the history of Indonesian bureaucracy (see figure 2.1) and history of Javanese culture (see figure 4.1). Another section of research setting also employs this history and chronology strategy, including the description of the history of researched organisations.

For presenting the empirical findings, this research mainly adopts the thematic strategy because of the way the discussion during the field work unfold some emerging themes and concepts related to control mechanism as the implication of bureaucratic reform programme. These themes are then juxtaposed with some related theorisation on control and culture, which are elaborated in chapters 3 and 4, including hierarchy, standardisation/formalisation, impersonality, '*hormat*', and '*rukun*'.

The discussion of the context of the research becomes the opening writing of the thesis. As suggested by Wolcott (1994 in Creswell, 2007), for the case of ethnographic case study description of the research context to be disclosed in the early part of data analysis. The discussion in chapter 2 provided the background of the bureaucratic reforms, as the main case event of this research. By providing this context, this thesis provides a clear picture of the research setting. This is supported by descriptive tables and figures in order to create a thick description of the research results (Wolcott, 1994 in Creswell, 2007), such as surveys on the effectiveness of Indonesian public sector from World Bank and Transparency International.

Later, the empirical findings of the research are written up in thematic sequence, following the bureaucratic reform framework (see figure 2.4 in chapter 2). Chapters 6, 7, and 8 are ordered in association with the 1st, 2nd, and 3rd pillar of the reforms, consecutively.

Throughout the thesis, both the first and the third person are used simultaneously. The use of the first person is particularly associated with the qualitative nature of this research (Creswell, 2007; Bryman, 2008). It is argued that to maintain the interpretive epistemology of the research, the use of the first person in writing up the qualitative research is suggested (Bryman and Bell, 2008). Moreover, the reflexivity of the 'voice of the researcher' can be pursued by writing up the research in first person (Lutton, 2010).

It has been argued that research must be scholarly rigorous to be considered as an academic contribution (Bryman, 2008). Some authors (such as Creswell and Miller, 2000) suggest that the issue of rigor is different between quantitative and qualitative inquiry. These authors recommend nine procedures to maintain qualitative research credibility, namely triangulation, disconfirming evidence, researcher reflexivity, member checking, prolonged engagement in the field, collaboration, audit trail, thick and rich description, and peer debriefing.

This research utilises three of the above mentioned procedures, namely triangulation, prolonged engagement in the field and generation of thick and rich description. The first procedure, which Creswell and Miller (2000) defines as "the search for convergence among different sources of information" (p. 126), is fulfilled with the use of multiple sources of data in this research. As discussed in section 5.5, this research utilised documentation and archival record, artefacts, interviews and participant observation as the sources of data. This has provided me with more accurate findings and conclusions. This also enables the investigator to deal with a broader range of historical, attitudinal and behavioural issues more accurately (Yin, 2003).

Secondly, the researcher stayed at the case organisations for a prolonged period. This length of field work, as suggested by Creswell and Miller (2000), is required to gain repeated observation of the research object, by which researcher "build trust with participants, find gatekeepers to allow access to people and site, establish rapport so participants are comfortable disclosing information, and reciprocate by giving back to people being studied" (p. 128). Although it has not been agreed what the minimum time of prolonged engagement is, a study adopt an ethnographic case study should spend from four months to one year in the

case or site (Creswell and Miller, 2000). In this research, a period of four months was dedicated for data collection in the case organisations. The fact that I became the member of the case organisations from 7.30 am to 5 pm, Monday to Friday, has provided me with an intensive data regarding the implementation of bureaucratic reforms.

Finally, this research has generated a rich, thick description of the phenomena. This is in line with the research objective, which is to gain an in-depth and detailed understanding of the change of control of the case organisations as resulted from bureaucratic reforms.

5.8. Summary

The purpose of this chapter is to elaborate the methodological approaches and research methods utilised in this thesis and the case organisations. By discussing the underlying methodological precepts, this chapter also examines the logic and rationale of selected philosophical assumptions and the fit with the chosen methods.

This chapter also provides the description of the case organisations to give context of the research. The selection of Tax and Customs Office as the researched organisations was due to their advancement in the implementation of bureaucratic reforms within the Ministry of Finance. The researcher adopted an overt role during the field study.

The utilisation of multiple sources of data has provided the researcher with a rich explanation of the bureaucratic reform process at the case organisations. Interviews have been the dominant source of data of this research. In addition, the involvement of the researcher through participant observation has allowed the researcher to experience the real life of being the member of the organisation.

The evidence of the research were analysed and written up in two main themes, control and culture. The following chapters 6, 7, and 8 will present the empirical findings gained during the period of the field study. The selection of ethnographic method within case study setting has provided to gain an intensive understanding of the researched phenomena, which is the implementation of bureaucratic reforms.

CHAPTER SIX

HIERARCHY AND THE JAVANESE VALUES OF '*HORMAT*' (RESPECT)

6.1. Introduction

The bureaucratic reform initiatives at the case organisations, as described in chapter 2 section 2.6, identify three major areas of improvement: organisational restructuring, business process improvement, and human resources (HR) management enhancement (Ministry of Finance, 2008a). This chapter focuses on the implementation of the first pillar of reforms to restructure the organisation, particularly related to the reconfiguration of hierarchy within the organisations. Later, chapter 7 elaborates the second pillar of business process improvement, focusing on the standardisation and formalisation of procedures, while chapter 8 explains the last area of the reforms, which is to modify the HR management system to establish clear rules of demarcation in task performance and a culture of impersonality.

The research also explicates the importance of cultural aspects, especially the impact of native Javanese culture, on the implementation of the reforms initiative. This preoccupation, with the impact of culture, is shared with a number of other scholars who have investigated control systems in organisations (Dent, 1991; Efferin and Hopper, 2007, Tsamenyi, et al., 2008). Furthermore, some believe that the practices of accounting cannot be separated from their cultural contexts (for examples: Hopper and Powell, 1985; Ansari and Bell, 1991; Ahrens and Mollona, 2007). Therefore, this thesis advocates that culture has a key role in shaping social structures and institutions.

In particular, the use of culture as the explanatory element in understanding bureaucratic reforms has been suggested by some scholars, who argue that Weber's bureaucratic theory is limited in its ability to comprehend the phenomena of bureaucracy in non-Western settings, such as in Egypt (Berger, 1957); Turkey (Sozen and Shaw, 2002), and Thailand (Bowornwathana, 2007). Renoe (2002) suggests that some of Weber's central ideas of bureaucracy conflict with important elements of Javanese culture. Crouch (1994) claims that traditional Javanese culture is essentially undemocratic; thus becoming a deterrent to the establishment of some of the key element associated with democracy, such as bureaucracy.

This chapter highlights the cultural aspects of hierarchy as one of the critical bureaucratic control dimensions, both within the Tax and Customs administrative systems. Hierarchy has

been a very prominent characteristic of the bureaucratic form of control within the case organisations. Albeit the reforms' initiatives to reconfigure the hierarchy, it has remained largely intact due, at least in part, to the influence and inertia of the Javanese culture. It is reported that one of the bureaucratic reform programmes is to slash the hierarchical levels within the case organisations in order to expedite the completion of administrative tasks and decision making processes. The appointment of outsiders as the top leader at both the Tax and Customs Offices was also aimed to shake the hierarchy (Ministry of Finance, 2008a).

The following section outlines the plans to reconfigure hierarchy within the case organisations within the reform process. This is followed by an elaboration of the Javanese value of '*hormat*' or respect and how this has influenced the hierarchy reconfiguration plans within the researched organisations. The research findings are deployed in support of an argument that some aspects of Javanese culture may support the reform initiatives while others hinder. A brief summary reprises the important evidence and controversies presented in this chapter.

6.2. Bureaucratic Reform Initiatives to Reconfigure the Office Hierarchy

According to Weber (1974) a formal hierarchical structure is one of the most commonly observable features of bureaucratic organisation. It is argued to be a prerequisite for any bureaucratic organisation to adopt an ordered hierarchical structure to administer its activities. This characteristic of bureaucracy has become the distinct feature of bureaucracy compared to pre-bureaucratic forms of domination. Weber categorised three different forms of domination, namely traditional, charismatic, and rational-legal (Weber, 1974; Hughes-Freeland, 2007; Tsamenyi, et al., 2010). Within the first setting, people obey someone because this person occupies a position which provides historical reasons that they ought to be followed, such as the monarchy or other inherited leadership positions. The second form of domination exists when people obey a person with the charisma, which refers to "an extraordinary quality of a person, regardless of whether this quality is actual, alleged, or presumed" (Weber, 1974, p. 295). The chapter focuses on the third form of rational-legal organisational arrangement as proposed by Weber (1974), by which the values of logic, efficiency, and reason become the basis for the exercise of leadership and authority.

The following two sections elaborated the bureaucratic reform initiatives to reconfigure the hierarchy of the organisation. First, the researched organisations' efforts to flatten the long

hierarchical layers are discussed. Later, the appointment of external bureaucrats to fill the top hierarchical posts, both at the Tax and Customs Office, is elaborated.

6.2.1. Flattening the Hierarchy

Prior to the bureaucratic reform programme, hierarchy at the case organisations followed the civil servants rank order as regulated by the Ministry of administrative reforms, which is uniform for all government's institutions. There are five echelons (level of authority) within each department, in which echelon 1 is the highest rank (Tjiptoherijanto, 2007). This position is the ultimate career destination for civil servant, which in average can be accomplished within 25 years of service (Dwiyanto, et al., 2008).

As suggested by Blau and Meyer (2000), the logical consequence of hierarchy is that the lower level is under control of the upper bureaucracy. Consequently, the completion of the offices tasks within the case organisations needed to go through, at least, six levels of processes, as described in the following figure 6.1.

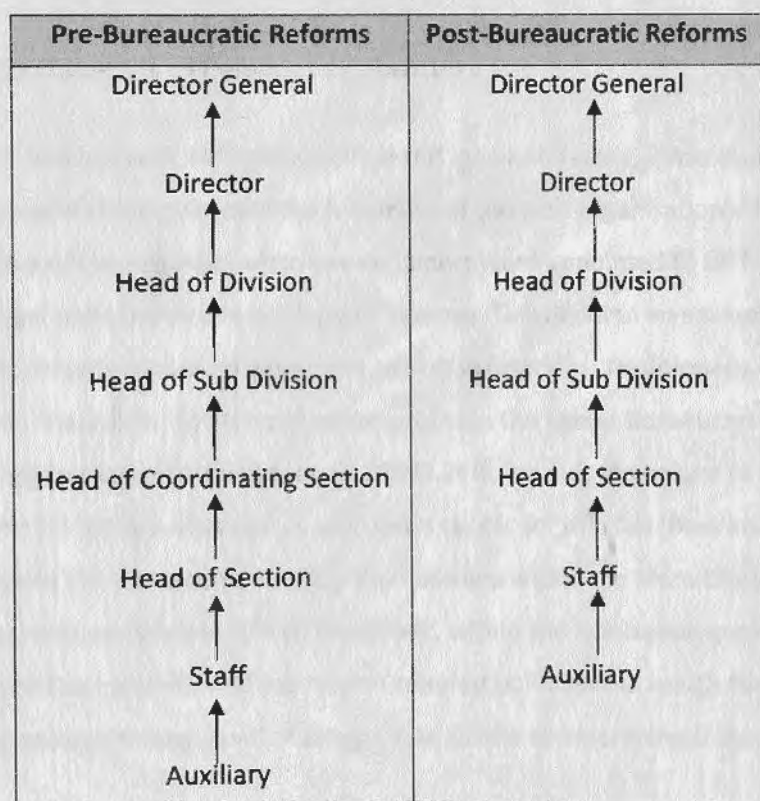


Figure 6.1: The Office Hierarchical Authority

This long hierarchical order has been reported to create slow response bureaucrats in Indonesia (Prasojo, et al., 2007; Synnerstorm, 2007; Dwiyanto, et al., 2008). This is particularly

due to the requirement for each task to go through every level of the hierarchy, as suggested by Weber (1974) that “the principles of office hierarchy and of levels of graded authority mean a firmly ordered system of super and subordination in which there is a supervision of the lower offices by the higher ones” (p. 197). Under such circumstances, the hierarchy must be thoroughly followed.

Therefore, one of the reform’s initiatives is to slash one of the hierarchy layers, to accelerate decision making process (Ministry of Finance, 2008a). One layer of hierarchy was terminated, which is the position of Head of Coordinating Section. As figure 6.1 illustrates, the current hierarchical order is relatively flatter; hence the decision making process is shortened. In fact, there is no universal formula on how many layers of hierarchy should be applied in an organisation. As Walton (2005) suggests, the complexity of the activities determines the number of hierarchical levels in an organisation. From the process of job analysis and evaluation conducted as a part of bureaucratic reform initiative, it is reported that the position of Head of Coordinating Section generates the least value added to the completion of office’s tasks (Ministry of Finance, 2008a); therefore it was terminated.

6.2.2. The Appointment of Outsiders as Leaders

Not only has the bureaucratic reforms modified the lower hierarchy, it has also, more importantly, changed the top level of the hierarchy of the case organisations. This has been the initial impetus of the reforms, when two outsiders were appointed to fill the top for these two most strategic units under the Ministry of Finance. This decision was taken to accelerate the bureaucratic reform initiatives within the case organisations. Traditionally, there was reluctance within the public institutions not to promote the career bureaucrat as the top leader of the organisations (Dwiyanto, et al., 2008). It is, indeed, the nature of bureaucracy that employment by the organisation constitutes a career for officials (Blau and Scott, 1962); thus employees are encouraged to develop their careers within the hierarchy ladder; not outside the organisation (Weber, 1974). Moreover, within the Indonesian context, the rigidity of the civil service law has deterred the reform-minded politicians to assign the non-civil servant professionals with high level of integrity, to fill the top hierarchy (Jakarta Post, 2009).

Nevertheless, with her courage and perseverance, the Finance Minister insisted to propose the appointment of outsiders to become the top leaders for the Tax and Customs Offices. This proposal was processed by the so called ‘*Tim Penilai Akhir*’ or panel of final assessors, chaired by the president. This team consisted of the top government officials, including the president

and his vice president, the Chief of state intelligent body, secretary of state, secretary of cabinet, and the Minister of Finance, as the proposer (Suara Karya, 2006). Finally, Mr. Darmin Nasution and Mr. Anwar Suprijadi were appointed as the Director General of Tax and Customs Office, respectively, on 27 April 2006.

This has been a new era for the researched organisations to have the non-Ministry of Finance's bureaucrats to fill the offices' top hierarchy. As mentioned, both leaders were not the internal employees of the case organisations, as reported:

Both Darmin and Anwar are civil servants, but from different career paths. Darmin was a top economics lecturer at the University of Indonesia, while Anwar was former chairman of the state administration agency. For decades, the tax and customs Chiefs have traditionally been picked from within the tax and customs bureaucracy. (Jakarta Post, 2009)

The breakthrough of this unusual appointment has been reported to generate some immediate positive outcomes. Within one year of this new leadership, the Tax Office has succeeded to increase the ratio of tax revenue to GDP up to 13.3% in 2007, compared to it was of 10% in the previous year (Vivanews, 2009). Another indicator of the improved organisation performance was demonstrated from the total number of the newly registered taxpayers of 1.7 million taxpayers (ibid, p. 4).

A similar promising condition was reflected in the performance of the Customs Office since the appointment of Anwar Suprijadi. Under his leadership, the Customs Office could accelerate its reform initiatives. Two indicators of the success of the outsider appointment strategy are the increase of the office's performance and the enforcement of employee discipline (Warta Bea Cukai, 2008).

The appointment of the outsider as the Director General of Customs and Excise had also influenced the working climate. The following statement from the Customs official may illustrate the situation of the office under his leadership:

The atmosphere in the office [after Mr. Anwar Suprijadi was appointed as Director General] is very different...it is really different. Mr. Anwar usually made some controversial decisions. He did not care [of the effect of his decision]. He had nothing to lose.

Mr. Anwar easily did what he liked because he was not from the office. So, he did not have burden of the past, he did not have psychological constraint. (Interview with Head of Centre of Internal Compliance of Customs Office)

The public also appraised the leadership of these two Director Generals. This is due to their serious commitment to accelerate the reforms process at the Tax and Customs Office, particularly to alleviate the corrupt practices within both of the case organisations. For instance, both Darmin Nasution and Anwar Suprijadi were among the seven recipients of 'the 2007 people of the year', delivered by the leading Indonesian magazine 'Tempo' (Tempo, 2008). This award was presented to those who were judged to have consistently given their best effort to eradicate corruption in Indonesia.

6.3. The Cultural Dimensions of the Hierarchy

As discussed in the beginning of this chapter, culture is likely to influence the control system in an organisation. In the context of bureaucracy in Indonesia, one of the effects of Javanese culture is on the nature of interpersonal interactions, both in terms of management style as well as individual behaviour in organisations (Renoe, 2002). As Watson (1998) argues, the relationship of those "who have power and discretion within organisations both shape and are shaped by the societies to which they relate" (p. 267).

The quote from prominent Indonesian scholar, Sudjatmoko (1965), illustrates the profound effects of Javanese culture on Indonesian bureaucratic life, particularly on the nature of hierarchy within the organisations in Indonesia.

... the tendency toward *paternalistic authoritarianism*, the inclination to seek employment in the civil service, the preoccupation with prestige and status rather than function and performance, the *unquestioning obedience to authority*... (in Jones, 1984, p. 156, emphasis added)

Observable evidence of this influence of Javanese culture is displayed in the interaction between superior and subordinates. In the Tax Office, the Head of Office is called as 'Pak Kakap' or 'Bapak Kepala Kantor Pajak' meaning head or father of the Tax Office. Similar practices are exercised at the Customs Office, by which the head office is called as 'Bapak Kepala Kantor'. The use of 'Pak' or 'Bapak' reflects the positioning of superior as a father; thus requires proper respect from 'anak buah' (literally means child) or subordinates. This familial association is inherent within the Javanese society (Geertz, 1961).

This indicates that higher posts are given very high cultural value and status in the organisations studied in this research (Magnis-Suseno, 1997). This influences the way the employees treat their superior and he/she must understand and respect the obligations that

his/her status places upon him accordingly (Whitfield, 2003). For Javanese people, respect for "social hierarchy is among the most basic aspects of the culture and hierarchy is understood as being 'a good in itself'" (Geertz, 1960 in Woodward, 2011, p. 235).

The following subsections elaborate the influence of the Javanese culture on the hierarchy of the case organisations. As discussed in chapter 4 section 4.4, there are two main Javanese values, namely '*hormat*' or respect and '*rukun*' or harmony. This chapter focuses on the value of '*hormat*' in shaping the hierarchy and the associated relationships within and between organisations.

6.3.1. The Influence of Hierarchical Relations with the Public and External Parties: The Bureaucrats as the '*Priyayi*'

The impact of Javanese culture was evidenced in the relationship between the case organisations and their clients. The officials tend to adopt hierarchical association with the users, in which they become the higher level with clients filling the subordinate role. Such observation was evidenced in the survey by an independent assessor, AC Nielsen, which was reported in the Tax Office's evaluation (AC Nielsen, 2005b):

Taxpayers perceive that there are still some auditors who feel that they are on top of everything to make taxpayers 'afraid' of them. This portrays the authoritarian style only with slight change. (Interview with Taxpayer 1)

In similar vein, other clients were not satisfied with the style of the tax officials in resolving their tax related matters.

When interpreting the regulations, some auditors tend to have their own way of interpreting the rules and will not accept explanation given by the taxpayer. (Interview with Taxpayer 2)

When I wanted to explain, I was not permitted to, which made me upset. They didn't allow us to clarify although we had the supporting documents. They told us to report to the Objection Section, which I finally did. (Interview with Taxpayer 3)

Such condition reveals how the bureaucrats position themselves as a ruler not as a service provider, by which the service was orientated to the needs of authority instead of society (Dwiyanto et al., 2008). This argument was echoed by the tax official:

To be honest, we [tax officials] are still behaving as the community ruler; as opposed to society servants. (Interview with Head of Tax Service Office)

A similar picture reveals itself at the Customs Office, as illustrated by one of the directors:

As mandated by the Constitution, we [civil servants] must be the '*abdi negara*'¹⁰. However, what happens is the contrary; we complicate the public service. (Interview with Head of Centre of Internal Compliance of Customs Office)

Another Customs official emphasises:

...employees gave service with ruler mentality ... the Customs officials were identical with rigidity. (Interview with Head of Personnel Sub-Division at Customs Office)

This unequal relationship between the case organisations and their users cannot be separated from the history of the Indonesian bureaucracy. As discussed in chapter 2 section 2.2 and chapter 4 section 4.3, the Indonesian bureaucrats were traditionally positioned as the elite group within the hierarchy of Javanese community. They are called '*priyayi*', a Javanese word which refers to the group of aristocracy as well as the individual who make it up (Geertz, 1960; Brenner, 1991). Despite the evolution of its form, this term is still used to distinguish this group from the peasantry or '*abangan*' (Geertz, 1960; Mulder, 1994; Amir, 2000).

The seminal work of Geertz (1960) has classified Javanese society into three different hierarchy, '*santri*', '*abangan*', and '*priyayi*'. The first group refers to the pious religious people, mostly Muslim. The second group of '*abangan*' (literally means the red), is used to refer to the lower classes, the commoners or the peasantry in Geertz's term. People who live in villages and those of a low social and economic status constitute this group. The last caste, which is perceived as the highest level, comprises of the people who serve the rulers/Kingdoms, such as the bureaucrats (Geertz, 1960).

This level of hierarchy within the Javanese society is based on the notion of two polar opposites of social behaviour, '*alus*' and '*kasar*' (Geertz, 1960; Mulder, 1994; Efferin and Hopper, 2007; Forshee, 2006; Woodward, 2011). The former represents "refined, civilised, or smooth, and connotes a higher status"; while the latter is associated with "unrefined, uncivilised, crude, or uncouth, and is associated with low status" (Amir, 2000, p. 77). This implies that the higher hierarchical levels should demonstrate and be treated with the '*alus*' acts, language, and behaviour, while at the lower levels '*kasar*' may suffice (Geertz, 1960; Mulder, 1994; Efferin and Hopper, 2007; Woodward, 2011). People who belong to '*alus*'

¹⁰ The interviewee pointed to the symbol of '*abdi negara*' (literally mean state servants) on his uniform.

hierarchy may demonstrate '*kasar*' behaviour to others who are in lower position, not the vice versa. Therefore, the '*priyayi*' belongs to '*alus*' while the '*abangan*' to '*kasar*'.

The '*priyayi*', who are in the governmental bureaucracy, perceive themselves as members of an aristocracy (Geertz, 1961). During the Dutch colonial period, the bureaucracy was established as the extension of Javanese royal court (Dwiyanto, et al., 2008). This had caused their main focus was to fulfil the needs and commands of the monarchy. Further back, Geertz (1965) argues that Indonesian bureaucracy is derived from "the Indic court culture of the inland Javanese Kingdoms" (p. 78), which "was built around a very intense concern for status; for smooth, constrained, hyperpolite behaviour" (p. 79). This had established the feudal relationship between the ruler and the governed.

As the consequences, they are criticised of their self-serving behaviour (Synnerstrom, 2007), "being lazy, decadent, corrupt, arrogant, and of being perpetually dependent on the good graces of their superiors in what was perceived as an endless chain of patronage and sycophancy" (Brenner, 1991, pp. 76-77). As previously stated by the officials at the Tax and Customs Offices, the bureaucratic reforms have not dealt with this bureaucrat mentality within the organisations. As a result, the possibility of unequal and discriminatory treatment from the officials to the users can still threaten the case organisations' attempts to deliver best service to the public.

6.3.2. '*Bapakisme*' as the Nature of Superior-Subordinate Relationship

Within the case organisations, the manifestation of hierarchy is evidenced in the association between superior and subordinate. Based on my observation, this relationship is characterised with the great reliance from the subordinates to their superiors. Within such circumstance, employees at the case organisations were deemed to become empowered. I experienced this situation when I needed to make an appointment to interview an official at the Organisation Division of the Tax Office to obtain his views on the reform programme. It took me five days to finally be able to conduct the interview with him. Although some other officials would have been capable of providing the required information, they were not willing to be interviewed because the division head was not present:

We better wait until '*Pak Kabag*' [Head of Division] is back from his leave. I cannot make any decision without his approval. (Interview with Deputy Head of Organisation Division of Tax Office)

This condition of being not empowered is illustrated by Katz and Kahn (1978, p. 222) as the great waste of human potential:

“[Bureaucracy] is an instrument of great effectiveness; it offers great economies over unorganised effort; it achieves great unity and compliance. We must face up to its deficiencies, however. These include great waste of human potential for innovation and creativity and great psychological cost to the members.” (in Adler, 2012, p. 247)

By nature, within such a hierarchy, the reliance of employees to the higher officials is significant. The ordinal structure of authority and decision making within a hierarchy creates the centralisation of decision making by top management. It is the extent to which “the authority for decision-making rests at the higher levels in the organisation” (Horvath, et al., 1976, p. 66). In a hierarchical organisation, an employee cannot make his/her own decisions without checking with anyone else (Hall, 1963). This procedure is argued as the underpinning philosophy of bureaucracy (Pugh et al., 1968). By following a hierarchical order of authority, bureaucracy provides a solution to the problem of delegation and related exercise of discretion, which is more impersonal compared to a patronage based style of governance (Willmott, 2011).

Furthermore, within the Javanese setting, the requirement to give proper respect to the higher level of the hierarchy has generated an increased dependency of the subordinate on his/her leader that goes beyond what would be the case in a typical Western bureaucracy. This dependency is just like a reliance of a child to his/her father or known as '*Bapakisme*' or 'Fatherism'. As Jackson (1978) suggests, this need for dependence is one of the main forces motivating Indonesian life. The practice of child rearing among Javanese may encourage this dependency (Geertz, 1961; Jackson, 1978). It is the period of life of Javanese people when parents must satisfy their child's whim and cry and constantly held and caressed their child. Geertz (1961) observed that parents should be blamed if their children cry for a long time without immediate action from them; they can be labelled as inappropriate parents.

This dependency of a lower level hierarchy is also shaped by the necessity of showing respect, which require the Javanese people to behave '*andap-asor*' or “to humble oneself politely and demonstrate correct behaviour” (Efferin and Hopper, 2007, p. 228). This attitude of '*andop-asor*' results from the positioning of one-self as inferior (Woodwards, 2011). Therefore, a Javanese person must understand his/her position against others (Mulder, 1994) to be able to behave and speak appropriately to show respect. There is a potential occurrence of

'*sungkan*' or feeling of reluctance if someone fails to behave '*andap-asor*' (Geertz, 1961). This may, in turn, encourage Javanese children to be passive, obedient, and be dependent (Geertz, 1961). In superior-subordinate relationship, this father-child association is also reported, as Yudianti and Goodfellow (1997) note:

...most subordinates lack an appreciation of basic initiative. This is compounded by a pervading spirit of passivity, which manifests itself as a lack of self-confidence. It is a dominant theme across most of Indonesian society, and is believed to result from a strong tradition of paternalism and feudalism, particularly in Java. (p. 106)

Another implication of demonstrating '*andap asor*' was evidenced at the Customs branch office. In particular, this is due to the great dependency of those occupying positions in the lower hierarchy to their superiors. In this case is the reliance of the Customs branch offices to headquarter. Although this particular branch was given significant authority, as part of bureaucratic reform initiatives, to deal with Customs clearance service at the Jakarta port, several obstacles remain. For example, there was a delayed response from this branch in processing the case of illegal export due to the office's dependency to the headquarter.

During my interview with one of the Customs officials, my attention was distracted with a picture frame hanging on the wall in my informant's office. It was a newspaper clipping about his unit's action to prevent illegal export or smuggling. It was on October 2009, when there were 23 containers were exported to China, Korea, and Singapore by a company at Makassar, a city on the Eastern part of Indonesia. On the manifest, it was stated that the containers were loaded of woods for flooring. An intelligence officer found certain discrepancies between the information inputted in the inward and outward manifest documents, such as unexplained differences in the weight of some containers.

The analyst recorded his examination in the '*kertas kerja*' or worksheet of analyses. Later, this document was submitted to my interviewee, which was the Section Head. Based on the recommendation made by the analyst, the Head of Section requested his surveillance officials to perform container scanning (both the X and Gamma rays). The scan image of the containers showed that the containers were loaded with rough logs instead of flooring boards. After consulting with the division head, the Section Head gave an instruction to seal and detain the containers. Later, the office requested an agent from the exporter to be present at the port for the physical examination of the containers.

The process of physical examination involved an expert from the Ministry of Forestry deciding what type of logs had been loaded in the containers. This examination was overseen by the Enforcement Section. My interviewee also attended this process to follow-up his section's recommendation. It was found that the containers were loaded with preservation timber of hundreds of years of age from the Papua forest, the most Eastern Island in Indonesia. The Section Head of Enforcement made the physical examination report and conducted necessary actions to follow-up the finding.

However, this case remained unresolved for almost one year. The delay occurred because the branch office could not conduct further action without any guidance from the headquarter.

We wait for the guidance and direction from the centre [headquarter]. We don't want to be foolish not to have endorsement from them. (Interview with Customs Intelligent Officer)

Essentially, one of the bureaucratic reform initiatives was the separation of function to avoid the conflict of interest (Ministry of Finance, 2008a), such as the clear cut of authority between head quarter and branch. With the implementation of bureaucratic reforms, headquarter only plays as the centre of policy making and analysis and the implementation and executing process only carried out at the branches or Regional Offices. One of the examples of the division of the authority is shown in the new office structure of the DGCE, where the head quarter functions as the Centre of Policy Making and Analysis and 'merely' conducts back office activities, not the front office operational activities.

From the above example of the illegal export, it is implied that this segregation of function within the office hierarchy was ineffective. The branch's persistent reliance on headquarter continued and hampered the implementation of the organisation restructuring within the case organisations. This is a typical attitude of Indonesian bureaucrats, evidenced elsewhere in the field research, involving an excessive concern to rely for guidance from the superior before deciding any official matters, resulting from Javanese value of '*hormat*'.

The '*Bapakisme*' relationship between upper and lower hierarchy has increased the dependence of the latter to the former. This habit of asking for guidance is reflected in the office document from the lower to the higher level of hierarchy in Indonesian bureaucracy. Such letter or memorandum are mostly ended with a specific sentence of "*mohon petunjuk Bapak lebih lanjut*" or "please kindly provide further guidance" (Dwiyanto, et al, 2008). This

demonstrates the requirement for Javanese people to humble oneself politely (Efferin and Hopper, 2007); however this eventually creates strong dependency of the subordinates to their superiors.

At the Tax Office, the hierarchical order is taken for granted by the employees at the lower level. It has been everyday's practice of the organisation that a subordinate is positioned as the object, rather than a subject. Furthermore, there has been a convention among the organisation member that a subordinate must not argue with his/her superior's command, as illustrated by one of the subordinates:

There is an unwritten rule, which says: first, the superior is always right and second, if the superior makes mistakes see the first rule. Therefore, a superior is an absolute boss, whose words are command and I am just a peasant...who cannot do anything but to obey him/her. (Interview with Staff at Tax Office)

The above illustration from the Tax Office is similar to what is reported in the work of Adler and Borys (1996):

Asymmetry of power between managers and employees allows managers to play a dominant role in shaping the extent and type of formalisation. The same asymmetry allows people in higher positions in the organisational hierarchy to deflect attribution of responsibility for negative outcomes down the hierarchy more easily than subordinates can deflect responsibility upward; conversely, subordinates can less easily claim credit for positive outcomes. (p. 80, emphasis added)

In fact, Weber already warned against such blind obedience of a subordinate within a hierarchy, as he stated "an official who receives a directive which he considers wrong can and is supposed to object to it" (Weber, 1994, in Willmott 2011, p. 282). Further, Weber (1994) refutes any claims that bureaucratic principle is effectively adopted when the bureaucrats "automatically carry out instructions and refrain from voicing any objection" (ibid, p. 282).

This condition within the Tax Office is exacerbated by the Javanese norm of respect which prohibits the subordinates to make their own decision with no recognition and approval from the one who holds power. In a rather extreme condition, some even regard such conduct of subversion as a sin (Robertson-Snape, 1999). This leads to criticism of the application of hierarchy in the Javanese setting, which creates the subordinates as a 'yes man' (Dwiyanto, et al., 2008), just like a Javanese puppet (Darmaputera, 1994):

Every puppet is assigned a specific role to play. That is why *narima* [nrimo], voluntarily acceptance of one's assigned role, is one of the most important virtues for the Javanese. (in Antlov, 1994, p. 74)

This form of hierarchy at the Tax Office had also created a negative impact of the implementation of the bureaucratic reforms due the absence of feedback to improve the system. The generation of the RKO (Rencana Kerja Operational or Operational Work Plan) at the '*Gangsar*' Tax Service Office may verify this argument. In the *Gangsar* Tax Service Office, the RKO was introduced since 2009. It consists of each individual day-to-day operational activity for the whole one year. When conducted the field work at this office, I learnt about the RKO book of the office, which is comprised of hundreds of pages of people's activities. The Office Head clearly explained the need of the RKO as a tool of measurement in order to enhance the commencement of bureaucratic reform initiatives at the office.

It is almost impossible to implement bureaucratic reforms without having a measurement tool. How can a Head of Office, like me, control my employees with the absence of measurability? (Interview with Head of Tax Service Office)

The success of RKO was realised and acknowledge by the Tax Office Headquarter. The outcome of RKO was the increase of tax revenue realisation that exceeded the office target at the end of December 2009. The office was also awarded as the best Tax Service Office on the regional area of central Jakarta. The Head of Regional Office suggested other operation offices under his authority to adopt the RKO as their measurement tool; he claimed the generation and the implementation of the RKO at *Gangsar* Tax Service Office have provided a clear guidance both for the employees and management in achieving the organisation target (Majalah Berita Pajak, 2010).

The fact that RKO was submitted to the higher authority, in this case it was to the respective Regional Office; it made the hierarchy within the Tax Office worked better. As argued by Grey and Garsten, (2001), the control and monitoring process are better ensured within the hierarchical control. This claim is based on the logical consequence of hierarchy that the lower level is under control of the upper bureaucracy (Blau, et al., 2000). The Head of *Gangsar* office explained that he was required to sign and submit his office's RKO to the Central Jakarta Regional Office.

This [RKO] has become a medium of monitoring...it demonstrates my willingness to be monitored by my Head of Regional Office. This [RKO] is submitted to my Regional Office, [consequently] it is the same as saying "please monitor and supervise me, this

is our work plan, it is a form of the head office's commitment *ex officio*, not my commitment. Hence, whoever is assigned as this Office's Head cannot escape from this commitment. (Interview with Head of Tax Service Office)

Despite the RKO's positive impacts, employees expressed their grievance of the demanding task of creating and completing RKO. However, when the Office Head was asking the Section Heads of their progress of finishing the RKO, nobody voiced any complaints. The Office Head himself was aware of this problem of internal communication in the office, by saying:

... people usually said ..."oh no, what else of works given to me by my boss"... others said "that [the work] is more relevant for me"...but this is concealed...not being disclosed...others only display grievance "why this work always come to me, not to others"...What happen next? It could explode. (Interview with Head of Tax Service Office)

The closing down of such conflict is typical of the Javanese culture, which requires respect, particularly to senior members of organisation. Thus, as suggested by Tsamenyi, et al. (2008), employees attempt to conceal any conflicts and negative feelings and therefore dysfunctional behaviour is hardly ever overtly demonstrated. In similar vein, Whitfield (2003 in Tsamenyi, et al., 2008) discovered that employees in Indonesian organisations are reluctant to discuss, or even ask, to his/her superior about their own duties. Such complaints or criticisms may reflect disrespect to those who are in the higher level. They prefer to express their disagreement with their colleagues within the same hierarchical level. The fact that such disagreement was disclosed to the researcher may verify this argument.

As investigated by Jackson (1978), Javanese culture values "indirectness, subtlety, and the repression of open emotion, and derogates any overt expression of disagreement with the plans of a superior" (p. 37-38). In the organisations, any problem should be solved by the subordinate without informing the superior, which, as a result, spares him the unpleasant experience of receiving bad news. Such condition may, gradually, hamper the improvement of system or process due to lack of feedback, especially to the superiors.

