CULTURAL DIMENSION ISSUES IN INDONESIA HUMAN RESOURCE MANAGEMENT PRACTICES: A STRUCTURED LITERATURE REVIEW

Khusnul Rofidah Novianti,
Faculty of Economics and Business, Brawijaya University, Indonesia

ABSTRACT

Indonesia has a complex culture that is distinct from other Asian countries. Indonesian is an emerging market and managing Indonesian people is not easy. This is because of the complexity of culture, ethnic, religion, geographic, historic, economic and political system. Cultural issues is a vital aspect in collectivist country like Indonesia before decided HRM policy. This paper has aim to determine cultural dimension issues based on Hofstede national culture and GLOBE project (Global Leadership and Organisational Behaviour Effectiveness) on Indonesia human resource management practices using SLR (Structured Literature Review) approach. This paper provides insights related to the Indonesia human resources management practice (recruitment and selection, training & development and rewards, compensation, performance appraisal and industrial relation).

KEYWORDS: Indonesia, HRM practice, Cultural Dimension

INTRODUCTION

Indonesia is one of the Southeast countries that is composed of approximately seventeen thousand islands lying along the equator consist of several large islands which include Java, Sumatera, Kalimantan, Sulawesi and Papua. Indonesia also the fourth most populous country in the world after China, India, and USA with degree of population of 266,794,980 in 2018. The English language journals have included articles on HRM practices in the developing countries in Europe, Africa, and Asia (countries such as Hong Kong, China, Singapore, Korea, Japan, and India), but surprisingly little has been reported on Indonesia (Bennington, 2003). Indonesia has been honoured as the only representative country for Southeast Asia of the G-20 which was set up in 1999. The G20 was set up by developed and developing countries to find solutions to the global financial crisis and have dialogues on general and specific regulations to secure the countries from future recurrence of crises. Indonesia was chosen as the representative based on some considerations including the size of its population and economy. Since the Asian Economic Crisis of 1997, Indonesia is continuing to rebuild its economy and successfully overcome the crisis by adopting new strategies and making significant changes to human resource
management (HRM) policy and practices (Habir and Larasati, 1999). Indonesian is an emerging market and managing Indonesian people is not easy because of the complex cultural, geographical, historical, ethnic, religious, economic, political and administrative systems (Singleton and Nankervis, 2007). Habir and Larasati (1999) also argue that applying HRM practices in Indonesian organisations requires a great effort since Indonesian cultural characteristics do not easily accommodate a change.

In addition, Nankervis and Chatterjee (2006) claim that Indonesia HRM processes and practices as well as those of other Asian nations are still influenced to varying degrees by strong cultural and religious traditions which favour paternalistic managerial styles and collectivist work groups rather than individual contracts and regulated employment protection. They proposed that these nations have adapted and modified their HRM practices according to local historic, culture, political, economic and social circumstance, and varying degrees of exposure to foreign perspectives. There are streams of research that has explored the implications of cultural dimension into human resource management practices. Given the limited articles and research about HRM practice within Indonesian context, this paper tries to analyze the role of cultural dimension (Hofstede national culture and GLOBE project) on Indonesia human resources management practices (recruitment and selection, training and development, compensation and rewards, performance appraisals and industrial relations) using structured literature review methodology.

**LITERATURE REVIEW**

**Indonesian Cultural Dimension Based on Hofstede National Culture**

Numerous concepts and definitions of culture are discussed in relevant literatures. Culture constitutes the broadest influence on many dimensions of human behavior. Schein (1999) argued that there is no right or wrong culture, no better or worse culture, except in relation to what the organization trying to do and what the environment is in which it is operating. Culture is the collective programming of the mind that distinguished the members of one group or category of people from another (Hofstede, 2005). It is hard to expect what an organization should do in dealing with the culture (Irawanto, 2009). There are many different study about culture like Schein, Hall, Trompenaars, Trompenaars and Hampden- Turner, Hofstede, and House (1991).

