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# The Practice of Knowledge Management in a Government Organisation: Managing the Informal Economy in Yogyakarta City, Indonesia

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*Abstract: Purpose – Drawn from a research study for Indonesian University, this paper aims to examine the knowledge management process in managing urban informal sector as particularly performed by local bureaucrats in Yogyakarta Municipality, a district in Yogyakarta Special Region Province of the Republic of Indonesia. Design/ methodology/ approach – This study is based upon Karl E. Weick's framework to explore the application of knowledge management as demonstrated by local bureaucrats in handling the informal sector workers. Data is collected in depth interview with all persons considered as knowledge workers and through a soft system and focus group discussion, and analysed quantitatively in data network technique. Findings – All local bureaucrats have performed a continuous practice of knowledge management process in managing urban informal sector that effectively work in decision making at grass-root official's level. Originality/ value – The practice of knowledge management as particularly performed by local bureaucrats in managing urban informal sector that improved the units network quality and delivered a non-hierarchy governmental organization is presented.*

Keywords: Knowledge Management, Urban Informal Sector, Local Bureaucrats, Knowledge Workers

## Introduction

**I**NDONESIA IS URBANIZING rapidly, urban areas grew at a rate of 4.4% per annum between 1990 and 1999, approximately three times of the national population growth rate of 1.5%. Already, Java, overwhelmingly the most populated island, is 65% urbanized with an urban population of 78 million. Although there is some regional variation in urban growth rates, cities of every population size are, for the most part, growing rapidly (Britannica: 2007). During the 1990s, Indonesia's average annual population growth was about 1.7 percent; its urban population grew almost three times as fast, at about 4.4 percent. That trend will make city dwellers of some 167 million people in 2025, out of a projected total population of 275.6 million.

Located in the heart of Javanese culture and is a prominent tourism destination that is by the whole nation as the cultural and educational city in the country, Jogjakarta has attracted many domestic visitors and migrant for study and work. However, unlike other cities in Indonesia, the population growth of Jogjakarta city is below the national population growth average. In 1980, the number of citizens was 398.192 people and increased then to be 405.687 people in 2005 (up to 1, 5 %). Even though it has a low population growth rate, but it is one of the most densely populated cities in Indonesia with 15,313 people per kilometre square .

## **Scope of the Paper**

This paper focuses on how the problems raised by the informal sectors have been managed by the local government from knowledge management perspective.

## **Urban Informal Sector in Jogjakarta**

Indonesia has one of the largest informal sector economies in the world. As in many other Third World countries, the informal sector in Indonesia still accounts for most of the total employment. During the 1980s and 1990s, the number of those who constitute the economically active population and who depend on the informal sector as their main source of employment and income has been consistently more than sixty per cent of the total labour force (see Sethuraman, 1985; Evers and Mehmet, 1994; Bromley, 1979). In 1998, it consisted of 43 million people in rural areas and 14 million in urban areas, or about 65 per cent of the total working population (CBS, 2001; Hugo, 2000:125).

In Yogyakarta, the urban informal sector has been growing faster as the result of the lack of balance between the great amounts of the scholars and the limited portions of the available occupation. According to Priyohadi, Regional Secretary of Yogyakarta Special Province (Nov, 2004), the demographic issues in Yogyakarta are: high percentage of unemployment in urban area especially educated people (14,3% compare to 0,5% nationally), declining number of urban poverty of 16.9%, rising number of rural poverty of 25.1%, lower skill and education level of rural workforce, and high number of incoming migration from other regions because of stability and relatively steady growth of the region.

In 2005, the job applicants accepted in the formal sectors in this city were 227.640 people. Rest of the job seekers then decided to enter the informal sectors. In 2006, there were 5003 street vendors that operated their business around 14 sub districts of the city. The largest number of street vendors were in Gondomanan sub district (978 outlets or 19, 55% of the whole number), followed by Gondokusuman sub district Gondokusuman (15, 23%) and Gedongtengen (15, 09%).