6.3.3. A Different Perspective on the Reforms and Hierarchy at a Local Tax Office

A rather different adoption of hierarchy was evidenced in the '*Gangsar*' branch Tax Office, where I did part of my field work. Here the effects of the reform process on operations within a particular branch were markedly different to other instances of superior subordinate relationships. It is not by coincidence that this may be due to the fact that the Office Head is

not of Javanese extraction – but from the 'Minang' culture. He is, in fact, concerned with the office's culture, which still tends to reflect the patrimonial nature of the Javanese culture, as he states:

The Indonesian people, as a result from long period of colonisation, do not possess a free mind thinking...This [condition of suppression of feelings and perhaps thought] mostly occurred on Java Island or other areas which still maintain the monarchy [as the paramount authority], which is characterised with strong feudalism. This has also shaped the culture of our organisation. (Interview with Head of Tax Service Office)

The influence of Javanese culture on the organisational culture of the Tax Office was fully acknowledged by the *Gangsar* Office Head. He, therefore, introduced some rather contradictory initiatives to shake this organisational culture. His confidence was inspired by the Indonesian founding father, Sukarno, who urged Indonesian people to fight against feudalism in order to regain people's freedom of speech. Indeed, as this demand came from a Javanese, who was raised in Javanese culture, it is implied that this cultural change is not impossible.

It is remarkable that a man like Sukarno, who was raised in Javanese culture, can speak like that [to ask people to have a free mind]; he persuaded people to express their feelings and ideas. (Interview with Head of Tax Service Office)

The following narration illustrates some of the attempts made by the head *Gangsar* Tax Service Office. When I visited this office for the first time, all employees were gathered together for a monthly meeting. This meeting was held as the media for the Office Head to disseminate his vision and to gain people's commitment to achieve that vision. Three employees delivered their presentations about the office's strategic model, current office's performance, and employees' disciplines. The Head of Office were sitting at the back; he listened attentively to his employees' presentation. At the end, he gave a concluding remark about office's current progress and future challenges.¹¹

Following this meeting, I conducted an interview with the Head of Office who explained:

I deliberately gave my words at the very end of the event. This has given opportunities to my friends to speak. This has also given confidence to them. Consequently, it has established employees' participation. If I speak first, they would tend to keep silent and only listening to me; this will cause a one way communication. (Interview with Head of Tax Service Office)

¹¹ Direct observation at *Gangsar* Tax Service Office.

His approach might be influenced by his native '*Minang*' culture, which is originated from the Island of Sumatra. This ethnicity of coastal Malays comprises of 7.5% of Indonesian population (BPS, 2010). Regarding the Head of Office's egalitarian approach, this may be inspired by the values of his culture which requires people to '*duduk sama rendah berdiri sama tinggi*' or in translation 'we are equally low when we sit and we are equally tall when we stand up' (Dwiyanto et al., 2008). This value is different with the Javanese value of '*harmat*', which requires the subordinates to give respect to their superiors, as they are in different hierarchical order.

Another intriguing feature of this Head of Office's leadership is also displayed in the day to day life of the organisation. He always refers to his subordinates as '*teman-teman*' or friends or colleagues. This differs to the tradition of official bureaucratic language, which demand superior to call his subordinates as '*anak buah*' or child. It could stimulate the atmosphere of egalitarian; thus there might be likelihood for participation to flourish.

Further, during my fieldwork, I was also involved in a meeting to select the best employee in this office¹². Each participant gave input and idea of how the measurement of people's performance should be done. The Head of Office challenged them to finish the process within the next two days. I feel that the Office Head has built a good foundation of democratic practices in the office, such as to encourage people to give their voice and challenge others' argument. Later in our interview, this leader explained that a leader should work together with his/her followers. He refers his approach to his cultural values of '*duduk basama*', literally means sit together. This norm of the '*Minang*' culture requires a leader to visit his/her constituencies, sit together with them, and listen to their concerns.

The following narration from the Office Head may also demonstrate his initiative to encourage participation. He illustrates what happened during the office's first in-house training session:

I was completely used in that four-day training. I became an object, I was humiliated, everybody can do anything to me...It was no problem for me...the most important thing is togetherness. And I could show to my friends [his employees] that even though the training instructor was my former subordinate... I deliberately convey to them that we can learn from anybody, including from our own subordinate. Well, I demonstrate to my friends, he [the Head of Office] is willing to learn from his inferior.

Gradually, people who were not brave to speak before in public became able to do so. People who used to be silent and did not dare to say something, they now dare to

¹² Direct observation at *Gangsar* Tax Service Office.

speak up. I attempted to open up their free minds. Anyone can freely speak up therefore the results were remarkable, new ideas flow. Their energies were like to explode. (Interview with Head of Tax Service Office)

The above attempts to reconfigure the implementation of hierarchy within the Tax Office were not without challenge. One of the inevitable deterrence of the change was the 'unmovable' Javanese culture within the employees, as revealed at the event of the 'one-day-done' task force in the Tax Office as discussed in the following.

During my fieldwork, the volume of work was increasing rapidly due to the approaching deadline for submission of tax returns. Therefore the Office Head established a task force, the 'one-day-done service' task force, at *Gangsar* Tax Service Office. This 'one-day-done service' is a new mechanism of administering the tax report submission. Within this task force, employees have to work in a cross-functional team. This team consisted of employees from different sections with the Tax Service Office and they were placed in a particular room near the lobby. In total there were 40 employees in this team and each of them was given a schedule to involve twice a week. The Office Head usually checked the activities in this task force war room, as they call it. On one occasion, he found that there were only two employees at the room as opposed to 10 members that should be there each day. He asked one of the task force leaders:

Where is everybody else? Why do you do nothing to solve this? (Head of Tax Service Office)¹³

The task force leader replied:

I feel '*sungkan*' to ask *Joko*¹⁴ [a Tax Office staff] to come down [to the war room] since he is not my subordinates. (Head of Supervision and Consultation Section)¹⁵

The above reaction from one of the taskforce team leader may imply the persistence of the Javanese culture within the employee despite of the office's initiative to cut the hierarchy. As previously mentioned in the early paragraph of this section, Javanese people are required to display proper respect to others. In this case, the Head of Section would be labelled as disrespect if he directly asked A without, firstly, asking A's direct superior. This situation is

¹³ Participant Observation at *Gangsar* Tax Service Office.

¹⁴ Pseudonym.

¹⁵ Ibid.

called '*ngelangahi*' or step on someone's head, which is regarded as disrespectful and impolite.

6.3.4. Hierarchy at the Customs Office: The Persistence of the Feeling of '*Sungkan*'

As discussed in section 6.2.2, one of the bureaucratic reform initiatives to reconfigure the office hierarchy was to appoint external civil servant as the Head of the Customs Office. The office has a belief that the career bureaucrat within the organisation will feel '*sungkan*' or "a feeling of respectful politeness before a superior or unfamiliar equal" (Geertz, 1961, p. 114) in commencing his/her duties. It was a significant break with tradition to appoint an outsider as the leader of the Customs service. Such conviction to change the atmosphere within the Customs Office was noted among customs staff.

Mr. Anwar is an outsider, he was appointed by the Minister from outside. So he was not indebted of his past [within the office]. Since then [since his appointment] we were strict to the rules, no more compromise [of deviation]. (Interview with Head of Personnel Sub-Division at Customs Office)

One of the most prominent actions from this Director General of Customs and Excise was to ask the law enforcer from '*Komisi Pemberantasan Korupsi*' (KPK) or Commission on Corruption Eradication to conduct an *impromptu* inspection at the Customs Office. This action became the headlines for a story that demonstrates courage from this leader.

Some 50 KPK officials, headed by Jasin and deputy chairman for investigation Chandra M. Hamzah, raided the excise and Customs Office in *Tanjung Priok*, North Jakarta, last Friday. "We found four officials involved in bribery, and 20 others in violation of regulations. We will question the four while proposing that the excise and Customs Office dismiss or transfer the other 20," Jasin said. The KPK found envelopes containing between Rp5 million [GBP 360]¹⁶ and Rp15 million [GBP 1,080] in cash, and bags with up to Rp25 million [GBP 1,800]. Each envelope bore the name of a company and the words, "*uang makan*" (meal allowance). According to the KPK, the state incurred losses of Rp12.5 billion a month from bribery practices involving the four officials (The Jakarta Post, 2008, p. 1)

The Director General of Customs and Excise, himself, justified his initiative by stating "surprise inspections could instil a culture of discipline in officers" (Jakarta Post, 2008, p. 1). However, this leader's action was strongly criticised by his employees. One of their objections was regarding to the feeling of being betrayed by their own leader, as stated by one of the officials:

¹⁶ Calculated by using current exchange rate 1 GBP=Rp 14,000.

He has no mercy to us...at that time [after an unplanned inspection] our morale was very low, our motivation was plunged...not only in this office but also all offices throughout Indonesia...we felt betrayed by our own leader. (Interview with Head of Personnel Sub-Division at Customs Office)

A leader in the Javanese setting should be a '*Bapak*', a father who protect his child. The case of the above *impromptu* inspection shows how the leader of the Customs Office failed to be a '*Bapak*'. Instead of protecting his employees, he betrayed them and broke the trust and respect given by the employees. This broad role of a leader in Indonesian setting shows the difficulties and complexities of being a leader in the Javanese setting (Jackson, 1978). The leader's responsibilities go beyond his official position. As a '*Bapak*', a superior's extensive responsibilities for his '*anak buah*' or subordinates embrace their emotional and social life. This father-child relationship is considered as the unique feature of superior-subordinate relationship in Indonesian, which differs to the patron-client relationship. While the patron-client focuses on material aspect of relationship, the '*Bapakisme*' goes beyond it (Mulder, 1994; Dwiyanto et al., 2008).

Another challenge to Mr. Anwar's initiative to shake the Customs Office hierarchy was reflected from the disagreement by his direct superiors, the Directors. At the Customs Office, hierarchical order has to be thoroughly followed; even the Director General must follow it through. One official from the internal compliance unit illustrates:

Mr. Anwar usually cut the bureaucracy if he wanted some material or data. He did not follow the hierarchical structure. He sometimes informally asked for any materials directly to the employees. It is actually not proper based on management principle because there is a nuance that some bosses were by-passed thus show disrespect to them and can be perceived as distrusting them. (Interview with Head of Internal Compliance Section of Customs Office)

Siegel (1986) emphasises that hierarchy is an underpinning norm that pervades every aspect of Javanese society (in Brenner, 1991). This hierarchy provides moral underpinnings of the obligation of the member of family or organisation, which is obviously unequal (Mulder, 1994). Therefore, such attempt to alter the hierarchy, such as demonstrated by Mr. Anwar, is intolerable. The initiative to cut the hierarchical order has caused the Directors to feel '*sunekan*' due to the failure to behave or reply as well as the first person (Geertz, 1961; Efferin and Hopper, 2007).

This feeling of '*sungkan*' has also caused some hindrances of the commencement of the new function of the internal auditor. The establishment of the Internal Compliance Unit marked the launch of the reform programme at the Customs Office. This new unit was expected to evaluate any organisational unit's performance. However, the nature of hierarchical structure of the organisation combined with the values of '*sungkan*' undermines its effectiveness. As stated by one of the pioneers of this unit:

I think the structure of this unit [internal compliance unit] is not ideal...when this unit is still structured under the Head of Office there will be reluctance to evaluate officials in the same level of hierarchy or above. One of this unit's tasks is, indeed, to evaluate the Head of Office's performance, but it is hindered by our culture. (Interview with Head of Internal Compliance Section of Customs Office)

Another implication of the persistence of the feeling of '*sungkan*' was the undermining of some innovative ideas, which come from the employees. The following interview may illustrate such condition:

...to commence our task [as internal compliance unit], we proposed to have an attachment in one directorate...we directly ask approval from the Director General and he enthusiastically agreed with our ideas. He even directly took us to the destined Directorate. In front of him, the Director was agreed to help us. However, the attachment was never realised because of the Director's refusal of having us conduct attachment on his office... We were puzzled, how come he behaved contradictory with what he had said in front of the Director General. He [the Director] responded: "Well, I did not dare to say no in front of the Director General." (Interview with Head of Internal Compliance Unit of Customs Office)

The above situation is an illustration of how Javanese people tend to say yes, when one actually has no intention of fulfilling a request (Jackson, 1978). For Javanese, as this author argues, it is important to conceal all overt sign of discordant feelings. This is more important than to face the potential accusation of lacking sincerity. As a result of their preference to conceal their true feelings, Javanese people are often acknowledged as difficult to comprehend (Sutarto, 2006). People rarely openly disagree or argue with each other face-to-face. To Westerners they might seem indecisive or evasive in the ways they do not respond to questions with "yes" or "no" answers but, rather, with "maybe" or "not yet." Indonesian etiquette involves a formal politeness to others that requires deference (Forshee, 2006, p. 55).

In the bureaucratic setting, this indirectness and the preference to circumvent personal conflict may force policy makers to function in the absence of self-correcting feedback for their policy initiatives; thus generates top-down, one-way flow of communications (Jackson,

1978). Consequently, "negative feedback usually comes too late, and failures are so catastrophic that the entire policy should be suspended" (Jackson, 1978, p. 38).

6.3.5. Implications of the New DGs Speech for the Nature of Hierarchy at the Tax Office: '*Hormat*' and Indonesian Bureaucratic Life

The leadership of both Darmin Nasution at the Tax Office and Anwar Suprijadi at the Customs Office lasted for less than 4 years. The former was appointed to another Indonesian public institution; while the latter was retired. The new Director General of Tax, Mr. Tjiptardjo, was officially appointed on 28 July 2009 (Kompas, 2009e). Meanwhile, Mr. Sugijata, who took control of the Customs Offices, took his oath on 31 December 2009 (Kompas, 2009f), two months prior to the commencement of my field study at the case organisations. This succession has provided me the opportunity to compare the implementation of hierarchy under different leaders both at the Tax and Customs Offices.

Concerns were expressed about the new assignments given to Mr. Tjiptardjo and Mr. Sugijata. In part, this was apparently due to their both being career bureaucrats, as expressed by one of the members of parliament:

We're worried that if one day 'tax Chief' Darmin Nasution or 'customs Chief' Anwar Suprijadi leave office, Mulyani [the Finance Minister] will have difficulty finding their replacements. The integrity of the current career bureaucrats is mostly still in doubt. (Jakarta Post, 2009)

The new Director General of Tax had been a senior official at the Tax Office for many years. He was assigned as the Director General only three years before his retirement age. He was born in Central Java on April 1957 and he started his career at the Tax Office in August 1975. Based on both his age and years of service, he was regarded as the most experienced official among the top management, as one employee states:

Bapak Dirjen [Mister Director General] is the most senior person on his [employment] batch; therefore he gained respects from everybody. (Interview with Head of Tax Service Office)

It is typical in the Indonesian context that the hierarchy is led by the one who is the oldest or the most senior. The Javanese refers to them as '*yang dituakan*' or '*sesepuh*', literally means the eldest (Mulder, 1994). The writer further suggests that the elderly respected man, the '*sesepuh*', is a term of reverence for both knowledge and moral/ethics; therefore he/she is

provided with extreme reverence, of worship (*pepundhen*), a place that they deserve because of their care, protection, and teaching.

During my field work, I was involved in a significant office meeting within the Tax Office, where all Directors and Heads of Offices, approximately consisted of 250 officials, were summoned by the Director General. These particular meeting was held quarterly. The meeting, as they call it '*Rapat Paripurna*' or plenary meeting was held in the office's auditorium. This term of '*Rapat Paripurna*' was firstly introduced by the former President Suharto to refer to his monthly cabinet meetings. In Javanese language, '*paripurna*' means ultimate while '*rapat*' is Indonesian words for meeting. Both the content and context of the Director General's speech may be seen to reflect the application of the office hierarchy, which is influenced by the Javanese culture.

When the Director General entered the room, all the people were immediately quiet. They suddenly finished their noisy chat and conversations. The Director General stood up at the front and allowed everyone to be seated. He started his speech with strong articulation and later he raised his voice to show his anger. It was a one way communication; the rest kept silent, nodded, and appeared to listen to what he said with great attention. During his speech, the director general raised two concerns regarding the requirement to demonstrate polite behaviour and the managers' role to coach employees.

Firstly, the Director General warned his managers to behave politely and respectfully. This was directed to the young generation of Office Heads, who were newly promoted. He claimed that these new managers do not comply with established office culture:

You [the newly promoted heads of office] do not know how to behave as a good tax official...You are just new manager, who only rely on Western theory but do not understand how to show respect to the higher officials. I, myself, witnessed some of you behave without following the ethics. (Director General of Tax)¹⁷

The warning from the leader portrays how hierarchy should be applied within the office, by which the lower level officials have to give proper respect to the higher ones. It is advocated that the Javanese culture requires '*hormat*' or respect from lower level of hierarchy to the upper ones. The Javanese value of '*hormat*' necessitates people to exhibit "proper respect to those with whom one comes into social contact" (Magnis-Suseno, 1997, p. 62), both in verbal

¹⁷ Direct Observation at the Directorate General of Tax.

and non-verbal communication. As the consequence of the Javanese value of '*hormat*' or respect, any Javanese individuals should be aware of their status and tasks and honour and respect those in higher levels whilst maintaining to be benevolent and responsible for those in lower positions (Magnis-Suseno 1997). The values of respect perform as a guide to social behaviour in many different settings, such as toward government officials, in the schools, in the political parties, in relationship among neighbours, among others (Geertz, 1961), including what was demonstrated at the Tax Office.

Within Javanese society, the real application of '*hormat*' is reflected in the use of different types of language. This is, indeed, one of the unique features of Javanese culture which is used to demonstrate respect within hierarchical relations (Geertz, 1960). The work from Sawarjuwono (1995) carefully summarises this different use of Javanese language level, which shows the complex relationships in Javanese hierarchical settings. According to this author, the most respected person, for example the royal family, who automatically belongs to '*alus*' or refined hierarchy, should be communicated in '*krama inggil*', the highest level of Javanese language (Geertz, 1961). This level of language is spoken to demonstrate respect because the opposite speakers are older, possess more wealth, or have higher official rank. The second level is the '*krama madya*', literally means middle language. This is used among colleagues, particularly in a bureaucratic setting. It can also be used in informal dialogue, when speakers want to display a sense of respect as well as maintain a relatively more egalitarian language. Lastly, the '*wong cilik*' or commoners which are placed within the '*kasar*' or uncouth hierarchical level, gain '*ngoko*' language.

According to the Director General of Tax, this value of respect was regarded as one of the critical values of the office. Failure to demonstrate this norm is labelled as impolite and improper or does not follow the ethics of the office, as stated in the office code of conduct that employees are obligated "to behave, appear, and speak politely" (DGT, 2011). This emphasis to demonstrate polite conducts and behaviour is, indeed, the objective of Javanese teaching. This norm, according to Geertz (1961), distinguishes mature Javanese people from those who are not. One is considered as '*durung Jawa*' or not yet Javanese before he/she can demonstrate polite behaviour, such as delivering proper respect. The Director General's concern for the need for politeness stems from Javanese '*tata krama*', which is the collection of Javanese etiquette, including gestures, the way of shaking hands, and content and forms of speech (Magnis-Suseno, 1997). The '*tata krama*' plays an important role to regulate

interactions of Javanese people with other members of Indonesian society, particularly within their rigid hierarchical orders (Mulder, 1994).

Therefore, the building of this value in every child has become one of the most essential roles of any parents within the Javanese setting. As mentioned earlier in chapter 4 section 4.5.1, within the Javanese family, the value of '*hormat*' or respect is developed since the early childhood period. Parents are required to teach their children the value of '*hormat*' by introducing the conceptions of '*wedi*', '*isin*', and '*sungkan*', which represent three different feeling states to demonstrate proper respect (Geertz, 1961; Beatty, 2005). The first internalisation of '*hormat*' is by teaching a child to be '*wedi*', means afraid of ghosts, afraid of being punished by the father, and afraid of the presence of strangers.

As a child reaches three years old, he/she is taught to be '*isin*' or shy or ashamed or embarrassed or guilt (Geertz, 1961). This feeling of '*isin*' can be illustrated when children feel shy in the presence of guests in their home; they usually withdraw themselves with shyness and become completely unresponsive (ibid, p. 111).

The last stage of demonstrating proper respect is to be '*sungkan*' or in rough definition it is "a feeling of respectful politeness before a superior or unfamiliar equal" (Geertz, 1961, p. 114). This distinctive value of '*sungkan*' is deemed to be lighter, compared to previous value of '*isin*' or shy. By mastering this last stage of respect, a Javanese child is considered to be a 'true' Javanese (Geertz, 1961; Beatty, 2005). This last feeling of '*sungkan*' will be discussed later as the basis of superior and subordinates relationship within Javanese setting, such as evidenced in the case organisations.

Secondly, the Director General of Tax demanded the Office Heads' responsibilities, as the higher level officials within the office's hierarchy, to minimise mistakes made by their subordinates. He elaborated two evidences of this poor condition, including the increase in the number of sanction and punishment given to the employees and the continuous complaints from the taxpayers resulted from the incompetent Account Representatives.

I was just provided information by '*Pak Sekjen*' [Mister Secretary General] that until today, 15 March 2010, there are 200 tax officials who were given sanctions. In 2009, there were 516 officials who were punished within the whole year. You can imagine

this year's sanction can be higher since only until this first quarter the total sanctions given are already 40% of last year's record. (Director General of Tax)¹⁸

As the influence of Javanese culture to the office's hierarchy, it is implied that officials on the higher hierarchy have to take responsibility of their subordinates' problems. As noted in section 6.3.2, such responsibility reflects the hierarchy within Javanese family. Parents can be blamed as irresponsible if something improper happen to their children are, for example when children cry for a long time without them taking immediate action (Geertz, 1961).

According to the Director General, the new heads of offices still demonstrate intolerable carelessness, such as the occurrence of mistakes on office letters and documents. The Director General blamed the head officials' ignorance for their failure to properly coach their subordinates that had caused such trivial errors to occur.

A letter was given to me and I had to sign it. It was written 'Kepala Kantor Pajak' or Head of Tax Office on the signature space...It's totally wrong, it should be the Director General of Tax.

It's even more embarrassing when such mistake occurred in an official letter addressed to the external institutions, such as the Supreme Audit Board. It was written on the top of the letter "to the head of the Supreme Audit Board" ... it should be Chief not head of Supreme Audit Board. I know that it was one of your staffs typed the letter. But it is your responsibility to make sure that all the documents are 'clean' and proper. (Director General of Tax)¹⁹

Reflecting on these ineffective managerial skills by the Office Heads, the Director General warned them to change their behaviour. Ideally, as the Director General argued, each Head of Office needs to be an exemplary leader; such that all the employees within their respective offices will follow their guidance.

Please be a good '*Bapak*' [means father] for your '*anak buah*' [means a child]. You all must be a role model for your '*anak buah*'. If you give sanction to your subordinates for their late or absent, then you must not do the same mistakes [being late]. (Director General of Tax)²⁰

As discussed in section 6.3.2, within the Indonesian context, a leader within the hierarchy is required to be a father figure, known as '*Bapakisme*' (Magnis-Suseno, 1997; Efferin and Hopper, 2007; Tsamenyi, et al., 2008). As Mulder (1994, p. 60) contends, "a leader is *Bapak*, a

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

father and reliable patron who should be honoured and followed, whose whim and wish is a command, and who cares for his subjects (subordinates)". This practice of '*Bapakisme*' is argued as a Javanese form of paternalism and patronage (Geertz, 1961; Rademakers, 1998). In Javanese culture, a '*Bapak*' is treated with full respect, obedience and loyalty from his children; thus a superior from subordinates (Efferin and Hopper, 2007). A leader is "expected to serve as provider, protector, educator, and source of values" (Jackson, 1978, p. 34). In turn, the follower is expected to reciprocate by volunteering his labour, his vote, and in some cases even his life, although these obligations are seldom explicit either when incurred or called due.

This superior-subordinate relationship is stemmed from father-children bond in the Javanese family. As Geertz (1961) illustrates, a child in a Javanese family will be overwhelmed by caring and warmth from the parents. A child will receive an "unconditional emotional support and love" (p. 105), particularly from the mother. The intense interaction between a father and his child starts during the period of weaning and when the child learns to walk. During this period, the development of a warm and affectionate bond between them is established.

Only until a child reaches five years of age does this warm relationship with unlimited gratification occur. The relationship, then, transforms to an "austere, impersonal coolness where open displays of affection are dramatically reduced" (Jackson, 1978, p. 37). This creates a new relationship of a father and child, which is distant and respectful rather than equally warm and loving (Geertz, 1961; Jackson, 1978). The previous early childhood of discipline-free atmosphere transcends to a sharp demand for self-control of emotion. It is implied that the reciprocal caring bonding is ephemeral and later transform to an unequal and respectful relationship (Jackson, 1978). This new form of father-son relationship continues in adulthood.

This '*Bapakisme*' dependency embraces any higher and lower employees' relationship from the presidential court to the rural areas (Jackson, 1978); both in private sectors (Dean, 2001; Efferin and Hopper, 2007; Tsamenyi, et al., 2008) and public institutions (Jones, 1984; Anderson, 1972; Jackson, 1978; Mulder, 1995; Antlov, 1995). In the Indonesian bureaucracy settings, Jackson (1978) further claims that "only when a bureaucrat is a '*Bapak*' can the official be sure that his orders will be carried out (p. 35).

Closing his speech, the director general reiterated his intention and messages. He did not ask any feedback or questions from the floor, which shows his dominance in the organisation. Rather, he concluded his speech by a strict reminder to his subordinates:

I, with my authority, will not be hesitant to transfer you [heads of offices] if you still allow mistakes that you or your subordinates created. I can, even, cancel your promotion. (Director General of Tax)²¹

The leader's reaction exemplifies the utilisation of institutional rather than personal power by the leader. The former refers to the power that exists because of someone's position in the organisation; the latter is power which is embedded in someone, regardless of his/her status to the organisation (Gibson, Ivancevich, & Donnelly, 1991). The one-way communication during that event also portrays a transactional relationship between superior and subordinates (Sundaramurthy and Lewis, 2003).

6.4. Summary

The objective of this chapter is to elaborate the bureaucratic reform initiatives that were intended to reconfigure the hierarchy within the case organisations. The reform programme under the first pillar of organisation restructuring has involved the implementation of structures and responsibility arrangements aimed at modifying the hierarchy within the case organisations and between case organisations and their users or clients. First, the case organisations has attempted to flatten the office hierarchy by terminating one level of the decision making process. This policy was adopted to accelerate the decision making process and the delivery of service to the users. Second, the reform initiatives also amended the top hierarchical level by the appointment of external bureaucrats to fill the leadership positions at the Tax and Customs Offices. Traditionally, these positions have been continuously filled by the officials from within the Ministry of Finance. As Weber (1974) suggested, bureaucrats should develop their careers within the office hierarchy.

The findings of this research suggest that the hierarchy and the nature of decision making in the case organisations are significantly affected by culture. This research echoes the stance that culture can strongly influence organisational control, as suggested by Dent (1991; see also Efferin and Hopper's, 2007; Pfister, 2009). Therefore, this stance differs from the positions of Peters and Waterman (1982), Schein (1985), Simons (1995), who argue that culture is directed by control, by which the organisation can select its own organisational culture. Efferin and Hopper's (2007) study investigates the social and cultural dimensions of management control in a Chinese-Indonesian manufacturing company. It is reported that the

²¹ Ibid.

interaction of both culture, Chinese and Javanese, shape the practice of management control in the researched organisation. Meanwhile, Tsamenyi et al. (2008) suggest that Javanese culture has become the informal control within the family-owned business in Indonesia.

The evidence collected during field research and discussed in the chapter demonstrates the implications of the Javanese values of respect on the implementation of hierarchy within the case organisations (see table 6.1 for the summary). Based on the findings, it can be implied that the Javanese culture encourage the hierarchical structure as organisational control mechanism since hierarchy has a crucial place in the social relationship among Javanese. Within the Javanese setting, hierarchy is established to distinguish the two polar of '*alus*' (refined) and '*kasar*' (raw). The former refers to the high level positions while the latter is related to the lower ones.

Table 6.1: The Implications of Javanese Cultural Values on Hierarchy

Weber's Bureaucratic Dimension	Javanese Culture	Definition	Implication to Bureaucratic Control
Hierarchy	' <i>Alus-Kasar</i> '	Two opposite polar of hierarchy. <i>Alus</i> : refined, civilised, or smooth. <i>Kasar</i> : unrefined, uncivilised, crude, or uncouth.	The hierarchical order must be thoroughly followed by all the members of the organisations, including the leaders.
	' <i>Hormat</i> '	Respect from lower level of hierarchy to the upper ones.	Big gap between superior and subordinate.
	' <i>Bapakisme</i> '	The interaction between superior and subordinates, by which a superior is positioned as a father and reliable patron who should be honoured and followed.	<ul style="list-style-type: none"> ▪ Dependency from subordinates to their superiors, thus generate less empowered employees. ▪ Superiors must protect their subordinates regardless their mistakes.

It is argued that the exercise of hierarchical structure of organisation is a manifestation of Javanese values of '*hormat*', by which they glue people together in personal bonds of unequal moral and material values (Magnis-Suseno, 1997). This hierarchical structure is maintained due to the manifestation of Javanese values of '*sungkan*', by which people are reluctant not to follow the hierarchy. Failure to do so may be taken as a sign of disrespect (Mulder, 1994). Such manifestation of the demonstration of respect is reflected on the practice of '*Bapakisme*' as the nature of superior-subordinate relationship within the case organisations. The evidence of the research suggests that a superior is positioned as a father or '*Bapak*', who should be properly honoured and followed. The illustration on the new Director General of Tax's speech demonstrates that the culture within the Tax Office resemble to Weber's 'monarchy or other inherited leadership' type organisation structure.

This nature of hierarchy within the case organisations, which is influenced by the Javanese culture, will have further implication on the implementation of other bureaucratic reform initiatives. This is inevitable since the Javanese culture has shaped the interactions among the organisation actors, as reflected in the relationship between superior and subordinates. For example, the implementation of standardisation and formalisation of rules and procedures, which regulates the completion of tasks by the employees, can also be influenced by this Javanese culture. These concepts and their interaction with further aspects of Javanese culture will be discussed in the next chapter 7.

CHAPTER SEVEN

STANDARDISATION/FORMALISATION AND THE JAVANESE VALUES OF 'RUKUN' (HARMONY)

7.1. Introduction

The discussion in chapter 6 elaborates several aspects of the implementation of the reforms placing particular emphasis on the prescient characteristics of bureaucratic organisation practices related to the reconfiguration of the hierarchy within the case organisations. This chapter is aimed to discuss another epitome of bureaucratic control, namely standardisation and formalisation (Adler and Borys, 1996; Kallinikos, 2004). According to Child (1972), the standardisation of rules and formalisation are the two structural dimensions which are fundamental to Weber's ideal type bureaucracy.

The formal documentation of the reforms within the case organisations reported that the introduction of the new business processes marked the establishment of the "*kantor modern*" or modern office. The members of the researched organisations refer to the offices which have implemented bureaucratic reform initiatives as modern offices while those which have not are referred to as 'old offices'. One of the main characteristic of this modern office is the implementation of new Standard Operating Procedures/SOPs (Ministry of Finance, 2008).

The standardisation and formalisation of the business process at the case organisations is acknowledged as a clear demarcation between the old and the new style of administration in the Tax and Customs services in Indonesia (Ministry of Finance, 2008a). By subjecting their operations to the fixed and uniform SOPs, the case organisations can be considered to have increased the bureaucratisation of the organisations (Mansfield, 1973). In Weber's terms, the application of standardisation (and SOPs) within an organisation may distinguish the modern and the un-modern (Pugh, et al., 1968); the latter refers to a more traditional and charismatic organisation type (Weber, 1974).

The objective of the reform initiative to standardise and formalise the business process at the case organisations is to generate certainty and predictability, thereby improving transparency and accountability (Ministry of Finance, 2008a). The following statement is taken from official documentation of the reform processes in the case organisations:

There is confidence within the Ministry of Finance that the generation of the SOPs can provide certainty and increase transparency for the stakeholders. The SOPs generate clear requirements and provide measurable target for the accomplishment of a job. (Ministry of Finance, 2010)

By adopting the standardisation and formalisation policy, the case organisations aim to improve their organisational performances and minimise corrupt practices (DGT, 2008a; DGCE, 2010b). This reasoning can be explained by their belief that by implementing bureaucratic control, a predictable level and type of performance can be achieved and sustained (Child, 2005). Under bureaucratic forms of control, the standardisation and formalisation of procedures ensures that organisational performance is realised by controlling the behaviour and managing the completion of tasks (Pugh and Hickson, 1993; Robbins and Barnwell, 2002). This type of organisation is also referred to as using a cybernetic model of control, which is characterised by the adoption of formal rules, SOPs, and routines (Ahrens and Chapman, 2004).

As described in chapter 6, culture has implications for the adoption of the element of bureaucracy within the case organisations. In line with this argument, the empirical evidence of the implementation of standardisation and formalisation is also explained from its cultural aspect. In doing so, this research is underpinned by a belief that culture is a significant influence on control in the organisation (Hopper and Powell, 1985, Dent, 1987, Scott, 1995).

The following sections elaborate how standardisation and formalisation have been implemented both at the Tax and Customs Offices. This includes the implementation of the SOPs, which establish a uniform and standardised mechanism to generate certainty and predictability in the administration of Tax and Customs services. Later, the formalisation policy, which plays as the enforcement of the standardised procedure and rules is discussed. The discussion is followed by the cultural aspects of the implementation of standardisation and formalisation. First, the influence of the Javanese values of '*rukun*' or harmony on the reform initiative of the introduction of the SOPs is discussed. Later, the implications of Javanese concept of '*manut*' or 'to obey' and '*nrimo*' or to accept without complaining on the implementation of formalisation are elaborated. A summary reprises the key findings of the implementation of standardisation and formalisation completes this chapter.

7.2. Standardisation and Formalisation of Business Process

Both standardisation and formalisation are essential for bureaucratic types of organisation to work efficiently (Weber, 1974; Adler and Borys, 1996). Kallinikos (2004) goes further claiming that standardisation, particularly in the form of the utilisation of ICT (Information and Communication Technology) application such as ERP (Enterprise Resources Programme), has been the archetype for most of modern bureaucratic and post-bureaucratic organisations. Standardisation refers to "the extents to which activities are subject to standard procedures and rules", while formalisation is "the extent to which procedures, rules, instructions, and communication are written down" (Child, 1972, p. 164). Standardisation and formalisation are closely associated (Hall, 1968; Walton et al., 2005). The alignment of these two elements of bureaucratic control was clarified in the work of Dalton et al. (1980), who refer to formalisation as "the extent to which appropriate behaviour is described in writing" (p. 58); while standardisation is the prescriptions or limitations of behaviour and procedures for the members of organisation. Therefore, the former represents what to do and the later denotes how to do.

By formalising rules and procedure, all activities within the case organisations are to be governed by a set of general, formal, explicit, exhaustive and largely stable rules that were impersonally applied in decision-making (Weber, 1974). Formalisation, according to Pugh et al. (1968) denotes "the extent to which rules, procedures, instructions, and communications are written" (p. 75). It is emphasised by Weber (1974) that "the management of the modern office is based upon written documents" (p. 197), thus this distinguishes modern and traditional organisation.

Others claim that formalisation goes beyond merely the writing down of rules and procedures (such as Child, 1972; Rainey and Bozeman (2000); Tyler and Blader, 2005). Rainey and Bozeman (2000) claims that formalisation is "the extensiveness of rules and formal procedures and their enforcement" (p. 453). In similar vein, Child (1972) suggests that formalisation goes beyond merely the writing down of the standardisation. It also performs as a means for the enforcement of the rules and procedure (Tyler and Blader, 2005).