Specific study on national culture dimension conducted by Geerf Hofstede and Robert J. House with GLOBE project (*Global Leadership and Organisational Behaviour Effectiveness*). The Hofstede Model distinguished cultures according to five dimensions and this model provided scales from 0 to 100 for each dimension, and each country has a position on each scale or index, relative to other countries. At first four (1972) and later five (2005) and the last six (2010) main dimensions on which country cultures differed were revealed through theoretical reasoning and statistical analysis and they reflected basic problems that any society had to cope with but for which solutions differ. The dimension of national culture are the relative values that distinguish country cultures from each others. Definition of culture dimension and Indonesia score in Hofstede model describe in table and figure 1 below:
Table 1 Dimension of Culture Measurement in Hofstede Model

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance Index (PDI)</td>
<td>The extent to which the less powerful members of the society accept that power is distributed unequally.</td>
</tr>
<tr>
<td>Individualism (IDV)</td>
<td>The degree of interdependence a society maintains among its members. It has to do with whether people’s self-image is defined in terms of “I” or “We”.</td>
</tr>
<tr>
<td>Masculinity (MAS)</td>
<td>The fundamental issue here is what motivates people, wanting to be the best (Masculine) or liking what you do (Feminine).</td>
</tr>
<tr>
<td>Uncertainty Avoidance (UAI)</td>
<td>The extent to which people feel threatened by uncertainty and ambiguity and try to avoid such situation.</td>
</tr>
<tr>
<td>Long Term Orientation (LTO)</td>
<td>The extent to which people show a pragmatic or future-oriented perspective rather than a normative or short-term point of view.</td>
</tr>
<tr>
<td>Indulgence (IVR)</td>
<td>The extent to which people try to control their desires and impulses. Relativey weak control is called “Indulgence” and relatively strong control is called “Restraint”</td>
</tr>
</tbody>
</table>

![Fig. 1 National culture score of Indonesia](Source: www.geerf-hofstede.com, 2018)

**Power Distance (high vs low)** – This dimension deals with the fact that all individuals in societies are not equal, it expresses the attitude of the culture towards these inequalities amongst us. Indonesia scores high on this dimension (score of 78) which means that the following characterises the Indonesian style: being dependent on hierarchy, unequal rights between power holders and non power holders, superiors in-accessible, leaders are directive, management controls and delegates. Power is centralized, employees expect to be told what to do and when, managers count on the obedience of their team members. Control is expected and managers are respected for their position. Negative feedback hidden and indirect communication. High Power Distance also means that Indonesian coworkers would expect to be clearly directed by the boss or manager (it is the classic teacher-student kind of dynamic) that applies to Indonesia. Westerners may be
Cultural Dimension Issues in Indonesia...

considerably surprised with the visible, socially acceptable, wide and unequal disparity between the rich and poor.

*Individualism (Collectivist vs Individualist)* - Indonesia, with a low score of (14) is a Collectivist society. This means there is a high preference for a strongly defined social framework in which individuals are expected to conform to the ideals of the society and the in-groups to which they belong. Characteristics of collectivist is “We” mentally, identity is based on one’s social group, decisions are primarily made according to what is best for the group, focus in belonging to an organization, visible clearly of family in the role of relationships. For example of collectivist culture of Indonesia is in the equation between child and parent. Indonesian children are committed to their parents, as are the parents committed to them all their growing lives. Their desire is to make their parents life easier. There is a desire to take care of parents and give them support in their old age. This family loyalty is also apparent in the fact that Indonesian families keep elders (such as grandparents) at home instead of sending them to any institution.

*Masculinity (high vs low)* - Hofstede & Hofstede (2005) describes masculinity (the dominant values in society are achievement and success) and femininity (the dominant values in society are caring for others and quality of life). Indonesia scores (46) on this dimension is a low masculine. Indonesia is less masculine than some other Asian countries like Japan, China and India. In Indonesia, status and visible symbols of success are important but it is not always material gain that brings motivation. Often it is the position that a person holds which is more important to them because of an outward appearances (Indonesian concept called “gengsi” that strongly maintained and creating the aura of status). Characteristics of masculinity are: distinct gender roles, men are assertive and women are nurturing, ambition motivates, live to work, sympathy for successfull achiever and independence ideal.