**Table 1: Number of Informal Sectors based on their Distributing Area and Resident's Cards (Per December 2006)**

No	Sub District	Municipal ID Card	City Province	Inside	Outside	Percentage
				Province	Total Number	
1	Pakualaman	113	20	2	135	2.70%
2	Kotagede	54	67	14	135	2.70%
3	Ngampilan	110	25	1	136	2.72%
4	Wirobrajan	130	19	5	154	3.08%
5	Mantrijeron	120	28	18	166	3.32%
6	Tegalrejo	122	17	13	152	3.04%
7	Gondokusuman	484	213	65	762	15.23%
8	Gedongtengen	583	154	18	755	15.09%
9	Jetis	473	69	15	557	11.13%
10	Mergangsan	174	20	9	203	4.06%
11	Gondomanan	698	267	13	978	19.55%
12	Umbulharjo	306	82	38	426	8.51%
13	Danurejan	328	91	1	420	8.39%
14	Kraton	24			24	0.48%
	Jumlah	3719	1072	212	5003	100.00%
	Percentage	74.34%	21.43%	4.24%	100.00%	

Source: Cooperation, Trade and Industry Unit of Jogja Municipality (2006)

In managing the street vendors, the local government and the local representative body had issued Local Government Regulation (PERDA) Number 26 Year 2006 on Street Vendors. This regulation was aimed at organizing the legitimated street vendors and their business area, the authoritative local officers, and all related social institutions in giving business permits and advise to the informal sector's workers. By enacting the regulation, the local government has changed the guidance pattern of urban informal sector from vertical to horizontal and diagonal flow.

### **Street Vendors along Malioboro Avenue**

'Jalan Malioboro' (Malioboro Avenue) is the main commercial spine of downtown Jogjakarta, and it leads directly to the Sultan's doorstep. It is a major shopping street in Jogjakarta; the name is also used more generally for the neighbourhood around the street. The avenue is the centre of Jogjakarta's largest tourist district; many hotels and restaurants are located nearby. Sidewalks on both sides of the street are crowded with small stalls selling a variety

of goods. In the evening several open-air street side restaurants, called *lesehan*, operate along the street (Wikipedia:2008).

In the mid-1990s, as part of a World Bank urban improvement project, Malioboro Avenue was redesigned. The thoroughfare was converted from a busy mixed traffic street into a two-lane one-way street, a wide non-motorized traffic lane was added where traditional Indonesian pedicabs continue to ply, and pedestrian space was widened. Gradually, however, vehicle parking and street vendors have encroached on the pedestrian space. The constant traffic, pollution, noise, and trash all detract from the areas commercial character, driving wealthier shoppers to mall-like alternatives at the urban periphery. As Jogjakarta relies heavily on tourism, in the late 1990s, both the Provincial and Municipal Government began plans to fully pedestrianize Malioboro Avenue.

In 1995, some 967 vendor stalls were identified along Malioboro Avenue, and a thorough inventory recorded the variety and frequency of products being sold. Additionally, 78 surveys of vendors were completed using a systematic sampling method, followed by in-depth interviews with forty vendors and tourism planning officials.

## **Knowledge Management Theory**

Urban management is a complex process, which requires a sizeable information base and a large coordination between the actors who are managing the city. In developing countries, this may be seen as growth management or organizational management (Mattingly in Clarke, 1996). He stresses that urban management should mean taking sustained responsibility for actions to achieve particular objectives for city development and that these actions can be group into tasks and processes (in Clarke, 1996) In order to integrate the understandings of urban informal sectors, all public officers are required to gain accurate data and process the data to become new policy (Schein, 1992).

There is growing recognition that sharing knowledge is essentially a social activity, that knowledge has a social life and therefore operates beyond formal organisational structures. Organisations are developed only through continuous discourse, which leads to the exchange of experiences, perceptions and interpretations with the consequence that both a collective identity is formed and that shared understanding (sensemaking) evolves (Schein, 1992). Liebowitz and Chen Chen (Syed Omar Shanifuddin and F. Rowland, 2004) found that “knowledge sharing” in government organizations have some basic constraints related to the rigid system in the hierarchy and bureaucratic management.

