

# **<sup>1</sup>SUSTAINABILITY OF STRATEGIC MANAGEMENT PRACTICE IN GOVERNMENT ORGANIZATION**

## **CASE STUDY IN INDONESIA**

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Since 1998, the Indonesian government had introduced an approach for Strategic Management under Government Regulation No. 108/2002. The government has not evaluated experiences with this strategy until now. However, in 2009, the administration of President Yudhoyono introduced a new approach entitled *Rencana Pembangunan Jangka Menengah (RPJMD)* –Medium Term Development Planning. Form and method of RPJM are quite different from the former management approach. In this paper, both writers investigate experiences with the attempt to introduce Strategic Management in Indonesian public sector, particularly the aspect of sustainability. Sustainability in this context means continuity of professional application of the method despite changes of political framework both at national and local level in a five-year period. The study found that sustainability of strategic planning according to the defined approach is linked to key aspects of professionalism: in terms of professional overall management (leadership), of professional coordination among governmental units, and of professional monitoring of the complete process and its instruments: planning, implementation and evaluation. On this basis, recommendations are given for a further professionalisation of Governance in Indonesia.

Keyword: sustainability, strategic management, strategic plan.

### **Introduction**

Entering the democratic political order since 1998, Indonesia deals with some constraints especially in the government effectivity. Democracy causes the rambling or inefficient decision making process, for it must involve nine factions in house of representatives which have different concerns. In the previous term, the ex-president, Soeharto, has a strategic plan document known as *Garis-garis Besar Haluan Negara (GBHN)* - Guidelines of State Policy. Nevertheless, the document of strategic plan is translated from the vision and mission of elected president and vice president after 1998. Furthermore, the strategic plan is systemized for five years called *Rencana Pembangunan Jangka Menengah (RPJMD)* - Medium Term Development Planning. In 2004, Indonesia has a regulation of strategic plan named Law No. 25 of 2004 on National Development Planning System. Three years later, in 2007, it is enacted by Law No. 17 of 2007 on *Rencana Pembangunan Jangka Panjang Nasional (RPJPN)* – National Long Term Development

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Planning - of 2005-2025. Therefore, it can be concluded that since 2007 Indonesia, after the end of Soeharto's authoritarian government, has long term strategic planning document for the next 20 years.

The interesting question is how the obedience of government on that strategic plan? In other words, how the implementation of the strategic plan? The question related to the government capability difficulties in implementing the plan. It is in accordance with the purpose of this paper that is to observe how far the implementation of strategic management principles are applied. The strategic management principles are both the existence of future projection ability (Minzberg, 1999; Bovaird and Loffer, 2003) and the presence of various organization capability to coordinate to conduct the plan (Salaman and Asch, 2003; Osborne and Brown, 2005).

However, the strategic plan implementation that available, either RPJMD or RPJP, was not smooth. World Bank in 2009 shows that weaknesses in the mechanisms and frameworks that Indonesia has in place for problems within coordinating the formulation and implementation of policies and programs within and government, which has across the different branches of government, at both the central and local level, have also hampered the formulation (World Bank, 2009, p.1). Both the decision-making processes underlying the formulation of policies and the programs delineation of roles and responsibilities needed for implementation of policies are often unclear (World Bank, 2009). For instance, uncertainty about economic policies and regulations, which is cited as one of the weakest aspects of Indonesia's investment climate, appears to stem primarily from a lack of coordination across different ministries at the national level and between the national and sub-national governments. Weaknesses in service delivery are also attributable to a confusion of roles and responsibilities between the central line ministries and local governments. That different parts of government may have differing perspectives and competing priorities is to be expected. What Indonesia appears to lack are clear and effective mechanisms for reconciling these differences.

The World Bank's indication above represents that the weaknesses are not only on the planning level, but also on the technical implementation. The decision making process is not clear between the levels of government. Each of government levels have different perspectives of problems confronted and even tend to conflict to each other. Based on this problem, this paper will answer how the strategic plan design and the implementation by Indonesian government since the reformation era?

## Theoretical Framework

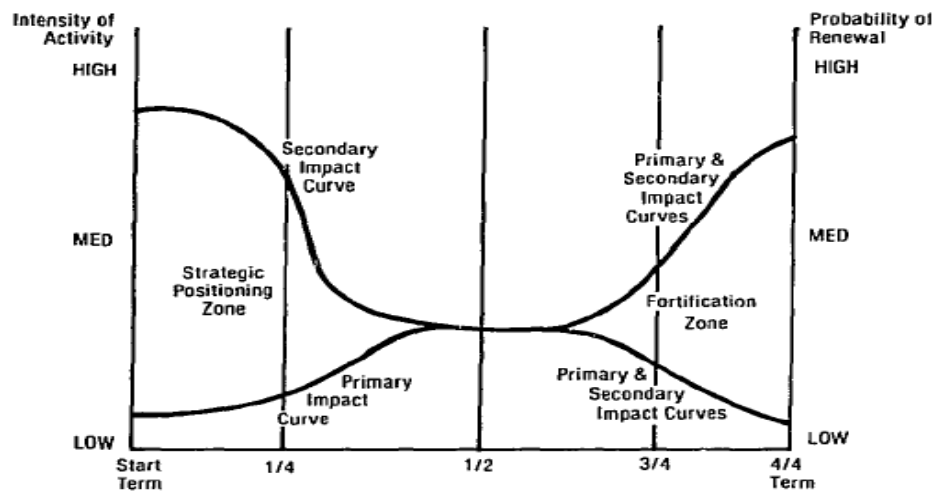
The introduction of strategic management approach into the study of government or public administration was began in 1980s in line with the development of public management approach in the study of public administration. In 1990s, it was introduced New Public Management (NPM) which was the renewal of public management that applies private organization approach for governmental organizations (Bovair, 2003). For instance, term of core competence (Prahalad and Hamel, 1994) was used for mapping the position of a state in the middle of strict competition in international world. Strategic management approach, currently the strategic planning transferred from the private sector into public sector experienced some adjustments in accordance with the characteristics and character of the public sector. The public sector refers to government activity and its consequences (Lane, 1995, p. 15). The government activity more related to political activities which relates to the limited resources allocation fairly to the public (Easton, 1965). One way to allocate these resources is through long-term plans drawn up by the government.