*Uncertainty Avoidance (high vs low)* - Indonesia scores (48) on this dimension has a low preference for avoiding uncertainty. This means that there is a strong preference in Indonesia toward the Javanese culture of separation of internal self from external self. When a person is upset, it is habitual for the Indonesian not to show anger externally or negative emotion. They will keep smiling and be polite, no matter how angry they are inside. This also means that maintaining work place and relationship harmony is very important in Indonesia, and no one wishes to be the transmitter of bad or negative news or feedback. Another aspect of this dimension can be seen in conflict resolution. Direct communication as a method of conflict resolution is often seen to be a threatening situation. Characteristics of low uncertainty avoidance: uncertainty in life is threatening and must be reduced, intolerant of deviant persons and ideas, concern about security, resistance to change, formal rules and regulations are necessary, consensus is better than conflict.

*Long Term Orientation (long term vs short term)* - Indonesia's high score of 62 indicates that it has a pragmatic culture. In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results. *Indulgence (indulgence vs restraint)* - The low score of 38 in this dimension shows that Indonesia has a culture of Restraint. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to Indulgent societies, Restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are Restrained by social norms and feel that indulging themselves is somewhat wrong.
The GLOBE study was a transnational project initiated by Robert J. House in 1991. The research team currently consist of 170 researchers from 62 countries. Indonesia is part of Southern Asian cluster in GLOBE (Global Leadership and Organisational Behaviour Effectiveness), in other words, this project concerns the effectiveness of leadership and behavior in organizations at a global level with special consideration given to cultural influence factors) project with India, Philippines, Malaysia, Thailand and Iran. To understand the cultures of other countries and to be open-minded in their dealings with people from other cultures, leaders need to be able to have the ability and perspective to make comparisons between their own cultures and those of others. Nine dimension of GLOBE studies from research in the 1990’s are the most cultural dimension used in the management research. GLOBE study develops nine cultural dimensions encompassing both actual society practices (‘‘As is’’) and values (‘‘Should be’’) in the different cultural settings. Definition of dimensions of culture in GLOBE project, Indonesia score and world average score describes in tabel 2 below:

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Definitions</th>
<th>Indonesia Score</th>
<th>World Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-Group Collectivism</td>
<td>Level at which a society values cohesiveness, loyalty, and pride, in their families and organizations.</td>
<td>4.41</td>
<td>3.52-6.36</td>
</tr>
<tr>
<td>Power Distance</td>
<td>The degree to which members of an organization or society expect and agree that power should be shared unequally.</td>
<td>5.18</td>
<td>3.89-5.80</td>
</tr>
<tr>
<td>Humane Orientation</td>
<td>Ideas and values and prescriptions for behavior associated with the dimension of culture at which a society values and rewards altruism, caring, fairness, friendliness, generosity, and kindness.</td>
<td>4.69</td>
<td>3.18-5.23</td>
</tr>
<tr>
<td>Uncertainty Avoidance</td>
<td>The extent to which a society, organization, or group relies on social norms, rules, and procedures to alleviate the unpredictability or future events.</td>
<td>4.17</td>
<td>2.88-5.37</td>
</tr>
<tr>
<td>Institutional Collectivism</td>
<td>Level at which a society values and reward collective action and resource distribution.</td>
<td>4.54</td>
<td>3.25-5.22</td>
</tr>
<tr>
<td>Future Orientation</td>
<td>The extent to which members of a society or an organization believe that their current actions will influence their future, focus on investment in their future, believe that they will have a future that matters, believe in planning for developing their future, and look far into the future for assessing the effects of their current actions.</td>
<td>3.86</td>
<td>2.88-5.07</td>
</tr>
<tr>
<td>Performance Orientation</td>
<td>Level at which a society values and rewards individual performance and excellence.</td>
<td>4.41</td>
<td>3.20-4.94</td>
</tr>
<tr>
<td>Assertiveness</td>
<td>The degree to which individuals are assertive, confrontational, and aggressive in their relationship with others</td>
<td>3.86</td>
<td>3.38-4.89</td>
</tr>
<tr>
<td>Gender Egalitarianism</td>
<td>Level at which a society values gender equality and lessens role differences based gender.</td>
<td>3.26</td>
<td>2.50-4.08</td>
</tr>
</tbody>
</table>