Ironically, Hecló (in Schofield, 2004) stated this step as a policy learning which produces a deterministically responses against political learning. In the policy learning, all actors manage many issues in detail, finishing routine assignments and codifying knowledge. Furthermore, many bureaucracies do not agree to share their knowledge for the sake of career. On the other hand, knowledge management play a pivotal role for governmental organizations especially for improving (Weick, 1992)

1. Improve the quality of the decision making in public service
2. Assist the public’s participation in making decision;
3. Develop social and intellectual capital
4. Develop the knowledge management teamwork

Rob Shield et al (2000) in his study on the implementation of knowledge management in the federal government of Canada point out that:

The goal of knowledge based initiatives in the Public Service is to provide better service delivery through the sharing of “knowledge” between government and the public and between government actors at all levels. It explicitly seeks to address these challenges in an environment of rapid change. For example , at Health Canada knowledge and information management are seen as processes that will ensure that knowledge is captured, created, shared, analyzed, used and disseminated to maintain and improve service delivery and/or business goal.

Upton and Swinden (1998) opine that in the information age, governmental organizations have become a joint-up government or citizen centric government which lead to be more customer-oriented public service.

Government services need to be integrated around customer’s needs. There are a number of ways this can be achieved, for example by life episodes or around communities of interest. Private sector involvement will be essential in this process. This refocusing has enormous implication for how public service organizations structure themselves and their information systems. In addition, it will require change in culture..... there will be a need for multi- disciplinary staff, who can guide the public through the complexities of government services

Chun Weei Cho (1998, pp. 111-4) in his research on WHO has classified knowledge in both private and public organization into three types.

1. *Tacit knowledge*.. This is implicit knowledge which is used by members of organization to execute their jobs shown by their competence in the action-based skill. This knowledge cannot be verbalized. This type knowlege is obtained through long experience in carrying out routine jobs.
2. *Explicit knowledge*. This knowledge is expressed in the form of symbols and can be communicated and diffused on the basis of object and regulations. The knowledge based on objects can be found in the product specification, photo, prototype, database and so forth. The knowledge based on the regulation can be found in the Standard Operating Proceures or SOP. Cyert and Mayer (in Choo, 1998) differentiate four types of knowledge based on regulation, namely task performance rules, record-keeping rules, information hadling rules and planning rules.
3. *Cultural knowledge* is affective and cognitive structure used by members of organization to percept, clarify, evaluate and construcs the reality. This knowledge also involve assumption and belief used to obtain the new value and information.

Choo (1998) employing the theory of change management, describe organization as decision network, decision maker and decision making process. The made decision facilitate the action taken, elaborate the goals and allocate and determine the authorization of resources used. Having created and codified the knowledge, organization then make decision and take action. Chun Wei Choo (1998) views that process of knowledge creation is begun by the sense making process. The capability of organization to process information depends on the flow

of information logistic and capacity to interpret information. Viewing from the perspective of constructivism, Tuomi argues that knowledge creation is the result of ability to interpret through holistics process so called sensemaking, referring to the process in constructing the world where an actor live. Weick (1995) describes that the sensemaking process is begun when someone observes a condition having gaps with certain signs. Then the individual scrutinizes those signs and compares them with his or her own experience. Finally, he or she seek for logical explanation for describing those signsto reduce the gaps. Logical explanation is an important concept to understand the sensemaking process in which individual is more motivated by dissonance than accuracy

In organizations, sensemaking has several functions comprising; reducing uncertainty, minimizing dissonance, developing identity adn constructing meaning. An organization is essentially a network of inter-subjectively shared meanings generated through the development adn use of the same language and daily social interaction Weick (1993) describe how the seven elements of sense making inextract:

Once people begin to act (enactment), they generate tangible outcomes (cues) in some context (social), and this helps them discover (retrospect) what is occurring (ongoing), what needs to be explained (plausibility), and what would be done next (identity enhancement).

