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MANAGEMENT TRAINING IN INDONESIA

A Strategy for the Bureau for Private Enterprise
of the U.S. Agency for International Development

Report to the

Committee on Industrial Policy for Developing Countries

Commission on Engineering and Technical Systems

National Research Council

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The trip reports that constitute this document were commissioned by the Committee on Industrial Policy for Developing Countries, which intended to use them as working papers in a study of the state of management education and training in developing nations. The committee was originally charged by the Bureau for Private Enterprise of the U.S. Agency for International Development with recommending a strategy by which the Bureau could rapidly assist and spur private contributions to the improvement of management development in five selected countries. To understand the specific problems for current management development in the selected countries, and to generate a set of optional training approaches from which to distill its recommendations, the committee appointed teams of two or three consultants to conduct interviews and other research in each country and to provide trip reports.

As a result of changes in the scope of work requested by the Bureau for Private Enterprise in late 1982, the plans for the general study were scrapped, and two additional countries designated for team visits. The visiting team reports included herein thus represent the work of the individual team members and not that of the Committee on Industrial Policy for Developing Countries. They have not been subjected to the normal National Research Council review process, but are presented in the belief that the several optional courses of action conceived or identified by the authoring teams will be of interest and use to the Bureau and others concerned with its work and objectives.

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TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	iv
INTRODUCTION	1
A BRIEF ORIENTATION TO THE COUNTRY	3
THE CURRENT STATE OF INDUSTRIAL DEVELOPMENT	5
THE MANAGEMENT ENVIRONMENT	7
MANAGEMENT EDUCATION AND TRAINING PROGRAMS	12
LPPM (Institute for Management Education and Development)	12
SGV Utomo: Executive Development and Training Center	13
YPM (Management Development Center)	13
Touche Ross Darmawan and Company	13
Faculty of Economics--University of Indonesia	13
Institute of Technology at Bandung	14
CONCLUSIONS	15
OPTIONS IDENTIFIED	19
1. Entry Level Management Education Package	19
2. Leadership Training for Management Positions	22
3. Three Day Management Education Seminar	24
4. Cooperative and Management Skills Development	25
5. The Private Sector in Agriculture 27	
6. Management Training as a Prerequisite for Financial Assistance 28	
7. Small Business Clinics 29	
8. Specialized Training for Selected Industry Groups 31	
9. Secondary School Curriculum	32
MISCELLANEOUS SUGGESIONS AND COMMENTS	34
APPENDIX	
Directory of Persons Visited	36

EXECUTIVE SUMMARY

The management training needs of Indonesia's private sector are vast. The Bureau for Private Enterprise (PRE) can make a worthy contribution by focusing current and proposed assistance on needs that have been overlooked.

Indonesia's great size and resources have attracted many plans for organizing manpower and capital. Private consultants, foreign government agencies, and multilateral aid organizations are competing with local institutions for resources with which to produce upper level managers. Training resources are heavily concentrated in the capital city, Jakarta, but the institutions that command these resources fail to share or integrate them for common benefit. Meanwhile, the training outside Jakarta of future trainers or of lower level managers for farm cooperatives and small manufacturing firms is severely underfunded. In some locations, the concept of formal training is nearly unknown.

The Bureau for Private Enterprise should cull out and fund the best of training programs to meet unanswered needs. Our options may serve as the criteria by which to judge current proposals for funding or as the guidelines by which to shape new programs. The team recommends that PRE and the AID mission:

1. Develop a package of management training materials in the Indonesian language that can be used through a large number of organizations. Establish a network to distribute and use the materials and assist the institutions and organizations participating in the network to use the materials effectively.
2. With the assistance of a U.S. university or consulting company and a small group of trainers, perhaps from the International Executive Service Corps (IESC), fund a program to train management training personnel in several Indonesian provinces. Work through existing Indonesian professional and trade organizations to reach personnel from a large number of small to medium-sized companies.
3. Organize and fund a major conference of management education and training personnel from universities, business, industry, and government. Provide a small staff to organize the effort and to

form the base for a small group to serve as a clearinghouse for materials and information on management training after the conference.

4. Develop a pilot program to bring introductory, skill-oriented management training to cooperative organizations in Indonesia. Demonstrate the concept of management training and its value to cooperatives. If successful, the program would be carried forward by cooperative associations or by the government of Indonesia.
5. Provide entry level management skills training to Mandurs and Supervisors in the Indonesian government's Transmigration Agriculture Project.
6. Once a network of management training programs is established, develop a program with a group of banks and lending institutions that will require management training for entrepreneurs and small business owners as a prerequisite for granting of loan funds or capital investments.
7. Assist a private sector organization to develop small business clinics to provide advice, consultation, training, and assistance to entrepreneurs and small businesses.
8. Work with IESC to develop specialized management training programs for specific industry groups.
9. Assist in the development of units or modules that could be used in secondary school curricula and that would introduce students to the concepts of business and management.

INTRODUCTION

This report summarizes the findings, conclusions, and options of the training design team assigned to Indonesia. The concepts presented are to be used by the Bureau for Private Enterprise (PRE) of the U.S. Agency for International Development (AID) as it builds its strategy for improving private business management in Indonesia.

The team consisted of Dr. William K. Holstein, Professor and former Dean, School of Business, State University of New York at Albany and Dr. Roger W. Bancroft, Professor Emeritus, School of Education, State University of New York at Cortland and consultant in corporate training and management development for Caltex, P.T. Arun, IIAPCO, Mobil Oil, and several other Indonesian companies.