The values of Indonesian’s in GLOBE study are remain the same on power distance, individualism, masculinity, and uncertainty avoidance. The GLOBE study found that collectivism has remained the same with Hofstede (score 4.41 of the world averages of 3.52-6.36). High in-group collectivism societies have characteristics such as strong distinction is made between in groups and out-groups, duties and obligations are important determinants of social behavior, people emphasize relatedness with groups, the pace of life is slower and love is assigned little weight in marriage. Indonesia scores at 5.18 in power distance can be categorized as high. High power distance societies have characteristics such as society is differentiated into classes, power seen as providing social order, upward social mobility is limited, resources available to only a few and information is localized and hoarded.

Humane orientation score for Indonesia is 4.69 of the world average 3.18-5.23, it can be categorized as high. High humane orientation societies have characteristics such as child labor is limited by public sanctions, people are urged to be sensitive to all forms of racial discrimination, members of society are responsible for promoting the well-being of others, the interest of others are important and people are motivated primarily by a need for belonging and affiliation. They are concerned about the effect of their actions on the feelings of others and take care not to upset others. This value came through very strongly in the GLOBE studies, with Indonesia score at the 4.69, highest of all countries in the humane orientation dimension. Showing concern for others, being tolerant of errors, generosity, and sensitivity towards others are behaviors associated with this rating (Hayat and Muzaffer 2004).

Uncertainty avoidance, where score of Indonesian’s is weak (Hofstede score at 48 and GLOBE project scores at 4.17. Characteristics of low uncertainty avoidance societies are less orderly and keep fewer records, rely on informal for most matters, less calculating when taking risks and show only moderate resistance to change. Marry and Mansour (2004) found that uncertainty avoidance may impact on the degree of formalization and decentralization in organizational structures such as selection practices. It is plausible that appropriate uncertainty avoidance practices make it possible for decentralization of operations rather than management by personal control (Marry and Mansour, 2004; Irwanto, 2009). The level of institutional collectivism in Indonesia is relatively high, where it score at 4.54 of average world 3.25-5.22.

High institutional collectivism societies have these characteristics: 1) members assume that they are highly interdependent with the organization, 2) group loyalty is encourage, even if this undermined the pursuit of individual goals, 3) the society’s economic system tends to maximize the interest of collectives, 4) reward are driven by seniority, personal needs, and/or within-group equity and 5) critical decisions are made by groups (House et al, 2004 : 495). Indonesia score in future orientation is high (3.86 for the average world 2.88-5.07). High future societies have characteristics such as propensity to save now for the future, emphasize working for long-term success, organizations tend to be flexible and adaptive, view material success and spiritual fulfillment as an integrated whole (House, 2004:302). The level of performance orientation in Indonesia is relatively high (4.41 of average world 3.20-4.94). Characteristics of high performance orientation societies such as value training and development, value competitiveness and materialism, view formal feedback as necessary for performance improvement, expect direct and explicit communication.

The level of masculinity in Indonesia is relatively low, where it scores at 46 in Hofstede study. This dimension is related to the assertive dimension proposed by GLOBE project where Indonesia scores at 3.86 of average world 3.38-4.49. Low characteristics societies of assertiveness can be describes as value corporation and warm relationship,
communicate indirectly, try to “save face”, try to be in harmony with the environment, expect subordinates to be loyal and build trust on basis of predictability (House et al, 2004:405). Indonesia also comes to women emancipation, the level of Gender egalitarianism of Indonesian’s is in the average of the world rank. Indonesian’s are also often described as friendly, peace loving, and open handed (Mulder, 1994). Indonesia have some portion for women in position of authority, similar levels of educational attainment for males and females also afford women to give an decision making role in community affairs same with man.