The followings are the explanation of the concept:

- *Sense making* as a grounded identity construction
- *Sense making* as a retrospective tool. The creation of meaning is a thoughtful process on the occurred new experience. Therefore sense making depends on memory
- *Sense making* as an activating force for the sensitive environment. Someone is not passive in acceding the stimulus from the environment but they are active in transforming resources into opportunity
  - Sense making as a social entity. The social interaction influences the thinking and the social function of the individual through symbols.
  - *Sensemaking* is th eoccurring process. Human beings are always in middle of meaningful events only if they focus theirs attention on the past events.
  - *Sensemaking* focuseds on the captured signs. All leaders understand that the planning and maps they have are not used to achieve
  - *Sensemaking* is more logical, pragmatic, coherent, inventive adn intrumental.

After members of organization carry out sensemaking activities, the next step would be: (a) *knowledge acquisition*, (b) *knowledge reuse*, and(c) *knowledge creation*. However, this classification does not distinguish two other knowledge clearly and strongly. Community knowledge refers to collective knowledge obtained by combining knowledge to create new ideas through network mechanism. In this understanding, knowledge is viewed as collective knowledge which is socially shared and constructed (Andrew and Sieber, 2006) The above asuty shows that the process of knowledge creation in public organizations depend more largely on the knowledge network among organizations or the existing groups of organizations.



Related to the concept which will be examined, namely knowledge creation and knowledge sharing or more clearly the understanding on the distinction between knowledge creation and knowledge: sharing, the theory proposed by Elroy et al can be put in to the following operation.

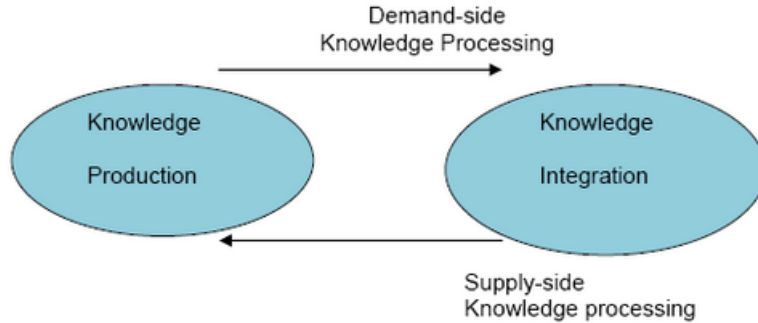


Figure 1: Knowledge Process in Supply and Demand, *Source: McElroy, 2003a*

The demand aspect is called by Elroy as knowledge production, whereas supply aspect is called knowledge integration. In this scheme, the knowledge production becomes a part of knowledge production, whereas the knowledge sharing is a part of knowledge production. The operation of each aspect is explained in the following table.

**Table 2: Policy and the Dimension of Knowledge Cyclus**

Policy Area	Dimension and Practice
Structural factor	<ul style="list-style-type: none"> <li>• Ethodiversity</li> <li>• Interlink</li> <li>• Critical attitude</li> <li>• Attitude and behaviour to knowledge</li> </ul>
Demand-side process	<ul style="list-style-type: none"> <li>• The formulation of existing problem</li> <li>• Individual learning</li> <li>• Group learning</li> <li>• Information acquisition</li> <li>• Problem claim formulation</li> <li>• Problem claim evaluation</li> </ul>
Supply-side process	<ul style="list-style-type: none"> <li>• Broadcasting</li> <li>• Searching/Retrieving</li> <li>• Teaching</li> <li>• Sharing</li> </ul>

Source: Daniel Vock, *An Assessment of the Knowledge Processing Environment in an Organization*, January 2004, accessed on 13 November 2004, p. 50.