Studies have reported two divergent consequences of the adoption and implementation of standardisation and formalisation within organisations (Dalton et al., 1980; Adler and Borys; 1996). The advantages of standardisation and formalisation include the reduction of role

conflict, minimisation of role ambiguity, reduced feelings of alienation, and increased commitment (Adler and Borys, 1996). Whereas these bureaucratic controls may also engender several pejorative consequences, which encompass the decrease in job satisfaction, the generation of the feelings of powerlessness and self-estrangement, alienation, undermines employees' commitment and fosters dissatisfaction, thus limits innovation (ibid, p. 63).

The following sections, therefore, scrutinise the evidence of the effect of standardisation and formalisation within the case organisations. This includes the verification of: the generation of certainty and predictability of the service resulted from standardisation of the business process and formalisation of rules and procedures within the case organisations.

7.2.1. The Generation of SOPs to Provide Certainty and Predictability at the Case Organisations

It has been acknowledged by the public that the generation of the SOPs and their applications in the daily operation within the case organisations have been the major bureaucratic reform initiative to modernise the institutions (Kompas, 2009a). The following statement quoted from the leading Indonesian newspaper reflects the importance of the reform initiative to standardise the business process within the Ministry:

The introduction of the SOPs in the new business process within the Ministry has been aimed to improve the services to become faster, simpler, more transparent and more accountable. Consequently, the users, both individual and business, gain easy and certain public services. (Kompas, 2009a)

The Finance Minister was already aware of the importance of the establishment of standardisation within the Ministry to effectively manage the organisation.

On her first day as Minister of Finance [in December 2005], she asked her Inspectorate General to provide her a list of do's and don'ts as a Minister of Finance. Surprisingly, the answer was 'None.' She concluded, 'This clearly describes the serious lack of understanding in the Indonesian bureaucracy on the *importance of clear standard operating procedures* in public governance and more fundamentally, the absence of an effective checks-and-balances system in government offices. (Jakarta Post, 2010, emphasis added)

Furthermore, the Minister emphasises the role of the SOPs to prevent corrupt practices within the institution.

The Minister argues that corruption can be classified into two categories, 'upstream' corruption, which occurs within the institution and 'downstream' corruption which

takes place outside the institution. These two types of corruption should be handled differently. For the 'upstream' corruption, it can be prevented by the establishment of the Standard Operating Procedures (SOPs)... While [to tackle] the 'downstream' corruption, the Ministry needs to cooperate with the external institutions, such as the Commission for Corruption Eradication (*Komisi Pemberantasan Korupsi/KPK*) and the public. (Kompas, 2009b)

The introduction of the standardisation policy as the new way of doing business was declared to the public to convince them that a grand change has taken place at the case organisations.

We brought almost 8,000 SOPs in printed form to the house of parliament [in 2007]. We used two super-market trolleys to bring those massive stacks of documents. This was to demonstrate to the public that the Ministry has been undergoing a serious improvement on the business process. That the public will find uniform and standardised services throughout our offices; hence such deviation can be reported. (Interview with Former Chief of Bureaucratic Reform Committee)

The introduction of the SOPs is regulated by the Minister of Finance's Decree Number 139/PMK.01/2006 concerning Guidance of the Generation of Standard Operating Procedures within the Ministry of Finance (Ministry of Finance, 2006). The SOPs are defined as:

Written rules of what, when, where, and by whom activities are conducted. They are generated to avoid variations in the commencement, by which this eventually may disrupt organisational performance. It is the mechanism that drives the organisation to run efficiently and effectively. (Ministry of Finance, 2006)²²

This Minister of Finance's decree clearly states the objectives of the standardisation of the business process within the case organisations, namely:

1. To provide certainty and uniformity of the commencement of the organisational tasks.
 2. To smoothen the commencement of the organisational tasks and to improve control.
 3. To elucidate responsibilities of the officials in commencing organisational tasks.
 4. To provide proportional information of the commencement of the organisational tasks to the public.
 5. To enhance transparency of the rights and responsibility of the public as the service users.
- (Ministry of Finance, 2006)

It required patience and perseverance to generate a total of 7,676 SOPs within the Ministry (Ministry of Finance, 2008b). Some jargon to state the benefits of SOPs were created in order to foster its production, as one manager states:

²² Document analysis.

Well, these SOPs make their jobs easier and this feature is communicated throughout the offices in all levels. To help them understand the essence of SOP, our credo was 'write what you do and do what you write. (Interview with Member of Bureaucratic Reform Committee)

In the essence, the purpose of the SOPs in the researched organisations is to give three certainties, both for employees and public as customer, namely certainty of time, cost, and administrative requirement (Ministry of Finance, 2008b).

The purpose [of SOPs] is to give certainty, both for employees and public, as customer. There are three certainties aimed to gain through this reform, namely: certainty on length of service, certainty on the amount of service fees, and certainty of the administrative requirements. (Interview with Member of Bureaucratic Reform Committee)

The above definition and objective of the reform initiative to standardise business operation within the case organisations are in line with the characteristics of a bureaucratic form of organisation. The first line of the above definition of the SOPs by the Ministry of Finance states that standardisation refers to "written rules of what, when, where, and by whom activities are conducted", which provides clear guidance for the completion of tasks. The standardisation of rules and procedures functions as guidance for employees in commencing organisational tasks (Blau and Scott 1962); thus this will create predictability for the doers. Furthermore, standardisation of procedure also provides predictability of the completion of a task for the users. Adler and Borys (1996) claim the importance of standardisation and formalisation to minimise ambiguity and uncertainty.

Standardisation is important for the control-oriented organisations (Ahrens and Chapman, 2004) since it provides uniformity and hence creates more predictability (Mansfield, 1973). These views are clearly reflected in the quotes and observation about the researched organisations above - that SOPs could provide certainty both for internal stakeholders (employees) and external stakeholders (the public as service users). By standardising its procedures, the organisation also attempts to generate uniformity of the completion of work tasks throughout the organisation (Mansfield, 1973; Kallinikos, 2004). Achieving uniformity across business processes is ubiquitous for the bureaucratic organisation, including the case organisations.

Previously, without SOPs employees merely relied on their own and colleagues' tacit knowledge in completing organisational tasks. This had caused bewilderment among employees, particularly new employees, to conduct the office duty.

If I were transferred to other unit, what would I do? I would ask another employee in the unit of how to do things. They would explain it to me. And if I asked why it's done like this, everyone could only respond..."Well, it's been like that for years". This implies that there was no source that we can trace to understand a process. (Interview with Head of Tax Service Office)

The absence of SOPs had also implicated the inter organisation interactions, by which the service was delivered to the public without fixed and uniformed procedures. It has been claimed that this has been a source of corrupt and corrupting behaviour within the case organisations, as illustrated in the following statement:

The initial action to improve our public service was to fix our SOPs. Previously, we did not have guidance to interact with our clients... As a result the public never had proper information on how long the processes were and how much they cost. These have been question marks for the public due to this undisclosed procedures and these non-transparent mechanism had become the source of corruption. (Interview with Chief of Bureaucratic Reform Committee)

The condition prior to the reforms at the Customs Office may verify this argument, where un-standardised procedures were deliberately exercised to generate uncertainties, through which the officials could gain illegal earnings. An importer/exporter could wait for hours only to submit his/her customs report; he/she probably needed to go through a process of resubmission for many times due to unclear requirement. They need to move from one desk to another in order to follow the opaque procedures. Consequently, it could take days for the containers to be released by the Customs Office.

Robertson-Snape (1999) has observed that the process at the Customs Office was set up to benefit the Customs officials. It is documented by this author that up to 37 signatures are required to process the container release. It is implied that approximately the same number of unofficial fees were incurred. Further, this writer concludes that the red tape Customs procedure was allegedly one of the main causes of Indonesian's high-cost economy.

This condition is, in fact, shared by the majority of the wider institutions of the Indonesian bureaucracy. The unclear procedures are intentionally created for the interests of the institutional apparatus but a consequence is that the costs to the community become

excessive (Prasojo, et al., 2007), such as reflected in the above example at the Customs Office. In the past, the public had no bargaining power in this process; therefore, those who want to receive faster treatment or service were obliged to pay a higher price. These practices displayed inequality of public service delivery since only rich individuals and communities who were willing to pay more could get better and faster service (ibid, p. 44).

As observed by Dwiyanto et al. (2008), within Indonesian public service, the rights from the clients/users and the obligations of the officials are not clearly regulated. It is only the obligation of the users, which are strictly controlled. This imbalance in the regulations of rights and obligations of both officials and users has undermined the position of the users. Consequently, the public were only left with the option to follow the rule set by the officials.

Another justification of the bureaucratic reform initiative to standardise the business organisational procedure is to preclude collusive interaction, such as illustrated in the following case at the Tax Office.

At the Tax Office, everything has legal consequences, such as the date of a letter. Let's say you are a taxpayer, who was audited by our office. Then, from the audit it is decided that you had to pay a certain amount of money for your uncalculated tax debt. The office, then, issued the 'SKP' ('*Surat Ketetapan Pajak*' or Letter of Tax Obligation) stating that you must pay certain amount of money. You have the right of objection of such decision; you have to file an objection, that's the right of every taxpayer. However, you must file the objection for the maximum period of 3 months since the date of the 'SKP'. If you exceed this 3 month period, your objection will be cancelled. Previously, without standardisation within the office, you, as a taxpayer and I, as a tax official, can negotiate this deferral by exercising what we call as 'backdating' practice [by which] you could reissue your objection letter with earlier date. Therefore, you could still exercise your right of objection. (Interview with Head of Tax Service Office)

The introduction of the SOPs has minimised such corrupt practices, such as this 'backdating' in the case of tax payments. After the bureaucratic reforms, the institutions have generated uniform policies on the management of documents within the case organisations. Each incoming letter has to be time-stamped to record the date and time of its reception. Later, the secretary of the office has to input summary information about the letter to the information system that can be accessed by all the authorised users. This information including who the sender and receiver are, the time and date it is received, and the subject of the letter.

Therefore, if an official intends to amend a document, such as to change the date of the letter, the system will recognise such illegal conduct due to the cross-check procedure. When such

procedures are in place, management need only to monitor whether employees' behaviours comply with the set procedure. This procedural specification denotes "the extent to which organisational members must follow organisationally defined techniques in dealing with situations which they encounter" (Hall, 1968, p. 95). Bureaucracy, as a result, provides technically efficient instruments of administration (Weber, 1974).

The bureaucratic reform initiatives to standardise the business process at Tax Office and Customs Office are appraised by the public to provide the users with faster, simpler, and more accountable service deliveries.

This modernised Customs Office was established to deliver fast, efficient, responsive and transparent services [resulted from the introduction of business process standardisation]...Since [bureaucratic] reform was taken at the Customs Office, the customer's level of satisfaction of the office's services always increase...The total time consumed to complete one service becomes shorter. The import clearance for priority channel, for example, previously took 3 hours to complete; now it only takes 20 minutes since all document are complete. (Kompas, 2009h)

Similar performance was reported from the Tax Office.

Based on the new SOPs of the Tax Office's prime services, all tax administration services can be completed faster, simpler, transparent and accountable. The tax number registration service, for example, must be completed within 1 day, without any fee, as long as the administrative requirement is completed. This is different with the prior [bureaucratic] reform's standard, by which the same services could be delivered up to 3 days. (Kompas, 2009c)

These new standardised business processes have generated two advantages; as certain rules and flow for the employee and as benchmark for external stakeholders for demanding their service. As summarised by Jackson and Schuler (1985), role ambiguity can be minimised with the introduction of standardisation into the organisation. This is mainly due to its key function to provide guidance for the employees to complete their tasks, thus providing employees more clarity about what is expected (ibid, p. 32). This clarity will eventually lead to work satisfaction and reducing feelings of alienation and stress (Adler and Borys, 1996).

As stated in the introduction of this chapter, the standardisation of business process is one of the elements of the modernised organisation resulted from bureaucratic reforms. The other characteristic of this modern office is the advancement of the ICT. Indeed, the success of the standardisation policy cannot be separated from the case organisations' utilisation of information technology (Ministry of Finance, 2008b).

Based on the blueprint of the Tax Office modernisation, it is stated that the Tax Office's strategy is to alleviate red-tape bureaucracy "to improve our business process, including our method, system, and working procedure, towards a full automation system by utilising ICT" (DGT, 2009, p. 4). The initiatives to improve the business process at the Tax Office includes: the implementation of the e-system (such as e-filing, e-reporting, e-payment), the improvement of DGT's main Information System (SI-DJP), and the development of internal communication system, such as HR Information system, and the implementation of Case Management and Workflow System (ibid, p. 5). As claimed by Kallinikos (2004), the utilisation of information systems obviously promotes standardisation due to its function to generate homogeneity and uniformity within organisation.

The above initiative to implement the ICT-based Case Management and Workflow System clearly creates standardised behaviour within the employees. During the field work, I had an opportunity to witness how this information system was used at the researched organisations. The good example of this system is the new procedure of the Account Representative's daily activities. For example, a head of supervision and consultation section is equipped with the system, the Approweb, to monitor their AR tasks. This is enabled because each AR is obliged to input their activities into the system. This obligation is ensured because each AR has to achieve their predetermined target, which is monitored by their daily activities. In this researched Tax Office, there is a competition among AR; the more active the AR the better his/her ranking. This check and balance process is also maintained by monitoring duty of the Head of Office and the Regional Office.

This reciprocal interaction, enabled by information system, ensures the completion of job in every value chain. Using this system, a head of operation office has accurate information on the work progress of each activity. He/she can monitor which of his/her subordinate accelerates or delays the process. Consequently, employees are reluctant to delay his/her work or to slow the service to client, thus, red-tape bureaucracy can be minimised.

The utilisation of ICT to standardise the business process is also adopted and implemented at the Customs Office. At the Customs Office, the manual documentation mechanism for export and import clearance has been abolished and it has been changed into Customs Automation System (CAS), as shown in figure 5.2. The implementation of this Electronic Data Interface based system provides standard service delivery for all the users of the custom clearance

service. Therefore, such discriminatory treatment by the custom officials can no longer exist (DGCE, 2010b).

The use of ICT at the customs clearance mechanism has provided the organisation with an accurate database, such as how many containers discharged and loaded at this port. This information on the number of containers is very important since the next processes of customs clearance will be based against this data. For example, this information will be the basis for the determination on how much import tax and tariff have to be paid by the importers. The introduction of the utilisation of the ICT for processing manifest document has minimised the room of illegal practices.

Previously, the office's database the number of containers discharged and loaded at the port was based on the manifest document, submitted manually by the shipping agent in form of hard copy. This process is very vulnerable to such illegal practices, for example by omitting some amount of containers in the manifest document. Consequently, the importers/exporters do not have to pay tax for the hidden items.

Before the [bureaucratic] reform, the importer/exporter could create collusion with the officials at the manifest section by excluding some containers in the report. This was done by ripping one or more pages of the manifest document. In return, the official will be given some illegal money. (Interview with Customs Intelligent Officer)

Apart from creating uniformity, the ICT utilisation has also generate employee empowerment. From the study by AC Nielsen (2005a), taxpayers' satisfaction for the current tax administration service has increased because they can gain access to information more easily provided by responsive officials, who are now equipped with information system. The new standardised procedure for each AR to upload and share his/her daily activities into the ICT system has provided database of information for any tax official to deal with the taxpayer.

One thing what I like from this modern Tax Office is that we can get information not only from the AR [Account Representative], but also other staffs since they are all knowledgeable about tax. (Interview with Taxpayer 4)

Previously, a taxpayer could waste his/her time waiting for the assigned staff to service him/her.

I felt like I was a table tennis ball, which was hit forth and back, from one staff to another, from one desk to another. It's a waste of time and energy to wait for a designated official. (Interview with Taxpayer 5)

In order to maintain the consistency of the implementation of standardisation within the case organisations, the annual assessment for the Tax and Customs Offices are established annually by independent surveyors. The Tax Office is evaluated by AC Nielsen, while the Customs Office is assessed by three independent organisations, namely the Hay Group, the GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit), a Germany NGO, and the University of Indonesia.

From the evaluation report delivered by AC Nielsen (2005a; 2005b), it is exhibited that the introduction of the standardised business process provides the most significant factor for the increase of public satisfaction towards the Tax Office's service. The newly introduced business process in the Tax Office is appraised by the tax payers due to its fast processes and procedures, clear instruction, and relevant processes and procedures. All of these elements of evaluation result from the standardisation policy under bureaucratic programme initiative. A similar picture is displayed from the evaluation at the Customs Office. All of the assessments conducted by Hay Group (2009, 2010), GTZ (2009), and University of Indonesia (2009) reported that the implementation of new procedures has accelerated the import and export activities.

Furthermore, the study by AC Nielsen (2005b) elucidates that the absence of standardisation has caused dissatisfaction for the tax users.

It seems that there is no standardised work process across audit teams. Different audit teams would ask for different data every year. This has caused the waste of time for the company. (AC Nielsen, 2005b, p. 39)

7.2.2. Formalisation: The Enforcement of Rules and Procedure

The implementation of the standardisation policy at the case organisations was simultaneously accompanied by the formalisation of rules and procedure. The formalisation policy enables the standardisation efforts to take place since it provides the organisations with the means of enforcement in case SOPs are neglected or avoided. At the case organisations, formalisation is aimed to guarantee employees' conformance to the pre-determined standard and rules (Ministry of Finance, 2008a), which was not the case prior to the implementation of bureaucratic reforms:

We already had SOPs but they were only for the sake of formality, it [the process of SOPs generation] began on 1995 then was improved in 1996. After that, there was no

updating process, gradually they [the SOPs] were neglected. (Interview with Head of Tax Service Office)

It can be argued that the breakdown of standardisation policy prior to the implementation of bureaucratic reforms was due to the absence of formalisation. One of the officials stated:

Standardisation without formalisation is like a sword without its master [knight]. It could not work. (Interview with Member of Bureaucratic Reform Committee)

This interpretation of formalisation within the case organisations follow what Rainey and Bozeman (2000) proposes that formalisation is "the extensiveness of rules and formal procedures and their enforcement" (p. 453). Therefore, formalisation goes beyond merely the writing down of the standardisation, as suggested by Child (1972); it functions as the tool for the enforcement of the rules and procedure (Tyler and Blader, 2005).

The standardisation policy is formalised within each unit under the Ministry. Each Director General has issued legal authority for the implementation of this standardisation policy, namely Director General of Tax's Decree number 14/PJ/2008 regarding SOPs for Tax Administration (DGT, 2008b) and Director General of Customs and Excise's Decree number P-21/BC/2008, 'The Guidance of the Generation of the Standard Operating Procedures' (SOPs) within the office of DGCE (DGCE, 2008).

At the Tax Office, the formalisation of processes around the implementation of SOPs and other standardised procedures has benefited from the utilisation of information technology and ICT systems. All of the SOPs are uploaded in to the shared application system within the Tax Office called SI-DJP ('*Sistem Informasi Direktorat Jenderal Pajak*' translated as DGT's Information System). Therefore, each employee of the Tax Office can access the SOPs of all the activities within the organisation. This documentation of the SOPs is also uploaded into the Tax Office's website (www.pajak.go.id), hence the users are also granted access to the SOPs. The office's standardised business process is also disseminated, in shortened form, off-line to the public, for examples through posters at the lobby and brochure available at the counter desks.

The Customs Office has gone further in implementing the formalisation policy by establishing a new unit within the office called the 'objection desk', through which importers and exporters can raise their complaints about the service delivered by Customs officials. This initiative clarifies the office's intention not only to declare their standardised procedure but also to

receive feedback from the users. This new communication procedure also provides the office with feedback for improvement, because by adopting the formalisation policy, "all decisions and communications were recorded in permanent files and such records were used to refine existing rules and derive new ones" (Jain, 2004, p. 2).

As discussed earlier, without standardisation and formalisation some documents were misused; therefore the documentation procedure is critical at the case organisations due to the legal consequences inherent in each office document. Without careful documentation, such deviation may appear. The new procedure has increased the transparency of the working process.

Now, there is no more '*main di bawah meja*' [under table game, which refers to practice of giving and receiving illegal money] because all the procedures are clearly declared and formalised. The users can go to the objection desk to report services, which are not compliant with the SOPs. (Interview with Information Service Manager)

The above examples of the application of the formalisation policy at the case organisations are acknowledged to be aimed to create formal rationality across the organisation, its members and the users. This form of rationality has become the underpinning basis for the development of the bureaucratic form of organisation (Thompson and Alvesson, 2005; Willmott, 2011; Alvesson and Karreman, 2011). This formal rationality, according to Willmott (2011), is "*the calculability of means or procedures*, without regard to substantive value of the ends or results of its application, which is distilled in scientific and technical knowledge (p. 261, emphasis in original). It can be argued, as this author does, that through this approach bureaucracy has bestowed organisations with efficient and systematic tools of control, which are not uncertain and unreliable.

The increase of formalisation in the researched organisations is not uncommon compared to other bureaucratic reform initiatives in other countries. As McSweeney (2006) summarises, the civil service or bureaucracy reforms have increased formality, complexity, intensity, and specialisation (Hood and Peters, 2004); they are, indeed, examples of intensifications of bureaucratisation (Runciman, 2004; Gains, 2003, in McSweeney, 2006).

Furthermore, the formalisation policy within the researched organisations demonstrates the characteristic of bureaucratic control organisation, where employees are required to follow strict operating procedures at all times (Hall, 1963). By establishing formalisation, the case organisations believe that "achieving employee adherence to organisational rules and policies

is critical for successful coordination and functioning within organisations" (Tyler and Blader, 2005, p. 1143). In such circumstances, employees are strongly encouraged to follow the formal rules and procedures, which have been established by the organisation. This rule-following behaviour is viewed critical for organisations to function effectively (O'Reilly, 1989); therefore this type of bureaucratic control is advocated to be implemented as one of the bureaucratic control features (for examples Laufer and Robertson, 1997; Bell, et al., 2002; Vardi and Weitz, 2004, as summarised by Tyler and Blader, 2005).

Reflecting from my experience during the field work, the most conspicuous aspect of formalisation to establish the rule-following behaviour within the case organisations is the introduction of the new absence system. When I conducted my field study at the case organisations, I was also required to register myself at the absence system, which people call this as finger print system (see appendix 7.1). Previously, the absence system at the case organisations utilised the 'Amano' (refers to the manufacturer) punch card, which was 'easily' misused by employees by asking others to punch his/her absence card into the amano machine. With the new system, a person cannot ask others to log his/her presence in the system because finger print is unique.

I can observe that every morning employees were lining up at the finger print machine to log their presence in the system. They were very anxious and uneasy to immediately log their presence. This is due to a direct consequence of any late to their remuneration. This new absence system is enforced by a regimen of sanctions imposed for any lateness, as illustrated in the press release form the Ministry of Finance:

The Ministry of Finance has designed newly formalised rules to enforce employee discipline by cutting the employees' allowance [introduced as part of bureaucratic reforms] from 0.5% to 100%. Employees, who are late, for even one minute, will suffer a deduction from their allowances of 0.5%; this is also the case for employees who go home earlier than the normal office hours. (Kompas, 2010)

From the office document, I can gain more detailed information of this legalised enforcement procedure in relation to employee absence. These formalised rules were legalised by the Ministry of Finance Act number 41/PMK01/2010 concerning the Enforcement of Employee Discipline and clearly regulate the absence and its consequences to the remuneration (Ministry of Finance, 2010b):

- 1 to 30 minutes of late or go home early will incur 0.5% deduction of allowance.
- 31 to 60 minutes of late or go home early will incur 1% deduction of allowance.

- 61 to 90 minutes of late or go home early will incur 1.25% deduction of allowance.
- 91 minutes to 7.5 hours of late or go home early will incur 2.5% deduction of allowance.
- More than 7.5 hours of late or go home early will incur 5% deduction of allowance.

Assuming there are 20 working days in a month, an employee could get nothing from his/her allowance for a full month due to unauthorised absence. They still gain their basic salary which comprises of only 25% of the total remuneration. Therefore, the management of the case organisations were confident that with such a punitive system the formalisation of this new absence system would ensure the establishment of rule-following behaviour among the employees.

7.3. Cultural Aspect of Standardisation and Formalisation

Whereas the standardisation and formalisation policies have brought quick results for the researched organisations and the public, such as the generation of certainty and the acceleration of service delivery (DGT, 2008; DGCE, 2010b), the challenges of their implementation remain high; one of which is due to the complexities of the cultural interference. In chapter 6, it was demonstrated that the Javanese value of '*hormat*' or respect has implications for the exercise of hierarchy in the Tax and Customs Offices. Empirical evidence from the field work revealed another influence of the Javanese culture on the adoption of standardisation and formalisation resulting from the bureaucratic reform programme.

First, the standardisation policy which has engendered standardised behaviour among the employees interacts with the display of the Javanese value of '*rukun*' or harmony within the case organisations. Employees' interactions within such a context are underpinned by people's commitment to maintain social harmony (Geertz, 1960; 1961; Efferin and Hopper, 2007; Woodward, 2011). In order to achieve and maintain social harmony, it is a compulsory for each member of the organisation to behave in a uniform manner and avoid behaviours that might promote personal goals seeking to excel above colleagues (Mulder, 1994). Second, the organisations daily operation demonstrates the interaction between the formalisation of strict rules and procedures and the Javanese norms of '*manut*' (to obey) and '*nrimo*' (to accept), particularly in regard to the promulgation of rule-following behaviour within the case organisations.

The following two sections discuss the importance of the cultural aspects to the implementation of standardisation and formalisation procedures, particularly when culture

magnifies the drawbacks of these procedures. First, the establishment of standardised behaviour within the case organisations is found to be somewhat ineffective. Several culturally related factors produce tension in the bureaucratic process is due to the influence of Javanese value of '*rukun*' which requires uniformity to achieve and maintain harmony. Later, the Javanese concepts of '*manut*' (to obey) and '*nrimo*' (to accept) also have implications on the rule-following behaviour resulted from the formalisation policy.

7.3.1. The Generation of Standardised Behaviour: A Reflection of the Maintenance of Harmony

The previous section 7.2.1 has elaborated the standardisation policy within the case organisations resulted from the bureaucratic reform initiatives. The successes of the standardisation policy to generate predictability and certainty both for the internal and external parties are not without any pejorative consequences. Some of the negative effects of formalisation are elucidated by Rousseau (1978), "formalisation (written rules and procedures governing employee activities) positively related to absences, propensity to leave, physical and psychological stress, negatively related to innovation and job satisfaction" (in Adler and Borys, 1996, p. 63).

The most conspicuous impact of the standardisation policy within the case organisations is that employees are discouraged from improving their performance beyond what is required in the SOPs. The following narration at the Customs Office may verify this argument. During my field work, I frequently observed employees with nothing to do during a portion of their office hours, particularly approaching break time. They only occupy themselves by reading newspaper or browsing the internet. When I asked why they behaved that way, one of the employees responded:

I already completed my tasks according to the SOP. It is stated that the document process must be finished in 1 hour. I did it less than an hour. It is now my opportunity to exercise my leisure time resulted from my good work. (Interview with Staff at Counter Desk)

A similar attitude is also exhibited at Tax Office, where an employee preferred to postpone the completion of a task until it approaches its time limit as prescribed in the SOP. This is the case when I arrange an interview with the Head of Division within the Tax Office. I gave my letter of research permission to the secretary on Monday and she replied:

The SOP to process your letter is two days. So, you better come back to pick up the letter the day after tomorrow. (Interview with Secretary at Tax Office)

In fact, I could observe that her desk was not full of letters to be processed and she was playing a game on her computer when I came into the office. Such explanations for behaviour from the employees at the Customs and Tax Office are not uncommon within bureaucratic organisations. From the finding in the work of Adler (1993), the negative side of standardisation is illustrated as follow:

Standardised work is a joke as far as I can see. We're supposed to go to management and tell them when we have extra seconds to spare. Why would I do that when all that will happen is that they'll take my spare seconds away and work me even harder than before? I'd rather just do the job the way I'm already comfortable with. At GM, we were given a task and if we finished it earlier than we were supposed to we got to rest. At NUMMI, they'll try to shove more work at you. I'm no fool. (p. 146)

It can be inferred that the introduction of the standardised procedure has engendered inefficiency within organisations. In a rather intense nuance, von Misses (1944; 1969) states that:

[Bureaucracy] kills ambition, destroys initiative and the incentive to do more than the minimum required. This, consequently, acclimatises the bureaucracy members "to look at instructions, not at material and real success. (in Styhre, 2008, p. 638)

Moreover, within the case organisations' setting, this tendency not to seek to excel, or exceed the performance of the majority is also reinforced by the Javanese value of '*rukun*' or harmony. '*Rukun*' suggests that equilibrium within society can be achieved only if equality is maintained (Geertz, 1960). Completing the task quicker than the standard time will be perceived as showing off and displaying arrogance. Koentjaraningrat, the prominent Indonesian sociologist, illustrates the need for equality within the Javanese society by elucidating "if there is only little, each will receive little, but if there is much, each will receive a big share" (Koentjaraningrat, 1957, p. 458).

Within such circumstances, the one who wants to stand out is regarded as a maverick and he/she could disturb the equilibrium; thus should be punished or even be expelled from the group or society (Jackson, 1978; Mulder, 1994). It is argued that within the Javanese setting, there is almost no room for individualism since social harmony can be threatened by individualism, diversity and conflict (Mulder 1994). Within the Javanese context the demonstration of standard and uniform behaviour displays loyalty (Mulder, 1994); thus it is preferred by the leaders. Using the seminal theory of motivation (McClelland, 1987), Javanese

people are argued to have little need for achievement and strong need for social affiliation (Hess, 2001).

Another case of the impact of standardisation is demonstrated in the introduction of performance target in the case organisations, by which a uniform format of performance target must be adopted at both the office and individual level. The headquarters assigns their own simplistic calculation of targets across all the Tax Offices, which equals to 233 offices throughout Indonesia. This is argued as unrealistic since different office has different infrastructure to support their daily operation:

It [performance target] has to be customised... it is not fair to 'battle' Tax Office's employees [in Java island], whose privilege of adequate infrastructure and equipment, with those who are assigned in remote area. (Interview with Head of Tax Service Office)

Furthermore, the interviewee provided examples of the effects of this enforcement of uniformed performance target. He elaborated the reactions from his colleagues, who are assigned in the Tax Office branches, outside Java Island. He argued that this policy has caused physical and psychological stress for his colleagues. He further claimed that such condition had also engendered job dissatisfaction among the managers (Adler and Borys, 1996). Such circumstances represent the side effect of standardisation which has implications for the maintenance of similarity, uniformity and continuity of behaviour, actions or beliefs (David and Rothwell, 1996). Consequently, the adoption of standardisation indicates controls that require "conformity, homogeneity and selves devoid of difference" (Wright et al., 2012, p. 653).

The above condition within the Tax Office reflects what happens within the national setting, by which the life of the country is deliberately designed to become more uniform. Such policy can be demonstrated by the single curriculum for all education in Indonesia. As described in chapter 4 section 4.3.4, the old regime had attempted to standardise and uniform people's behaviour and thinking to make them easily manageable (Yumarma, 1996).

The era of New Order was really excessive, no room for creativity. We were designed to follow uniformity; uniform in thinking, uniform in curriculum... Imagine, how Indonesia, which is a very large country, could only have one uniform curriculum [for education]...we have become the victims [of this uniformed system]...people from outside Java cannot catch up, until now. (Interview with Head of Tax Service Office)

This strategy may have succeeded because of the Javanese value of '*rukun*', which demand people maintain a harmonious equilibrium within society. In such circumstances, people tend

to only have one choice; a uniform choice. Within this setting, "unity and uniformity is stressed over pluralism, conformity over difference, with a strong favour for ritualistic performance" (Budianta, 2000, p. 117). The concept of '*rukun*' encapsulates:

... the necessity of acting in a way conducive to the maintenance of society through unity. This is not so much a positive striving for unity as an active avoidance of action, which will disturb harmony - regardless of the individual's 'real' feelings. (Hess, 2001, p. 10)

The initiative to standardise process and procedures at the case organisations can refer to behaviour controls, such as the utilisation of standard operating procedures to generate standardised behaviour (Kallinikos, 2004). This type of control could result in the merely organisational focus on the output resulting from the behaviour rather than the behaviour itself (Hopwood, 1974), which may result in a 'blind' rule-following behaviour of the employees, as discussed in the following section.

7.3.2. The Rule-Following Behaviour within the Javanese Concepts of '*Manut*' (to obey) and '*Nrimo*' (to accept)

The empirical findings exhibit the downside of formalisation within the case organisations, by which the rule-following behaviour is only performed when there is formal procedure to be enforced and tends to reduce employees tendency to be innovative. For example, during the field work I was involved in several meetings within the Tax and Customs Office. One day, I was attending the monthly meeting at the Tax Office. In the invitation letter it was stated that the meeting would start at 10am; however, I could find nobody at the meeting room at this pre-determined time. The meeting participants came 5 to 15 minutes later than the set time. This situation may demonstrate that the employees' adherence towards punctuality only occur when employees are enforced by the organisation to be on time, such as by introducing the new absence system.

Furthermore, the application of formalisation has also caused people to merely follow the system. During my field work, I experienced this condition of so called 'blind' rule-following behaviour displayed by several members of the case organisations. An example is the processing of my request for an interview appointment at the Tax Office. It took quite a long time for me to be able to conduct my first interview at the Tax Office. This not only created frustration to me as the researcher but also to the official, whom I interviewed:

You [the researcher] have experienced yourself of how people lose creativity. It took you five days to be able to interview me just because the secretary did not want to do something beyond the SOP. She could just call me and direct you to me without waiting for her boss come back from his leaves. Wasn't it frustrating? (Interview with Member of Bureaucratic Reform Committee)

Under this circumstances described in the case organisations, formalisation as an element of the control function of the organisation has lead to behaviour convergent with the organisation's objectives (Flamholtz, 1983). But, in this case, it has also resulted in employees becoming a passive element of the organisation and produced inflexibility (Chua, 1986; Laughlin, 1987). The formal procedure has taken precedence over the individual and common sense, as argued by one of the officials:

The reform has no meaning in people's heart; people now tend to comply with SOP without any creativity to modify the rules to follow the changing situation. (Interview with Member of Bureaucratic Reform Committee)

This problem within bureaucracy and the reform process has, sometimes, resulted in severe obedience and conformity to rules and regulations, where following the rules become ends in themselves (Merton, 1976). Some scholars associate this condition to what Weber describes as living in an 'iron cage' (DiMaggio and Powel, 1983; Clegg and Courpasson, 2004; Reed, 2005), where freedom as employees are neglected because they are expected to become compliant subjects (Josserand et al., 2006). Gradually, as Weber foresees each person will become increasingly like a 'small cog in a ceaselessly moving mechanism' (Weber, 1978, p. 988).

Within the two case organisations, which are dominated by the influence of Javanese culture, the incidence of this rule-following behaviour can also be explained by the influence of the native culture on the day-to-day practices of the staff. For the employees, the formalised and legalised business process, such as SOPs, represents the organisation's mandate. These rules and procedures become a reference for their behaviour. Within the Javanese setting, a person is expected to '*manut*' (to obey) and '*miturut*' (to follow) the society's norm, belief, and etiquette (Mulder, 1994). Consequently, Javanese people are required to be '*manutan*' or obedient (Robson and Kurniasih, 2000, p. 298).

This concept is the manifestation of the Javanese people's goal to maintain harmonious social integration ('*rukun*') in the sense of obedience to superior, kindness, avoidance of conflict,

understanding of others, and empathy (Geertz, 1961; Koentjaraningrat, 1985). The people's demonstration of '*monut*' (to obey with compliance and respect) moves them to respond positively to absolute guidance and direction (Irawanto et al., 2011a). The combination of these factors, produce a context in which the formal rules and procedures can be seen to be thoroughly obeyed while creativity and initiative is decreased.

The formalisation policy also has implications for the stifling of effort to accelerate and improve service delivery due to the rule-following behaviour of the employees. During my fieldwork in the Tax Office, the volume of work was increasing rapidly due to the approaching deadline for submission of the client tax reports. Therefore the Office Head established a task force, the 'one-day-done service' task force, at this Tax Service Office (see chapter 6 section 6.2.2). This 'one-day-done service' is a new mechanism of administering the tax report submission; thus creating an implication that the regular SOP must be modified.