GLOBE project also identified leadership style that were effective in one or ore cultures of the world. Concerning leadership, transformational-charismatic and team-oriented leadership rated highest for the most effective models for achieving outstanding results in southern Asia (India, Indonesia, Iran, Malaysia, Philippines and Thailand). This means that the most effective leaders are visionary, inspirational, decisive, performance-oriented, and willing to make personal sacrifices. Leaders who are team building, collaborative, and diplomatic are also highly valued. The study by House et al. (2004) that examined manager’s perception of excellent leadership characteristics in a range of countries showed that Indonesian managers valued charismatic/value-based type of leadership above team orientation, humane orientation, and participation leadership, whereas the autonomous and self-protective types were appraised to be less effective in Indonesia.

Both Hofstede Model and GLOBE Model are highly valuable research studies in international business and management. Given the increasing globalization of industrial organizations and the growing interdependencies among nations, the need for a better understanding of cultural influences on leadership and organizational practices has never been greater (House et al, 2004). They also have provided us with remarkably comprehensive perspectives and views on different countries cultural practices and values. Indeed this is the type of information and perspectives that multinational companies and global managers need to be able to better understanding and deal with cultural differences if they want to doing business in Indonesia which have complex cultural, geographical, historical, ethnic, and religious. Using Hofstede model, GLOBE project data, and external environment of Indonesia, multinational companies and global manager can compare and contrast different cultural profiles and arrange the best strategy to doing business in Indonesia.

METHOD

This paper using structured literature review (SLR) approach as described by Guthrie (2012). Structured Literature Review (SLR) can be considered as a means by which any central literature might be considered when scoping out a study. Qualitative research synthesis has developed and been tested across a range of disciplines including management, public health, social care and education (Tranfield et al, 2003). The SLR basic methods is selecting anf reviewing the papers utilised in this study. The review process was conducted in five stages. In the first stage, the core research objectives such as research objectives, several classification/codes, were formulated (that is human resource management practices in Indonesia). The second stage involved the selection of journals that can be gathers from search engine. The basic concept used in this papers is Human Resource Management Review (HRMR) journals in Elsevier. In the third stage, examined the titles and abstracts of all articles published in the journals during the past two decades (2008-2018). The fourth stage, pilot tested and using classification system based on the sample papers by Bennington and Habir (2003), Human Resource Management in Indonesia. During this pilot stage, the author read the papers based on abstract and full
DISCUSSION

This section presents human resource management (HRM) practices in Indonesia based on cultural dimension by Hofstede and GLOBE project covering recruitment and selection, training and development, compensation and rewards, performance appraisals and industrial relations.

Recruitment and Selection Practices
Recruitments tends to be a high priority in the private sectors due to both growth and turnover rates (Bennington, 2003). Traditionally, family domination, family connections and background have been used widely by local private organizations as a means of recruitment in Indonesia (represent high power distance and collectivism). However, there has been a change in recruitment practices references from family and relatives to candidates qualifications since 1990s (Prijadi & Rachmawathi, 2002). Now most of private companies using e-recruitment and for public companies have been using CAT (Computer Assisted Test) procedure and became more practical and efficient because it is supported by computer technology in order to uncertainty avoidance, so that participants can be controlled directly via a transparent manner serve. Sutiyono (2007) claims that state-owned companies follow civil service practices and recruited high school and university graduates at base level. Recruitment process carried out with rake in the best university graduates with collaboration of academic, business and government (Triple Helix), which represented pragmatism orientation in order to minimizing the number of joblessness. The emphasis in the recruiting process is more in team-related skills than on individual competencies, this is represented in-group collectivism. There are no differences between man and women in recruitment process that adapted by requirement of the company (represented masculinity and gender egalitarianism) because of legal written about women employees.

Training and Development Practices
Indonesian government promotes various forms of vocational and on-the-job training programs, including nine years of compulsory education for every Indonesian citizen since 1998 include general education, vocational education, professional education and academic-oriented education (Prijadi & Rachmawathi, 2002). In a ten country comparative study of SMEs and large scale companies, Dros et al. (2002) found that Indonesia scored the lowest in current training investment for improvement of technical skills and that Indonesia uses training as a means of rewarding employees. However, there has been a change in training and development investment, companies and many other sectors begin to build the university and educate their employees for several years as a way to improve skills (represented pragmatism orientation). Training and development are specialized and limited to immediate company needs as representation of pragmatism orientation, uncertainty avoidance, future and performance orientation.