**Knowledge Management Process in Managing Urban Informal Sector**

***Sense Making Process***

We may find sense making historically from the formulation of the local government policy on street vendors. The mayor acts as the highest official level and gives meaning to the environmental situation. He points out a salient definition on informal sector that the workers in the sector should be acknowledged as legal agents in the development of economy of the city. This view has been absorbed and supported by his staffs, and then interpreted practically by the operational leaders in the sense of collaboration, not in the sense of confrontation.

**Table 3: The Sense Making Process of Knowledge Officers in Managing Street Vendors**

	<b>Upper Management (City Mayor)</b>	<b>Middle Management</b>	<b>Lower Management</b>	<b>Consensus</b>
<b>Social</b>	Coordinative (Related team integration)	Consultative	Individual	The street vendors are acknowledged as legal agents in the economical development
<b>Identity Construction</b>	City Brand Image (Macro Legal Procedures)	Institutional Brand Image (Micro Legal Procedures)	Individual Brand Image (by order attitude )	The street vendors are acknowledged as legal agents in the economical development
<b>Cues</b>	Initiating responses against street vendors behaviour	Careful responses against street vendors behaviour	Passive responses	The street-vendors groups as the partner
<b>Retrospective</b>	Relocation Policy	Relocation Policy	No policy	The street vendors are re-located
<b>Enactive</b>	Conducive situation creating	Routine monitoring	Routine monitoring	Collaboration
<b>Ongoing</b>	Local regulation arrangement and enactment	Local regulation enactment	Local regulation enactment	Formalisation
Source: Depth Interview				

## Knowledge Creating in Managing Urban Informal Sector

The new knowledge in street-vendors management is described in Local Government Regulation Number 26 Year 2002 which contains the street-vendors profile making procedure, licence procedure, conflict management and the street-vendors leadership.

### Individual Learning Process

Individual learning is performed in every level of municipality bureaucracy, started from the head of municipality (mayor), head unit, head sub district, head village and head public order.

**Table 4: The Knowledge Officers' Category in Street Vendors Management**

No	Classification	Office holder	Knowledge
1	Knowledge Officer	<ul style="list-style-type: none"> <li>• Mayor</li> <li>• Vice Mayor</li> <li>• Head Unit</li> </ul>	<ul style="list-style-type: none"> <li>• Vision and mission on street vendors</li> <li>• Articulation in operational level policy</li> </ul>
2	Knowledge manager	<ul style="list-style-type: none"> <li>• Head Public Order Unit</li> <li>• Head Economic Sector Unit</li> </ul>	Responsibility in policy implementation consistency
3	Knowledge practitioners	<ul style="list-style-type: none"> <li>• Head Sub Districts</li> <li>• Head Public Order Sub Unit</li> <li>• Head village</li> <li>• Secret agents</li> </ul>	Facts findings
Source: Observation and Data Analysis			

It is implied that the legitimacy for head sub districts to issue trade licence through Mayor Decree Number 49 year 2003 may be viewed as an acknowledgement for street level bureaucracy to handle the informal sector workers as they acquaint the real life of the vendors.

When the head sub districts were asked to speak out their tacit knowledge about the facts of street vendors, we may get the following information as explicit knowledge:

1. The street vendors were unstable (not staying in the same number and persons)
2. The street vendors had low awareness in neatness.
3. Many of them had incomplete required documents.
4. New comers were not well-informed on trade-licence procedure
5. There were few back-plot owners who are not welcome to street vendors.
6. There were some conflict cases between the vendors and the local government.