The planning theory application into the public sector in accordance with Barone theorem (Lane, 1995, p. 167) which argues that there are two fundamental allocation mechanisms, the budget of the planning ministry and the market of the private sector, may fulfil the standard conditions for efficiency in resource allocation on the consumer side and the production side.

One approach employed is known as, *Design School* that offer strategic model to reach a comparative or suitability between the internal capability and the external possibility. Language usually used is “economic strategy” that will be seen as the compatibility between the qualification and chance of the company position (Cristensen, et al, in the Harvard Policy textbook, 1982: 164). Therefore, the motto of Design School is “suitability determination” or compatibility between the organization qualification and the external opportunity.

The *design school* assessment derivation sourced from two influential books written by Philip Selznick's, a scientist of University of Berkeley California entitled “*Leadership in Administration*” in 1957 and Alfred D. Chandlers, a scientist from Massachusetts Institute of Technology entitled “*Strategy and Structure*” in 1962. Selznick introduces the idea of ‘specific competency’ in an organization about the internal situation with the external expectation as well as the implementation that is the key word to make a policy in social organization structure.

This approach follows Montanari's idea. The government regulation was established to reach strategic positioning zone.



**Fig 1 Political Cycle Work Unit Area**

Sources: John R. Montanari and Jeffrey S Bracker, 1986.

Montanari and Bracker (1986:432) say that political cycles affect the strategic management process for five years, which is divided into four terms or phases of time. In the early days, the intensity of strategic planning is quite high, with secondary effects of primary high and low impact. Formulating a strategic plan does not much affect the activities of organizations operating in the short term. Planning will affect the activities of the organization at the end of the semester, for the period or term plan will be terminated and evaluated. Therefore, the impact of its implementation will be high primary and secondary curves.

Another approach offered by the public management school such as Hatten (1982) is one of the few strategic management theorists who has attempted to apply private sector strategic management concepts to the not-for-profit situation. Schendel and Hofer (1979) once said that, there is evidence that some of these organizations have no strategy at all. Newman and Wallender (1978) characterize not-for-profit organizations as poorly managed over the long term, with few or no long-range goal structures and having different constraining characteristics than profit-making organizations. Meanwhile, Nutt (1984) and Nurmandi and Poernomo (2011) indicates that the diverse and sometimes conflicting assumptions that are made about goals in the not-for-profit organization make it essential to reflect an organizational purpose prior to identifying and selecting strategic options. The absence of a goals structure and contextual analysis of the environment may then account for the continual cries of bureaucratic mismanagement in the not-for-profit organization spreading throughout the country.

Paradigm offered by public management included strategic plan from many results of policy studies research and implementation analysis as well as organizational theory imply that paradigm is systematically ambiguous and means inherently unreliable in the governance of public organizations (March and Olsen, 1976; Pressman and Wildavky, 1984; Hoggood and Peters, 1985).

In accordance with the title in this research, sustainability, then the writer will focus on the continuity of plans that have been arranged. Does the organization consistent with the plans that have been prepared? Does the leader uses the plans to arrange the programs? Is there regular monitoring of the implementation plan? Does the practitioner obeys the strategic plan? Salman and Ash mention the organization ability to reach the purposes that have been decided as organizational capability. Moreover, Salman and Ash define capability refers to the degree to which the organization is structured to ensure achievement of the goals: the extent to which the culture is appropriate for their achievement, the degree to which there are the right sort of people with the right attitudes and skills and attributes in the right numbers, motivated, rewarded, equipped, trained and managed to do the right sorts of things in the right sorts of ways (Salaman and Ash, 2003, p. 27).

### **Complexity Science**

Although Salam and Ash has set the achievement indicator of strategic plan, but many scientists are not satisfied with the implementation of the strategic plan. To map the problems better towards the implementation problems of RPJMN and MP3EI, as well as RPJMD in the province of Yogyakarta Special Region, then the writer was tried to investigate the factors that affect the implementation of strategic planning. Denning (2005) stated that strategy development – strategy and implementation -- must be anchored in leadership and the most effective way to communicate with people that they try to lead is very often through story. Antonio Grilio, et al (2010) and Nicolis (2007) suggest development strategy analysis distinguished four factors namely:

Circular and network causality--as opposed to simple systems, where causes and effects can be separated, a system is certainly complex if an effect feeds back to its cause.

Emergence—within a system composed of many units (agents) the global properties and behaviour cannot be reduced to the sum of the units comprising the system. The emergence has to do with the certain and maintenance of hierarchical structures in which the disorder and randomness that inevitably exist at the local are controlled.

Self-organization--- when complex adaptive systems reach a state of self –organized criticality, then the system changes which occur are likely to follow a power law. This stems from the degree of hierarchical interconnection of agents within the system, which leads to non-linear behaviour.

Fitness—al value-creating socio-economic transformations and transactions produce outputs that are fit for human purposes. It is not possible to say which is the optimum fitness in the environment landscape, but it is possible to compare the degree of fitness between the inner characteristics of the system and the landscape.

## **Complex Adaptive System of Planning**

### **The Organization Structure for Achievement Goals of Strategic Plan**

Since Soesilo-Boediono's United Indonesia Cabinet II was inaugurated, it had been arranged the document of RPJMD as the implementation of Law No. 25 of 2004 mandate on National Development Planning System. Furthermore, in 2007, it was enacted Law No. 17 of 2007 on *Rencana Pembangunan Jangka Panjang* (RPJPN) – Long Term Development Plan of 2005-2025. The RPJPN became also the reference in the arrangement of Regional RPJP and became the guidance for President and Vice President candidates in drafting five-yearly *Rencana Pembangunan Jangka Menengah* (RPJM) – Middle Term Development Plan – and *Rencana Kerja Pemerintah* (RKP) – Government Work Plan. The success of national development in actualizing the vision of *Indonesia yang mandiri, maju, adil dan makmur* – the independent, advanced, just and prosperous Indonesia – needed to be supported by (1) the strong and democratic commitment of national leadership; (2) the consistency of government policy; (3) the alignment to people; and (4) the active community and business world participation.