Compensation and Reward System Practices
There is a little transparency in the compensation systems that apply in both public and private sectors in Indonesia (Bennington & Habir, 2003). In a ten-country comparative study, Lowe et al (2002) reported the use of job performance as the basis for pay raises and pay incentives (bonus or profit sharing) is relatively low in Indonesia. Currently, the Indonesian government has set the regional minimum wage (UMR) that is supposed to be followed by all companies as a basis for determining their employees wages. An employee’s seniority and benefits forms an important part of the total pay package in Indonesia. However, there is relatively low level of recognition of long term results and
futuristic orientation in their pay policies. In some cases, it may be better to look at the cultural issues underlying the basic needs of the employee in other ways i.e. social life, such as how employees conduct their social interaction with others in the community. In a collectivist culture like Indonesia, good social relationships are more important than money and just paying the wage may not solve the minimum wages problem at all. Women receive extra provisions though (3 month paid maternity leave). They also protected from dismissal due to marriage, pregnancy or confinement (which represented feminism and gender egalitarianism). Moslem custom in a country like Indonesia drives the way organizations manage their practices (which represented collectivist). Compensation also emphasis on quality of life, time off and vacations because Indonesia have many national red letter day as glimpse of complex cultural and religion (represented collectivism in sociocultural and legal) and sometimes companies must off because of employee demonstration. There is also pension program for retired employees. The reward should be fairly equal and clearly explained, based on the portion of work (represented high power distance).

Performance Appraisals Practices
In Indonesia, performance appraisal systems vary across organizations from management-by-objectives (MBO) approach to performance-based, upward, and 360-degree feedback. However, views on whether the MBO, upward, or 360 degree feedback actually works in Indonesian culture is quite clear because directing rather than delegating is the most preferred style by most managers in Indonesia (Bennington & Habir, 2003). In dealing with Indonesian’s who avoid uncertainty, a case like expatriate employees who come from countries with strong uncertainty avoidance culture like Japan, when working in the Indonesian business environment, which is characterized by weak uncertainty avoidance they have to respect the behavior of the major ethnicity who work with them (represented high power distance). This may frustrate them because usually people from weak uncertainty avoidance culture work slowly and with less initiative (Hofstede and Hofstede 2005). Recently, Indonesia is now in transition to minimize gender differences in work places. It is shown that women’s participation in the labor force has increased significantly compared with men’s (represented masculinity and gender egalitarianism).

Industrial Relations Practices
Bennington (2003) claims that the national “Pancasila” ideology has a rhetoric which suggests that industrial relations should be conducted in the context of partnership and production, fellow employees and family, and the employee. Collins et.al (2011) claims that Indonesian employees today face significantly different challenges from those prior to the crises in 1997-1998 both internally and externally. They state that internally, the unions suffer from lack of organizing skills and organizational capability as well as the emergence of the new types of union and union exclusivity, which are believed to have led to further fragmentation inter-union rivalry, and internal break-up. This internal break-up sometimes happens because of cultural differences between unions members. Externally, less powerfull government in terms of political and economic interventions, as well as the greater penetration of globalization have created other challenges.

CONCLUSION
Indonesian cultures and values are reflected in its ideology namely Pancasila that have five basic principles. The strongest influences on Indonesian cultures comes from various ethnic group culture. This is because of Indonesia complexity of cultural, geographical, historical, ethnic, religious, economic, political and administrative systems. There has been some change in Indonesia human resource management practices likes the usage of e-
recruitment and CAT application, using triple helix collaboration with university and government, investment in training and development, transparency in compensation system using minimum wage, and performance appraisal systems from management-by-objectives (MBO) approach to performance-based, upward and 360-degree feedback.

REFERENCES


Nankervis, AR & Putra, AG .2006. Human Resources Management in Indonesia, in AR Nankervis, S Chatterjee & J Coffey (eds), Perspective of Human Resource Management in the Asia Pacific, Pearson Education Australia