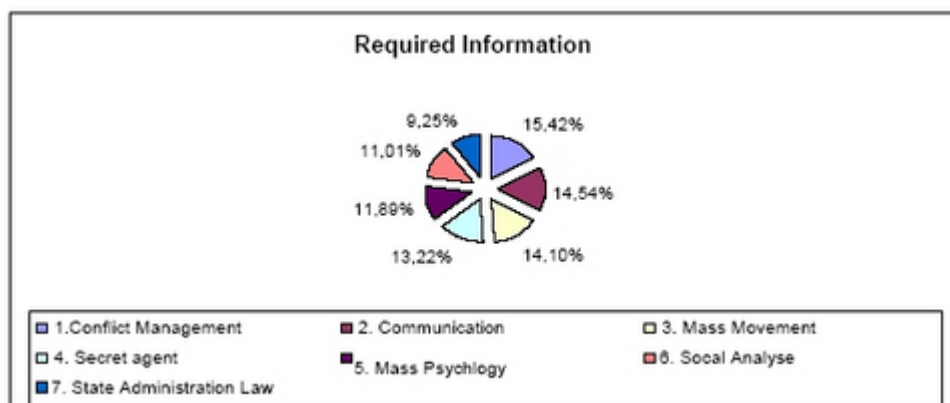


Figure 2: Required Information for Field Officers, *Source: Primary Data*

## Group Learning in Organization and Inter-organization

The mayor had forced all stake holders to manage street vendors in an integrated system that enable every part of them to share their knowledge and create the best decision. The knowledge transfer in the group mostly occurred in informal meetings. It is interesting to know that Public Order Unit was chosen as the best place for all knowledge practitioners to share their knowledge. The authorized officer, the head of Sub-district confirmed this statement by declaring this unit as the important knowledge community.

## Information Acquisition

Information acquisition is the important stage in creating knowledge that is to avoid conflict. The organization attempts to seek, analyze and compare information from one source or other organizations before making decision. Having interviewed some head sub-districts, the researcher found out that the street vendors' community, namely *gemeinshaft (paguyuban in Indonesian language)*, had played an important role in the information acquisition and had been given an autonomy in managing its members. In case of Malioboro, there were few unregistered vendors that is managed by public order unit directly. As stated by the head of public order unit of Tegalrejo sub district below:

The license for vendors to run a business should be issued after having an agreement from the chairperson of the *paguyuban*. But we have a special treatment for vendors in Malioboro, because there were some unregistered vendors that should be handled directly by the public order unit staffs since the chairperson of the *paguyuban* did not manage them. However, we are aware that the *paguyuban* has an important role for handling the vendors.

## Findings

From the defined problem, each community makes an effort to create new knowledge by means of a new cycle process. In this context, the process of knowledge creating depends on contexts, as it depends on which actor and how they get involved into it. A qualitative research carried out by Lisa Beesley (2004) for three years shows that dynamic relation in a creation, diffusion, and knowledge utilizing occurs in a collaborative knowledge network. Emerging system of knowledge creating occurs in individual level, groups, among organization and inter-organization and organization crossing level. Pasternack and Viscio ( ) research suggested that knowledge creating and learning process occur among self-organizing inter-community and pill up on one another. Knowledge creating is generated by means of unnatural measure such as sharing out brilliant idea, making use of what other people has used, improving new synthesis ideas, and local wisdom.