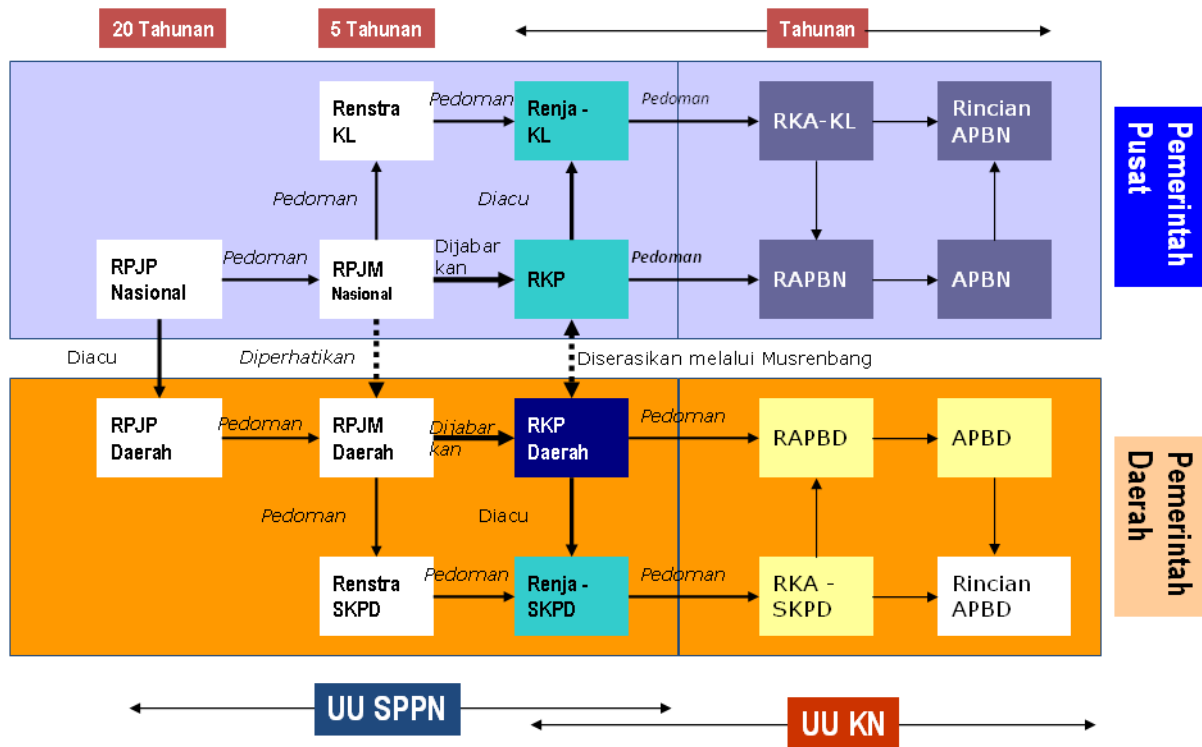


Fig. 1. Strategic Plan Structure after 1998

Planning structure described above shows how complicated the planning process and involve many organizations in the decision making process. Until 2011, the number of autonomous areas in Indonesia was 618, consist of 33 provinces, 497 Regencies, and 98 cities. Based on Law No. 32/2004, regency and responsibilities that have two area of obligatory responsibilities and optional areas of responsibilities). This approach is uniform for all autonomous areas in Indonesia except Papua, Aceh, and Jogyakarta. The Home Affairs Ministry---in accordance with the law--- conducted the evaluation as many as 33 strategic plan documents and the plan of revenues and expenditures of all provinces. Meanwhile, each of the Provincial Development Planning Board should review the strategic plan as well as its below district and city revenue and expenditure plans. The question is whether such a mechanism can work well?

In the perspective of complex adaptive systems, strategy development, each planning units interact with each other in the National Musrenbang mechanism (Annual National Meeting) and held the assimilation of information, so that resulting the evolutionary behavior. Planners behaviour in region level indicated by making an annual plan in the form of Local

Government Work Plan (RKPD) derived from the General Policy Direction in accordance with the priorities and sometimes not in accordance with RPJMD that had been developed.

Meanwhile, at the level of the Government, Musrenbang agenda is more of a ceremonial forum and not touch the issue of budget deficit to finance the strategic plan. One of strategic policies that want to achieve more popularity and do not want to face the public turbulence is energy subsidy policy. Energy subsidy policy on Revised Budget 2011 increase 31 trillion rupiah to 160 trillion rupiah, exceeding the initial plan of 130 trillion rupiah. Until 2013, the government of SBY-Boediono has been and will be spending public money to subsidize misdirected fuel more than 700 trillion million (Anggito Abimanyu, 2011).

Behavior provides fuel subsidies from the government of SBY-Boediono is more trying to maintain popularity than the strategic achievement of a predetermined plan. With such huge funds actually this cabinet can be used to build infrastructure. But this kind of rational analysis cannot answer why the government of SBY-Boediono remained determined to provide fuel subsidies. Following Denning thought, and then the president's leadership is more influential to the sustainability of development strategy of the plan itself.

A large state budget shortfalls for development as a direct result of the populist policies in 2010 the government launched a new plan document named as The Masterplan for Acceleration and Expansion of Indonesia Economic Development (MP3EI). MP3EI directive was aimed at implementing the 2005-2025 Long-term National Development Plan, which was stated in the Law No.17 Year 2007, the vision of the acceleration and expansion of Indonesia's economic development was to create a self-sufficient, advanced, just, and prosperous Indonesia. By utilizing the Masterplan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI), Indonesia aims to earn its place as one of the world's developed country by 2025 with expected per capita income of USD 14,250-USD 15,500 with total GDP of USD 4.0-4.5 Trillion. To achieve the above objectives, real economic growth of 6.4-7.5 percent is expected for the period of 2011-2014. This economic growth is expected to coincide with the decrease in the rate of inflation from 6.5 percent in 2011-2014 to 3.0 percent in 2025. The combined growth and inflation rates reflect the characteristics of a developed country.