Within this task force, employees have to work in a cross-functional team, which consisted of employees from different sections. Most employees have never had experience working in this kind of team arrangement. Formally, this task of receiving tax reports is the service section's responsibility. However, as the volume of the reports submitted to the office increased, this inter-sectional task force was established; to try to avoid a backlog in the processing of these important tax documents.

As this cross-sectional team is new, the team members were still looking for the best mechanism to deliver the service. There is no SOP for the work completion. This has generated bewilderment and anxiety for the team members. This condition reflects what Dalton et al. (1980) argue that "without a minimum level of formalisation and standardisation, role ambiguity may occur" (p. 56). The following conversation among members in the task force war room (as they call it) may illustrate the situation:²³

Member A: It's been three days but we have not made a major improvement on our service. Look the piles of documents have not been touched by anyone.

Member B: This occurs because we are not provided with the SOP of how to handle this. I don't know what to do. I am confused.

Member A: Well, I think this new way of administering the tax report submission will take more time and deplete our energy compared to the standard

²³ Participation observation at Gangsar Tax Service Office.

mechanism. However, this has been the Head of Office's decision, like it or not, we have to carry this on.

Based on my participant observation on the work of this task force, the team members gradually found an appropriate way to completing the work. However, they were still unable to avoid a backlog occurring. One of the reasons for this was the lack of feedback from the task force members to the Office Head. The members of the task force prefer to debate their concerns and complaints among themselves. This is due to the employees' attitude of taking what happens for granted. The Javanese concept of '*nrimo ing pandum*' encourages the display of such behaviour, by which a person accepts any fact that takes place and does not show complaint to their superior (Mulder, 1994). The Javanese people are bound by a life philosophy of '*nrimo*' or 'to accept', which emphasises the importance of always accepting what is offered to achieve and build harmony (Geertz, 1960); consequently people are said to be '*nriman*' or 'undemanding' (Robson and Kurniasih, 2000, p. 298).

The above case of the absence of feedback from the members of the taskforce also demonstrates how employees are bound with '*nrimo*' (accepting with compliance) into accepting what has been decided. This practice of '*nrimo*' has been criticised as making Javanese people too submissive (Anderson, 1990). It has been reported that within the Indonesian bureaucratic setting policy makers function ineffectively due to the absence of self-correcting feedback for their policy initiatives due to these attitudes of fixed obedience and acceptance. In such situation the communication flows from top-down without any recourse or feedback from the bottom (Jackson, 1978). Consequently, "feedback usually comes too late, and failures are so catastrophic that the entire policy should be suspended" (ibid, p. 38).

The discussion of the above two cases corroborate Adler and Borys (1996) concern about the side effects of formalisation. These authors suggest that under a bureaucratic control system, any deviation from standard procedure is seen as suspect. This condition becomes more complicated within the case organisations because of the dominant effects of Javanese culture which affect employees' attitudes towards these formalised rule and procedures. As discussed, the Javanese culture requires employees to fully respect the organisation. Failure to demonstrate such an attitude will likely be condemned as '*mbalelo*' or '*duraka*' (literally means rebellious), which may cause '*kuwalat*' or inevitable supernatural sanction and as a consequence it will be punished by God (Koentjaraningrat 1985; Shiraishi 1997).

Under such circumstances, employees are left with no room to complain (Irawanto et al., 2011a); thus standardisation and formalisation becomes coercive tool of bureaucracy (Adler and Borys, 1996). Furthermore, these authors argue that procedures are merely established as a tool for organisation to evaluate whether employees are obedient or non-compliant. Employees are not provided with any assistance to improve the completion of task.

For a Javanese, being '*nriman*' or obedient involves accepting everything without protest. The above evidence from the case organisations may verify that such attitudes from the employees to take everything for granted has exacerbated the drawback of formalisation. Hess (2001) has summarised the effects of the Javanese concept of '*nrimo*' on employee motivation, which includes a lack of assertiveness and lack of initiative. In such working climate, people are satisfied with the status quo and may create a short term focused organisation. In the long run, such a bureaucratic organisation is deemed to have less adaptability to a changing situation (Handy, 1996, Drucker, 2001, Hammer and Champy, 1995, Welch and Byrne, 2001).

7.4. Summary

The objective of this chapter has been to relate some of the empirical findings about the implementation of bureaucratic reforms at the case organisations. The particular focus of this chapter has been on the reforms involving the standardisation and formalising of rules and procedures. The findings corroborate the proposition that this element of the reforms have intensified the practice of bureaucratic control in the case organisations. These research findings resonate with the argument of McSweeney (2006), which suggest that most of the movements of reform on bureaucracy have reinforced the bureaucratic and inflexible nature of organisation. The theorisation of the research findings in the sections above have shown how specific elements of the Javanese culture have magnified these effects which tend to produce inflexibility and rule bond nature of the organisation.

The interpretations of the empirical findings in this chapter exhibit the dual effects of bureaucratic control within the case organisations. The positive implications of standardisation and formalisation include the minimisation of employees' role ambiguity and the generation of certainty and predictability of the completion of tasks (Adler and Borys, 1996). Not only for those internal to the organisation but also greater certainty and predictability have also been provided for users, both tax payers and importers and exporters. Ultimately, as du Gay (2011)

suggests, this classical bureaucratic attitude, with its emphasis on formality, recordkeeping and the use of standard operating procedures, may contribute to enhance confidence in government institution.

On the other hand, the increasing implementation of standardisation and formalisation has caused some negative impact within the case organisations. The standardisation has generated a uniform policy that has been poorly implemented, such as the universal performance target, which has caused demotivation for employees especially those based outside of Java Island. It is also evidenced that employees do not want to exceed what has been required by the organisation (Adler, 1993). Furthermore, the formalisation of rules and procedures has encouraged 'blind' rule-following behaviour, in which employees rigidly rely on SOPs. It is argued that this has been excessive reducing flexibility and the using of initiative, where appropriate, among employees. In this situation, the rules becoming ends in themselves due to severe obedience and conformity to rules and regulations (Merton, 1976)

This chapter also demonstrates the complex interrelationships between the implementation of standardisation and formalisation, on the one hand and the predominant Javanese culture on the other. It has been argued that Javanese culture has further emphasised the potentially negative effects of bureaucracy (see table 7.1 for summary). First, the Javanese value of '*rukun*' or harmony, which aims to create equilibrium within society (Geertz, 1960), has discouraged the advancement of tasks completion beyond what is demanded in the SOPs. Second, the implementation of uniformed policy throughout the offices, which is not applicable, is also supported by this Javanese objective to achieve and maintain harmonious society. As a result, people's behaviour and thinking become similar and uniform. Third, the Javanese character of '*manutan*' or to be obedient supports the establishment of 'blind' rule following since within Javanese context people are passive and submissive (Anderson, 1990). Lastly, not only Javanese people need to obey ('*manut*') they are also required to '*nrimo*' or to fully accept what has already given (Mulder, 1994). This has stifled any feedback for improvement since employees tend to conceal their disagreement. In the essence, the Javanese culture as adopted within the case organisations has exacerbated the downside of the standardisation and formalisation.

Table 7.1: The Implications of Javanese Cultural Values on Standardisation and Formalisation

Weber's Bureaucratic Dimension	Javanese Culture	Definition	Implication to Bureaucratic Control
Standardisation /Formalisation	'Rukun'	The maintenance of harmony.	<ul style="list-style-type: none">▪ Employees are discouraged to exceed their required target.▪ Uniformity of performance targets regardless the variety of office facilities and infrastructure.
	'Manut'	To obey with full compliance what are commanded.	'Blind' rule-following behaviour.
	'Nrimo'	Employee accepts any fact that takes place and does not show complaint to their superior.	Lack of feedback for improvement since employees rarely question the leaders' decisions.

Nevertheless, it has been demonstrated that by strengthening the bureaucracy, such as by adopting standardisation and formalisation of rules and procedure, the case organisations have placed constraints on corrupt practices. The enactment of bureaucratic systems is, indeed, the standard recipe for controlling corruption (Willmott, 2011). This positive performance on reducing corruption has not come without costs in other aspects of work practices. The next chapter will discuss another element of bureaucratic control of the establishment of impartial interaction within and between organisations.

CHAPTER EIGHT

IMPERSONALITY WITHIN THE JAVANESE SETTING

8.1. Introduction

Chapter 6 and 7 have already discussed the first and the second pillars of the bureaucratic reforms and set these against the relevant issues arising from the empirical research at the case organisations. The first pillar of organisation restructuring was discussed regarding the hierarchy within the organisations while the elaboration of the second pillar of business process improvement focuses on the standardisation and formalisation of procedures. This chapter explains the last pillar of the reforms, which is related to the enhancement of the human resources (HR) management system (see figure 2.4 in chapter 2). In particular, this chapter elaborates the reform initiatives that have been put in place by the case organisations to establish or strengthen the degree of impersonality both within and outside the case organisations.

The implementation of the previously discussed bureaucratic features of hierarchy and standardisation/formalisation relies on the establishment of a culture of impersonal behaviour from the administrators and officials Weber (1974; see also Albrow, 1992; Willmott, 2011). The adoption of impersonal and standardised conduct should be demonstrable both to other officials and to the external clients or users. This is intended to ensure non-discriminatory treatment (Willmott, 2011) since the impact of personal considerations on officials' conduct is minimised (Albrow, 1992). The modification of the HRM system within the case organisations is aimed to generate the impersonal ethos of the bureaucratic member, which is well recognised as what Weber pronounced as '*sine ira et studio*', meaning "without hatred or passion, and hence without affection or enthusiasm" (Albrow, 1992, p. 313). This expression is considered as Weber's favourite term (Hopfl, 2006) as it delineates modern bureaucrats' spirits from the traditional and charismatic ones.

This chapter elaborates the bureaucratic reform initiatives introduced to establish impersonality within the case organisations, which encompasses the regular transfers of employees to: lessen the emotional bonds among employees and between employees and clients/users; the introduction of the office's code of conducts; and the minimisation of client-official interactions (DGT, 2010a; DGCE, 2009). The evidence of the potential stagnation of the

reform programme resulting from the failure to take significant account of the impact of the native culture during implementation is also the main features of this chapter. As Renoe (2002) argues that the Western view of an efficient bureaucracy, such as the promotion of impersonal behaviour, may not coincide with native culture, in this case the Javanese culture which dominates public service in Indonesia. These differences are observed by Conkling (1984), who claims that:

Western civil servants (or at least the sociologists who have studied them) tend to take their authority for granted, but Indonesian civil servants cannot. In the West, the middle classes, at least, tend to assume that the decisions of their civil servants are fair and impersonal until proven otherwise; in Indonesia, everyone would be amused by this assumption. (p. 260)

The empirical findings of the research are discussed in two main sections dealing with the relevant case evidence. First, the reform initiatives to create impersonal interaction within and between organisations are presented. This is followed by a discussion on the cultural implications and interdependencies of the implementation of the reform initiative to establish impersonality. This includes the discussion of the culture clash between Western and Javanese culture, in which the attempt to generate impersonality is influenced by the ancient and influential Javanese principle of family. A brief concluding commentary reprises the main findings of the research described in this chapter.

8.2. Bureaucratic Reforms Designed to Create an Impersonal Administrative Environment

The existing HR management system used in the case organisations have been modified as a result of bureaucratic reforms. By initiating reform of the bureaucratic processes, the case organisations attempted to minimise subjective decisions and the use of personal judgment, within and between organisations and other clients/users (Ministry of Finance, 2008a). In the past, the HR decisions within the case organisations were not made by objective indicators.

Prior to the reform, personnel decisions were made based on personal judgment of the managers. They tended to recruit and promote staffs surround them, whom they know well. Consequently, employees outside the inner circle, who actually have more capabilities and potential, were not selected due to this preference of personal proximity. (Interview with Member of Bureaucratic Reform Committee)

The new HRM system has also been designed to control the conduct of external transactions, between officials and users. It has been argued that the previously high levels of interaction,

between officials and clients, have created some undisclosed and potentially corruptible procedures within the Tax and Customs Offices (AC Nielsen, 2005a; 2005b; DGT, 2008b; DGCE, 2010a). A study on Tax and Customs Office, conducted prior to the bureaucratic reforms, reported similar allegations of the danger of this personal relationship between client and officials (Robertson-Snape, 1999). Within the Tax Office, this research reports that:

...the only way for taxpayers to work out their tax obligation was to visit the Tax Office and have tax official review their affairs. During this face-to-face consultation the rate would be determined, but rarely on the basis of clear and objective criteria.
(Robertson-Snape, 1999, p. 594)

The analogous practices at Customs Office are also reported in this study. The critical services were historically delivered by Customs officials based on the degree of closeness between them and the importers/exporters (Robertson-Snape, 1999). This had reportedly caused a high-cost economy for doing business in Indonesia, particularly to those who did not have proximities with the Customs officials; consequently they were forced to bribe the officials (ibid, p. 595).

The bureaucratic reform initiatives to amend the HR system were introduced to reduce unnecessary interaction between tax officials and taxpayers and between customs officials and importers/exporters (Ministry of Finance, 2008a). Any attachment or dependency between official and user, as Weber noted, should be eliminated since it may generate conflicts of interest, and thus hinder rational and impersonal decision making (Morand, 1995). It is advocated by Weber (1974) that within a bureaucracy:

The modern organisation of the civil service separates the bureau from the private domicile of the official, and, in general, bureaucracy segregates official activity as something distinct from the sphere of private life. (p. 197)

As a consequence of this segregation, the employees' conduct is subject to "a spirit of formalistic impersonality" (Weber, 1994 in du Gay, 2008, p. 337), which requires civil servants to demonstrate their official duty "without hatred or passion, and hence without affection or enthusiasm" (Albrow, 1992, p. 313). This ethos, which is commonly referred as '*sine ira et studio*', is argued as one of Weber's distinct contributions to bureaucratic theory (Albrow, 1992; Hopfl, 2008; du Gay, 2008; 2011; Willmott, 2011). The minimisation of personal considerations on officials' conducts will ensure equality of treatment for the public (Albrow, 1992).

The reforms initiative to establish a climate of impersonality has affected the intra-organisational interactions among organisation member and between the offices and the users, taxpayers and importers/exporters at Tax and Customs Office, respectively. The evidence of the new mechanism under the new HR policy is discussed in the following sub-sections. First, the discussion of the new HR policy to regularly transfer the employees is explained. It is followed by the elaboration of the introduction of '*Kode Etik*' or Code of Conduct, which include the prohibition of performing personal service. Lastly, the minimisation of client-official interactions completes this section.

8.2.1. 'Bedol Desa': The Mass People Relocation

The reform initiative to create impersonal relationship within and between organisations was commenced by relocating employees to different offices/branches throughout Indonesia. This pattern of employment was designed to counter the potential for bonding among colleagues and between officials and clients as a result of years of interaction. It has been argued as part of the justification for the reforms since this intimacy has led to discriminatory access and processes (Dwiyanto, et al., 2008; DGT, 2008b).

At the Tax Office, the close relationships between tax officials and their clients, the taxpayers, were reported to risk actions leading to collusion and tax evasion, such as between tax auditors and taxpayers.

Direct contact between tax auditors and taxpayers is empirically proven to be the first contact for extortion. Therefore, in a situation whereby the reputation of the Tax Office is placed in severe doubt, the government and local trade associations can jointly assign an independent auditor to conduct a tax audit on behalf of the tax agency. (Jakarta Post, 2005)

Similar allegation was considered a danger in the Customs Office, as acknowledged by the Director General:

"We discovered that importers who had regular contact with our field officers tended to become involved in collusion with them," the Finance Ministry's director general of customs and excise, said. "Therefore, we are trying out this new system, which restricts contact between field officers and importers," he said. (Jakarta Post, 2007)

As this relationship had occurred for years, the emotional bonding among colleagues and between client and officials are strongly glued. Therefore, the initiatives of the bureaucratic reforms to regularly transfer the employees between offices/branches can break this "bad"

relationship among former tax officials and tax payers. This has narrowed the room for compromise for “bad” taxpayers.

Within the *Gangsar* Tax Service Office, the data on employee tenure shows that the average length of service of the employees at the office in 2009 is 3.4 years. This implies that many of the employees were newly assigned at the office on the launch of the reforms in 2006. This policy of regular employee relocation is planned to be conducted in the long term basis. However, the vast geographic areas involved across Indonesia may hinder this procedure in future as staff may show an increasing reluctance to move away from their wider family and friends.

The same conditions were also applied in the Customs Office, during which mass employee relocation was undertaken. At *Tanjung Priok* Main Service Office, the reform was marked by the implementation of ‘*bedol desa*’, which refers to a total relocation of employees from the office. The old ‘tenants’ were transferred to other Customs Offices throughout Indonesia and newly selected officials were assigned to this office.

In this office, first we filter [the potential employees] with some criteria, which fits with our new modern office. For examples: work fast, responsive, friendly, poses general knowledge about Customs service, and most importantly he/she will not take profit from his/her position. We hired the independent third party assessment organisation to evaluate both employees’ competency and integrity. The other tool was the employee history record. (Interview with Deputy Head of Division of Organisation)

Approximately 1,000 new employees were elected from the above employee selection mechanism. They are mostly young employees under 45 of age and come from other customs service office. Consequently, the malevolent linkage between old customs officials and importers or exporters was broken. Customers, who previously had privilege of intimate relationship with the customs officials, have to follow the exact same rules and procedures of container release applied to all customs service users. The immediate result for the establishment of this new office with its new employees can be shown from its increase performance, as reported:

The [new] Customs Office collected Rp3.1 trillion (US\$351.6 million) in import duties in their first three months of the year, higher than the Rp2.1 trillion collected in the corresponding period last year. (Jakarta Post, 2007)

This HR policy of regular employee relocation is planned to be conducted in the long term basis. However, the vast geographic areas involved across Indonesia may hinder this procedure in future as staff may show an increasing reluctance to move away from their wider family and friends. Particularly, when employees are assigned outside Java Island, where there is lack of proper infrastructure.

The attempt to generate impersonality behaviour is, indeed, the spirit of bureaucratic organisation. As previously stated in chapter 3 section 3.3.5, this principle of procedural fairness is one key form of the formal rationality, which underlies the philosophy of Weber's modern bureaucracy (Willmott, 2011). It is argued that the absence of such principle within an organisation will position "employees, clients, and customers [to] be subject to the arbitrary exercise of power that could be influenced only through personal connections or the routine use of bribes" (ibid, p. 259).

8.2.2. The Introduction of 'Kode Etik' or Code of Conduct

The establishment of impersonality within the offices is also supported by introducing the office's code of conduct. The introduction of the '*Kode Etik*' or Code of Conduct has provided new demarcation of the interaction between tax payers and the Tax officials. As reflected in its name, the code of conduct consists of things that employee must do and must not do. This has functioned as a traffic light signal for each employee in relation with their day-to-day interactions with other employees and, particularly, with the clients. The introduction of the code of conduct is aimed to ensure that "both organisational members and outsiders are treated without regard to individual qualities", as suggested by Hall (1968, p. 95).

Several prohibitions are clearly enforced to promote impersonal relationship within and between organisations, such as the forbidden: (DGT, 2010a)

- To exercise discriminatory behaviour in commencing official duty;
- To become a member or supporter of political party;
- To misuse the position and authority, both directly and indirectly;
- To misuse office facility;
- To accept any form of gratuities, both directly and indirectly, from taxpayers, colleagues, or other parties, which cause the acceptor to have the potential obligation related to his/her position or job.

Similar requirement is also stated in the Customs Office's code of conduct, which oblige employees to reject to any demand to defy the office procedure and reject gift or any form of

appreciation from any party, which may cause conflict of interest (DGCE, 2010c). As Weber noted, the official-user attachment has to be eliminated since it may generate conflict of interest, and thus hinder rational and impersonal decision making (Morand, 1995).

The code of conduct was disseminated to every employee both at the Tax and Customs Offices. The internalisation programme has been designed as inherent part of any training or socialisation process, by which every instructor is obliged to deliver a presentation about the code of conduct prior a training session. To enforce the implementation of code of conduct a new unit of internal compliance was established, which marked the new era of bureaucratic reforms at the case organisations. At the Tax Office this unit is called the Directorate of Internal Compliance and Human Resources Transformation while at the Customs Office it is the Centre of Internal Compliance. The main function of these two units is to ensure people's compliance on new code of conduct and disciplinary rules.

This code of conduct is not only communicated to the employees but also to the public. The posters and banners of code of conduct are placed in the front office and at every floor. The code of conduct is also printed at the back of employees ID card. During my first visit to the Tax Office, I was shown the office's code conduct by one of the ARs. He gave me his ID card and turned it back to show what he is obliged and prohibited by the office.

The bureaucratic dimension of impersonality requires that interaction between officials and the governed, the superiors and subordinates, and between colleagues, should be distinguished by a devotion to functional objectives and impersonal behaviour not the basis of person relationships (Albrow, 1992; du Gay, 2008; 2011). This practice of impersonality marks a clear demarcation between the royal or patrimonial way of governance and the modern bureaucratic office (du Gay, 2008; 2011). In similar vein, Kallinikos (2004) argues that "bureaucracy contrasts sharply with pre-modern forms of organising that relied by and large on the principle of inclusion for regulating the relationship of people to organisations" (p. 22).

8.2.3. Minimising Official-Client Interaction

Besides the above two initiatives of regular employee transfers and the introduction and application of the code of conduct, the case organisations also adopt a new HR policy to minimise official-client interaction. The logic of this newly introduced procedure is that the less interaction between official and clients the less probability of collusion and corruption.

This new HR policy has affected the delineation of office space, by which all client-official contacts at the Tax Office were to be held at pre-determined specific times and within defined spaces. When doing the fieldwork at the *Gangsar* Tax Service Office, the researcher had the opportunity to observe the interaction between an Account Representative (AR) and his client. The creation of the AR function resulted from the reform initiative by using the analogy of customer service at a commercial bank.

It was in the morning that the AR picked up the phone from the office receptionist, who told him that one of his clients wanted to meet him. He, soon, went downstairs to the lobby to meet the taxpayer. After greeting the client, the AR directed him to a particular desk, which is located at the lobby beside the tax service counter. On this desk, there is a sign clearly stating 'Consultation Desk'. The position of this desk is easily accessible and observable. This desk is also under supervision of a CCTV (Close Circuit television) system to monitor each meeting in the space (see appendix 8.1). The AR also asked the taxpayer to fill out the guest book, or log book. The information to be included includes name and address of the guest, which AR consults with the guest and the time and topic of the meeting. This narration exhibits the strict procedure of official-client meetings at the Tax Office.

In this impersonal atmosphere, everyone who calls the organisation from outside is treated in exactly the same manner (see Hall, 1963). To some people, this uniformed identical service delivery may be perceived as ineffective, as Willmott (2011) expects that "the person who wants an office-holder in a bureaucracy to give priority to his or her case is likely to encounter resistance, become frustrated by the slowness of response, and to complain about the irrationality of a 'pettyfogging' system bound up in 'red tape'" (p. 260).

I also had an opportunity to witness the day-to-day business operation in the port, during my field study. In fact, it is almost impossible for an outsider like me to closely observe the port's activities because it is a sterile area. Large sign boards clearly state "No Entrance, Authorised Officer Only". Similar policy applies at the office, for example is the installation of access system in each door (see appendix 8.2). Therefore, any clients are not able to enter official's room without being granted access. This authorisation can only be provided by making an appointment in advance.

This demarcation of office space is, particularly, applied for document supervisor functional team. The output from this team is the decision whether the import data is correct or not.

When the information is correct then the import clearance letter can be issued. When it is not, the importers have to complete their duties, such as the payment of tax import discrepancies. This process in this team is one of the most critical processes in the customs service (DGCE, 2010b). Therefore, some risk mitigations have been taken, such as the elimination of client-official contact.

When I conducted the interview with one of the document supervisor officials, I was not allowed to enter their office. I met the interviewee at the client coordinator's desk. This is also applied when an importer or exporter needs to meet the document supervisors. Importers can only ask about their document that is checked by the supervisor through the client coordinator. Later, the client coordinator will ask the document supervisor to meet the importers at their desk. The meeting will also be attended by the client coordinator.

We were fully aware that two functions within Customs Office are mostly prone to collusion and corruption, namely the document checker and container examiner. These have been our focus [to conduct internal audit]. To supervise the document checker, we attempted to forbid the users to enter their office. Previously, this [user enter the document checker's office] was not unusual and tolerable. [We then realise] how could the document checkers be independent in determining the import tax obligation where the importer waited in front of his/her desk. (Interview with Head of Internal Compliance Section of Customs Office)

In addition, the minimisation of contact is enabled since the clients do not have information which supervisors deal with their documents. Within the new policy, a random system is adopted, by which the arrangement of who supervises whose documents is done by the system. Consequently, this mechanism can alleviate the potential risk of bribery and embezzlement.

The above illustration both at The Tax and Customs Office describes that all client-official contacts are to be held at pre-determined specific space in order to eliminate close interaction that may potentially engender collusion or favouritism. As suggested by Gajduscsek (2003), this intimate relationship is the greatest threat to the bureaucratic system since this personal emotion and moral judgment may distort the system.

8.3. Western Impersonality versus the Javanese Principle of Family

There are, however, serious challenges to the implementation of the reform initiatives to establish impersonality within the case organisations, particularly due to the clash of Western culture represented in Weber's impersonality with the familial principle of the native culture.

The former requires rather 'cold' and impartial services (Weber, 1978; Albrow, 1992; du Gay, 2008; 2011); the latter necessitates more warm, friendly, and personal treatment (Geertz, 1961; Mulder, 1994; Renoe, 2002).

The next section, hence, illustrates how the familial principle is adopted as the basis of interactions among employees within the case organisations and between the organisation members and their clients. This principle of family within '*rukun*' or harmony has implications on the establishment of impersonality within the case organisations. First, it influences the commencement of the annual employee evaluation and the enforcement of employee sanction. Later, the equivocal definitions on gift presentation and acceptance, which causes bewilderment within and between organisations, are also discussed. Both evidences show the potential clash between Western and Javanese culture in the implementation of bureaucratic reforms at the case organisations.

8.3.1. The Principle of '*Kekeluargaan*' (Family) within and between the Case Organisations

Within the Indonesian context, the equivocal demarcation of public and private spheres takes place due to the society's attachment to the principle of '*kekeluargaan*' – the principle of family, by which any entities are treated as a big family, led by a father and supported by the members of the family (Mulder, 1994). As reported by the World Bank (2003), one of the main causes of ineffective public institution in Indonesia is the blurred separation between public and private entity. From this report, it is argued that the public service in Indonesia was managed as private interest. The most senior politician in the case organisations was fully aware of the problem of the amalgamation of public-private matters:

The country was managed by wrong governance, which did not meet public aspiration. People demand that it is governed as a public entity, not as a private entity. (The Finance Minister)²⁴

As Mulder (1994) states, in Indonesian setting where the country is viewed as a big family or at least as guided by the principles of family life, people will treat the common good as a shared private interest that should be confined from non-family members and from those who do not behave according to the family code. As a result, the boundary between state and civil society and between personal and public life becomes ambiguous (Renoe, 2002).

²⁴ Quoted from interview excerpt between the Minister of Finance and Metro TV (2009).

In relation to the prior quotation from the Minister of Finance, it is reported that the fall of the previous regime under Suharto in 1998 was due to his weakness to control his family, to separate between public and private life and avoid claims of corruption. Suharto was accused of misusing the noble Javanese culture of '*kekeluargaan*', which teaches the people to unite as a big family. He, otherwise, had mobilised his own family to possess the country's economy for their own particular individual and family interests (Robertson-Snape, 1999). This author further argues that this familial value distinguishes Javanese society from Western individualism, such as the spirit of '*sine ira et studio*', which supports the optimisation of the individual at the expense of society.

The principle of family also colours the everyday life within the case organisations institutions. The following discussion briefly demonstrates how Javanese culture shapes the interactions within and between the case organisations. In particular, this section describes the importance of familial principle and maintaining the harmony at the researched institutions. At the Tax Office, one of the organisation's credos is cohesiveness, which is built upon the foundation of family. One of the examples of this ethos is an initiative within each office to establish a family gathering, by which all employees along with their families gather for a social event. It is an obligation for an employee in this setting to know others' family matters. As a member of the organisation, one is required to assist other employees and their families, particularly when they are in hardship.

This obligation as a member of the organisation was evidenced during my field work at the Tax Office. One day, I was going to meet one of my interviewees; however she was not at her desk. One of her staff told me that she went to her colleague's house whose family's member had passed away. The attending to such occasion is a reflection of an employee's obligation as part of a big family (Geertz, 1960) although it requires his/her office time. No one within the organisation would argue with such a reason for being absent from the office. Although such attitude is beneficial for establishing teamwork; however what appears at the case organisations goes beyond it. This is particularly due to the development of emotional bonding resulted from this close relationship, which may bias their official conducts and decisions.

Another example of the application of the principle of '*kekeluargaan*' is the establishment of the event of '*slametan*' at the Tax Office, at which they celebrate their performance as one of the best Tax Service Offices in their region. From the documentation of this event, I can observe that all the members of the Tax Office and some invited taxpayers were gathered

together at the office's large meeting room. The main agenda of this '*slametan*' event is the distribution of '*tumpeng*', the Javanese traditional yellow rice shaped like a mountain, to all of the participants (see appendix 8.3). The Head of Office slices the first cut of the '*tumpeng*' and gave it to one of his '*anak buah*' or subordinates. As Mulder observes, the purpose of the '*slametan*' is to establish the condition of safety and prosperity within the society and the hearts of its members (Mulder, 1979 in Woodward, 2011). It is a communal feast on important occasions symbolising the mystic and social unity of participants (Geertz, 1960; Tsamenyi, et al., 2008). Such events are argued to strengthen the familial relationship within an organisation.

At the Tax Office, this familial relationship is believed to be one of the most effective ways to reach the tax revenue target. By adopting this approach, the tax official should employ personal approach instead of being suspicious toward the tax payer.

The taxpayers are treated as family, so they can 100% trust us. As the consequences, they will be '*pekewuh*' [reluctant] to avoid paying their tax or give manipulated financial information... We try to give our best and [consequently] they [taxpayers] will pay their taxes correctly and report on time. (Interview with Account Representative 2)

Such conduct from the tax official is in contradiction to the case organisation's effort to establish impersonal interactions within and between organisations. This treatment to consider the client as the member of the family is stemmed from the beliefs, which positions '*keluarga*' or family as the most important entity in the life of Javanese people. For them, they would rather live in misery as long as they are able to remain with their family. They follow the old Javanese norm '*mangan ora mangan kumpul*' or togetherness which is considered to be more important than eating (Kayam, 1991; Sutarto, 2006). Some argue that this extraordinarily strong value of family suggests that the Javanese are antagonistic to others' values, including those Javanese who have yet to become real Javanese, other ethnicities, and people from overseas.

The Javanese people use their own terms to refer to people that they call as "the others" as "*dudu bangsane*" or not our people" (Sutarto, 2006, p. S2). It is argued that Javanese people will often show stronger loyalty to family rather than to office or state; in other words, a public official's duty to his office is secondary to that towards his family or community (Robertson-Snape, 1999). Further, this author argues that the familial values have protected the Javanese

society from Western individualism, which supposedly prefers the optimisation of the individual at the expense of society.

Another Tax official from the claims section shares similar thoughts that the most effective way to ask the tax payer to pay his/her tax debt is the use of a persuasive approach within 'kekeluargaan' atmosphere. Consequently, the taxpayer is felt to be given room to find a solution.

Well, if a taxpayer has difficulties in paying their tax obligation, we tried to offer compromises; not an illegal one, though. As Javanese, we are taught to deal with problems by attempting to reach 'mufakat' [consensus] through 'musyawarah' [communal meeting]. (Interview with Head of Collection Section)

The Section Head explained that since the ultimate goal of this section is to gain revenue from tax debt payment, this office could offer negotiable approaches for the payment. One of the approaches is to offer partial/instalment payment, which is not against the rules. By agreeing to take such alternatives, the taxpayer also shows his/her good intention to finalise their obligation. Indeed, the adoption of such approach is one of the main ways of life of the Javanese society, which is rooted from communal life which relies on agriculture cultivation. Within such setting, any decision is made through communal meetings and gatherings ('musyawarah') to achieve 'mufakat' or consensus (Tsamenyi, et al., 2008). Consequently, the social harmony is maintained (Geertz, 1960; Mulder, 1994).

The familial atmosphere is also revealed at the Customs Office. During my field work, I was conducting a long interview, which lasted until the lunch break time. At 12pm, my interview was postponed and I was offered to have lunch in the informant's office together with all the section members. The food was ready and served at the pantry room of this office. My interviewee, the Section Head, explained that at this office members are like family; they eat together with household type of foods. The activity of eating together every lunch break at the Customs Office reflects the old Javanese norm '*mangan ara mangan kumpul*' or togetherness is more important than eating (Kayam, 1991; Sutarto, 2006). He further elaborated that each of this section's employees do '*urunan*' (literally means chip in) by contributing some amount of money every month to cover the cost of the foods. As the Section Head, my respondent contributed the biggest share.

During our lunch the Section Head had some conversations with his members, asking what they currently do and whether there are some challenges. He explained that his ability to

closely monitor his employees' activities play a crucial role in achieving the team goal. Therefore, to take care of his subordinates as a member of a family is essential to build a mutual trust among them. Some informal interaction, such as this lunch, enhances their cohesiveness, as he illustrated:

I must admit that teamwork is one of the key factors of the success of this section. Of course, my subordinate could gain some illegal profit from his action, for example he could just not to report his finding to me and instead he offered a compromise to the exporter so the illegal container can be shipped. However, by treating my members as a family, the possibility of such a betrayal can be minimised. (Interview with Customs Intelligent Officer)

The discussed above portrays how the life of the case organisations is shaped by '*kekeluargaan*', the principle of family. In this context, people's interactions are established to maintain the social harmony or in the Javanese term it is called '*rukun*' (Geertz, 1960; Efferin and Hopper, 2007; Woodward, 2011). Such circumstance is the ideal condition of society that must be accomplished by Javanese people, as explicated by Mulder (1978) as follows:

'Rukun' is soothing over of differences, cooperation, mutual acceptance, quietness of heart, and harmonious existence. The whole of society should be characterised by the spirit of '*rukun*', but whereas its behavioural expression in relation to the supernatural and to superiors is respectful, polite, obedient, and distant, *its expression in the community and among one's peers should be 'akrab' (intimate) as in a family, cozy, and 'kangen' (full of the feelings of belonging) (p. 39, emphasis added).*

The above description of the day-to-day life of the case organisations portrays a rather warm, friendly, and personal interactions intra and inter organisations, which is resulted from the exercise of Javanese values of '*rukun*' or harmony (Geertz, 1961; Mulder, 1994; Efferin and Hopper, 2007; Tsamenyi, et al., 2008). These characterisations contradict with the spirit of impersonality as suggested by Weber (1974), which requires impersonal conducts from the officials (du Gay, 2008). The next two sections elaborate this paradox as evidenced in the reforms initiatives within the case organisations.

The following sections further discuss the empirical findings of culture clash resulted from the implementation of impersonality and the native culture. First, it discusses the clash within (intra) organisations. It is followed by the interaction between (inter) organisation, particularly between Tax officials and taxpayers and between Customs officials and the importers or exporters.

8.3.2. The Ceremonial Employee Assessment

One of the reforms initiatives at the case organisations is to introduce Balanced Scorecard (BSC) as the basis of performance evaluation (Ministry of Finance, 2008b). BSC is established in 4 levels; from the ministry level to individual level. The lower level targets are cascaded from the higher ones (ibid, p. 15):

- Level 1, so called '*Depkeu Wide*' (Ministry of Finance's Wide), is strategy map for the Ministry level.
- Level 2, so called '*Depkeu One*' (Ministry of Finance's One), is strategy map for each Directorate General.
- Level 3, so called '*Depkeu Two*' (Ministry of Finance's Two), is strategy map for each Directorate.
- Level 4, so called '*Depkeu Three*' (Ministry of Finance's Three), is strategy map for each individual.