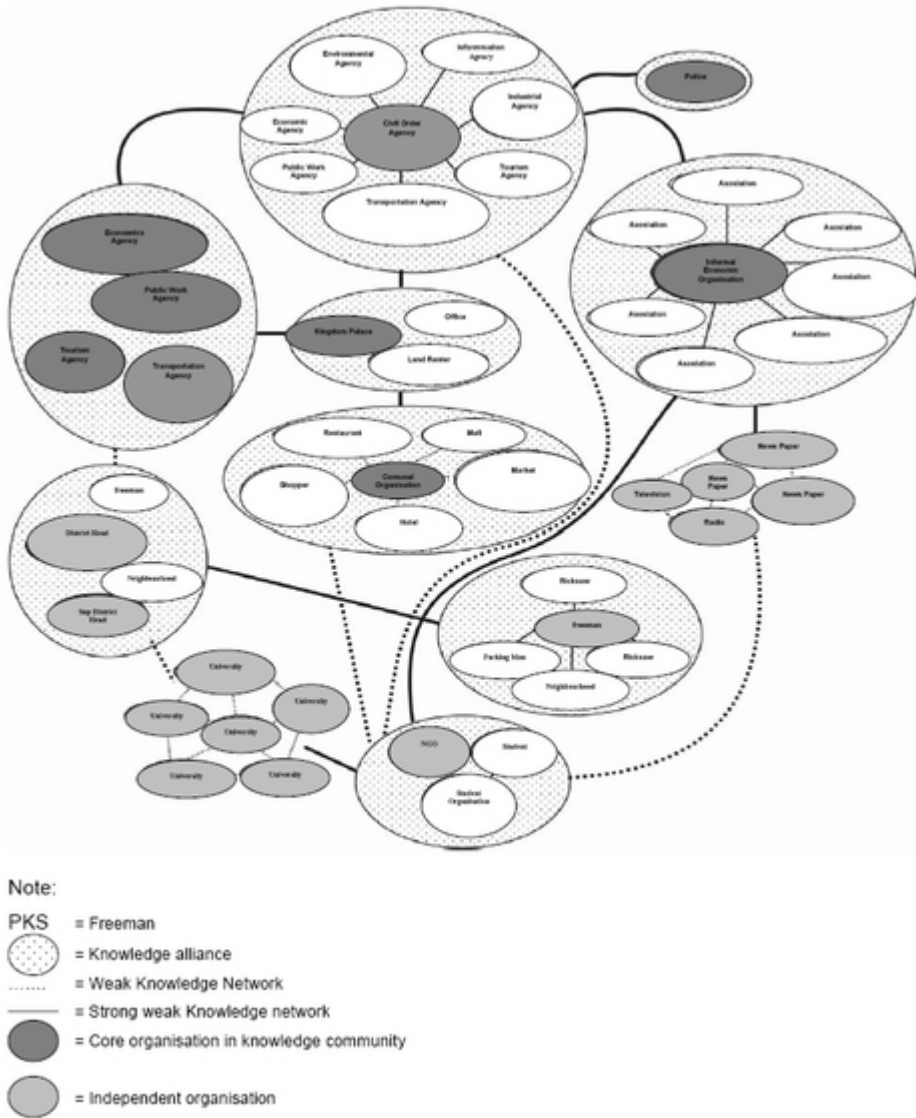


Figure 3: Knowledge Network in Managing Urban Informal Sector,  
 Source: Primary Data Analysis

From CRP (complex responsive processes) perspective (see Fonseca, 2002), creating process and sharing out the knowledge of street vendors building do not follow a standard system pattern, but follow conflict negotiation process in certain local situation. All of policies, instruments, and techniques become an incomplete escort for government organization to build street vendors because contingency situation takes place everyday in which forces all of actors are to engaged in negotiation of implementing what they might need.

## Conclusion

1. Knowledge creation process known as street vendor services knowledge are more concern with individual learning capability from both the official in the environment of government organization community and street vendors organization community. The importance of experience aspects in knowledge creating can be analyzed by using narrative approach. First of all, narration connects knowing and organizing mood. Organization and organization community are viewed as a history, a social construction that always interacts. The knowledge in organization is mobilized by discourse and how knowing mood is able to get a relation in daily activities, experience and joke policies, sad stories and anecdote. Secondly, narration emphasizes on knowing and organizing process. The measure of organization members is a tacit knowledge bearer and an archivist of the knowledge. Organization is such a clock managed by a repetition and standardization mechanism through narration with discourse and transformation process.
2. Interaction and network between two big communities produce an agreement which is called as a cultural knowledge, either as a dictionary knowledge, directory knowledge, recipe knowledge, and axiomatic knowledge by means of emergent knowledge network. However, it has been realized that the process operates through directed collaboration and lead by one solid organization and source having, an authority, goal, instrument and financial resources. The basis for all of these processes is generally called by experts as a social capital which refers to network, norm, and belief.
3. Produced cultural knowledge is actually a result of relation or complex interaction among organizations which are informally based on propinquity, private propinquity having the same background. From relational approach, knowledge sharing is produced by means of several instruments and complex organization network condition where each organization and community is based on differences, dependencies, and communities changes.