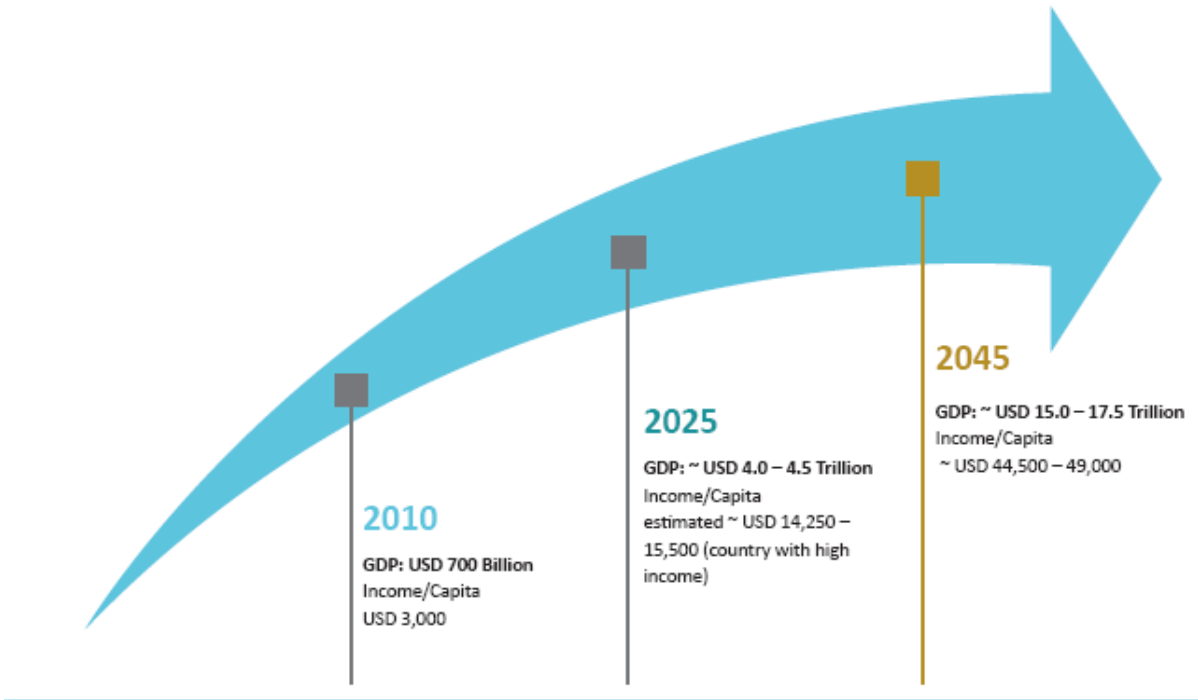


Fig.2. Plans for Indonesia's GDP

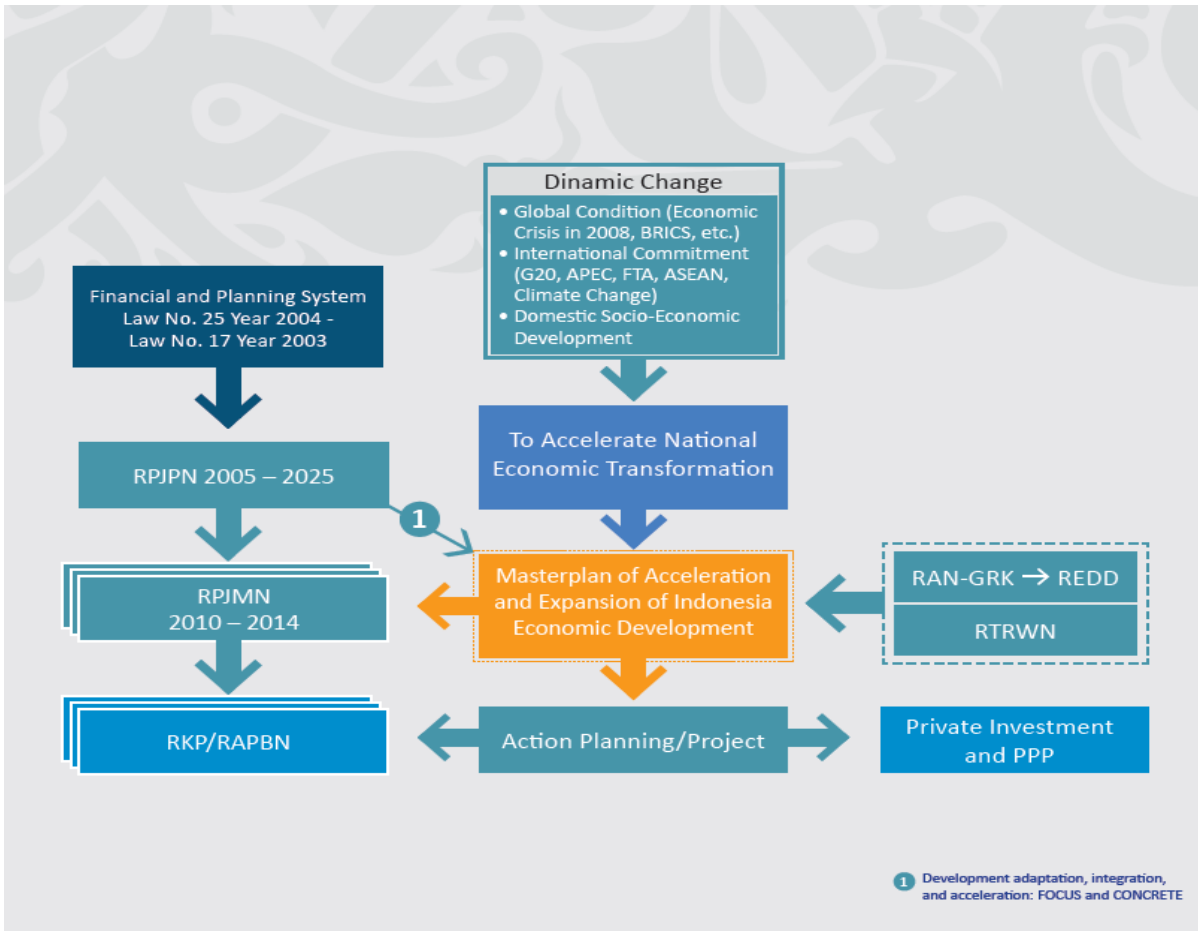


Fig. 3. RPJMN and MP3EI

In the explanation on it, MP3EI is an economic field action document. From the substantive aspect, this document is more of a strategic plan that follows the flow of positioning, which aims to place the place of Indonesia in the middle-income countries. Further explained that:

“MP3EI is a working document and as such it will be updated and refined progressively. It contains the main direction of development for specific economic activities, including infrastructure needs and recommendations for change/revision of regulations as well to initiate the need of new regulations to push for acceleration and expansion of investment. MP3EI is an integral part of the national development planning system. MP3EI is not meant for substituting the existing Long Term Development Plan 2005 – 2025 (Law No. 17 Year 2007) and the Medium-Term Development Plan 2004 – 2009 (Presidential Decree No. 7 Year 2009). MP3EI is formulated in consideration of the National Action Plan for Greenhouse Gas (Rencana Aksi Nasional Gas Rumah Kaca – RAN GRK) as a national commitment which recognizes the global climate change”.