Prior to bureaucratic reforms, employee evaluation was neglected, particularly, due to lack of performance target. Within such circumstances, the organisation was, consequently, unable to differentiate the high, medium, and low performers. The reward was given similarly for all employees, regardless their capability and contribution, as demonstrated in the following a rather extreme illustration:

In our office, they were the "705" brigade. This refers to employees who come to the office at 7am, go home at 5pm, and contribute nothing or 0 (zero) during the office hour. Yet, they earn similar salary with the rest. This is what we call as the system, in which no matter you are clever or not, you get same salary. (Interview with Head of Tax Service Office)

Without proper practice of periodical evaluation on employee's performance to see how well they do their job, subjective personnel decision making based on personal relationship is potential to exist at the case organisations (Hall 1963). Therefore, one of the reform's initiatives was to introduce balanced scorecard (BSC) as a target tools within the Tax Office. In the Tax Office, an Account Representative (AR) is given tax revenue target annually, which is calculated based on the office's target and his/her last year revenue realisation.

This new initiative of employee assessment was faced with challenges, particularly due to the difficulty for the superiors to provide objective evaluation. From the office documentation, the annual employee evaluation is skewed to the right, which implies that most employees are rated as satisfactory or outstanding (DGT, 2010). Apart from the fact that this procedure is

newly introduced, the dominant cause of this evidence is due to cultural barrier within the managers in giving true assessment to their subordinates.

As discussed, the organisational life in the researched organisations, while subject to competing pressures is similar to life within the typical Indonesian family. It reflects an emphasis on cohesiveness of '*gotong-royong*' or mutual cooperation, the father-son association of superior-subordinate relationship and co-dependent relationship among organisation members. As a consequence, people are encouraged to become psychologically and emotionally attached with one another.

This reciprocal association among organisation members has influenced the commencement of employees' appraisal, related to both reward and punishment system. The evidence of 'skewed to the right' employees' evaluation indicates that managers tend to be overly compassionate when they have to give poor assessment. One of the main causes of this leniency is because the annual performance appraisal has an impact on the eligibility of an employee for promotion. Therefore, it is common for a superior to give an overvalued assessment. As a consequence, the promotion decision is made based on unrealistic indicators since the annual performance appraisal, has in many instances, become ceremonial (Dwiyanto et al., 2008).

Another cultural implication on the reforms is exhibited in the case organization's initiative to introduce the "Employee of the Month" programme (see appendix 8.4). When the researcher first entered the lobby of the Tax Office, I could see some photos of people hung on the wall. They were neatly framed and engraved by the words of "Employee of the Month". This programme is intended to stimulate a strong climate of competition within the office. Previously, the case organisations used to be perceived as exhibiting ineffective performance and practices in common with other public institutions in Indonesia. These institutions were seen as slow and stagnant due to the absence of competition among employees (Synnerstrom, 2007). This initiative is argued to enhance employees' motivation, as the Head of Office explained:

There was a senior employee who will be retired in 3 years and he was chosen as the employee of the month... [It makes] the youngsters to be motivated...there was no manipulation on the selection, that man was chosen [because of his performance]...Others respond, "If he can be the best employee of this month, I surely can be too. (Interview with Head of Tax Service Office)

However, it is found that this mechanism is not without cultural implication. The following interview excerpt with one of the Head of Sections during the event of employee of the month selection may reveal another aspect of the assessment process.

- | | |
|--------------|--|
| Researcher | : Who do you think will become the new AR of the month? |
| Section Head | : Well, each section has already had one of their ARs as the employee of the month, except the section III. Therefore, I bet Slamet from section III will win it. |
| Researcher | : Does he deliver the best performance so far? |
| Section Head | : Yes, in his section but not in the office. But, as I said, only that section has not won. So, it's better for us to choose one of its members. We feel ' <i>pekewuh</i> ' if this section does not win. It creates unjust within our big family. (Interview with Head of Supervision and Consultation Section) |

The above illustration exhibits the utilisation of personal judgment to decide personnel matters within the case organisations. This diverges with the requirement for any civil servant to conduct with impersonal feelings or behaviour (Weber, 1974; Albrow, 1992). This circumstance within the case organisations is nurtured by the Javanese value of '*rukun*', which implies that people should seek for equality, rather than equity. To maintain the harmony of '*rukun*' people are required to behave '*pada-pada*' and '*sama rata*' meaning equal (Setiawan, 1998). Anyone who "goes solo is considered to be a maverick and a fool" (Jackson, 1978, p. 37)

Within such atmosphere and condition, the employee assessment becomes routine and ceremonial (Dwiyanto, et al., 2008). As reported in the work of Irawanto et al. (2011a), which observe the human resources management practices within Indonesian public institution, "the change process and performance appraisal is viewed as a formality, and is done just to meet the requirements of the administration processes rather than as a tool to enhance organisational effectiveness" (p. 136). These authors claim this condition takes place due to the organisation's attempts, both by superiors and subordinates, to maintain the balance of human life.

The establishment of a familial association in the organisation may also lead to the reluctance of superiors to punish their subordinates (Tsamenyi et al., 2008). The superiors will bear the feeling of '*pekewuh*' or embarrassed reverence (Geertz, 1961) when they have to give sanction or negative feedback to the employees. For example, at the Tax Office the Director General, himself, reminded his managers to be selective and take care in sanctioning employees.

Please, I request to all of you [the head of Tax Offices] to be very careful when you are to give sanctions. (Director General of Tax)²⁵

The above illustration of managers' leniency can be justified to establish a liberal supervision, which Blau (1959) argued as particularly effective. However, the evidence of this research demonstrates the downside of such practices, particularly to cause subjectivity in personnel decisions, which is based on non-rational judgment, for instance based on familial association (Weber, 1974).

Within the case organisations, one unique basis of familial relationship is the solidarity within the same employment batch. Particularly, this batch is related to the graduation year from the "STAN" (*Sekolah Tinggi Akuntansi Negara* or State College of Accounting), which is a university under the Ministry of Finance which held a Diploma of Financial Education Programme. This school is deliberately founded by the Ministry of Finance "to educate students to have knowledge and expertise in public sector accounting and finance and to prepare students so to become the strongly disciplined and dedicated civil servants with good morality" (STAN, 2011). The graduates from this school are automatically accepted as the employees of the Ministry of Finance, including the Tax and Customs Offices. They have dominated the number of officials within this Ministry (Ministry of Finance, 2010a).

The evidence from the case organisations reveals that the psychological attachment based on this particular batch has influenced the personnel decision within the case organisations. One instance of such impact is demonstrated in the enforcement of the employees' sanction, as stated by one of the Tax officials:

Well, he is the same batch with the big boss, no wonder he can escape from such punishment. This person has already confessed that he performed illegal conduct but nothing happen to him. (Head of Tax Service Office)

Besides the long period of relationship established since they were in school, the familial cohesiveness among the officials is also built by establishing '*arisan*', which literally means 'cooperative endeavour', 'mutual help' (Verhezen, 2002, p. 64). This activity is originated from the Javanese society's practice to establish a rotating credit association, which consists of a group who each of them agrees to pay regular contributions (Verhezen, 2002). Each member can use the group's money in a successive order, decided by drawing mechanism, within

²⁵ Direct Observation at Directorate General of Tax.

regular period, usually monthly. In the Tax Office, the fund collected by '*arisan*' is utilised to assists their members in time of hardship, such as poorly, accident, or even to pay for living cost when they study abroad, as described by one of the informants:

This is the case of my colleague when he conducted his PhD in Japan. As you know that our scholarship is not sufficient for covering our living cost, especially when we bring our family. Therefore, he asked for his batch's fund collected from '*arisan*'. This is a noble initiative, actually, but I am sure he will be burdened with his obligation. This may lead to bias of his decision which involves someone from his batch, certainly. (Interview with Head of Tax Service Office)

As argued by Verhezen (2002), this activity of '*arisan*' has become the cultural actualisation that can strengthen the social bonding within organisation or society. This event has evolved from merely an economic institution to become the strong foundation of solidarity of the community. The above illustration of an official who is benefited from '*arisan*' reveals a two-fold dependency from the acceptor to the group. First, he owes money to the community that he must pay back. Secondly, in particular Javanese context, he will be burden by the feeling of '*sungkan*' or embarrassed reverence (Geertz, 1961). This will consequently affect his objectivity that will eventually deteriorate his impersonal behaviours.

Furthermore, the feeling of personal indebtedness is resulted from non-monetary liability. It is reported at the case organisations that a superior can request his subordinate to attend to his private matters.

My superior gives a direct command to staff like me both for his official and non-official duty. Even, I once was demanded to finish his school's assignments. Deep in my heart, I asked myself...well, who should get the degree, me or him. (Interview with Staff at Tax Office)

Within this condition, a superior is being dependent to his/her subordinates due to subordinates' assistance. In the Javanese terms, he is indebted of '*hutang budi*' to his subordinate; therefore he, in turn, is obliged to provide his subordinate with good deeds, such as high scores in his evaluations of their performance (Mulder, 1994).

For Javanese people, this incalculable debt of '*hutang budi*' is "a form of indebtedness with which they will struggle incessantly to repay but which continues to endure even into the next generation" (Pye, 1985, p. 117). Among the Javanese, it is their belief that "debts in money are easily paid but debts in *hutang budi* endure 'till the grave'" (Jackson, 1980, p. 349, emphasis in

original). Consequently, the one who owes of '*hutang budi*' will do his/her utmost to repay this non-material debt.

The above illustration reveals the patron/client relations between superior and subordinates within the Javanese influence, by which a close relationship tie is embedded. As Moertono (1968, p. 14) observed that within the Javanese setting "the relationship between servant and master is not impersonal; it is rather a personal and close tie of mutual respect and responsibility" (in Errington, 1984, p. 277-278). This intimate relationship, as this author argues, is originated from the life of a family.

This condition at the case organisations resembles what Weber (1946) refers as a system of traditional authority, by which decisions were made on the basis of "personal sympathy and favour, by grace and gratitude" (in Morand, 1995, p. 850). Therefore, it is evidenced from the empirical findings that this approach is contradictory to that of impersonality, which requires any rational administrative decision to be made based upon "personally detached and strictly 'objective' expert" and "without regard for persons" (ibid, p. 850).

Not only does Javanese culture have implications for relationship within (intra) the organization but it also influences official-client interactions (inter), between tax officials and tax payers. These complexities are discussed in the following section.

8.3.3. Refusal of Gifts to Remove the Co-Dependency

The challenges of establishing impersonality are also demonstrated in the event of inter organisation interactions. One of the causes of such difficulties is the existence of co-dependent relationship between officials and clients. As reported in the study by AC Nielsen (2005b) that there is still a need from the client for personal interaction, regardless of the offices' efforts to minimise official-clients interaction. According to this report, the new HR policy to regularly transfer the employees throughout Indonesia has created dissatisfaction among taxpayers, such as expressed by one of the taxpayers:

The process was not completed yet, but my AR was changed. I had to start all over from the beginning to explain about my business. (Interview with Taxpayer 6)

Similar is exhibited by the Customs Office's users:

I prefer the previous system. I could contact the Customs official directly and personally. He already knew the specific condition of my commodities. It goes without

saying, if I can put it that way. This made the clearance of my containers faster.
(Interview with Importer 1)

The need of personal interaction is indeed common within Indonesian setting, which requires the feeling of warmth and intimacy between people as in a family. This is characterised by reciprocal cooperation, mutual acceptance, calm and unity among the society members (Magnis-Suseno 1997). Therefore, this atmosphere has created a tendency within the officials and the clients to establish a friendly personal relationship. As Renoe (2002) observed, in conducting any transactions, Indonesians greatly prefer on the completion of this on the basis of personal relationship. It is uncommon that a user commences his/her business without knowing someone at the service provider (Dean, 2001; Renoe, 2002). In a situation where a client has no connections, he/she should bring a middle man to bridge their relationship (Renoe, 2002). Essentially, within the Indonesian context interpersonal relationship is essential and both the officials and the users are required to build warm and friendly interactions.

Another challenge for the establishment of impersonal conduct within the case organisations is due to the ambiguous of reciprocity within Javanese context, such as in the instance of presenting and accepting gift. As discussed, a number of practices were observed within the case organisations that were designed as part of the reform process to increase the impersonal nature of the bureaucratic processes, including the enforcement of '*Kode Etik*' or Code of Conduct. Under these written rules, officials are forbidden to accept gifts.

Different responses to this new policy, both from employees and taxpayers, are evidenced from the researcher's observation on the daily interaction at the Tax Office. Some employees are proud of their action not to accept any present from taxpayers. They claim that this improves their ethical behaviour. As stated by one of the tax officials:

In the past, the officials asked for money; now, we refuse any gift. So, I could say that there has been improvement of our morals of three degrees; from asking, receiving, to refusing money or gift. (Interview with Head of Collection Section)

Similar practice is also evidenced in the Customs Office:

Initially, people were not convinced that the Customs Office could change...They were not convinced that we will return any gifts...Well, in the past we asked for it [gifts], now we do not ask anything, we even return it to the giver. (Interview with Member of Bureaucratic Reform Committee)

According to Mauss (1990) “the gift mechanism is characterised by a three-fold structure of reciprocity: to give; to receive; and to reciprocate or to return” (in Verhezen, 2002, p. 57). Therefore, it is implied that the above practices of refusing gifts may overcome the reciprocity consequences of gift acceptance.

This refusal was also evidenced in the daily practice, for example when a token of appreciation from the taxpayer was rejected by a Tax Office official:

Yesterday, when I paid my land and house tax, I was served professionally by the tax official. I gave him ‘*uang rokok*’ [literally means cigarette money] of 10,000 rupiahs [equals to 80pence] to the official to express my satisfaction. However, he refused it and said “this is our job, madam...by paying your tax it is more than enough for us. (Interview with Taxpayer 7)

Another example is evidenced in the report by AC Nielsen (2005b), which investigates the taxpayers’ perception on the tax officials’ integrity.

A friend of mine indirectly talked about giving an ‘*amplop*’ [literally means envelope, which represents bribe] and the tax auditor reprimanded him for that. Tax payers should not tempt auditors. (Interview with Taxpayer 8)

It is the Tax Office’s policy to strictly reject any gifts. The office, even, returns the presents with an official letter stating that the new code of conduct prohibits the Tax Office to receive such gifts. This can remove the feeling of indebtedness within the tax officials; as the consequence they can carry out their tasks toward the taxpayers more objectively.

I don’t want my employees to lose their independence so they can be dictated by the taxpayers because they feel indebted of ‘*hutang budi*’. We prefer to bear the risk of being impolite than to be dependent to the taxpayers. (Interview with Head of Tax Service Office)

However, the changes on the behaviours of Tax officials are not without any obstacle, particularly due to different perceptions on the gift presentation and acceptance under specific cultures. The refusal of such gesture from the taxpayer is perceived as paying disrespect and causing bewilderment to them.

One time the AR came here at lunchtime and I asked him to go out for lunch but they refuse. I mean it is normal since it was lunchtime, not for a certain purpose. I became confused and don’t know what to do. (Interview with Taxpayer 9)

The bestowing of presents is one way of creating dependency among Javanese people. In the Javanese settings, gifts are presented at many different events and occasions (Jackson, 1978); they may function as a means for "stratifying new relationships and for extinguishing status ambiguity" (p. 37). For Javanese, such refusal of a gift can be perceived as being disrespectful to the giver (Verhezen, 2002). The ritual of gift exchange has been exercised for many years and the practice has tied families into complex reciprocal obligations for generations (Adeney-Risakotta, 2005)

During the field work, the researcher experienced this situation when such a gesture from the taxpayer was rejected. I was involved as a member of a team, which was assigned to collect the annual tax reports at one hotel near the Tax Service Office (see appendix 8.5).

Approaching the lunch hour, one of the hotel managers offered us lunch. However, our team leader politely refused this. He said "our office has provided us adequate salary". His good intention was wrongly interpreted by the manager. He thought we were too proud; he jokingly said "we do not give poison in the food". Finally, the managers asked the waiter to provide us cup of coffee and some cookies. The team leader decided to accept this offer to minimise further misinterpretation.

Such misunderstanding occurs due to a belief that "to refuse to give or to fail to invite, just as to refuse to accept, is tantamount to declaring war in traditional communities" (Verhezen, 2002, p. 57). However, the team leader rejected the gift in order to avoid reciprocating this in same manner. Within the Javanese context, a failure to reciprocate may cause '*sungkan*'. Therefore, to present a gift may instigate a potential dependency relationship; "if the recipient does not give some token, and preferably more valuable, gift in return, it is an implicit admission of the recipient's subordinate position" (Jackson, p. 37).

The presentation of gift causes different implication within the Javanese setting and it does in the Western culture. The delivery of gift within Western context could be perceived as "a profound appreciation of the beloved one instead of a perceived debt" (Verhezen, 2002, p. 57). Therefore, such present plays, as what this writer call, as a 'positive debt' "where no one feels guilty to the other beloved person" (ibid, p. 2). While in the Javanese culture, one should not refuse the dedication of gifts; otherwise he/she may be regarded as paying disrespect to the giver. When a gift is given to an official, he/she is required to reciprocate in some manner. In Verhezen's (2002) term, this circumstance implies that the acceptance of the gift becomes

'negative debt'. Therefore, the recipient should attempt his/her utmost to reciprocate this bestowment.

The refusal of gifts is not a unanimous consensus among the case organisations employees. One suggests that an official should not refuse a gift like food, as reflected by one of the tax officials:

Well, to me it is too exaggerated. We should not refuse such a small token, such as food. (Interview with Staff of Collection Section)

Another manager claimed that any form of gift must be rejected. He referred to the example set by the head of the Commission on Corruption Eradication, who once visited the Tax Office. This commissioner brought his own mineral water; therefore, when he was offered a glass of water during his speech, he refused it. He argued that combating corruption should start from a small thing.

This practice of giving and receiving gratuities is one of the old regime's approaches to maintain his power. As argued by Vatikiotis (1998), Suharto did not use so much the power of the gun, but rather the power of the purse. The current President Yudhoyono takes this matter seriously, as demonstrated in the event of his son's wedding, as reported:

Around 3,500 guests invited to the wedding of President Susilo Bambang Yudhoyono's second son, Edhie Baskoro Yudhoyono and Coordinating Minister for the Economy Hatta Rajasa's daughter, Siti Rubi Aliya Rajasa, have been warned not to bring gifts to the wedding party. The message is written in the invitation cards received by many invitees (see appendix 8.6). "Thank you for not bringing gifts in any forms," the message reads. "The committee wants to make sure that there will be no gratification," Presidential spokesman Julian Aldrin Pasha said. (Jakarta, Post, 2011)

These values which build a harmonious society have nevertheless been controversial. Some argue that this gift mechanism is part of the culture hence its practice should be understood in the lens of an emic perception on such practice (Verhezen, 2002). Others claim that this practice of giving and receiving gratuities has been the justification of giving and receiving bribes (Vatikiotis, 1998; Robertson-Snape, 1999). The evidence from the research demonstrates that this equivocal understanding has implicated the case organisations' efforts to establish impersonal interactions intra and inter organisations.

8.4. Summary

This chapter is aimed to investigate the extensive bureaucratic reform programme initiative to establish impersonality within the case organisations. The organisations have decided to modify their HR management systems to create impersonality to become the organisations' work ethos. Based on this working philosophy, employees are required to conduct '*sine ira et studio*', or "without hatred or passion, and hence without affection or enthusiasm" (Albrow, 1992, p. 313); therefore, "both organisational members and outsiders are treated without regard to individual qualities" (Hall, 1968, p. 95).

The new HR policies have been introduced both at the Tax and Customs Office, including the regular employees transfer, the introduction of '*Kode Etik*' or Code of Conduct, and the minimisation of client-official contact. First, the reforms initiative to regularly transfer the employees between offices/branches is aimed to break the long, personal relationship among officials and between them and the users. It has been reported that these proximities has led to collusive practices.

Second, the introduction of the '*Kode Etik*' or Code of Conduct has defined the dos and the don'ts for the employees in conducting their official duties. This has created a new boundary for the interaction between officials and clients. In the essence, the code of conduct requires the employees to complete organisational tasks based on impersonal and functional objectives not on person relationships (Albrow, 1992; du Gay, 2008; 2011).

Lastly, the case organisations have attempted to minimise the interaction between employees and users. It is believed that less interaction between official and clients can reduce the probability of collusion and corruption. The case organisations have determined their new office space delineation, which separates the bureau from the non-official domicile (Weber, 1974).

This chapter, in particular, focuses on the implications of Javanese values of harmony on the implementation of reforms initiative to establish impersonality (see table 8.1. for the summary). Within Javanese setting, the importance of personal relationships necessitates a warm, friendly, and personal treatment (Geertz, 1961; Mulder, 1994; Renoe, 2002), which is contradictory with Weber's idea of impersonality. Therefore, this chapter discuss some potential clashes between these two different preconceptions of inter and intra organisational interactions, which may challenge the sustainability of the reform programme.

It is evidenced in the case organisations that different approaches of Western and native culture have influenced the process of the change of control procedures, both intra and inter organisations. Within the organisation, the Javanese culture has shaped the relationship between superior and subordinate to be based on the indebted feeling of '*hutang budi*'. In this way, some office's decisions were made on the basis of personal interest, which is contradictory with the idea of Weber's impersonality. The co-dependent relationship between superior and subordinates has also caused the subjective personnel decision making, as demonstrated in the ceremonial employee assessment at the case organisations.

Table 8.1: The Implications of Javanese Cultural Values on Impersonality

Weber's Bureaucratic Dimension	Javanese Culture	Definition	Implication to Bureaucratic Control
Impersonality	' <i>Rukun</i> '	The maintenance of harmony.	<ul style="list-style-type: none"> Subjective employee evaluation due to the tendency of the managers to be overly compassionate when they have to give poor assessment. The reluctance of superiors to punish their subordinates due to emotional bonding. The inclination to accept gratuities from clients, which later become negative debt for the acceptor.
	' <i>Hutang Budi</i> '	A form of indebtedness with which people will struggle incessantly to repay but which continues to endure even into the next generation.	The subjective decision due to feeling of reluctance resulting from the obligation to repay the monetary and non-monetary gifts.

The interactions of the case organisations with external parties were also influenced by the Javanese values. The example of accepting and refusing gifts reflects the different concepts of Western and Javanese society. The former perceives gifts as positive debts; therefore "no one feels guilty to the other beloved person" (Verhezen, 2002, p. 57). While, the native culture sees presence as negative debt, which creates inferior dependency for the receiver; therefore he/she is obliged to repay it (Jackson, 1978; Mulder, 1994). Under such circumstances, Weber's prerequisite for civil servants to demonstrate their official duty "without hatred or passion, and hence without affection or enthusiasm" (Albrow, 1992, p. 313) can be discouraged. Therefore, the case organisations' attempt to minimise the personal considerations on officials' conducts to deliver equality of treatment for the public (Albrow, 1992) is questioned.

This research, therefore, agrees with the suggestion to conduct a thorough evaluation of the adoption of a Western bureaucratic approach within a specific context (Eisenstadt, 1968;

Azumi and McMillan, 1975 in Horvath, et al., 1981), like Indonesia. It is exhibited in this study that a carefully modification of organisational form is needed to make the so called "New Public Management" works within different cultures (Hood, 1995; Ferlie, et al., 1996). As Sozen and Shaw (2002) claim, "changes in public sector management have to consider the cultural factors of public services and management models cannot be imposed unchanged" (p. 475).

CHAPTER NINE

THE IMPORTANCE OF THE CULTURAL ASPECTS OF BUREAUCRATIC REFORMS

9.1. Introduction

The previous empirical evidence in chapters 6, 7 and 8 provided extensive discussions of how control within the case organisations is modified as a result from the bureaucratic reform programme. The findings of the research have revealed the complexities of the implementation of bureaucratic reforms within the case organisations, particularly due to the implications of strong cultural influences. The importance of the cultural aspects on the reforms process has been put forward in chapter 1, by which the research believes that the change of control mechanisms within an organisation is dynamic and influenced by its context (Hopwood, 1987; Birnberg and Snodgrass, 1988; Dent, 1991; Ansari and Bell, 1991; Ahrens and Mollona, 2007).

To gain a comprehensive understanding of the interactions of control and culture at the case organisations, the field study encompassed the observation of bureaucratic reforms implementation both at the strategic level and the operational level of the organisation. The research's evidence and interpretations indicate a threat to the reform programme resulting from the failure to take sufficient account of the impact of the Javanese culture on the design and implementation of the reforms.

The following sections re-present some key evidence of the implementation of bureaucratic reforms at the case organisations. In particular, this chapter reprises the interaction between control and culture, which is the focus of the research.

9.2. The Key Initiatives of the Bureaucratic Reforms

The bureaucratic reforms, both at the Tax and Customs Office, have been implemented based on the uniform framework of the reform, which comprises three key pillars, namely organisation restructuring, business process improvement, and HR Management enhancement (Ministry of Finance, 2008a). This bureaucratic reform framework is exhibited in the following figure 9.1, which was shown earlier in chapter 2.

As explained in chapter 3, there are six elements of Weber's bureaucratic dimensions. Based on the interpretation of Weber's ideal type of bureaucracy, this research emphasises on the most essential bureaucratic control dimensions of the reform, namely: reconfiguration of hierarchy, the adoption of standardisation/formalisation, and the establishment of impersonal behaviour, as the focus of the study. These elements of bureaucratic control correspond to the initiatives within the three pillars of the bureaucratic reforms respectively. Each of the initiatives is elaborated in chapter 6, 7 and 8 consecutively.



Figure 9.1: Bureaucratic Reform Framework (Figure 2.4 shown again for Clarity)

Source: Ministry of Finance (2008a)

Within the first pillar, this research argues that the appointment of external civil servants as the Director General for both Tax and Customs Office as a distinct reforms initiative. Previously, the top hierarchy of the case organisations was always filled by the internal career-bureaucrat. The appointment of the outsiders was aimed to accelerate the bureaucratic reform initiatives within the case organisations. This decision was particularly taken based on the assumption that the non-member leader will bear no burden on his/her shoulder in achieving the organisation goals:

Mr. Anwar [the Director General of Customs] easily did what he liked because he was not from the office. So, he did not have burden of the past, he did not have psychological constraint. (Interview with Head of Centre of Internal Compliance of Customs Office)

Despite the success of the improved organisational performance and reduced corrupt practices under the leadership of these two external Director Generals, the research also reports some remaining challenges faced by these leaders. For example, the initiative of the leader at the Customs Office to shorten the completion of task was unsuccessful. This is particularly due to the Javanese cultural implications, which will be elaborated in the later discussion.

The implementation of standardisation and formalisation within the second pillar has generated certainty and predictability of the completion of tasks; thus minimising employees' role ambiguity (Adler and Borys, 1996). Furthermore, such greater certainty and predictability have also been generated for the external users. Nevertheless, these positive impacts of standardisation and formalisation do not come without any costs in other aspects of work practices. This research reports the occurrence of employees' complacent behaviour, in which employees did not want to exceed the standard, which has been determined by the organisation in the Standard Operating Procedures/SOPs (Adler, 1993). The evidence of the research also reveals the 'blind' rule-following behaviour, resulting from the formalisation of rules and procedures. Within such condition, what appears in the SOPs is rigidly followed by the employees; thus rules becoming ends in themselves due to severe obedience and conformity to rules and regulations (Merton, 1976). This may influence the organisations' ability to adapt with the future changing environment.

The reform has no meaning in people's heart; people now tend to comply with the SOPs without any creativity to modify the rules to follow the changing situation.
(Interview with Member of Bureaucratic Reform Committee)

The reform initiatives within the last pillar focused on the case organisations' efforts to modify the HR management systems to create impersonal behaviour within the office. Employees are required to conduct '*sine ira et studio*' or "without hatred or passion, and hence without affection or enthusiasm" (Albrow, 1992, p. 313). Several new HR policies have been introduced, including the regular employees transfer, the introduction of Code of Conduct, and the minimisation of client-official contact to clearly segregate the private and official realm within the office:

The modern organisation of the civil service separates the bureau from the private domicile of the official, and, in general, bureaucracy segregates official activity as something distinct from the sphere of private life. (Weber, 1974, p. 197)

Table 9.1 summarises the reform initiatives within each pillar of the bureaucratic reform framework. In addition, this table also demonstrates which Weber's dimension of bureaucratic control is associated with each of the reforms initiatives. Consequently, the summary in table 9.1 provides a recapitulation of format used to structure the analysis of each of the empirical chapters (chapters 6 through 8).

Table 9.1: Bureaucratic Reform Framework and Weber's Bureaucratic Dimension

Reform Pillars	Reform Initiatives	Weber's Bureaucratic Dimension
Organisation Restructuring (Chapter 6)	<ul style="list-style-type: none"> ▪ Flattening the Level of the Hierarchy ▪ Appoint Outsiders as Leaders 	Hierarchy
Business Process Improvement (Chapter 7)	<ul style="list-style-type: none"> ▪ Generation of SOPs ▪ Enforcement of Rules and Procedures 	Standardisation/Formalisation
HR Management System Enhancement (Chapter 8)	<ul style="list-style-type: none"> ▪ Regular Employee Transfers ▪ Introduction of Code of Conduct ▪ Minimisation of Official- Client Contact 	Impersonality

9.3. The Complex Interaction between Control and Culture

The research, in particular, reports some of the relationships between these two powerful forces, of the native culture and reform, in the researched organisations. The theoretical interpretations of the research focus particularly on how Weber's idea of bureaucracy interacts with the Javanese culture, which dominates the culture of the case organisations. The former epitomises the Western approach to the governing of organisation, while the latter represents an influential and unique Eastern culture.

The evidence of the research demonstrates the complex interactions between bureaucratic control and the Javanese culture. The research shows some degree of co-incidence between Weber's ideas of bureaucracy and the Javanese culture. This is particularly portrayed by the similarities of bureaucratic dimension of hierarchy and Javanese value of '*hormat*' or respect. On the other hand, the research also revealed the contradictory assumption between impersonality and Javanese value of '*rukun*' or harmony. Furthermore, Javanese culture has also further emphasised the potentially negative effects of bureaucracy. The following discussion elaborates this relationship between control and culture as previously presented in the empirical chapters.

Chapter 6 discussed how hierarchy within the organisations is shaped by the Javanese conception of hierarchy, which acknowledges the difference of the two opposite polar of hierarchy of '*alus*' (high level) and '*kasar*' (lower level) (see Geertz, 1960; Mulder, 1994; Efferin and Hopper, 2007; Forshee, 2006; Woodward, 2011). This idea of hierarchy requires the demonstration of '*hormat*' or respect from the lower hierarchy to the upper ones (Geertz, 1961; Magnis-Suseno, 1997). This, therefore, influences the structure and the interactions between superior and subordinate within the case organisations, which is referred to the '*Bapakisme*' relationship, by which a superior is positioned as a father and reliable patron who

should be honoured and followed (Mulder, 1994; Efferin and Hopper, 2007; Tsamenyi, et al., 2008).

The evidence from the Customs Office demonstrates the failure of the Director General's initiative to cut the office hierarchy due to the managers' beliefs that such initiative showed disrespect to the hierarchy.

Mr. Anwar usually cut the bureaucracy if he wanted some material or data. He did not follow the hierarchical structure. He sometimes informally asked for any materials directly to the employees. It is actually not proper based on management principle because there is a nuance that some bosses were by-passed thus show disrespect to them and can be perceived as distrusting them. (Interview with Head of Internal Compliance Section of Customs Office)

The Javanese values of '*hormat*' or respect requires that strict hierarchy is carefully maintained and exercised by all the members of the organisation, including the leader. Based on the findings, it can be implied that the Javanese culture encourage the hierarchical structure as organisational control mechanism since hierarchy has a crucial place in the social relationship among Javanese. It is argued that the exercise of hierarchical structure of organisation is a manifestation of Javanese values of '*hormat*', by which they glue people together in personal bonds of unequal moral and material values (Magnis-Suseno, 1997).

Nevertheless, the nature of superior-subordinates relationship of '*Bapakisme*' can also be argued to demonstrate the existence of patrimonial type of hierarchy within the case organisations (Efferin and Hopper, 2007; Tsamenyi, et al., 2008). Within such hierarchy, people obey the leader because this person occupies a position which provides historical reasons that they ought to be followed. This nature of relationship is referred to the traditional hierarchy (Weber, 1974); thus it does not suit Weber's rational-legal domination.

Within the case organisations, this '*Bapakisme*' has created a great dependency from subordinates to their superiors, thus generate less empowered employees. The subordinates could not decide any office matter without approval from the superior. For example, an official at the Tax Office did not want to be interviewed despite his capability to provide the required information.

We better wait until 'Pak Kabag' [Head of Division] is back from his leave. I cannot make any decision without his approval. (Interview with Deputy Head of Organisation Division of Tax Office)

Such dependency reflects the father-child association within the Javanese setting, as illustrated by Yudianti and Goodfellow (1997):

...most subordinates lack an appreciation of basic initiative. This is compounded by a pervading spirit of passivity, which manifests itself as a lack of self-confidence. It is a dominant theme across most of Indonesian society, and is believed to result from a strong tradition of paternalism and feudalism, particularly in Java. (p. 106)

This condition suggests that the culture is closer to Weber's definition of traditional hierarchy (Weber, 1974; Hughes-Freeland, 2007; Tsamenyi, et al., 2010), by which people obey someone because this person occupies a position which provides historical reasons that they ought to be followed. The conclusion of this research is that this pervasive notion of '*hormat*' and its tendency to strengthen hierarchy stifled several reform initiatives. The empirical evidence is used to demonstrate the influence of the Javanese culture on work attitudes and behaviours that have become ingrained in the life of the case organisations.

Chapter 7 elaborates how the Javanese values of '*rukun*' or harmony has influenced the implementation of the SOPs both at the Tax and Customs Offices. As discussed in section 9.2, the adoption of the standardisation policy was reported, by some participants, to encourage employees to merely achieve the target as stated in the SOPs. This negative impact of standardisation is magnified by the Javanese cultural value of '*rukun*', by which people are demanded not to seek to excel above, or exceed the mass performance of the majority. The 'above-the-standard' performance is seen to create un-equality and this may eventually hamper the equilibrium within society (Geertz, 1960).

Furthermore, the Javanese concepts of '*manut*' or obedience and '*nrimo*' or acceptance have further emphasised the generation of 'blind' rule following behaviour, in which the employees are required to accept, with full compliance, what are commanded to them (Mulder, 1994). The people's demonstration of '*manut*' moves them to respond positively to absolute guidance and direction (Irawanto et al., 2011a). While the Javanese concept of '*nrimo*' emphasises the importance of always accepting what is offered to achieve and build harmony (Geertz, 1960).

Within the case organisations, the 'blind' rule-following behaviour was reinforced by the application of '*monut*'; while the absence of feedback for improvement was caused by the Javanese norm of '*nrimo*'. It is implied that the Javanese culture as adopted within the case organisations has exacerbated the consequences of the bureaucratic control. Such

interactional effects indicate “[the] important cultural influences in organisations with respect to the level and forms of bureaucratisation” (Horvath et al., 1976, p. 69).

Chapter 8 discusses the evidence from the case organisations of the contradiction of Western culture represented in Weber’s impersonality with the Javanese value of ‘*rukun*’ or harmony. The former requires rather ‘cold’ and impartial relations and delivery of services (Weber, 1974; Albrow, 1992; du Gay, 2011); the latter necessitates more warm, friendly, and personal treatment (Geertz, 1961; Mulder, 1994; Renoe, 2002).

These different approaches of Western and native culture have influenced the interactions, both within and between organisations. The Javanese culture has shaped the relationship between superior and subordinate to be based on the indebted feeling of ‘*hutang budi*’. In this way, some office’s decisions were made on the basis of personal interests, which is contradictory to Weber’s conception of the need for impersonality. The co-dependent relationship between superior and subordinates has also resulted in a degree of subjective staff performance evaluation, as is demonstrated by the reported tendency to prepare employee assessments in a ceremonial manner, influenced by ‘*hutang budi*’, within the case organisations.