## Theoretical Implication

The result of the research has theoretical implication as central idea of this paper. Our concern is how to manage knowledge in all level of government. One interesting implication is that, as a result, the local democratization has four theoretical implications especially for study of knowledge management of government organizations. Government organization which is in life-political democratization having the duty of giving public services basically is a knowledge-base on organization:

- The perception of government organization is not merely carried out by an organization top-level leader only, but all of leader and even field staff as well.
- The process of knowledge creating in government organization uses more tacit knowledge.
- Knowledge network is more likely emergent than intentional planned network.
- The process of decision making in government organization is based more on knowledge network, either both in internal or external environment.

### Model of Network Knowledge of Government Organization

Implication of this research show that public service is not carried out by one organization only, but many other organizations and even by external organization groups of government (communities). In the other words, public service being done by district government is not only responsibility of one unit organization, but responsibility of many others or organization crossing in a dynamic and complex organization environment situation and condition. It is therefore, empirically, study and theory of decision making on knowledge-network- base on government organization can be more improvable on the next time.

### The Form and the Process of Knowledge Creating

Cycle and network knowledge creating in public services are spiral from individual level to public level, involving a lot of organization, either in communities of government, private, NGOs, multi-level public or organization crossing, by making use of tacit and cultural knowledge from the respective knowledge community. Tacit knowledge exists in every individual that widely spread in various organization. This spiral creating process had been suggested by Nonaka and Takeuchi (1995), Letiery, and Deborah (2004) however, put the emphasis on cultivating business organization knowledge and did not explain the function of knowledge network in detail. Based on this research, I proposed a model of knowledge creation processes in government organization, as follows.

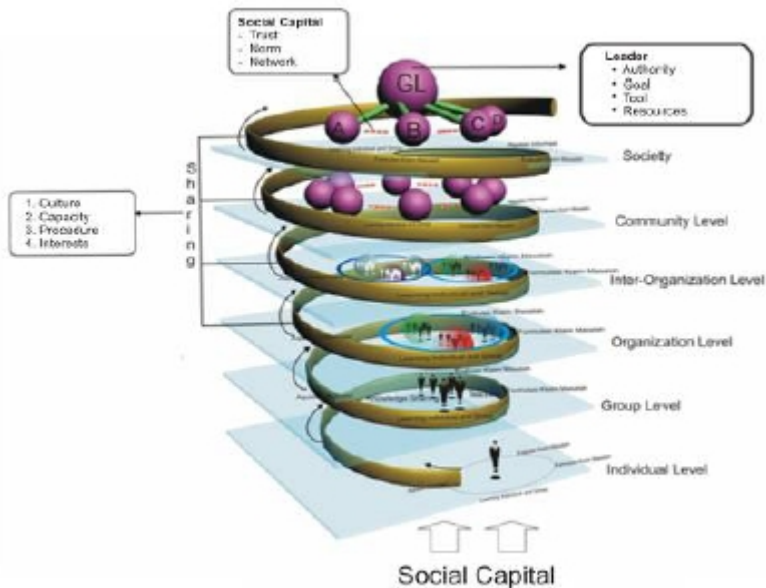


Figure 4: Proposed Model of Knowledge Creation in Governmental Organization



## Characteristics of Knowledge Network

In government organizations, knowledge network is more likely be emergent network than intentional planned network. However, emergent network still is well-organized network supports in order to be suitable for the goal they have decided to attain. Organization or organization community becoming a leader or coordinator is the one that has authority, goal, toll, or other source (e.g. finance or information). Researcher prefer to using leader than manager with larger meaning and has vision than just as a manager and can not direct the knowledge network

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## **About the Author**

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My job dealing with teaching and research in the university. I studied government affairs at undergraduate level, the Department Of Government Affairs, Faculty of Social and Political Science, Gadjah Mada University. In 1995, I continued to study in master degree at Urban Management and Environmental Management, Asian Institute of Technology. I finished doctoral degree at Indonesian University in Public Administration Department. My research interest in knowledge management for public sector organization.

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