Results from the World Bank study on the implementation of RPJMN in 2009 on various development agenda. World Bank uses indicators to assess the implementation of Indonesia’s strategic plan, that are:

- a. Policy and regulatory quality
- b. Government effectiveness: coordination, capacity and accountability;
- c. Control of corruption
- d. Rule of law

World Bank assesses further from the development agenda that has been formulated in RPJPN and RPJMN namely economic growth enhancement, equitable development, sustainable development and natural disaster management. The first agenda had two priority policies that were infrastructure development and policy improvement. The study results of World Bank in the policy aspect was the policy uncertainty related to the land acquisition for infrastructure. In 2005, the Government established the National Committee on Policy for Accelerating Infrastructure Provision (KKPPI) that was an inter-ministerial committee headed by the Coordinating Minister of the Economy. In February 2006, the policy was announced with Policy Package outlining more than 150 reforms. Moreover, in July 2007, the government announced a further President Instruction 6/2007 on the integrated economy

policy and President Instruction 5/2008 on regulatory and institutional reform. However, the policy packages have not shown its success in spurring the development of infrastructure. Infrastructure investment rises from a low of 2 percent of GDP in 2000 to just 3 percent of GDP in 2005. The development of infrastructure faced significant barriers, especially from local government. Weaknesses in the mechanism and frameworks that Indonesia has in place for coordinating the formulation and implementation of policies and program within and across the different branches of government, at both the central and local level have also hampered the government's effectiveness in promoting underlying the formulation of policies and the delineation of roles and responsibilities (World Bank, 2009). One major weakness that is felt so far in the system of national and regional development planning in Indonesia is the lack of alignment, either cross-sectoral, inter-provincial and national, inter-adjacent provinces and between districts/cities (Andi Erwin, 2010).

In Opinion Hearing Meeting between the Head of BAPPENAS and the members of Regional Councils (DPD) on 20 June 2011 about MP3EI:

In response these things, Sofia Maipauw (Regional Councils of Indonesian republic from the province of West Papua) highlights the frequent discrepancy between what the government planned and its implementation. This can be seen from the unrealized of Musrenbang (Development Planning Development)'s proposals from village to provincial level when the policy set forth in APBD (Regional Expenditure Revenue Budget). "The term of the Papuans, different exercise-different play. This means that when we exercise the choir with tone in this way, when singing the song the pitch changed much from those have already studied. It is same with the development approach that simply changing the name but its substance is the same," said Sofia.

Answering these doubts, Armida admitted there were still weaknesses in the process of Musrenbang to Musrenbangnas. For that, besides evaluating the mechanism of Musrenbang, the government also considers the inputs from the region. "As in the Master Plan, the government together with BUMN (State-Owned Enterprises) and privates to realize the acceleration and expansion of economic development," close Bappenas Head.

Pessimism among members of the Regional Councils is a reflection among the senators against any government's strategic plan. One important point to be criticized is the mechanism of the National Development Meeting (Musrenbang) which is routinely held every year. The content of this forum is a series of speeches from president and ministers concerned and there was no evaluation of what has been achieved in the current year. <sup>2</sup>

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<sup>2</sup> Interview with Bappeda Official of Daerah Istimewa Yogyakarta, 23 December 2011.

## **Joint Circular Letter Culture**

One method used by the ministry to solve the problem of inter-ministerial non-coordination was issue a joint decision. One of collective decision letters to cope with the non-coordination planning between the Government and Local Government, in 2010, of which four ministries issued a Joint Regulation of the Home Affairs Minister, Minister for National Development Planning / Head of National Development Planning Agency and the Minister of Finance No: 28 of 2010, No: 0199 / M PPN/04/2010 and No: PMK 95/PMK 07/2010 About Alignment Regional Medium Term Development Plan (RPJMD) with the National Medium Term Development Plan (RPJMN) 2010-2014.

The issuance of this regulation indicates a problem with coordination of this plan could seem funny and bizarre in the planning. From this common rule suggests that the coordination at the central government was facing serious problems. Should the Ministry of the Home Affairs and the Ministry of Finance may conduct direct filtration programs and activities that are not suitable with RPJMN. But the pattern of this evaluation was not effective.

The same pattern also applied to the special budget allocations to local governments. In Specific Purpose Grant Allocation for Local Government (Dana Alokasi Khusus), the Central Government through National Development Planning Board (Bappenas) with the Ministry of Finance and the Ministry of Home Affairs, also issued a Joint Circular Letter of Minister of National Development Planning Board (Bappenas), the Minister of Finance and Minister of Home Affairs Number 0239/M.PPN/11/2008; SE 1722/MK.07/2008; 900/3556/SJ, date 21 November 2008, on the Technical Implementation Guidelines for the Implementation of Monitoring and Evaluation of Utilization of the Specific Purpose Grants. Joint Circular Letter is necessary to improve the effectiveness and efficiency in the implementation of monitoring and evaluation of the Specific Purpose Grants. Model of this shared decree was carried out also in other policies.