The interactions between the officials and their clients were also influenced by the Javanese values of ‘*rukun*’. The practice of accepting and refusing gifts at the case organisations reflects the distinct ideas between the Western and the Javanese society. Within the Western setting, gifts are perceived as positive debts; while the Javanese culture sees presence as negative debt (Verhezen, 2002). As a consequence, the acceptance of gifts may create inferior dependency for the receiver; therefore he/she is obliged to repay it (Jackson, 1978; Mulder, 1994). Eventually, such obligation may influence the capability of the official to perform their duties “without hatred or passion, and hence without affection or enthusiasm” (Albrow, 1992, p. 313).

The evidence in chapter 8 demonstrates that Weber’s ideal bureaucratic dimensions often do not fit well with Javanese values. This finding resonates in what Renoe (2002) argues about the Western view of efficient bureaucracy not coinciding with local culture, in this case the Javanese culture which has dominated public service in Indonesia for several decades at least. The findings of the research demonstrate how the Javanese culture is an impediment to the implementation of the bureaucratic reforms at the case organisations.

The interactions of control and culture, as elaborated in chapter 6, 7 and 8, are briefly summarised in table 9.2, which merges the contents of table 6.1, 7.1 and 8.1. This particular table further elaborate the association between the reform initiatives and Weber's bureaucratic dimension, as summarised in table 9.1, and the Javanese cultural values which mostly impact on the changes. Two Javanese values of '*hormat*' and '*rukun*' are used as the main explanatory aspects of the implications of Javanese culture on the implementation of bureaucratic reforms. These two values are interdependent and "represent important forces for the cohesion and resiliency of the Javanese family and, also Javanese society as it is today" (Geertz, 1961, p. 146).

The findings of the research imply that control systems in the case organisations are affected by culture; in this case it is Javanese culture that is causing the dissonance. Or perhaps more fairly it is the reform process that is creating dissonance with the pre-existing Javanese culture. This research echoes the stance that culture can strongly influence organisational control, as suggested by Dent (1991; see also Efferin and Hopper, 2007 and Tsamenyi, et al., 2008 for research within Indonesian setting). This research agrees with Hopwood (1987) that the adoption and implementation of control mechanisms within an organisation, such as that resulting from the bureaucratic reform programme considered in this research, is dynamic and influenced by its context (see also Birnberg and Snodgrass, 1988; Dent, 1991). The inclusion of culture to understand organisational control and an appreciation of the external environment into my analytical framework are found relevant (Ansari and Bell, 1991; Ahrens and Mollona, 2007).

Table 9.2: Weber's Bureaucratic Dimension and Javanese Cultural Values

Weber's Bureaucratic Dimension	Javanese Culture	Definition	Implication to Bureaucratic Control
Hierarchy	' <i>Alus-Kasar</i> '	Two opposite polar of hierarchy. <i>Alus</i> : refined, civilised, or smooth. <i>Kasar</i> : unrefined, uncivilised, crude, or uncouth.	The hierarchical order must be thoroughly followed by all the members of the organisations, including the leaders.
	' <i>Hormat</i> '	Respect from lower level of hierarchy to the upper ones.	Big gap between superior and subordinate.
	' <i>Bapakisme</i> '	The interaction between superior and subordinates, by which a superior is positioned as a father and reliable patron who should be honoured and followed.	<ul style="list-style-type: none"> Dependency from subordinates to their superiors, thus generate less empowered employees. Superiors must protect their subordinates regardless their mistakes.

Table 9.2: Weber's Bureaucratic Dimension and Javanese Cultural Values (continued)

Weber's Bureaucratic Dimension	Javanese Culture	Definition	Implication to Bureaucratic Control
Standardisation / Formalisation	'Rukun'	The maintenance of harmony.	<ul style="list-style-type: none"> Employees are discouraged to exceed their required target. Uniformity of performance targets regardless the variety of office facilities and infrastructure.
	'Manut'	The acceptance with full compliance what are commanded.	'Blind' rule-following behaviour.
	'Nrimo'	Employee accepts any fact that takes place and does not show complaint to their superior.	Lack of feedback for improvement since employees rarely question the leaders' decisions.
Impersonality	'Rukun'	The maintenance of harmony.	<ul style="list-style-type: none"> Subjective employee evaluation due to the tendency of the managers to be overly compassionate when they have to give poor assessment. The reluctance of superiors to punish their subordinates due to emotional bonding. The inclination to accept gratuities from clients, which later become negative debt for the acceptor.
	'Hutang Budi'	A form of indebtedness with which people will struggle incessantly to repay but which continues to endure even into the next generation.	The subjective decision due to feeling of reluctance resulting from the obligation to repay the monetary and non-monetary gifts.

9.4. The Incompatibility of a Western Approach in a Different Cultural Setting

As discussed in the previous section the research evidences a clash between the process of reform and the predominant Javanese culture at the case organisations. I have argued that this may reflect the inapplicability of Western concepts within a non-Western setting (Kiggundu, et al., 1983) or the incompatibility of management models of developed economies in the LDCs/Less Developed Countries (Hopper, et al., 2009) In the case of public sector, Noordhoek and Saner (2005, p. 39) note that "the culture clash that lies underneath a change" is one of the main factors in the breakdown of public institutions. These authors argue that the attempt to change public institutions was positioned as a stand-alone method, which neglected important contextual aspects. They claim that "the mistake was that it [New Public Management] was not used with more consideration for the context in which it was being applied" (ibid, p. 41).

In the larger context, this phenomenon can be associated with the ongoing debate about whether there is a one-size-fits-all approach of reforming the public institutions. The so-called neo-liberalist's method of revitalising the public sector claimed that the management of public institutions in the LDCs should follow the ones in the developed countries (for example: Osborne and Gaebler, 1992). The proponents of such assumption believe that adopting the Western model of public management is essential for developing countries if they aim to improve their governance (de Waal, 2007 in Ohemeng, 2010).

The findings of this research, on the other hand, demonstrate that careful consideration should be taken to whether modification of the promoted Western form of organisational governance arrangements may enable them to work within different contexts (Hood, 1995; Ferlie, et al., 1996; Sozen and Shaw, 2002; Ohemeng, 2010; Sharma and Lawrence, 2009; 2010). As summarised by Ohemeng (2010), scholars have reached similar conclusions about the incompatibility of the use of the Western management models outside developed countries (for examples: Holmes et al., 2006; Laking, 1999; McCourt, 2003; Minogue, 2001; Polidano, 2001). The perspective of this research echoes what Minogue (2001) elucidates:

Problems of cultural variation mean that there needs to be substantial adaptation of generic reforms. Without such flexible adaptation to local conditions, reforms will not become rooted, will create empty, facade reforms which will be ineffectual, and do little more than create new bureaucratic layers. (p. 36)

This research, therefore, encourages and suggests that a thorough evaluation of the adoption of a Western bureaucratic approach within a specific context (Eisenstadt, 1968; Azumi and McMillan, 1975 in Horvath, et al., 1981), such as Indonesia, should be conducted. In particular, the evaluation is critical due to the significant cultural differences in different parts of the world. Different cultures are likely to require distinct or, at least, carefully modified organisational forms, which fits the specific cultural concepts and practices (Horvath, et al., 1976; 1981). The instance of such modification is reported in the study of the Fijian public sector by Sharma and Lawrence (2009; 2010), by which the imported quality management was customised to fit the native Fijian culture. Consequently, this "will allow cultures in disparate societies to achieve a level of development amenable to their histories, circumstances, and distinct needs" (Ohemeng, 2010, p. 457).

This research also raises question about the theoretical basis on which the reforms are predicated. A number of studies have reported the dependency of the literature on control and public sector reform on Western evidence and theoretisation (Berger, 1957; Horvath et

al., 1981; Sozen and Shaw, 2002; Bouckaert, 2007; Bowornwathana, 2007). These authors suggest that many international studies have overlooked "possible societal differences, and so implicitly have taken the view that organisational forms and management principles hold anywhere regardless of cultural environment" (Horvath, et al., 1976, p. 62).

Many developing countries, including Indonesia, have still been inclined to adopt Western approaches to restructure and revitalise their public sectors regardless of these academic criticisms. This is mainly due to the internationalisation or globalisation of public management, sponsored by the international donor agencies and governments of the developed world (Hope, 2001; Kettl, 2005; Laking and Norman, 2007; McCourt and Minogue, 2001; de Waal, 2007 in Ohemeng, 2010). These international financial organisations, mainly the IMF and the World Bank, have been argued to play as an important part in predetermining the nature of institutional change regardless of the local cultural and environment context (Hoque and Hopper, 1994; 1997). This research has provided a rich understanding of how one of the most important Indonesian public institutions has implemented an extensive, IMF inspired, bureaucratic reform programme.

This research is, therefore, believed to contribute in filling a gap in the existing literature on bureaucracy by acknowledging the importance of the contextual and cultural aspects (Horvath, et al., 1976; Flamholtz, 1996) surrounding the reform process. The research seeks to counter this overreliance on Western literature by considering a range of local values and concepts as they are reflected in the relevant literature. Efferin and Hopper (2007) argue that insufficient attention has been given to the uniqueness of the Indonesian context, in which this research is based. The nature of the researched organisations as public institutions also complements the current literature on the cultural aspects of control system within Indonesia, which focuses on the private sector organisations (Efferin and Hopper, 2007; Tsamenyi et al., 2008).

9.5. Concluding Remarks

The above discussion corroborates the importance of cultural aspects of the bureaucratic reforms at the case organisations. The Finance Minister, in fact, had some appreciations of the impacts of culture to the commencement of the reforms:

After the completion of the improvement of organisation's outer element, the bureaucratic reforms continue to change the more substantial aspect. The Minister of

Finance said "the bureaucratic reform initiatives to improve the work procedure and establish office modernisation is not adequate. The most important thing is to reform our [employees the Ministry of Finance's] mindset and culture". (Wahyudi, 2008)

Nevertheless, the focus of the bureaucratic reforms at the case organisations has not, yet, embraced these cultural aspects. One of the justifications of such lack of attention to culture was due to the difficulty to change culture:

The most difficult thing is...what it is called ... to change the culture...how to change the culture of people...I am not saying that all people in the Ministry have bad culture...not like that...but in general, culture of the Ministry is inherited from [bureaucracy] years ago...yes, it is the most difficult thing to change. (Interview with Chief of Bureaucratic Reform Committee)

In similar vein, another official reflects:

To change the culture is the hardest part, this Customs Office was not built yesterday, we have been existing since 140 years ago ... it means that our culture has been in place since then...how can it be changed? (Interview with Member of Bureaucratic Reform Committee)

The findings of the research elaborate the risk of the inadequate attention to the cultural implication on the bureaucratic reforms implementation within the case organisations. Instead of aiming for the culture change, as desired by the leader and senior members of the case organisations, this research suggests that some of the significant reform initiatives are not working within the existing cultural context. In particular, this is due to the fact that native culture is persistent in its effects on behaviour as demonstrated by the endurance of the Javanese culture for centuries (Mulder, 1994; Geertz, 2000; Forshee, 2006; Woodward, 2011).

CHAPTER TEN

CONCLUSION

10.1. Introduction

My research has sought to provide an in-depth understanding of how an extensive bureaucratic reform programme has been implemented in two critically important Indonesian public institutions. The bureaucratic reforms, which have moved the Tax and Customs Offices towards a more bureaucratic organisational form, have provided some quick wins, including: increased employee discipline, faster service delivery, more efficient budgeting, and the reduction of corrupt practices (Ministry of Finance, 2008a). Nevertheless, some critical challenges were and still are faced by the organisation.

The most recent case of tax evasion, that has allegedly taken place in the tax court involving a number of tax officials, tax court officials and judges, police, attorneys, and taxpayers, has put the reforms at the Tax Office in doubt (Jakarta Post, 2012). The facts in the case are said to reveal that "a tax official conspired with a number of tax evading companies to defraud the Tax Office of tens of millions of dollars" (Rizal, 2011, p. 436). Such a significant case demonstrates the complexities of the implementation of bureaucratic reforms at the case organisations. The reforms cannot be claimed to have solved all the problems within the case organisations. Fraud takes place in every country and so it is important and legitimate to follow the reform process over a period of time to trace the impact of the reforms.

This research, in particular, speculates that the reforms process may have been affected due to a conflict with strong cultural influences. These cultural influences have produced conflicts which threaten the medium to long term sustainability of the reform programmes. The findings of the research demonstrate how the adoption and implementation of control mechanisms within an organisation, such as that resulting from the bureaucratic reform programme, considered in this research, are affected by culture (Hopwood, 1987; Ansari and Bell, 1991; Flamholtz, 1996; see also Efferin and Hopper, 2007 and Tsamenyi, et al., 2008 for research within Indonesian setting). The evidence from the empirical findings has revealed the complexity of the implementation of Western inspired administrative arrangement within a strong culture. This research claims that it is the reform process that is creating dissonance with the pre-existing Javanese cultural values.

The selection of the Tax and Customs Office as the organisational context for my research has provided a unique setting. First, the Ministry of Finance, as the overarching institution of these two major organs of state revenue, has been used to provide pilot projects and build expertise of bureaucratic reforms within these key Indonesian public institutions. Reform initiatives at these offices have been heralded as success stories for the bureaucratic reform process. Furthermore, the influence of the international donors, primarily the IMF, as the instigator of the reforms, provided the impetus for the adoption of a Western model of public sector change into Indonesia.

Based on its evidence and findings, this research, therefore, suggests that a thorough evaluation of the adoption of a Western bureaucratic approach within a specific context (Eisenstadt, 1968; Azumi and McMillan, 1975 in Horvath, et al., 1981), such as Indonesia, should be conducted. In particular, the evaluation is critical due to the significant cultural differences in different parts of the world. Different cultures are likely to require distinct or, at least, carefully modified organisational forms, which fits the specific cultural concepts and practices (Horvath, et al., 1976; 1981). The instance of such modification is reported in the study of the Fijian public sector by Sharma and Lawrence (2009; 2010), by which the imported quality management was customised to fit the native Fijian culture. Consequently, this “will allow cultures in disparate societies to achieve a level of development amenable to their histories, circumstances, and distinct needs” (Ohemeng, 2010, p. 457).

The purpose of this chapter is to provide summary, conclusions and implications of the study. The remainder of the chapter is divided into three sections. First, a reflection on the research methodology adopted in the study is discussed. It is followed by a summary of the key findings of the study in relation to the research questions of the thesis. This section also encompasses the discussions of the main contributions of the study to knowledge. The discussion of the implication of the research completes this chapter, including an acknowledgement of the limitations of the study and consequent recommendations for future research.

10.2. Reflection on the Research Approach

The research I conducted was based on the underpinning presupposition that the change of control systems as a result of the bureaucratic reform programme at the case organisations must be considered in its organisation and cultural context (Ansari Bell, 1991; Flamholtz, 1996; Hoque and Hopper, 1994; 1997). In order to recognise this, the research approach was designed to acknowledge the importance of an imposing and extensive cultural tradition

(Efferin and Hopper, 2007; Tsamenyi, et al., 2008) that provided a significant backdrop to the reforms. Based on this assumption, the study utilises an interpretive approach to gain an intensive understanding of the implementation of bureaucratic reforms at the case organisations. The selection of interpretive methodology as a framework for researching organisations, such as in this research, has gained increasing recognition in the accounting and management literature (for examples Morgan 1988; Covaleski and Dirsmith 1990; Ansari and Bell, 1991; Dent 1991; Llewellyn 1993; Alvesson and Deetz, 2000; Ahrens and Chapman, 2004; Ahrens and Mollona, 2007).

The interpretive approach also fits the aim of the research, which is to obtain a rich understanding of how the implementations of bureaucratic reforms have interacted with and been affected by the prevailing Javanese culture. This research employs an ethnographic case study approach to construct a detailed, in-depth understanding involving multiple data sources (Creswell, 2007). The use of ethnographic case study also allowed me to gain a comprehensive understanding of the interactions of control and culture at the case organisations both at the strategic level and more importantly at the operational level of the organisation.

Both the selected research methods and methodology were new to me. As someone who works for a central bank, I was accustomed to being surrounded by quantitative approaches. The selection of my research approach was the outcome of my interactions with my supervisors, my attendance on the Research Method Course (RMC) at my school and the reading that these interactions inspired. Nevertheless, the swing from functionalist to interpretivist methodology has provided me with a remarkable journey to the completion of my thesis.

As a beginner ethnographer, I attempted to familiarise myself with this unique method throughout the period of my study. Two books from Spradley (1979; 1980) on ethnographic methods and a particular book of *"The Real Life Guide to Accounting Research: A Behind-the-Scenes View of Using Qualitative Research Methods"* by Humphrey and Lee (2004) have been my personal guidance to conduct my research. One of the best suggestions I gained was the advice to generate a periodic summary of my field work. Despite my limited spare time, particularly due to the transcription process during my field work, writing this summary and reported it weekly to my supervisor have been significant to document what happened in the case organisations and what my reflection was of those events.

During my field work, I experienced the ups and downs of being a researcher. At the first week of my field work, I was quite frustrated by not being able to arrange a single interview with the officials at the Tax office. I realised that I could not solely rely on the letter of approval from the Minister of Finance. Instead, within the case organisations' setting I should have had someone I knew within the organisation to pave the way for my access. This may reflect the implication of 'Javanese value of *'rukun'* within the case organisations, which requires personal relationship among the members of the society. As observed by Dean (2001) and Renoe (2002), within the Indonesian context, it is uncommon for a user to be able to commence his/her business without knowing someone at the Tax office.

As my field work progressed and rapport and trust were built up, the access to the case organisations became increasingly open. Most of the members of the organisations were cooperative and I had 100% approval of my interview arrangements; each lasted about 1.5 hours. All of the interviewees were also willing to have our conversations recorded. These interview exchanges provided me with vast amounts of textual and other information on the implementation of bureaucratic reforms at the case organisations. The quantity of the interviews, both in terms of the numbers of participants and the length of the interviews, demonstrated my acceptance as a researcher by the case organisations.

By involving in the life of the case organisations during the fieldwork, I had an opportunity to observe the everyday practices of the organisation, the influence of the reforms and what these practices meant to the members of the organisation involved (Brewer, 2000). It has been argued that such rich information is rarely revealed in the brief and superficial contact typical of alternative research approaches. I was involved in several internal meetings at the case organisations. Also, the case organisations assigned me to attend some external engagements. I could observe that the members of the case organisations felt honoured to have their institutions being researched. Such a feeling was demonstrated during my involvement in a socialisation of 'drop box' program, in which they always introduced me to the audience as a researcher at their office. During this event, I was assigned as part of the *Gangsar* Tax Service Office's team to deliver a presentation of the newly introduced tax report submission mechanism to taxpayers.

During my field study at the Customs office, I could not thoroughly blend with the members of the organisation as I did in the Tax office. This is due to the unique condition at the Customs office such that their staffs have to wear a special uniform (see chapter 5 section 5.3.2). Since I

did not wear the same uniform like the Customs officials, I felt like a stranger at this office. For example, when I had my lunch in the office canteen I found it hard to approach them because of having such feelings.

During the field study, I could also 'feel' the cultural implications on my data collection techniques. For example, an interview with more than one interviewee was not useful due to the participant's tendency not to disagree or argue with other's ideas. This is due to the implications of the Javanese value of '*rukun*', which requires people to conceal any disagreement. Therefore, techniques such as focus group discussion (FGD) are not suitable or amenable to the Javanese setting. Moreover, an interview that involving superior and subordinate at the same time would be unlikely to gain the real meanings from the participants, especially from the subordinates. Such problems occur because of Javanese value of '*hormot*', which necessitates subordinates to demonstrate proper respects to their superiors. Under such circumstance, the subordinates tend to agree with whatever their superiors say.

This research method allowed me to understand the implementation of the bureaucratic reforms in their organisational context (Burchell, et al., 1980). The adoption of case study has been encouraged by some scholars (for examples Hoque and Hopper, 1994; Uddin and Hopper 2003; Uddin and Tsamenyi, 2005) to understand the change of control mechanism within the unique environment of the research, such as the Less Developed Countries (LDCs), including Indonesia. This, in particular, is due to the prevalence of social, political, and more importantly cultural factors in these settings (Uddin and Tsamenyi, 2005; Sharma and Lawrence, 2009; 2010).

When acknowledging the importance of culture, this research utilises Geertz's (1973) interpretations of culture to understand the implications of Javanese culture for the reform programme. Within such a philosophical stance, culture should be understood within its context; therefore a researcher should immerse him/herself into the daily life of the researched unit to understand their culture (Geertz, 1973). As argued by McSweeney (2002), Geertz's notion of culture and values provides a richer understanding of culture compared to Hofstede's (2001; 2006) generalisation of cultural framings. The latter is criticised for its simplification of culture (Baskerville, 2002), by which Hofstede attempted to measure the unmeasurable (MacIntyre, 1971; Smelser, 1992 in McSweeney, 2002).

Therefore, this research differs from studies, which investigate culture within the Indonesian context using Hofstede's Globe project (for examples: Heuer, et al., 1999; Gani, 2004; Irawanto, et al., 2011a; 2011b). By relying on Hofstede's culture generalisation, these writers have overlooked the issues of culture within culture, such as ethnicity (McSweeney, 2002), including the impact of the native Javanese culture as evidenced in this research. This research adopts an anthropological approach to understand the Javanese culture, as utilised by Efferin and Hopper (2007) and Tsamenyi, et al. (2008).

10.3. Conclusions on the Research Problems

This research answers four research questions, as stated in chapter 1. The first research question is *why bureaucratic reforms were conducted at the case organisations*. From the description of the background of the bureaucratic reform programme, particularly in chapter 2, it is reported that bureaucratic reforms within the case organisations has been mainly driven by forces external to the organisation itself, both domestic and international. The reforms have arisen, in part, in response to domestic concerns, namely the public, as represented by the parliament, and also from the direct users of the services provided by the case organisations. But more significantly the reforms have been driven by international pressures, from institution such as the IMF and World Bank.

This research also addresses the question of *how bureaucratic reforms are implemented at the case organisations*. Based on the official documentation, the bureaucratic reforms implemented at the case organisations has been based on a standardised and uniform framework, which comprises three key pillars: organisational restructuring; business process improvement and HR Management enhancement (Ministry of Finance, 2008a, see figure 2.4 in chapter 2). The specific initiatives based on these three pillars are associated with Weber's bureaucratic control dimensions, which refer to: the reconfiguration of hierarchy; the adoption of standardisation/formalisation and the establishment of impersonal behaviour, respectively. The empirical chapters 6, 7 and 8 discussed the reforms initiatives within each of these categories. To sum up, the bureaucratic reforms were implemented by modifying the bureaucratic control element within the case organisations, namely hierarchy, standardisation/formalisation and impersonality (as summarised in table 9.1. in chapter 9).

Furthermore, the empirical evidence of the research reveals that the modification of control systems as a result of the bureaucratic reform programme at the case organisations is influenced by culture. Therefore, the third research question address *to what extent the*

implementation of bureaucratic reforms within the case organisations is implicated by culture. The research's evidence, as elaborated in chapter 6, 7 and 8, demonstrates how Javanese culture has caused complexities on the implementation of bureaucratic reforms at the case organisations (see table 9.2. in chapter 9, for summary). On the one hand, some degree of co-incidence between Weber's ideas of bureaucracy and the Javanese culture are evidenced, as exhibited by the similarities of bureaucratic dimension of hierarchy and Javanese value of '*hormat*' or respect. Nevertheless, the contradictory values between Western impersonality and Javanese value of '*rukun*' or harmony is also observed. Furthermore, Javanese culture has also further emphasised the potentially negative effects of bureaucracy.

Finally, this research raises a bigger question about *whether or not Western concepts of organisations are compatible within non-Western setting* (Kiggundu, et al., 1983; Sozen and Shaw, 2002; Sharma and Lawrence, 2009; Ohemeng, 2010). Based on the evidence of the misalignment of culture and reform initiatives within the case organisations, this research, argues for careful modification of Western understandings of bureaucratic structures and practices when dealing with a different cultural context (Berger, 1957; Horvath, et al., 1981; Sozen and Shaw, 2002; Sharma and Lawrence, 2009; 2010; Ohemeng, 2010).

10.4. Research Contributions

As stated in chapter 1 section 1.6, this research is expected to provide three different types of contributions. As this research presents a thorough examination of the everyday implementation of bureaucratic reforms within Indonesian setting, this thesis contributes to the literature on bureaucracy, which is reliant on the Western theorisations (Berger, 1957; Sozen and Shaw, 2001; Ohemeng, 2010). By presenting the case on the public institutions context, this research also complements the current literature on control and culture within Indonesian setting, which focus on private sector (for examples: Efferin and Hopper, 2007; Tsamenyi et al., 2008).

The utilisation of ethnographic method in case study setting has provided an alternative way of understanding organisational phenomena, as encouraged by current scholars (for examples Morgan 1988; Covalleski and Dirsmith 1990; Ansari and Bell, 1991; Dent 1991; Llewellyn 1993; Alvesson and Deetz, 2000; Ahrens and Chapman, 2004; Ahrens and Mollona, 2007).

Finally, this research may provide practical recommendations for the policy makers, in particular are the Indonesian government and international donors, such as the IMF and World Bank. A reminder to the policy makers in Indonesia of the consequences of neglecting the cultural implications on the bureaucratic reforms should be reported. This research, therefore, suggests that culture should also become the focus of the bureaucratic reform process. This recommendation can be seen as timely and important since the case organisations were chosen to serve as a pilot of a broader reform programme. While other public institutions provide unique settings this research may provide valuable insights as further reform initiatives are developed.

Again on the policy side it is also important to highlight how significant an appreciation of local culture is for international donors. The principal international donors, the IMF and World Bank, who have been the main proponents of a Western approach to public sector reform in the LDCs, might find a strategy, more attuned to the local context, valuable. This research recommends that a careful modification of organisation forms originated from Western setting should be considered before it is adopted in different contexts, such as LDCs.

10.5. Limitations and Suggestions for Future Research

Despite its rich and thick description of the phenomena studied for this research, a number of limitations of the research need to be addressed. This section summarises the major limitations and suggestions for future research:

- The results of the research are not intended to be generalised; therefore any inference from the research should be framed within the particular space and time of the study conducted. The findings of this study are limited to the two case organisations and constrained by a relatively short data collection period of four months. Consequently, the research does not claim to capture the current state of progress of the bureaucratic reforms within the case organisations.
- There is need for careful interpretation of the research since meanings, symbols, and facts gathered and discussed in this study were translated from Indonesian and Javanese words into English. In such circumstances, the maintenance of the 'native' language as required for ethnographic study has been compromised. Furthermore, the self-translation by the researcher without endorsement from an independent third party may also have affected the accuracy of the meaning.

- As the implications of Western and non-Western approaches in controlling organisations is still an ongoing debate, the contestation requires further dialogue among scholars and also practitioners in order to further understand its implications in different contexts.

Therefore, this research proposes an attempt to examine the adoption of bureaucratic controls in other non-Western settings as a good aim for future research. In particular to examine whether similar or indeed different cultural implications emerge. The attention of such research could also focus on observation of the adoption and implementation of other elements of bureaucratic control, such as specialisation and competency, within such settings.

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GLOSSARY

<i>Abangan</i>	: Javanese people who are nominal Moslem and mainly commoners.
<i>Alus</i>	: Javanese cultural concept meaning pure, refined, polished, polite, exquisite, ethereal, subtle, civilised and smooth.
<i>Andap-asor</i>	: Javanese cultural concept meaning to humble oneself politely towards anyone who of either approximately equal or higher rank.
<i>Arisan</i>	: Cooperative endeavour or mutual help. An activity that is originated from the Javanese society's practice to establish a rotating credit association, which consists of a group who each of them agrees to pay regular contributions.
<i>Bapakisme</i>	: Javanese form of paternalism/patronage.
<i>Batin</i>	: Javanese cultural concept meaning the inner realm of human experience.
<i>Bhinneka Tunggal Ika</i>	: Unity in diversity.
<i>Bina Ghra</i>	: House of government.
<i>Duraka</i>	: Sinful.
<i>Gotong-Royong</i>	: Mutual cooperation.
<i>Harmat</i>	: To respect.
<i>Hutang-Budi</i>	: A form of indebtedness with which they will struggle incessantly to repay but which continues to endure even into the next generation.
<i>Isin</i>	: Shy or ashamed or embarrassed or guilt.
<i>Javanese</i>	: The largest ethnic group in Indonesia mainly occupying the island of Java (Jawa).
<i>Jawanisasi</i>	: The institutionalisation and internalisation of Javanese cultures in all aspects of the Indonesian life.
<i>Kasar</i>	: Javanese cultural concept meaning impolite, rough, uncivilised.
<i>Kromo Inggil</i>	: Highest level of Javanese language.
<i>Kromo Madya</i>	: Middle level of Javanese language.
<i>Kuwalat</i>	: Inevitable supernatural sanction.
<i>Lair</i>	: Javanese cultural concept meaning the outer realm of human behavior.
<i>Mangkat</i>	: Passed away (used in the highest level of Javanese language).
<i>Manut</i>	: The acceptance with full compliance what are commanded.
<i>Moti</i>	: Passed away (used in the lowest level of Javanese language).
<i>mbalelo</i>	: Rebellious.
<i>Mufakat</i>	: Consensus by acclamation.
<i>Musyawarah</i>	: Communal meetings and gatherings
<i>Nasi tumpeng</i>	: Traditional Javanese meal for special occasions made from a large cone of cooked rice and side dishes such as chicken, vegetables, and eggs. The top of the pyramid is given to the person regarded as the leader.
<i>Ngoko</i>	: Lowest level of Javanese language.

Nrimo	: A person accepts any fact that takes place and does not show complaint to their superior.
Panata basa	: Being polite in speaking.
Panata rasa	: How to manage one's senses or feelings.
Pancasila	: Literally means five pillars. It is the foundation on which the modern state of Indonesia is grounded. <i>Pancasila</i> comprises a set of five principles: belief in one God; just and civilised humanitarianism; national unity; consensual democracy; and social justice for all Indonesians.
Paripurna	: Ultimate.
Pekewuh	: Reluctance and failure among superiors to punish subordinates because of the development of familial relationships in the workplace.
Priyayi	: The group as well as the individual who are the member of as bureaucracy or aristocracy.
Rukun	: Javanese cultural concept meaning a state of agreement of unanimity in a group concerning its means and purposes.
Santri	: Javanese people who are pious, orthodox-leaning Moslem.
Seda	: Passed away (used in the middle level of Javanese language).
Slametan	: Communal feast that symbolises mystic and social unity of its participants given at celebrations, ameliorations, and sanctifications such as birth, marriage, sorcery, death, house moving, harvest, opening a factory, illness, supplication of guardian spirit, and circumcision. The ritual's purpose in Javanese society is to create and maintain social harmony (<i>rukun</i>).
Sungkan	: A feeling of respectful politeness before a superior or unfamiliar equal.
Tata krama	: The codification of the Javanese etiquette.
Tepa selira	: Give tolerance to others.
Wedi	: Afraid in both the physical sense and in the social sense of apprehension of unpleasant consequences of an action.