Chart A : Why furthering Indonesia's governance transition matters for realizing Indonesia's development agenda						
DEVELOPMENT AGENDA	Policy and regulatory quality	Government effectiveness			Control of corruption	Rule of law
		Coordination	Capacity	Accountability	Control of corruption	Control of law
Accelerating growth						
Alleviating infrastructure bottlenecks		Difficulties in land acquisition			Weaknesses in procurement	
		Low tariffs	Delays in budget execution		Difficulties in land acquisition	
Remedying regulatory weaknesses in investment climate		Policy uncertainty	Insufficient local level capacity			Uncertainty about judicial intervention
		Uncertainty about policy	Inadequate coordination between ministries and between ministries and local governments		Resistance to reform	
		Regulatory burden	Limited capacity to formulate and implement reforms			Regulatory burden
Making growth inclusive						
Raising rural incomes		Insufficient capacity and incentives at the local level				
Facilitating the transfer of labor		Land tenure insecurity		Land tenure insecurity		
		Poor rural investment climate				
Improving water and sanitation		Labor Law	Restrictive minimum wages			
		Low tariffs	Unclear allocation of responsibilities			
Restructuring the health system		Insufficient horizontal coordination				
		Sub-national financing constraints			Sub-national financing constraints	
		Limited capacity and accountability of frontline service providers				
Providing quality education for all		Fiscal inequities		Uneven staffing		
		Unclear division of responsibilities between local and central government		Weak stewardship		Weaknesses in provider payment and budgeting systems
		Limited capacity and accountability of frontline service providers			Weaknesses in management of funds and transfers	

**Fig. 4. Weaknesses of Strategic Plan Implementation**

Source: World Bank Report, 2009.

### Coordination

Coordination becomes a word that is usually uttered by the President, in fact, however, coordination is a difficult activity to bring about. The evaluation result of World Bank above shows that coordination deal with quite difficult problems both among ministries level and between the ministry and the local government. By pointing out to the O’Toole and Monjoy’s opinion the relationship pattern among ministries is much more a competitive relationship. Each ministries or agencies have their own targets which are different to each others and difficult to be combined into the collective target. The competition between ministries appears from various cases that arise in recent years, which is described as follows:

Case 1.

The massacre of Mesuji area farmers in Lampung and South Sumatra caused by poor coordination between ministries. National Commission for Human Rights says at least there are three ministries in charge. As is known, Mesuji residents are mostly migrants. The protracted conflict that led to the massacre of Mesuji farmers due to the expansion of oil palm permission provided by the Ministry of Forestry and the Ministry of Agriculture to SWA Limited.

Case 2

Head of State is also aware of a number of issues in addressing this issue. Some of them are issues of coordination and synergy between ministries, between central and local, and also between government, business and the general public. According to SBY, if there are problems, it can be returned to the vision and basic policies related to the climate change and development goals (30/09/2011).

Case 3

It was the weak, fragmented nature of government, characterised by power struggles, anarchy, conflict and contradictory laws that blurred the lines between legality and illegality and therefore made it easier for illegal logging, supported by collusive corruption, to flourish. Periods of transition from autocracy to democracy are particularly vulnerable to burgeoning collusive corruption, because during transitions, institutions essential for fully functioning democracies are still underdeveloped, leading to a governance vacuum (J. SMITH, et al, 2003)

**Chart A (continued): Why furthering Indonesia's governance transition matters for realizing Indonesia's development agenda**

DEVELOPMENT AGENDA	Policy and regulatory quality	Government effectiveness			Control of corruption		Rule of law
		Coordination	Capacity	Accountability	Control of corruption	Control of corruption	
Ensuring sustainability							
Managing Indonesia's environmental and common property resources		Unclear division of responsibilities between local and central government		Low awareness and limited capacity			Corruption and weak enforcement of laws
Meeting Indonesia's energy needs without sacrificing its environment		Lack of coordination between ministries leading to policy uncertainty				Limited consideration of environmental impacts in public investment planning	
		Low tariffs and distorted incentives because of fuel subsidies					Uncertainty about legal framework
		Complex structure and lack of implementing regulations					
Making Indonesia's urban areas livable				Insufficient budgeting and planning capacity			Improper functioning of land markets
				Sub-national financing constraints		Sub-national financing constraints	
Building resilience							
Managing disasters and preparing for climate change		Lack of coordination across ministries in policy formulation				Technical capacity is limited	Corruption and weak law enforcement
Enhancing security and protecting the poor		Untargeted subsidies					Leakages in targeting
Reducing financial vulnerability		Limited coordination amongst various regulatory and supervisory agencies					Possibilities of corruption and collusion

Fig. 5. Weaknesses of Strategic Plan Implementation

From the report of the Ministry of National Development Planning on the 10 priorities of RPJMN 2010-2014 (can be seen in the appendix), we can conclude the constraints of each priority, namely:

- a. Priority of bureaucratic reform and governance: accountability, corruption and regulation
- b. Education priority: educational facilities disparities between regions
- c. Health priorities: health facility and human resources
- d. Priorities of poverty: corruption and planning capacity
- e. Food security priorities: climate, accessibility to a production facility and high demand
- f. Priority of infrastructure: the limitations of the development fund
- g. INVESTMENT AND BUSINESS CLIMATE Priority: variations of investment and high-cost economy procedures.
- h. Priority of Energy: shortage of funds and delayed project implementation
- i. Priority of environment and natural disasters: coordination among government units.
- j. Border and disadvantaged areas development priorities: lack of Infrastructure and unclear responsibility.

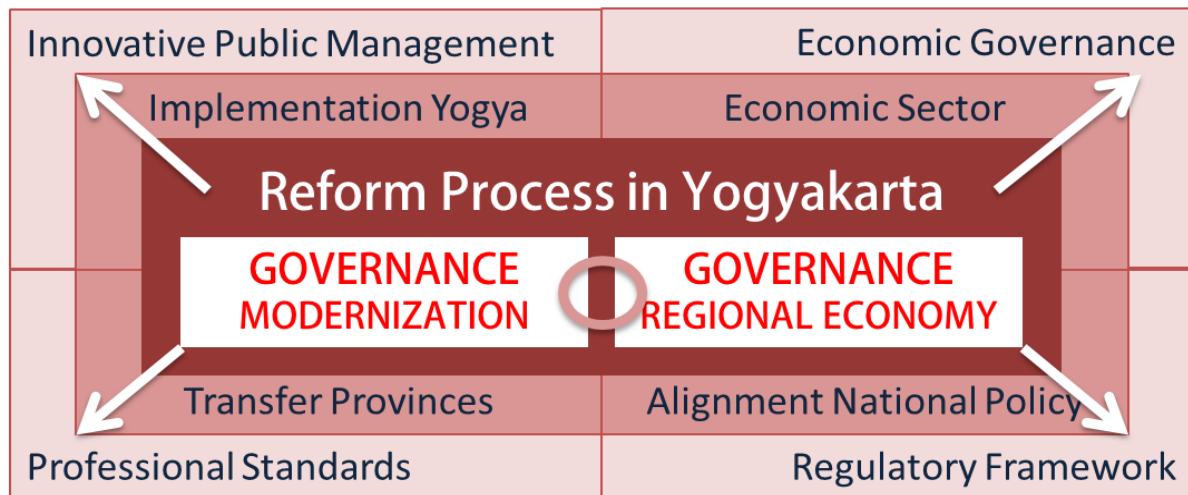
### **From Planning to Implementation – Or Not: A case study from the Provincial Government of Yogyakarta**