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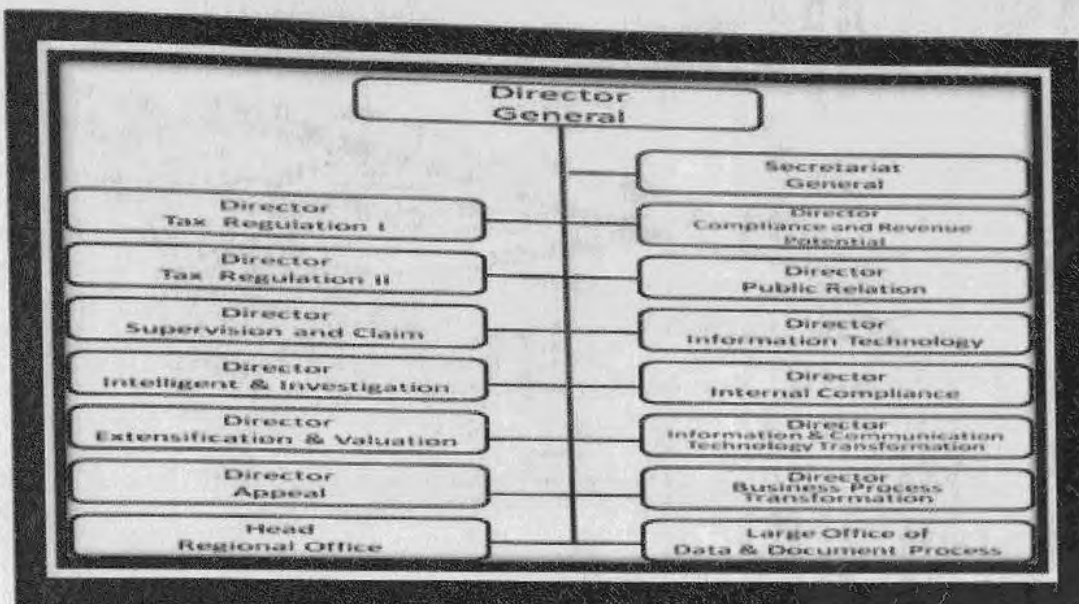
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Appendix 5.1: Old Building of Ministry of Finance



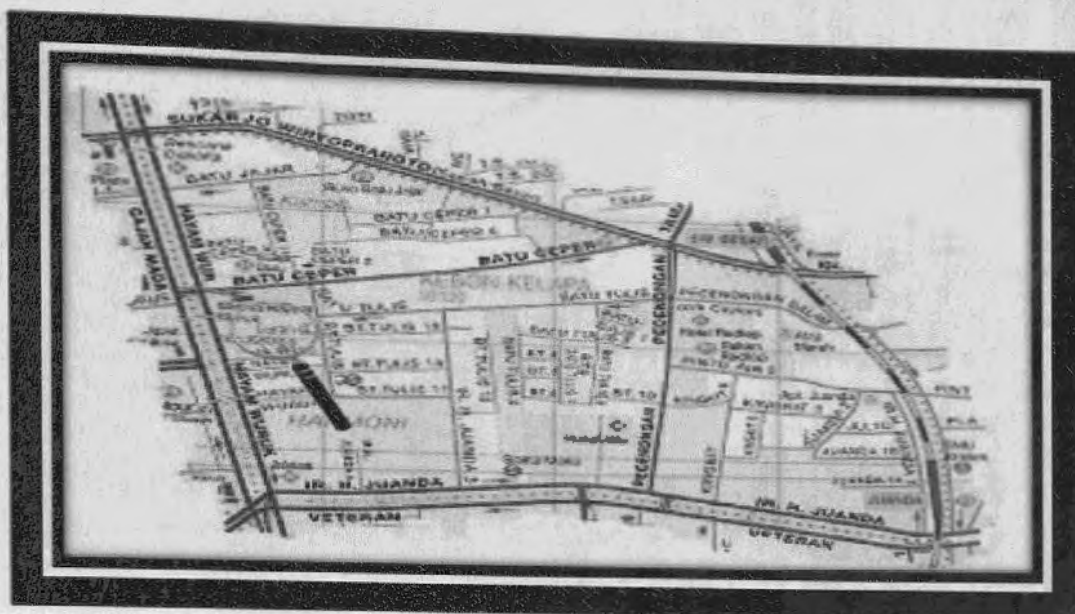
Appendix 5.2: Djuanda Building (New Building of Ministry of Finance)



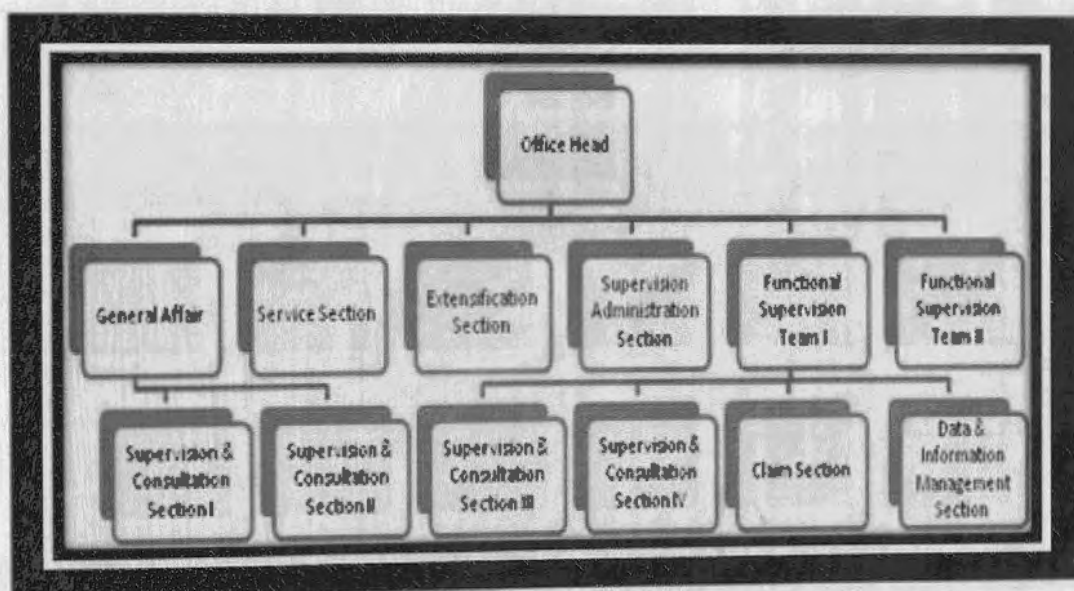
Appendix 5.3: Organisation Chart of DGT



Appendix 5.4: The Building of DGT Headquarter



Appendix 5.5: Tax District Area of Gangsar Tax Service Office



Appendix 5.6: Organisation Chart of Gangsar Tax Service Office



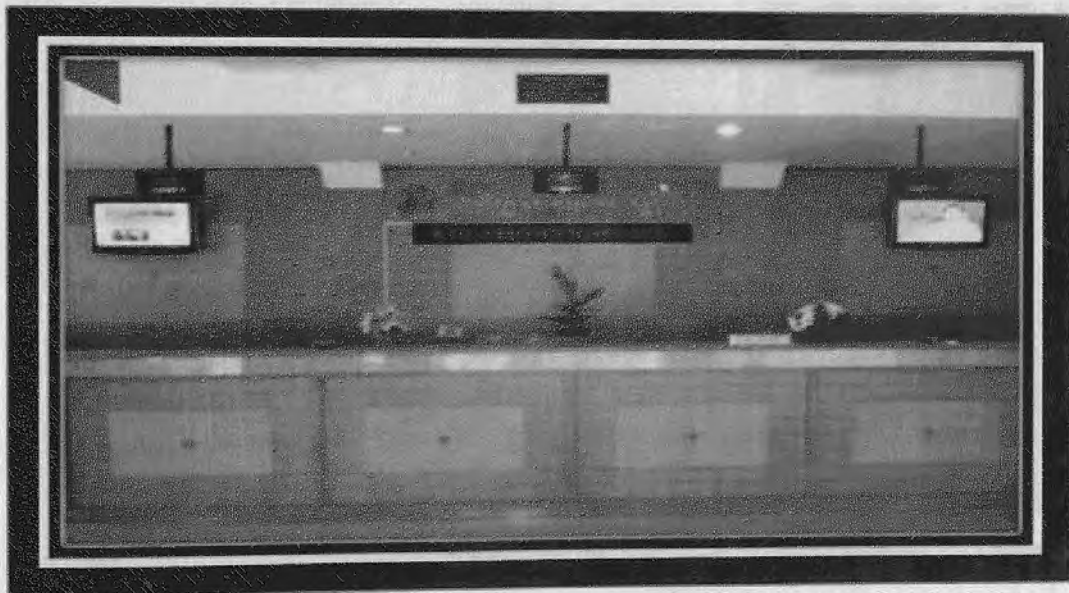
Appendix 5.7: The Building of Gangsar Tax Service Office



Appendix 5.8: Counter Desk at Gangsar Tax Service Office



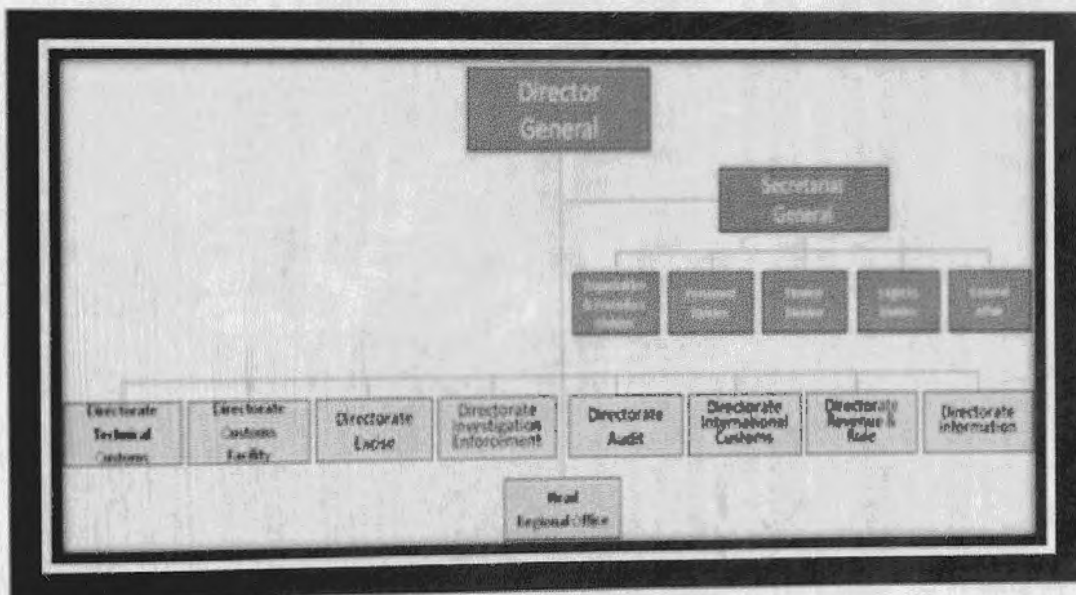
Appendix 5.7: The Building of Gangsar Tax Service Office



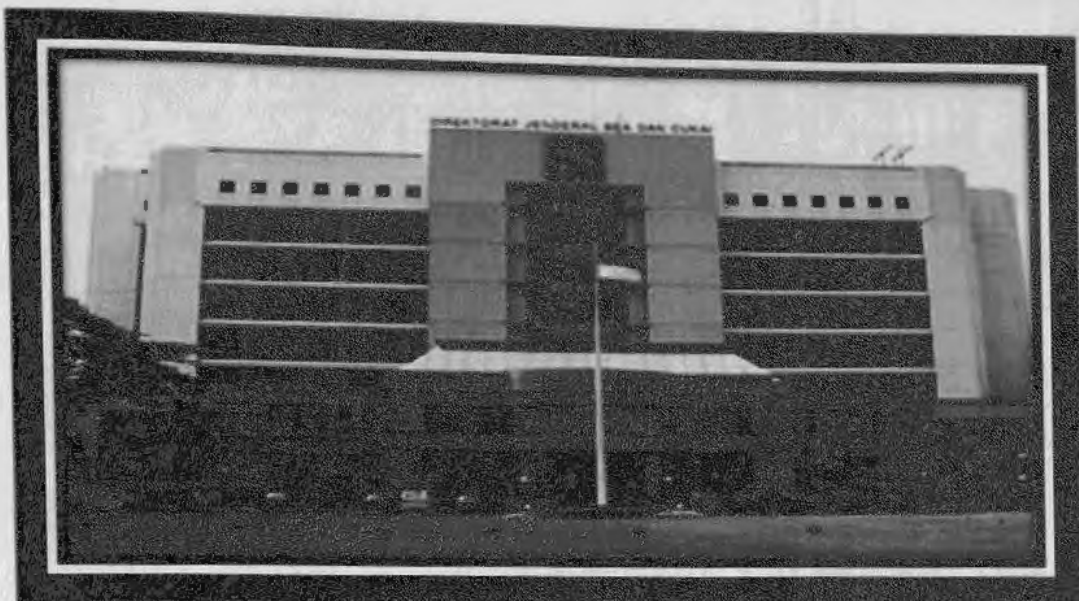
Appendix 5.8: Counter Desk at Gangsar Tax Service Office



Appendix 5.9: Help Desk at Gangsar Tax Service Office



Appendix 5.10: Organisation Chart of DGCE



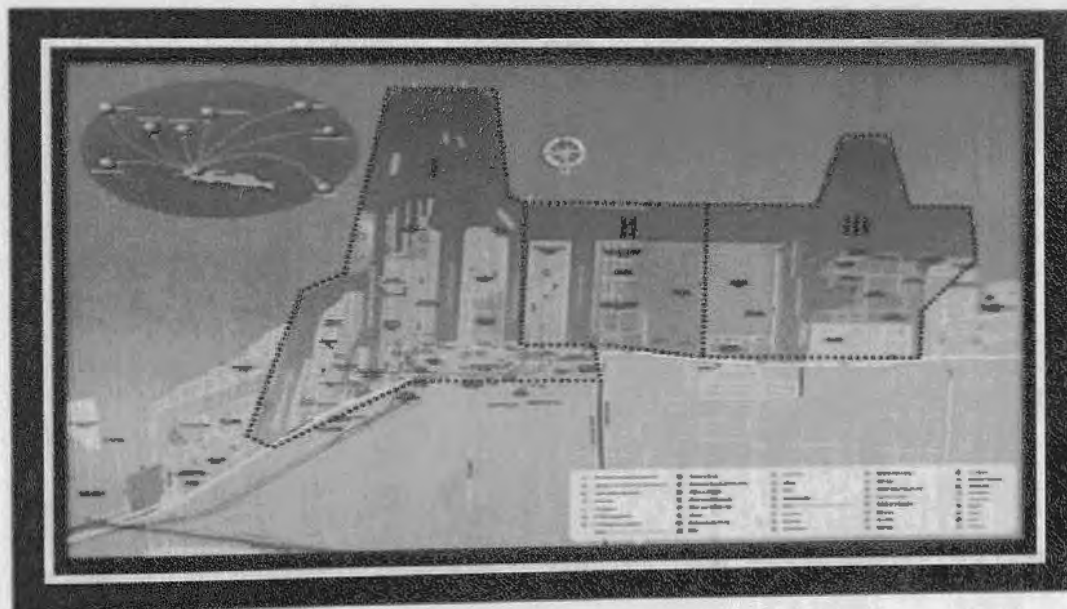
Appendix 5.11: Building of DGCE Headquarter



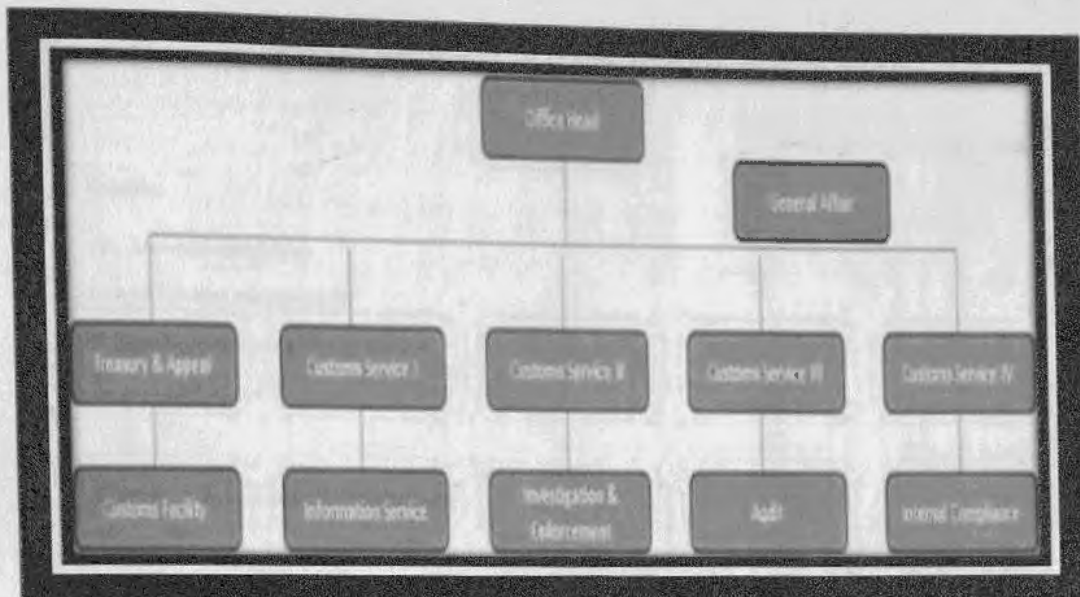
Appendix 5.12: Port of 'Tanjung Priok'



Appendix 5.13: Building of 'Tanjung Priok' Main Service Office



Appendix 5.14: Working Area of 'Tanjung Priok' Main Service Office



Appendix 5.15: Organisation Chart of 'Tanjung Priok' Main Service Office



Appendix 5.16: Container Physical Examination Process

Birmingham, 5 Agustus 2009

Kepada:

Yth. Menteri Keuangan

DEPARTEMEN KEUANGAN

Jl. Lapangan Banteng Timur No.2-4

Jakarta 10710

Perihal : Permohonan Izin Penelitian

Dengan Hormat,

Melalui surat ini, saya:

Nama : Yulian Wihantoro
Pekerjaan : Mahasiswa Doktoral (S3)
Universitas : Aston University, Inggris
Judul Penelitian : Bagaimana Implementasi *Good Governance* Dapat Meminimasi Korupsi?:
Studi Kasus pada Institusi Publik di Indonesia
Periode Penelitian : 1 Februari ~ 15 Mei 2010

memohon izin untuk melakukan penelitian pada institusi di bawah Departemen Keuangan.

Penelitian ini bertujuan untuk mencari pemahaman yang mendalam tentang bagaimana institusi publik dapat tetap mengimplementasikan *good governance* secara efektif di Indonesia. Penelitian ini didasarkan pada optimisme peneliti bahwa di tengah persepsi masyarakat yang memandang korupsi pada sektor publik telah menjadi masalah yang sistemik dan sistematis, masih terdapat institusi yang dapat menjalankan *good governance* secara efektif.

Untuk mendapatkan pemahaman yang rinci dan mendalam ini, desain penelitian ini berbentuk studi kasus pada institusi publik di Indonesia yang dipersepsikan sebagai institusi yang dapat melaksanakan *good governance* paling efektif. Desain penelitian ini akan melibatkan wawancara, observasi, dan analisis dokumen, sebagai metode pengumpulan data. Seluruh materi penelitian akan

dijaga kerahasiaan-nya sesuai dengan kode etik penelitian. Rincian penelitian terdapat pada
./ . proposal penelitian sebagaimana terlampir pada surat ini.

Oleh karena itu, saya mohon bantuan Ibu untuk dapat memberikan izin penelitian dimaksud.

Demikian surat ini saya sampaikan dan besar harapan saya untuk terkabulkan-nya permohonan
dimaksud. Terima kasih banyak atas perhatian dan bantuan Ibu.

Hormat saya,



Yulian Wihantoro

Kantor:

Aston Business School

11th Floor South Wing Building

Aston University

Aston Triangle

Birmingham, UK B4 7ET

Email : wihantoy@aston.ac.uk

Rumah:

41 Strathdene Road

Birmingham, UK B296QB

Phone : +44-0121-2435062

Mobile : +44-07551374677

Email : wihantoro_y@yahoo.com

Birmingham, 5 August 2009

To:

H.E. Minister of Finance

Jl. Lapangan Banteng Timur No.2-4

Jakarta 10710

Re : Request for Permission to Conduct Research

Dear Madame,

I am writing to you to ask your permission to allow me to conduct a research at your institution. Below is the detail of my research:

Name	: Yulian Wihantoro
Occupancy	: PhD Student
University	: Aston University, United Kingdom
Research Title	: How Good Governance Implementation Can Minimise Corruption?: Case Study on Indonesian Public Institution
Length of Research	: 1 February – 15 May 2010

My research is aimed to seek for a rich understanding on how public institution can effectively implement good governance in Indonesia. This research is conducted based on my optimism that despite public perceptions that view corruption in public sector has been systemic and systematic, there are public institutions that can implement good governance effectively.

In order to gain a detailed, in-depth understanding of the implantation of good governance, this research adopts case study method on an organisation that is perceived to be able to implement good governance effectively. This selected research design involves several data collection methods, including interview, observation, and document analysis. The researcher makes sure that all data will be kept confidential as regulated in the research code of ethic. The detailed research plan is elaborated on my research proposal as enclosed.

Your kind help to grant me an access to your organisation is highly appreciated. I look forward to your reply. Thank you very much for your kind help and attention.

Best regards,

Yulian Wihantoro

Office:

Aston Business School
11th Floor South Wing Building
Aston University
Aston Triangle
Birmingham, UK B4 7ET
Email : wihantoy@aston.ac.uk

Home:

41 Strathdene Road
Birmingham, UK B296QB
Phone : +44-0121-2435062
Mobile : +44-07551374677
Email : wihantoro_y@yahoo.com

Appendix 5.17: Letter to the Ministry of Finance (translated)



DEPARTEMEN KEUANGAN REPUBLIK INDONESIA
SEKRETARIAT JENDERAL
BIRO SUMBER DAYA MANUSIA

Gedung Djuanda I Lantai 19
Jalan Wahidin Raya No. 1
Jakarta 10710
Kotak Pos 21

Telepon 344-9230 (20 Saluran)
Pes. 6288
Faksimile 380-8396
Website www.depkeu.go.id

Nomor : S - 2350 /SJ5/2009
Sifat : Segera
Hal : Permohonan Izin Penelitian a.n. Yulian Wihantoro

14 Oktober 2009

Yth. Sdr. Yulian Wihantoro
Aston University
Birmingham, UK

Berkenaan dengan surat Saudara tanggal 5 Agustus 2009 hal Permohonan Ijin Penelitian pada institusi di bawah Departemen Keuangan, dengan ini kami sampaikan bahwa pada prinsipnya Saudara Yulian Wihantoro dapat melakukan penelitian dengan judul "*Bagaimana Implementasi Good Governance Dapat Meminimasi Korupsi? : Studi Kasus pada Institusi Publik di Indonesia*" di Departemen Keuangan pada tanggal 1 Februari 2010 s.d. 15 Mei 2010.

Sehubungan dengan proses pengumpulan data pada penelitian dimaksud, informasi dan dokumen yang diperlukan dapat kami berikan sepanjang tidak bersifat rahasia serta sesuai dengan peraturan yang ada.

Demikian kami sampaikan, atas perhatian Saudara kami ucapkan terima kasih.

Kepala Biro

ttd

Annies Said Basalamah
NIP 080063078

Tembusan :
Rumah Tangga Kepresidenan/Sekretariat Negara

Appendix 5.18: Reply Letter from the Ministry of Finance



DEPARTEMEN KEUANGAN REPUBLIK INDONESIA
SEKRETARIAT JENDERAL

Gedung Djuanda 1 Lantai 4
Jalan Wahidin Raya No. 1
Jakarta 10710
Kotak Pos 21

Telepon 344-9230 (20 Saluran) Pes. 6116
385-2143
Faksimile 345-3710
Website www.depkeu.go.id

Nomor : S - 1896/SJ/2009
Sifat : **Segera**
Lampiran : -
Hal : Penelitian a.n. Yulian Wihantoro

17 Desember 2009

Yth. 1. Direktur Jenderal Pajak;
2. Direktur Jenderal Bea dan Cukai;
Departemen Keuangan.

Berkenaan dengan disposisi Menteri Keuangan pada Surat Saudara Yulian Wihantoro tanggal 5 Agustus 2009 hal Permohonan Izin Penelitian, bersama ini kami sampaikan beberapa hal sebagai berikut:

1. Saudara Yulian Wihantoro, Mahasiswa Doktoral Aston University Inggris, bermaksud untuk melakukan penelitian dengan judul "Bagaimana Implementasi Good Governance Dapat Meminimasi Korupsi? : Studi Kasus pada Institusi Publik di Indonesia" di Departemen Keuangan pada tanggal 1 Februari 2010 s.d. 15 Mei 2010, dengan tujuan memperoleh pemahaman rinci dan mendalam tentang pelaksanaan *good governance* yang efektif di Institusi Publik;
2. Pendekatan yang digunakan dalam penelitian ini adalah studi kasus etnografi yang mengharuskan peneliti terlibat langsung kegiatan sehari-hari objek penelitian, dengan metode pengumpulan datanya berupa: a) wawancara terbuka, tidak terstruktur dengan materi wawancara bersifat anonim dan rahasia, b) observasi dengan keterlibatan langsung peneliti; dan c) analisis dokumen;
3. Terkait dengan poin 1 dan 2, penelitian dimaksud akan dilaksanakan pada Direktorat Jenderal Pajak pada tanggal 1 Februari s.d. 31 Maret 2010 dan Direktorat Bea dan Cukai tanggal 1 April s.d. 15 Mei 2010. Dalam hal pendekatan yang digunakan, Saudara Yulian Wihantoro bermaksud untuk berbaur dan bekerja sebagaimana pegawai Departemen Keuangan, sesuai dengan jam kerja dari pukul 07.30 s.d. 17.00 WIB.

Sehubungan dengan hal tersebut di atas, mohon bantuan Saudara untuk dapat memfasilitasi penelitian dimaksud.

Demikian kami sampaikan, atas perhatian Saudara kami ucapkan terima kasih.


Sekretaris Jenderal
Mula F. Nasution
NIP. 195108271978031001



DEPARTEMEN KEUANGAN REPUBLIK INDONESIA
DIREKTORAT JENDERAL PAJAK
SEKRETARIAT DIREKTORAT JENDERAL PAJAK

Jalan Jenderal Gatot Subroto Nomor 40 - 42
Jakarta 12190
Kotak Pos 124

Telepon 5250206 5251609
5252890 ext 50732
Fax 5734797 5262920
Laman http://www.pajak.go.id

NOTA DINAS

Nomor ND - 85 /PJ.015/2010

Kepada Yth. Direktur P2Humas
Dari Sekretaris Direktorat Jenderal
Lampiran Satu lembar
Hal Penyampaian Surat dari Sekretaris Jenderal Keuangan
Nomor S-1896/SJ/2009 tanggal 17 Desember 2009

26 Januari 2010

Sehubungan dengan surat dari Sekretaris Jenderal Departemen Keuangan nomor S-1896/SJ/2009 tanggal 17 Desember 2009, hal Penelitian a.n. Yulian Wihantoro, dan disposisi Direktur Jenderal atas surat tersebut yang berbunyi "fasilitasi" bersama ini disampaikan hal-hal sebagai berikut:

1. Dalam surat tersebut antara lain disebutkan bahwa:
 - a. Saudara Yulianto Wihantoro, Mahasiswa Doktoral Aston University Inggris, bermaksud untuk melakukan penelitian di Departemen Keuangan pada tanggal 1 Februari 2010 s.d. 15 Mei 2010, dengan tujuan memperoleh pemahaman rinci dan mendalam tentang pelaksanaan *good governance* yang efektif di institusi publik.
 - b. pendekatan yang digunakan adalah studi kasus *etnografi* yang mengharuskan peneliti terlibat langsung dalam kegiatan sehari-hari objek penelitian dan berinteraksi serta bekerjasama dengan pegawai Departemen Keuangan, sesuai jam kerja dan pukul 07.30 s.d. 17.00 WIB.
 - c. penelitian sebagaimana dimaksud akan dilaksanakan pada Direktorat Jenderal Pajak pada tanggal 1 Februari 2010 s.d. 31 Maret 2010 dan Direktorat Bea dan Cukai tanggal 1 April s.d. 31 Mei 2010.
2. sehubungan dengan hal tersebut diatas, bersama ini kami sampaikan surat sebagaimana tersebut diatas untuk Saudara tindaklanjuti sesuai dengan kewenangan Saudara.

Dernikian disampaikan.



Sekretaris Direktorat Jenderal

[Signature]
Dionifur Abdul Fatah
NIP. 060045217



DEPARTEMEN KEUANGAN REPUBLIK INDONESIA
DIREKTORAT JENDERAL PAJAK
DIREKTORAT PENYULUHAN PELAYANAN DAN HUMAS

Jalan Jenderal Gatot Subroto 40-42
Jakarta 12190
Tromol Pos 124
Homepage : www.pajak.go.id

Telepon : 525-0208; 525-1609; 524-2690
ext : 51801
Faksimile : 5738088; 5242921
Kring Pajak : 500200

Nomor : S-102 /PJ.091/2010
Sifat : Biasa
Lampiran : -
Perihal : Pemberian Ijin Penelitian

Jakarta, 18 Februari 2010

Yth. Kepala KPP Pratama [REDACTED]
Jl. [REDACTED]

Sehubungan dengan Nota Dinas Sekretaris Direktorat Jenderal Pajak Nomor : ND-88/PJ.015/2010 tanggal 26 Januari 2010 perihal Penyampaian Surat dari Sekretaris Jenderal Keuangan Nomor S-1896/SJ/2009 tanggal 17 Desember 2009, Perihal Penelitian, yang telah mendapat persetujuan Saudara, atas :

Nama : Yulian Wihantoro
Universitas : Program Doktorat Aston University Inggris
Judul Penelitian : Bagaimana Implementasi Good Governance Dapat Meminimasi Korupsi? : Studi Kasus Pada Institusi Publik di Indonesia" di Departemen Keuangan

dengan ini Direktorat Penyuluhan Pelayanan dan Humas memberikan ijin untuk membantu memberikan kesempatan Magang dan/atau memberikan bahan-bahan keterangan yang digunakan untuk keperluan akademis sepanjang tidak menyangkut rahasia jabatan/negara sebagaimana diatur dalam ketentuan Pasal 34 KUP.

Demikian, agar dapat dipergunakan sebagaimana mestinya .

a.n. Direktur
Kasubdit Penyuluhan Perpajakan



Diding Jamaludin
NIP. 060060284

Tembusan :
Yth. —



DEPARTEMEN KEUANGAN REPUBLIK INDONESIA
DIREKTORAT JENDERAL BEA DAN CUKAI
SEKRETARIAT DIREKTORAT JENDERAL

Jalan Jenderal A. Yani
Jakarta
Kotak Pos 108 Jakarta - 10002

Telepon (021) 4890308
Faksimile (021) 4890871
Website: www.beacukai.go.id

Nomor S-27/BC.1/UP.6/2010
Sifat Biasa
Hal Rencana Penelitian sdr. Yulian Wihantoro mahasiswa doktoral Aston University Inggris

5 April 2010

- Yth. 1. Kepala Pusat Kepatuhan Internal Bea dan Cukai
2. Kepala KPU Tg. Priok
3. Kepala Bagian OTL, Sekretariat DJBC
4. Kepala Bagian Kepegawaian, Sekretariat DJBC

Sehubungan dengan surat Sekretaris Jenderal Kementerian Keuangan, nomor S-1896/SJ/2009 tanggal 17 Desember 2009 hal Penelitian a.n. Yulian Wihantoro, dan menunjuk surat Direktur Jenderal Bea dan Cukai, nomor S-27/BC/UP.6/2010 tanggal 11 Januari 2010 hal Izin Penelitian a.n. Yulian Wihantoro, kami sampaikan hal-hal berikut:

1. Sdr. Yulian Wihantoro, mahasiswa doktoral Aston University Inggris, bermaksud untuk melakukan penelitian dengan judul "Bagaimana Implementasi *Good Governance* dapat Meminimasi Korupsi? Studi Kasus pada Institusi Publik di Indonesia.
2. Penelitian yang bertujuan untuk memperoleh pemahaman rinci dan mendalam tentang pelaksanaan *good governance* yang efektif di institusi publik tersebut akan dilaksanakan di DJBC pada tanggal 6 April s.d. 12 Mei 2010 dengan jadwal sebagai berikut:
 - a. Bagian OTL, Sekretariat DJBC : 6 - 9 April 2010
 - b. Pusat Kepatuhan Internal BC : 12 - 13 April 2010
 - c. Bagian Kepegawaian, Sekretariat DJBC : 14 - 16 April 2010
 - d. KPU Tg. Priok : 19 April s.d. 12 Mei 2010
3. Berkenaan dengan hal tersebut di atas, diminta bantuan Saudara untuk dapat membimbing yang bersangkutan dalam melakukan penelitian tersebut. Adapun permintaan data yang terkait dengan penelitian tersebut, harus diajukan secara tertulis, dan sepanjang data yang diminta tersebut nyata-nyata hanya digunakan untuk kepentingan akademis dari tidak bersifat rahasia/terkait kerahasiaan sesuai ketentuan yang berlaku.

Atas perhatian dan kerja sama Saudara, kami ucapkan terima kasih.

Sekretaris Direktorat Jenderal,

SSIPET S. Karali Sjoelb
NIP 960044480

Tembusan :
Direktur Jenderal

Appendix 5.22: Memorandum from Secretariat General of the DGCE to Head of 'Tanjung Priok'
Main Service Office



Appendix 5.23: Taxpayer Visit



Appendix 5.24: Port Visit

Field Note Form			
Event: <u>Entrepreneur Visit</u>	Date: <u>3/3/10</u>	Location: <u>Coimbatore</u>	Participants: <u>AF</u>
Notes:		Field Researcher's Comments:	
<p>The AF visited the taxpayer for clarifying the taxpayer's request of lowering tax obligations</p>		<p>New procedure was followed by the AF, eg:</p> <ol style="list-style-type: none"> 1. Bring 'Surat Tugai' or letter of assignment to the taxpayer & showed it to taxpayer 2. AF got signature from the taxpayer at an evidence that such visit was conducted 3. Entry all the activities to the Approvals 	

Appendix 5.25: Field Note Form

Appendix 5.26: List of Interviews

No	Unit	Position	File Number	Date	Start	Length	Finish
1	Human Resources Bureau and Public Relations Bureau	Managers	12	01 February 2010	8:08:29 AM	00:42:31	8:51:00 AM
2	Expert Staffs	Chief of Bureaucratic Reform Committee	13	09 February 2010	9:26:22 AM	01:21:38	10:48:00 AM
3	Ministry of Finance's Private Office	Deputy Head of Division	14	09 February 2010	11:20:48 AM	00:44:12	12:05:00 PM
4	Ministry of Finance's Private Office	Deputy Head of Division	15	09 February 2010	1:27:55 PM	00:09:05	1:37:00 PM
5	Tax Court	Former Chief of Bureaucratic Reform Committee	16	11 February 2010	9:25:59 AM	02:04:01	11:30:00 AM
6	Division of Organisation	Head of Division and Deputy Head of Division	17	16 February 2010	9:54:57 AM	01:11:03	11:06:00 AM
7	Directorate of Internal Compliance and Human Resources Transformation	Assistant Director	18	16 February 2010	2:05:34 PM	01:23:26	3:29:00 PM
8	Directorate of Internal Compliance and Human Resources Transformation	Assistant Director	19	17 February 2010	2:21:52 PM	02:32:08	4:54:00 PM
9	Directorate of Information and Communication System Transformation	Director	21	23 February 2010	7:06:17 AM	01:08:43	8:15:00 AM
10	Directorate of Business Process Transformation	Assistant Director	26	23 February 2010	1:52:38 PM	01:19:22	3:12:00 PM
11	Gangsar Tax Service Office	Head of Office	28	24 February 2010	10:28:45 AM	00:15:15	10:44:00 AM
12	Directorate General of Tax	Member of Bureaucratic Reform Committee	29	24 February 2010	1:42:35 PM	01:08:25	2:51:00 PM
13	Service Section/Gangsar Tax Service Office	Head of Section	30	01 March 2010	8:38:55 AM	00:22:05	9:01:00 AM
14	Service Section/Gangsar Tax Service Office	Staff	31	01 March 2010	1:34:43 PM	00:23:17	1:58:00 PM
15	Service Section/Gangsar Tax Service Office	Head of Section	32	01 March 2010	3:54:31 PM	00:40:29	4:35:00 PM
16	Service Section/Gangsar Tax Service Office	Head of Section	33	02 March 2010	8:04:17 AM	00:57:43	9:02:00 AM
17	Dir. of Internal Compliance and HR Transf.	Assistant Director	34	02 March 2010	9:02:23 AM	01:26:37	10:29:00 AM

No	Unit	Position	File Number	Date	Start	Length	Finish
18	Service Section/Gangsar Tax Service Office	Head of Section	35	02 March 2010	1:06:23 PM	01:02:37	2:09:00 PM
19	Sub-Division of General Affairs/Gangsar Tax Service Office	Staff	36	03 March 2010	7:33:23 AM	00:00:37	7:34:00 AM
20	Sub-Division of General Affairs/Gangsar Tax Service Office	Staff	37	03 March 2010	7:35:59 AM	00:10:01	7:46:00 AM
21	Service Section/Gangsar Tax Service Office	Staff	38	03 March 2010	8:06:34 AM	00:07:26	8:14:00 AM
22	Consultation and Supervision Section/Gangsar Tax Service Office	Head of Section and Staff	39	03 March 2010	7:40:38 AM	00:46:22	8:27:00 AM
23	Service Section/Gangsar Tax Service Office	Head of Section	42	03 March 2010	3:55:52 PM	00:52:08	4:48:00 PM
24	Consultation and Supervision Section 2/Gangsar Tax Service Office	Head of Section	43	04 March 2010	8:07:30 AM	01:04:30	9:12:00 AM
25	Consultation and Supervision Section 2/Gangsar Tax Service Office	Account Representative	44	04 March 2010	2:24:30 PM	00:26:03	3:29:00 PM
26	Consultation and Supervision Section 1/Gangsar Tax Service Office	Head of Section and Account Representative	45	05 March 2010	7:39:04 AM	01:11:56	8:51:00 AM
27	Consultation and Supervision Section 1/Gangsar Tax Service Office	Head of Section and Account Representative	46	08 March 2010	8:49:47 AM	01:20:13	10:10:00 AM
28	Consultation and Supervision Section 3/Gangsar Tax Service Office	Head of Section	47	09 March 2010	8:03:02 AM	01:03:58	9:07:00 AM
29	Consultation and Supervision Section 3/Gangsar Tax Service Office	Account Representative	48	09 March 2010	10:03:48 AM	00:10:12	10:14:00 AM
30	Consultation and Supervision Section 3/Gangsar Tax Service Office	Account Representative	49	09 March 2010	2:23:19 PM	00:20:41	2:44:00 PM
31	Consultation and Supervision Section 4/Gangsar Tax Service Office	Head of Section	50	10 March 2010	8:12:20 AM	00:42:40	8:55:00 AM
32	Consultation and Supervision Section 3/Gangsar Tax Service Office	Account Representative	51	10 March 2010	9:11:23 AM	00:12:37	9:24:00 AM
33	Consultation and Supervision Section 3/Gangsar Tax Service Office	Account Representative	52	10 March 2010	9:32:00 AM	00:25:00	9:57:00 AM