The assessment of the World Bank on Indonesia's strategic planning implementation as well as the discussion on the national level remain abstract, while an important issue seems to be in how far the logic and the tools of the National Planning can be followed up successfully on the subnational level. Here is the place, where Economic Policy becomes concrete, and main stakeholders of the implementation process (agencies and private companies) are to be found. To show concretely what the mentioned significant barriers concretely are, what "weakness in coordination" and "lack of alignment" mean, needs the closer look on the Meso and Micro level of Governance: the Management in the Provinces and local governments, concretely in the responsible departments.

The Special Province of Yogyakarta has decided to go through a Reform Process since the disastrous experience with the management of the earthquake of 2006 and its consequences. A key target since 2008 is the performance of key administrations and key persons within them, leading to proposals for a broad Reform of Public Administration both

in terms of Organizational development and Human Resources Management. Beside the general perspective on Governance and its framework, a special focus is since 2010 on Economic Governance, the Governmental Institutions responsible in this policy sector and their concrete performance (Behrens 2010).

*The Reform Process at DI Yogyakarta: Strategic Perspectives*



A key role has in this context the Office of Economic Affairs and Natural Resources at the Regional Secretariat (Biro Perekonomian). It was set up with the explicit mission to coordinate economic policy between relevant agencies of the provincial administrations and to develop policy proposals for the Governor. The Biro is contributing to Development Planning and implementation, formulates regional targets that concretize the national planning framework, sets up a related work plan and ensures the availability of necessary funds. The execution of the plans, its evaluation and drawing consequences for future planning are to be monitored by the Biro. Thus, it is supposed to play a key role in the Strategic Management of National Policy as the place within the subnational Governance level, where a proper link between stakeholders on the difference Governance levels as well as within the Meso level of Governance in the region has to be ensured. Necessary to fulfill this strategic mission are among others (Behrens, 2012):

- reliable and significant data and a professional innerorganisational data management,
- capacity for analysis and Policy Formulation within the Biro,
- a clear definition of its intermediary and supervisory role within the provincial government, complemented by
- effective inner- and intraorganisational Standard Operational Procedures (SOP), that include



- effective Coordination and Monitoring of Policy Implementation; and where necessary
- A possibility to alter policy, give directive to implementing agencies and impose sanctions.

*Coordinating and supporting Function of Economy Bureau within Regional Governance in an Ideal Setting*



A key aspect beside the organisational questions is the equipment of the Biro with professional staff, obtaining necessary qualifications, experiences and “standing” within the Governmental Apparatus. These aspects make concrete the makro indicators, used by the World Bank as outlined before to assess Indonesia’s strategic planning implementation: Policy and regulatory quality and Government effectiveness (coordination, capacity, accountability).

Esti (2011) has analyzed the listed detailed indicators in her case study on the performance of the Biro Perekonomian at DI Yogyakarta in the sector of Agriculture. She summarizes, that “...when it comes to an evaluation of results, many achievements on the regional policy can not be positively correlated to the performed activities. This shows ... a lack of capacity in analyzing and interpreting results related to the indicators of success ...”. And: “Particularly indicators outlined in the Regional Mid-Term Planning (RPJMD 2009-2013) are still questionable. A solid data basis, individual knowledge and experiences to process and interpret data in order to create regional policy, and a shift in understanding the own role from a mere administration and planning towards a professional Management of

Policy, which includes implementation and evaluation of results are essential to reach *Better Governance*.” (Esti 2011, P.3)

Esti’s analysis exposes a multi layer capacity problem. Background of the visible lack of individual capacity of desk officers to perform professional analysis and draw the correct conclusions, are severe problems of the inner governmental Human Resources Management. They have been analyzed widely in context of Yogyakarta’s Administrative Reform efforts (Behrens 2010), yet without necessary consequences so far in terms of providing a basic professional framework, including a Career Pattern, demand oriented recruitment and an adequate placement of the right specialists at the right places, an output oriented transparent incentive system and a modernized concept for Training and Education.

A second critical point is a missing understanding of the own role of Government Professionals as “Strategic Managers” - who follow professional principles of Strategic Management. The lack of necessary understanding about the own role is result of a general problem in implementing practically the vision for a modern Governance and a modern civil service, which has been outlined by the National Government basically already in the first years of the democratization Era after 1998. While complex challenges (such as Planning Processes) would need, among others, an understanding of shared responsibility – within an administration, between administrations on one Governance level and between National, Regional and Local Government -, in practice the top down culture of an outdated bureaucracy is still predominant in the minds of a majority within the Governance System. Dina Agus has described this in another Case Study on Yogyakarta’s Regional Government as a necessary shifting from *Traditional Authority* to *Legal Authority* (Agus 2011).

The mainstream of thinking in old patterns of hierarchy leads to an outdated understanding of the own role: it is perceived as a mere “executor” of decisions, which are made on the top. This mindset obstructs the development of regional policy in own responsibility and of urgently needed expertise on the sub-national levels of Governance in the different policy fields, where analysis and formulation of policy can be made successfully only on basis a specific technical expertise.

The phenomenon is to be observed on the individual level but also in the organisational setting, where it supports a tendency to wait for decisions top down (from the national level, from the Head of the Administration etc.) instead of taking own responsibility. These “significant barriers”, as the World Bank describes it, need to be overcome. It requires a new self perception of Government and particularly a new form of leadership, linked to the principles of Strategic Management.