No	Unit	Position	File Number	Date	Start	Length	Finish
34	Consultation and Supervision Section 3/Gangsar Tax Service Office	Account Representative	54	11 March 2010	7:53:18 AM	00:10:42	8:04:00 AM
35	Collection Section/Gangsar Tax Service Office	Head of Section	57	12 March 2010	7:30:16 AM	00:16:44	7:47:00 AM
36	Collection Section/Gangsar Tax Service Office	Head of Section	58	12 March 2010	7:52:25 AM	00:06:35	7:59:00 AM
37	Collection Section/Gangsar Tax Service Office	Head of Section and Staff	62	12 March 2010	11:42:31 AM	00:01:29	11:44:00 AM
38	Collection Section/Gangsar Tax Service Office	Staff	63	17 March 2010	7:57:33 AM	00:37:27	8:35:00 AM
39	Collection Section/Gangsar Tax Service Office	Head of Section	70	18 March 2010	8:53:48 AM	01:06:12	10:00:00 AM
40	Expansion Section/Gangsar Tax Service Office	Head of Section	71	18 March 2010	5:04:32 PM	01:26:28	6:31:00 PM
41	Expansion Section/Gangsar Tax Service Office	Head of Section	72	19 March 2010	9:09:17 AM	01:42:43	10:52:00 AM
42	Collection Section/Gangsar Tax Service Office	Head of Section and Staff	73	19 March 2010	11:12:15 AM	00:13:45	11:26:00 AM
43	Collection Section/Gangsar Tax Service Office	Head of Section and Staff	74	19 March 2010	11:29:23 AM	00:18:37	11:48:00 AM
44	Audit Team/Gangsar Tax Service Office	Team Leader	75	29 March 2010	8:37:37 AM	01:39:23	10:17:00 AM
45	Collection Section/Gangsar Tax Service Office	Head of Section	76	29 March 2010	10:32:56 AM	00:39:04	11:12:00 AM
46	Gangsar Tax Service Office	Head of Office	77	29 March 2010	11:17:53 AM	01:48:07	1:06:00 PM
47	Gangsar Tax Service Office	Head of Office	78	29 March 2010	12:50:00 AM	13:09:00	1:59:00 PM
48	Sub Division of General Affairs/Gangsar Tax Service Office	Deputy Head of Division	79	30 March 2010	8:25:34 AM	00:43:26	9:09:00 AM
49	Audit Team/Gangsar Tax Service Office	Head of Section	80	30 March 2010	10:10:13 AM	00:18:47	10:29:00 AM
50	IT Section/Gangsar Tax Service Office	Head of Section	81	30 March 2010	11:53:25 AM	00:21:35	12:15:00 PM
51	Organisation Division	Deputy Head of Division	82	06 April 2010	3:58:33 PM	01:27:27	5:26:00 PM
52	Organisation Division	Deputy Head of Division	83	07 April 2010	10:34:36 AM	01:28:24	12:03:00 PM
53	Organisation Division	Deputy Head of Division	84	07 April 2010	3:35:55 PM	01:43:05	5:19:00 PM
54	Personnel Division	Staff	85	08 April 2010	8:48:46 AM	00:36:14	9:25:00 AM
55	Personnel Division	Deputy Head of Division	86	08 April 2010	9:30:57 AM	00:39:03	10:10:00 AM
56	Centre of Internal Compliance of Customs Office	Head of Center	87	13 April 2010	8:12:00 AM	02:24:00	10:36:00 AM
57	Intelligent Division	Deputy Head of Division	88	14 April 2010	7:33:00 AM	01:17:00	8:50:00 AM

No	Unit	Position	File Number	Date	Start	Length	Finish
58	National Committee on Governance	Director	90	14 April 2010	6:31:17 PM	01:13:43	7:45:00 PM
59	Information Division/Customs Office	Head of Section	91	19 April 2010	10:01:23 AM	01:34:37	11:36:00 AM
60	Information Division/Customs Office	Staff	93	19 April 2010	11:52:12 AM	00:19:48	12:12:00 PM
61	Internal Compliance Section/Customs Office	Head of Section	94	19 April 2010	1:44:39 PM	01:22:21	3:07:00 PM
62	Information Division/Customs Office	Head of Section	95	20 April 2010	8:27:27 AM	01:31:33	9:59:00 AM
63	Gate Release	Head of Section	96	20 April 2010	10:31:26 AM	00:45:34	11:17:00 AM
64	Information Division/Customs Office	Client Coordinator	97	20 April 2010	11:21:06 AM	00:11:54	11:33:00 AM
65	Importers	Staff	98	20 April 2010	11:45:33 AM	00:30:27	12:16:00 PM
66	Manifest Section/Customs Office	Head of Section	101	22 April 2010	8:57:30 AM	01:12:30	10:10:00 AM
67	Collection Section/Customs Office	Head of Section	102	26 April 2010	9:53:48 AM	00:23:12	10:17:00 AM
68	Appeal Section/Customs Office	Head of Section	103	26 April 2010	10:24:01 AM	00:59:59	11:24:00 AM
69	Moving Goods Section/Customs Office	Head of Section	104	27 April 2010	8:02:22 AM	01:06:38	9:09:00 AM
70	Document Analysis Team/Customs Office	Head of Section	105	27 April 2010	9:49:49 AM	00:40:11	10:30:00 AM
71	Importers	Staff	106	27 April 2010	11:01:22 AM	00:02:38	11:04:00 AM
72	Refund Section 1/Customs Office	Head of Section	107	27 April 2010	11:11:39 AM	00:37:21	11:49:00 AM
73	Refund Section 2/Customs Office	Head of Section	108	28 April 2010	9:04:23 AM	00:52:37	9:57:00 AM
74	Facilities Division/Customs Office	Head of Division	109	28 April 2010	10:08:19 AM	01:05:41	11:14:00 AM
75	Manifest Section/Customs Office	Head of Section	110	29 April 2010	8:24:14 AM	00:55:46	9:20:00 AM
76	Complaint Section/Customs Office	Staff	111	04 May 2010	12:15:42 PM	00:30:18	12:46:00 PM
77	Internal Compliance Section/Customs Office	Importer	112	05 May 2010	8:56:14 AM	00:35:46	9:32:00 AM
78	Intelligent Section 1/Customs Office	Head of Section	113	05 May 2010	11:02:34 AM	01:07:26	12:10:00 PM
79	Intelligent Section 2/Customs Office	Head of Section	114	05 May 2010	2:28:34 PM	01:57:22	3:36:00 PM
80	Intelligent Section 3/Customs Office	Head of Section	115	05 May 2010	3:58:57 PM	01:11:03	5:10:00 PM
81	Audit Division/Customs Office	Head of Section	116	06 May 2010	10:04:18 AM	00:53:42	10:58:00 AM
82	Commission on Corruption Eradication	Analyst	117	06 May 2010	7:01:17 PM	01:13:43	8:15:00 PM
83	Indonesia Financial Transaction Reports and Analysis Center	Head of Centre	118	07 May 2010	9:29:00 AM	01:33:00	11:02:00 AM

CONSENT FORM

Yulian Wihantoro
Finance, Accounting, and Law Group
Aston Business School
Aston University

Project Title

Understanding Good Governance Implementation: A Case Study on Public Institution in Indonesia

Invitation

You are being invited to take part in a research study. Before you decide it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully.

Participation

Your participation is completely voluntary. You may withdraw from this study at any time without penalty. You are selected to participate in the study because your position in the organization is related with the implementation of good governance.

Research Design

This research is a case study in the ministry of finance, which has been reported to implement good governance effectively. The field work will be taking up to 4 months beginning 1 February 2010, which will involve observation, interview, and document/archival analysis as sources of information. The interviews will be directed to understand what you know and believe about good governance implementation in the ministry of finance.

The purpose of the study

I am a Ph.D. student at Aston University, United Kingdom, under supervision of Prof Alan D. Lowe and Dr Stuart Cooper. As part of this degree I am undertaking a research project leading to a thesis. The project I am undertaking is seeking for an in-depth understanding of how a public institution is able to implement good governance effectively in Indonesia, a country which has acquired a poor reputation in implementing good governance. The University requires that ethics approval be obtained for research involving human participants.

Confidentiality

All aspects of this study, including the results, will be strictly confidential and only the researchers will have access to information about participants. A report of the study may be submitted for publication but individual participants will remain anonymous; therefore they will not be identifiable in such a report. All electronic data will only be kept for 5 years and the physical data (tapes/audio/paper) will be destroyed after 2 years.

Review of the study

The research has been approved by Aston University's Ethics Committee.

Complaint about the way in which the research is conducted

If you have any concerns about the way in which the study has been conducted, you should contact the University Research Ethics Committee, Ms Debbie Evans on d.evans@aston.ac.uk or telephone +44 0121- 204 3095.

CONSENT FORM

Title of Project Understanding Good Governance Implementation A Case Study on
Public Institution in Indonesia

Name of Researcher Yulian Wihantoro

Please
Initial
Box

- 1 I confirm that I have read and understand the information sheet for the above study ☒
- 2 I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily ☒
- 3 I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason ☒
- 4 I wish to review the notes, transcripts, or other data collected during the research pertaining to my participation ☒
- 5 I agree to be quoted directly if my name is not published (I remain anonymous) ☒
- 6 I agree that the researcher may publish documents that contain quotations by me if I remain anonymous ☒
- 7 I agree that the researcher may quote my organization but individuals remain anonymous ☒
- 8 I agree to take part in the above study ☒

Participant

Date

Signature

Researcher

Date

Signature

Formal Interview			
No	Type of Data	Data Collected	Source
1	Formal semi structured interviews	<ul style="list-style-type: none"> History of reform Driving forces for reform Reform at current stage Comparison of "corrupt" practices in pre and post reform period How MoF defines governance What is the relationship b/w governance and reform What is the difference b/w reform and good governance 	Interview with Head of HR Division PR Manager

Informal Interview			
No	Type of Data	Data Collected	Source
1	Informal unstructured interviews	<ul style="list-style-type: none"> Employee cycle (flow of employee from job application, internship, on-the-job training, official work) Myth about clean employee at MoF Comparison of "corrupt" practices in pre and post reform period How MoF defines governance What is the relationship b/w governance and reform How good governance is implemented in daily practice 	Interview with staff of Ministry of Finance

Direct Observation			
No	Type of Data	Data Collected	Source
1	Building Location	<ul style="list-style-type: none"> The MoF building was initially located at "Lapangan Banteng". This old building was built on 1809 and finished on 1828, thus it took 29 years The new MoF buildings were built next to the old one. It comprises of 5 main buildings. The minister's office is at 4th floor E building or Djuanda I building 	<ul style="list-style-type: none"> Direct Observation on the location MoF Profile (accessed from www.depkeu.go.id)

Documentation			
No	Type of Data	Data Collected	Source
1	Organisational chart	MoF Organisational Chart DGT Organisational Chart DGCE Organisational Chart	www.depkeu.go.id

Artefacts			
No	Type of Data	Data Collected	Source
1	Symbol	MoF symbol	<ul style="list-style-type: none"> Direct Observation on the location MoF Profile (accessed from www.depkeu.go.id)

Participant Observation			
No	Type of Data	Data Collected	Source
1	Procedures	Work Process at the case organisations	<ul style="list-style-type: none"> Taxpayer visit Port visit

Appendix 5.28: Summary of Field Work

Appendix 5.29: Quotable Quotes from Interview Transcripts

MINISTRY OF FINANCE

No	Position	Quotes	Location
1	Chief of Bureaucratic Reform Committee	The discourse of bureaucratic reforms has, actually, begun since the post 1998 crisis ... after the 1998 crisis public demand for total reform, which includes political, social, economic reform, etc. This demand was so massive at this time until it could force our President [Suharto] to step down.	Chapter 2
2	Chief of Bureaucratic Reform Committee	One sector that was mostly severed hit by the 1998 crisis was banking sector... in response to this; government [central bank] has established the Indonesian Banking Architecture. Meanwhile in the financial sector, improvements were undertaken, including the reform of management of state finance, which was marked by the making of State Finance Law, State Treasury Law, and State Finance Supervision Law.	Chapter 2
3	Chief of Bureaucratic Reform Committee	To cope with the crisis, the government has amended the act that embraces the status of the ministry. The previous act was based on the Dutch colonial statutory about the management of state fund and wealth, which existed since 1886. The new acts have given the new strategic directions for the institutions, including the change in its mission, vision, and strategic objectives.	Chapter 2
4	Member of Bureaucratic Reform Committee	At that time [prior to the launch of reform program], the institution had to deliver a concrete thing to regain public confidence. I might say that the execution of the reform program cannot be separated from the political situation during that time, when a new President was elected. The new government needed a quick win to be delivered to mark the new era of managing the nation. The reform program in the institution was selected as one of their short term programs.	Chapter 2
5	Member of Bureaucratic Reform Committee	Most of the stakeholders of the Ministry of Finance are high profile...For examples rating agency, businessmen...These groups are people who are aware of their rights to be provided with good service and they are very demanding for their rights to be fulfilled...this has led to the change within the ministry.	Chapter 2
6	Former Chief of Bureaucratic Reform Committee	All the initiatives genuinely come from us. We were annoyed with the report from one of the international donor organisation, which stated that they involve in the reform. In fact, they only become the sponsor of a two day seminar at one hotel in Jakarta and invited three foreigners as the speakers, who presented materials that were not relevant to our program. We already have our own framework...we do not want this reform is funded by other country's fund. We use our government's budget for any initiative.	Chapter 2

No	Position	Quotes	Location
7	Former Chief of Bureaucratic Reform Committee	I was confident to tell them [the reform team] that system is the tool that can drive people to change to be better. I gave an example that when a disobedient Indonesian man is put in Singapore, he will be conformed...Why? Because the system, the environment, law enforcement [in Singapore] are already in place and integrated.	Chapter 2
8	Chief of Bureaucratic Reform Committee	We brought almost 8,000 of SOPs in the printed form to the house of parliament. We used two super-market trolleys to bring those massive stacks of documents. This was to demonstrate to the public that the ministry has been undergoing a serious improvement on the business process. That the public will find uniform and standardised services throughout our offices; hence such deviation can be reported.	Chapter 2
9	Public Relation Manager	Well, these SOPs make their jobs easier and this feature is communicated throughout the offices in all levels. To help them understand the essence of SOP, our credo was 'write what you do and do what you write'.	Chapter 2
10	Chief of Bureaucratic Reform Committee	Our bureaucrats are slow, fat, lazy, inefficient, and corrupt...this image has been embedded to our bureaucracy for years... they [the public] have no trust to us ... Therefore our main mission is to regain the public trust.	Chapter 3
11	Member of Bureaucratic Reform Committee	Well, these SOPs make their jobs easier and this feature is communicated throughout the offices in all levels. To help them understand the essence of SOP, our credo was 'write what you do and do what you write'.	Chapter 7
12	Member of Bureaucratic Reform Committee	The purpose [of SOPs] is to give certainty, both for employees and public, as customer. There are three certainties aimed to gain through this reform, namely: certainty on length of service, certainty on the amount of service fees, and certainty of the administrative requirements.	Chapter 7
13	Chief of Bureaucratic Reform Committee	The initial action to improve our public service was to fix our SOPs. Previously, we did not have guidance to interact with our clients... As a result the public never had proper information on how long the processes were and how much they cost. These have been question marks for the public due to this undisclosed procedures and these non-transparent mechanism had become the source of corruption	Chapter 7
14	Chief of Bureaucratic Reform Committee	The most difficult thing is...what it is called ... to change the culture...how to change the culture of people...I am not saying that all people in the ministry have bad culture...not like that...but in general, culture of the ministry is inherited from [bureaucracy] years ago...yes, it is the most difficult thing to change	Chapter 9
15	Finance Minister	The country was managed by wrong governance, which did not meet public aspiration. People demand that it is governed as a public entity, not as a private entity	Chapter 8

DGT

No	Position	Quotes	Location
1	Head of Tax Service Office	We have SOPs but they were only formality, it [the process of SOPs generation] began on 1995 then was improved in 1996. After that, there was no updating process, gradually they were neglected. For example, if I were transferred to other unit, what would I do? I would ask another employee in the unit of how to do things. They would explain it to me. And if I asked why it's done like this, everyone could only respond..."Well, it's been like that for years". This implies that there was no source that we can trace to understand a process.	Chapter 2
2	Head of Supervision and Consultation Section	Once the remuneration is increased, there is no reason for an official to conduct corruption.	Chapter 2
3	Account Representative 1	I am shameful to the taxpayer [whom I face everyday] ... how can I misuse their money since their taxes is used to pay my salary.	Chapter 2
4	Deputy Head of Division	Employee sanction has existed since 1970; however it had never been effective. The increase of remuneration since the reform has bound employees to comply with the code of conduct.	Chapter 2
5	Taxpayer 1	Taxpayers perceive that there are still some auditors who feel that they are on top of everything to make taxpayers 'afraid' of them. This portrays the authoritarian style only with slight change.	Chapter 6
6	Taxpayer 2	When interpreting the regulations, some auditors tend to have their own way of interpreting the rules and will not accept explanation given by the taxpayer.	Chapter 6
7	Taxpayer 3	When I wanted to explain, I was not permitted to, which made me upset. They didn't allow us to clarify although we had the supporting documents. They told us to report to the Objection Section, which I finally did.	Chapter 6
8	Head of Tax Service Office	To be honest, we [tax officials] are still behaving as the community ruler; as opposed to society servants.	Chapter 6
9	Deputy Head of Organisation Division of Tax Office	We better wait until 'Pak Kabag' [Head of Division] is back from his leave. I cannot make any decision without his approval.	Chapter 6 and 9
10	Staff at Tax Office	There is an unwritten rule, which says: first, the superior is always right and second, if the superior makes mistakes see the first rule. Therefore, a superior is an absolute boss, whose words are command and I am just a peasant...who cannot do anything but to obey him/her.	Chapter 6

No	Position	Quotes	Location
11	Head of Tax Service Office	It is almost impossible to implement bureaucratic reforms without having a measurement tool. How can a Head of Office, like me, control my employees with the absence of measurability?	Chapter 6
12	Head of Tax Service Office	This [RKO] has become a medium of monitoring...it demonstrates my willingness to be monitored by my head of Regional Office. This [RKO] is submitted to my Regional Office, [consequently] it is the same as saying "please monitor and supervise me, this is our work plan, it is a form of the Head Office's commitment ex officio, not my commitment. Hence, whoever is assigned as this Office's Head cannot escape from this commitment.	Chapter 6
13	Head of Tax Service Office	... people usually said ... "oh no, what else of works given to me by my boss" ... others said "that [the work] is more relevant for me" ...but this is concealed...not being disclosed...others only display grievance "why this work always come to me, not to others" ...What happen next? It could explode.	Chapter 6
14	Head of Tax Service Office	The Indonesian people, as a result from long period of colonisation, do not possess a free mind thinking...This [condition of suppression of feelings and perhaps thought] mostly occurred on Java Island or other areas which still maintain the monarchy [as the paramount authority], which is characterised with strong feudalism. This has also shaped the culture of our organisation.	Chapter 6
15	Head of Tax Service Office	It is remarkable that a man like Sukarno, who was raised in Javanese culture, can speak like that [to ask people to have a free mind]; he persuaded people to express their feelings and ideas.	Chapter 6
16	Head of Tax Service Office	I deliberately gave my words at the very end of the event. This has given opportunities to my friends to speak. This has also given confidence to them. Consequently, it has established employees' participation. If I speak first, they would tend to keep silent and only listening to me; this will cause a one way communication.	Chapter 6
17	Head of Tax Service Office	I was completely used in that four-day training. I became an object, I was humiliated, everybody can do anything to me...It was no problem for me...the most important thing is togetherness. And I could show to my friends [his employees] that even though the training instructor was my former subordinate... I deliberately convey to them that we can learn from anybody, including from our own subordinate. Well, I demonstrate to my friends, he [the Head of Office] is willing to learn from his inferior.	Chapter 6
18	Head of Tax Service Office	Gradually, people who were not brave to speak before in public became able to do so. People who used to be silent and did not dare to say something, they now dare to speak up. I attempted to open up their free minds. Anyone can freely speak up therefore the results were remarkable, new ideas flow. Their energies were like to explode.	Chapter 6

No	Position	Quotes	Location
19	Head of Tax Service Office	Where is everybody else? Why do you do nothing to solve this?	Chapter 6
20	Head of Supervision and Consultation Section	I feel 'sungkan' to ask Joko [a tax office staff] to come down [to the war room] since he is not my subordinates.	Chapter 6
21	Head of Tax Service Office	Bapak Dirjen [Mister Director General] is the most senior person on his batch; therefore he gained respects from everybody.	Chapter 6
22	Director General of Tax	You [the newly promoted heads of office] do not know how to behave as a good tax official...You are just new manager, who only rely on western theory but do not understand how to show respect to the higher officials. I, myself, witnessed some of you behave without following the ethics.	Chapter 6
23	Director General of Tax	I was just provided information by 'Pak Sekjen' [Mister Secretary General] that until today, 15 March 2010, there are 200 tax officials who were given sanctions. In 2009, there were 516 officials who were punished within the whole year. You can imagine this year's sanction can be higher since only until this first quarter the total sanctions given are already 40% of last year's record.	Chapter 6
24	Director General of Tax	A letter was given to me and I had to sign it. It was written 'Kepala Kantor Pajak' or Head of Tax Office on the signature space...It's totally wrong, it should be the Director General of Tax.	Chapter 6
25	Director General of Tax	It's even more embarrassing when such mistake occurred in an official letter addressed to the external institutions, such as the Supreme Audit Body. It was written on the top of the letter "to the Head of the Supreme Audit Body" ... it should be Chief not Head of Supreme Audit Body. I know that it was one of your staffs typed the letter. But it is your responsibility to make sure that all the documents are 'clean' and proper.	Chapter 6
26	Director General of Tax	Please be a good 'Bapak' [means father] for your 'anak buah' [means a child]. You all must be a role model for your 'anak buah'. If you give sanction to your subordinates for their late or absent, then you must not do the same mistakes [being late].	Chapter 6
27	Director General of Tax	I, with my authority, will not be hesitant to transfer you [Heads of Offices] if you still allow mistakes that you or your subordinates created. I can, even, cancel your promotion	Chapter 6 and 9
28	Head of Tax Service Office	If I were transferred to other unit, what would I do? I would ask another employee in the unit of how to do things. They would explain it to me. And if I asked why it's done like this, everyone could only respond..."Well, it's been like that for years". This implies that there was no source that we can trace to understand a process.	Chapter 7

No	Position	Quotes	Location
28	Head of Tax Service Office	At the Tax office, everything has legal consequences, such as the date of a letter. Let's say you are a taxpayer, who was audited by our office. Then, from the audit it is decided that you had to pay a certain amount of money for your uncalculated tax debt. The office, then, issued the 'SKP' ('Surat Ketetapan Pajak' or Letter of Tax Obligation) stating that you must pay certain amount of money. You have the right of objection of such decision; you have to file an objection, that's the right of every taxpayer. However, you must file the objection for the maximum period of 3 months since the date of the 'SKP'. If you exceed this 3 month period, your objection will be cancelled. Previously, without standardisation within the office, you, as a taxpayer and I, as a tax official, can negotiate this deferral by exercising what we call as 'backdating' practice [by which] you could reissue your objection letter with earlier date. Therefore, you could still exercise your right of objection	Chapter 7
29	Taxpayer 4	One thing what I like from this modern tax office is that we can get information not only from the AR [Account Representative], but also other staffs since they are all knowledgeable about tax	Chapter 7
30	Taxpayer 5	I felt like I was a table tennis ball, which was hit forth and back, from one staff to another, from one desk to another. It's a waste of time and energy to wait for a designated official	Chapter 7
31	Head of Tax Service Office	We already had SOPs but they were only for the sake of formality, it [the process of SOPs generation] began on 1995 then was improved in 1996. After that, there was no updating process, gradually they [the SOPs] were neglected.	Chapter 7
32	Secretary	The SOP to process your letter is two days. So, you better come back to pick up the letter the day after tomorrow.	Chapter 7
33	Head of Tax Service Office	It [performance target] has to be customised... it is not fair to 'battle' tax office's employees [in Java island], whose privilege of adequate infrastructure and equipment, with those who are assigned in remote area	Chapter 7
34	Head of Tax Service Office	The era of New Order was really excessive, no room for creativity. We were designed to follow uniformity; uniform in thinking, uniform in curriculum... Imagine, how Indonesia, which is a very large country, could only have one uniform curriculum [for education]...we have become the victims [of this uniformed system]...people from outside Java cannot catch up, until now.	Chapter 7
35	Member of Bureaucratic reform Committee	You [the researcher] have experienced yourself of how people loose creativity. It took you five days to be able to interview me just because the secretary did not want to do something beyond the SOP. She could just call me and direct you to me without waiting for her boss come back from his leaves. Wasn't it frustrating?	Chapter 7

No	Position	Quotes	Location
36	Head of Supervision and Consultation Section	It's been three days but we have not made a major improvement on our service. Look the piles of documents have not been touched by anyone.	Chapter 7
37	Account Representative 1	This occurs because we are not provided with the SOP of how to handle this. I don't know what to do. I am confused.	Chapter 7
38	Head of Supervision and Consultation Section	Well, I think this new way of administering the tax report submission will take more time and replete our energy compared to the standard mechanism. However, this has been the Head of Office's decision, like it or not, we have to carry this on.	Chapter 7
39	Account Representative 2	The taxpayers are treated as family, so they can 100% trust us. As the consequences, they will be 'pekewuh' [reluctant] to avoid paying their tax or give manipulated financial information... We try to give our best and [consequently] they [taxpayers] will pay their taxes correctly and report on time.	Chapter 8
40	Head of Collection Section	Well, if a taxpayer has difficulties in paying their tax obligation, we tried to offer compromises; not an illegal one, though. As Javanese, we are taught to deal with problems by attempting to reach 'mufakat' [consensus] through 'musyawarah' [communal meeting].	Chapter 8
41	Head of Tax Service Office	In our office, they were the "705" brigade. This refers to employees who come to the office at 7am, go home at 5pm, and contribute nothing or 0 (zero) during the office hour. Yet, they earn similar salary with the rest. This is what we call as the system, in which no matter you are clever or not, you get same salary.	Chapter 8
42	Head of Tax Service Office	There was a senior employee who will be retired in 3 years and he was chosen as the employee of the month... [It makes] the youngsters to be motivated...there was no manipulation on the selection, that man was chosen [because of his performance]...Others respond, "If he can be the best employee of this month, I surely can be too	Chapter 8
43	Head of Supervision and Consultation Section	Well, each section has already had one of their ARs as the employee of the month, except the section III. Therefore, I bet Slamet from section III will win it.	Chapter 8
44	Head of Supervision and Consultation Section	Yes, in his section but not in the office. But, as I said, only that section has not won. So, it's better for us to choose one of its members. We feel 'pekewuh' if this section does not win. It creates unjust within our big family.	Chapter 8

No	Position	Quotes	Location
45	Director General of Tax	Please, I request to all of you [the Head of Tax Offices] to be very careful when you are to give sanctions.	Chapter 8
46	Head of Tax Service Office	Well, he is the same batch with the big boss, no wonder he can escape from such punishment. This person has already confessed that he performed illegal conduct but nothing happen to him	Chapter 8
47	Head of Tax Service Office	This is the case of my colleague when he conducted his PhD in Japan. As you know that our scholarship is not sufficient for covering our living cost, especially when we bring our family. Therefore, he asked for his batch's fund collected from 'arisan'. This is a noble initiative, actually, but I am sure he will be burdened with his obligation. This may lead to bias of his decision which involves someone from his batch, certainly.	Chapter 8
48	Staff at Tax Office	My superior gives a direct command to staff like me both for his official and non-official duty. Even, I once was demanded to finish his school's assignments. Deep in my heart, I asked myself...well, who should get the degree, me or him.	Chapter 8
49	Taxpayer 6	The process was not completed yet, but my AR was changed. I had to start all over from the beginning to explain about my business	Chapter 8
50	Head of Collection Section	In the past, the officials asked for money; now, we refuse any gift. So, I could say that there has been improvement of our morals of three degrees; from asking, receiving, to refusing money or gift	Chapter 8
51	Taxpayer 7	Yesterday, when I paid my land and house tax, I was served professionally by the tax official. I gave him 'uang rokok' [literally means cigarette money] of 10,000 rupiahs [equals to 80pence] to the official to express my satisfaction. However, he refused it and said "this is our job, madam...by paying your tax it is more than enough for us.	Chapter 8
52	Taxpayer 8	A friend of mine indirectly talked about giving an 'amplop' [literally means envelope, which represents bribe] and the tax auditor reprimanded him for that. Tax payers should not tempt auditors.	Chapter 8
53	Head of Tax Service Office	I don't want my employees to lose their independence so they can be dictated by the taxpayers because they feel indebted of 'hutang budi'. We prefer to bear the risk of being impolite than to be dependent to the taxpayers	Chapter 8
54	Taxpayer 9	One time the AR came here at lunchtime and I asked him to go out for lunch but they refuse. I mean it is normal since it was lunchtime, not for a certain purpose. I became confused and don't know what to do	Chapter 8
55	Staff of Collection Section	Well, to me it is too exaggerated. We should not refuse such a small token, such as food.	Chapter 8

DGCE

No	Position	Quotes	Location
1	Customs Official	Prior to the [bureaucratic] reform, a staff like me could not pay for my basic necessities. Don't ask me to perform my job well.	Chapter 2
2	Head of Internal Compliance Section of Customs Office	The atmosphere in the office [after Mr. Anwar Suprijadi was appointed as Director General] is very different...it is really different. Mr. Anwar usually made some controversial decisions. He did not care [of the effect of his decision]. He had nothing to lose.	Chapter 6
3	Head of Internal Compliance Section of Customs Office	Mr. Anwar easily did what he liked because he was not from the office. So, he did not have burden of the past, he did not have psychological constraint.	Chapter 6 and 9
4	Head of Centre of Internal Compliance of Customs Office	As mandated by the Constitution, we [civil servants] must be the 'abdi negara'. However, what happens is the contrary; we complicate the public service.	Chapter 6
5	Head of Personnel Sub-Division at Customs Office	...employees gave service with ruler mentality ... the Customs officers were identical with rigidity.	Chapter 6
6	Customs Intelligent Officer	We wait for the guidance and direction from the centre [headquarter]. We don't want to be foolish not to have endorsement from them.	Chapter 6
7	Head of Personnel Sub-Division at Customs Office	Mr. Anwar is an outsider, he was appointed by the minister from outside. So he was not indebted of his past [within the office]. Since then [since his appointment] we were strict to the rules, no more compromise [of deviation].	Chapter 6
8	Head of Personnel Sub-Division at Customs Office	He has no mercy to us...at that time [after an unplanned inspection] our morale was very low, our motivation was plunged...not only in this office but also all offices throughout Indonesia...we felt betrayed by our own leader.	Chapter 6

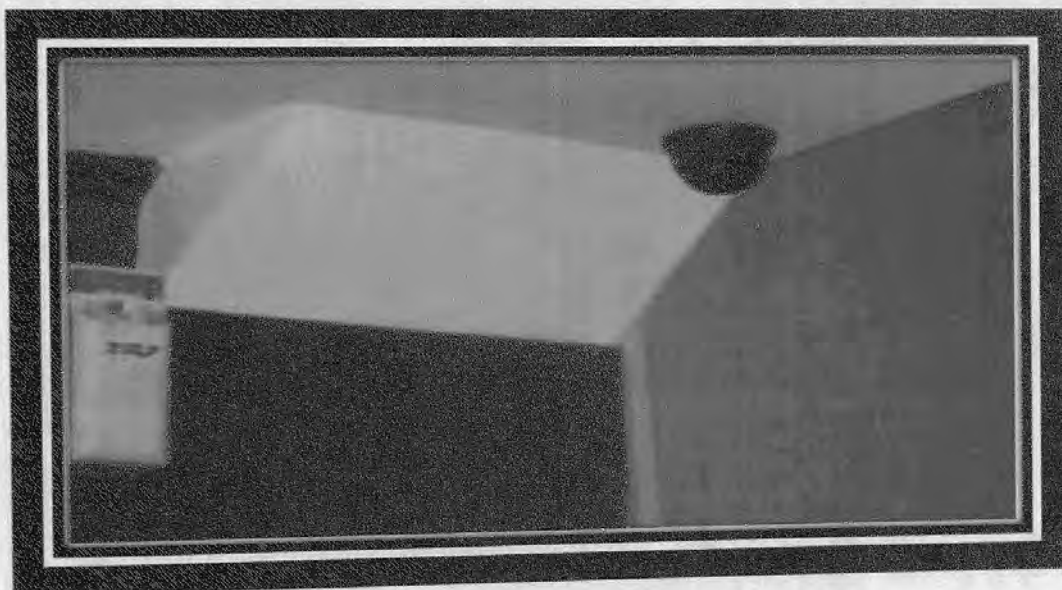
No	Position	Quotes	Location
9	Head of Internal Compliance Section of Customs Office	Mr. Anwar usually cut the bureaucracy if he wanted some material or data. He did not follow the hierarchical structure. He sometimes informally asked for any materials directly to the employees. It is actually not proper based on management principle because there is a nuance that some bosses were by-passed thus show disrespect to them and can be perceived as distrusting them.	Chapter 6 and 9
10	Head of Internal Compliance Section of Customs Office	I think the structure of this unit [internal compliance unit] is not ideal...when this unit is still structured under the Head of Office there will be reluctance to evaluate officials in the same level of hierarchy or above. One of this unit's tasks is, indeed, to evaluate the Head of Office's performance, but it is hindered by our culture	Chapter 6
11	Head of Internal Compliance Section of Customs Office	...to commence our task [as internal compliance unit], we proposed to have an attachment in one directorate...we directly ask approval from the Director General and he enthusiastically agreed with our ideas. He even directly took us to the destined Directorate. In front of him, the Director was agreed to help us. However, the attachment was never realised because of the Director's refusal of having us conduct attachment on his office... We were puzzled, how come he behaved contradictory with what he had said in front of the Director General. He [the Director] responded: "Well, I did not dare to say no in front of the Director General."	Chapter 6
12	Customs Intelligent Officer	Before the [bureaucratic] reform, the importer/exporter could create collusion with the officials at the manifest section by excluding some containers in the report. This was done by ripping one or more pages of the manifest document. In return, the official will be given some illegal money.	Chapter 7

No	Position	Quotes	Location
13	Member of Bureaucratic Reform Committee	Standardisation without formalisation is like a sword without its master [knight]. It could not work.	Chapter 7
14	Information Service Manager	Now, there is no more 'main di bawah meja' [under table game, which refers to practice of giving and receiving illegal money] because all the procedures are clearly declared and formalised. The users can go to the objection desk to report services, which are not compliant with the SOPs	Chapter 7
15	Staff at Counter Desk	I already completed my tasks according to the SOP. It is stated that the document process must be finished in 1 hour. I did it less than an hour. It is now my opportunity to exercise my leisure time resulted from my good work.	Chapter 7
16	Member of Bureaucratic Reform Committee	Prior to the reform, personnel decisions were made based on personal judgment of the managers. They tended to recruit and promote staffs surround them, whom they know well. Consequently, employees outside the inner circle, who actually have more capabilities and potential, were not selected due to this preference of personal proximity.	Chapter 8
17	Head of Sub-Division of Organisation	In this office, first we filter [the potential employees] with some criteria, which fits with our new modern office. For examples: work fast, responsive, friendly, poses general knowledge about Customs service, and most importantly he/she will not take profit from his/her position. We hired the independent third party assessment organisation to evaluate both employees' competency and integrity. The other tool was the employee history record	Chapter 8

No	Position	Quotes	Location
18	Head of Internal Compliance Section of Customs Office	We were fully aware that two functions within Customs office are mostly prone to collusion and corruption, namely the document checker and container examiner. These have been our focus [to conduct internal audit]. To supervise the document checker, we attempted to forbid the users to enter their office. Previously, this [user enter the document checker's office] was not unusual and tolerable. [We then realise] how could the document checkers be independent in determining the import tax obligation where the importer waited in front of his/her desk	Chapter 8
19	Customs Intelligent Officer	I must admit that teamwork is one of the key factors of the success of this section. Of course, my subordinate could gain some illegal profit from his action, for example he could just not to report his finding to me and instead he offered a compromise to the exporter so the illegal container can be shipped. However, by treating my members as a family, the possibility of such a betrayal can be minimised	Chapter 8
20	Importer 1	I prefer the previous system. I could contact the Customs official directly and personally. He already knew the specific condition of my commodities. It goes without saying, if I can put it that way. This made the clearance of my containers faster.	Chapter 8
21	Member of Bureaucratic Reform Committee	Initially, people were not convinced that the Customs office could change...They were not convinced that we will return any gifts...Well, in the past we asked for it [gifts], now we do not ask anything, we even return it to the giver	Chapter 8
22	Member of Bureaucratic Reform Committee	To change the culture is the hardest part, this Customs office was not built yesterday, we have been existing since 140 years ago ... it means that our culture has been in place since then...how can it be changed?	Chapter 9



Appendix 7.1: Finger Print Absence System



Appendix 8.1: CCTV at the Tax Office



Appendix 8.2: Door Access System at Customs Office



Appendix 8.3: 'Slametan' at Gangsar Tax Service Office



Appendix 8.4: Employee of the Month



Appendix 8.5: Drop Box at Hotel near Gangsar Tax Service Office



Appendix 8.6: Wedding Invitation of Ibas (President Yudhoyono's Son)