Esti's remark on a missing solid data basis refers to the third critical point: the technical dimension of the capacity problem. Policy can be developed where necessary information is available and managed appropriately. This includes a professional analysis of challenges and leads to clear goals and indicators for success. Where indicators on the regional level are available, the link to the national framework is missing so far. Simple inner organizational standards are missing, and so Esti comes to very basic recommendations such as: "The report of each division can be integrated by choosing a standard report system." (Esti 2011, P.13). And concludes: "A severe Lack of internal coordination, complicated bureaucracy and internal competition on budget hinder Biro Perekonomian in performing its tasks and functions. The key to face this problem is communication and discussion..." (Esti 2011, P.14). And a modern understanding of leadership as integration of the parts of an organization according to politically set targets. This technical dimension can be summarized as a general lack of professionalism in Management of public affairs.

Now, where to start a reform process? The experiences in Yogyakarta show that a combination of a top down and a bottom up approach leads to an improvement of organizational and individual capacity. A clear commitment and support from the top management, visible in Monitoring and Evaluation of performance, linked to incentives for good performance, is necessary in general, but particularly in a setting with a still strong position of traditional forms of authority. A complementary Capacity Development program to strengthen analytic capacities, coordination and alignment can start within the existing setting and resources. It can make use of the need to operationalize targets set on national level, to develop regional policy, and formulate a common ground. Inner organizational standardization of processes, as outlined in her case study by Esti, can be implemented by each Head. Yet decision making based on analysis by experts, to move along in a coordinated way and to align diverse perspectives on one issue must become an everyday experience. Thus a qualified top management, encouraged by the National Policy level, seems the key to progress.

### **Managing Complexity and and shared responsibility**

Economic policy under the conditions of globalization means more than administration and distribution of resources, a perception that is predominant still in all parts of Indonesia's economic system, but particularly in the Public Sector as the Case Study from Yogyakarta as well as the review on National Policy within this article illustrated. Making policy starts beyond administrative and distributive routines, requires creative mindsets and

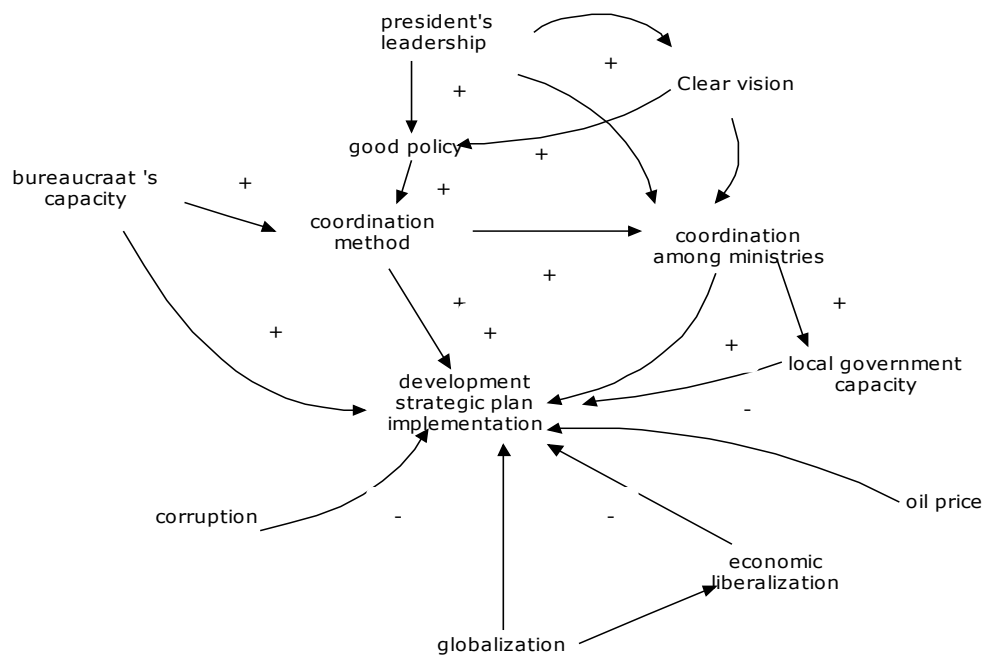
capacity to understand complexity in the respective policy sector. Thus making economic policy needs economic expertise and strategic management capacities on all governance levels (national, regional, local), in combination with an alignment of inner- and intergovernmental procedures. Particularly professional standards and a coordination of analysis, policy recommendations and the transfer of policy into indicators for measuring success and evaluating results are a *conditio sine qua non* for successful economic policy.

The necessary multi dimensional improvement of capacities in Indonesia must start with the practice of overall management (or “leadership”). It needs to follow not only ethical thinking, but also legal and professional standards. It must bid farewell to forms of traditional authority without professional foundation.

Successful economic policy based on principles of Good Governance will be judged based on its output, a visible better life for all and use related qualified indicators. Sub-national Governance plays an important role in concretizing the ambitious targets of national policy by transferring abstract goals into the concrete regional political and economic situation. The benefit of a successful decentralization policy for Indonesia may become apparent particularly in this policy sector, and successful economic policy based on professional Strategic Management thus contribute to a stronger democratic culture in the country and within its institutions.

The complexity of implementing a strategic plan that had been developed can be described in the following figure. Presidential leadership is an important factor in encouraging the achievement of a predetermined plan. With a clear vision, then he will monitor the performance of the ministers in a unity of command work. With this clear command accordingly the inter-ministerial coordination will be better. Meanwhile, the ministry's performance is affected by the capacity of bureaucrats, especially at the director-general and director of the officials implementing the policy. Directly, the ability of implementor this policy affects sustainability of existing strategic plan.

From the aspect of local government---with the State Revenue Budget Spending allocation of 25% for the general allocation fund, the ability of local governments greatly influence the sustainability of the strategic plan.



**Fig 5. Causal Relationship in RPJMN Implementation**

## Conclusion

From the analysis of implementation and MP3EI on RPJMN could be explained that the main obstacle is the President's vision and leadership, good policies, coordination of the Ministry, the ability of the bureaucrats and corruption. Each of these factors contribute to a substantial document on the implementation of the two strategic plans. The President also had to respond to environmental situations that often change in forms of emergent plan is more often observed by the community from time to time.

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