The team spent six man-weeks in Indonesia. The National Research Council (NRC), PRE, and the AID Indonesia Mission organized and supervised their work. Dr. Holstein was in Indonesia from July 31 to August 13, 1982. Dr. Bancroft arrived on August 7 and remained until September 6. Most of the team's time was devoted to interviews with private sector business managers, with faculty and staff of universities and management training institutes, and with training directors and other managers in private companies who are concerned with or involved in personnel development. The AID Mission and the Jakarta office of the International Executive Service Corps (IESC) arranged contacts with many of the interviewees and provided support services, such as transportation. Other contacts were provided by the World Bank office, which is supervising a review of management education and training for the Indonesian government. Drs. Bancroft and Holstein also participated in this review.

The Indonesian government's Review Project, as this paper will refer to it, focuses on the "development of a broad strategy for management education and training so that scarce teaching staff and other resources can be targeted to the highest priorities and phased to meet the challenges of development management in the 1980s and beyond." The World Bank is coordinating the study on behalf of several international donor agencies, including the AID Indonesia Mission. The contributions of Drs. Holstein and Bancroft consisted generally of investigating pre-service and in-service management education and training programs for private sector managers.

In its interviews for the NRC study, which is the subject of this report, the team typically requested each subject to comment from his or her perspective on four major topics. These were:

- the private sector business environment in Indonesia and how that environment affects the country's present and future needs for managers and support professionals to the management function
- quantitative and qualitative aspects of the present supply of managers and present educational and training institutions and programs now available in Indonesia
- important aspects of expected future needs not currently met by available management education and training resources, and
- suggestions on what elements are needed to improve the quality and increase the number of well-trained private sector managers in Indonesia.

The team's visit to Indonesia was relatively brief, and numerous other studies of management education and training have been done or are currently under way. For these reasons, the team devoted most of its time to learning Indonesians' perceptions and impressions rather than preparing a detailed inventory of present educational and training resources or quantitative estimates of future management needs. Two important efforts that are now in progress include the independent Review Project (in which the team participated in only the beginning stage) and a World Bank financed study of management manpower needs being conducted by the University of Indonesia. These studies will include substantial statistical data.

A BRIEF ORIENTATION TO THE COUNTRY

Indonesia consists of over 13,500 islands stretching over 3,000 miles between the Asian mainland and Australia. Its population numbers well over 150 million. Java, Sumatra, Kalimantan, and Borneo, which Indonesia shares with Malaysia and Brunei, contain most of the population, over 90 percent of which is Malayo-Polynesian.

The vast majority of Indonesians are nominally Moslem, yet their common religion has not united the people. Islam was imposed on local beliefs based in Hinduism and animism, and today variations in Islamic practice from island to island are fundamental and difficult to comprehend. On Bali, traditional Indian Hinduism is the predominant religion. Throughout the country are pockets of Buddhism and Christianity.

Indonesian society is evolving from vertical, "patron-client" relationships to horizontal, class or group identifications. Traditionally, agricultural workers clustered around one patron, usually a landlord, who provided work, money, political representation, and paternal guidance to his clients. The farmer in this society identified his role in terms of the landlord and the village, sharing little or no sense of identity with farmers of other islands or other patrons. This vertical structure between clients and patrons was fertile ground for the demanding roles of Islam, but far less conducive to nationalism or capitalism.

The transformation to a new social organization is evident in the urban centers of Jakarta, Surabaya, Bandung, and Medan, where "patron-client" relationships dissolved in favor of industrial and financial growth with rising economic class consciousness. The middle class is well-established in the urban areas, having built upon the remnants of colonial trade left by the Dutch. Ethnic Chinese are overrepresented in the middle and upper classes, dominating the key sectors of urban development and foreign trade. It is indicative of the social transformation that native Indonesians are actively seeking entrance into the economy. The native people, or prebumi, have been slow to challenge Chinese dominance in a constructive way, but some are beginning to seek roles and rewards in trade, entrepreneurship, and the management of wealth.

The diversity of cultural forces and physical enormity of the country make ruling Indonesia a great challenge. The country has been

politically independent since 1945 after about 325 years of colonization by the Dutch. General Suharto has been Indonesia's president since 1967 and will likely be reelected in 1983 by the People's Consultative Assembly. The Assembly alone is empowered to interpret the constitution and elect the president. However, it does not meet on a regular basis, so in day-to-day practice the president, his secretariat, and the military are the dominant political forces.

THE CURRENT STATE OF INDUSTRIAL DEVELOPMENT

The Indonesian economy has made tremendous strides in the past decade and is now sufficiently advanced to support an entrepreneurial and managerial middle class. U.S. funding, both from the government through multilateral donor organizations and from private sector investments, has been an important catalyst in this expansion. The development of Indonesian government infrastructure, social programs, and administrative and regulatory capability has, in general, kept pace with economic development. The team believes that there are significant opportunities for specific contributions to increase the number of private sector managers and to improve their quality, and that this effort would be one of the most important for the United States and other donors assisting Indonesia in its further economic development.

Recent growth in Indonesia has had petroleum and natural gas exports at its foundation. As a result of the 50 percent rise in public sector expenditures in fiscal year 1980-1981 and increased oil and gas exploration, many sectors of the domestic economy boomed. Large increases were registered by textiles, cement, and vehicle assembly. As an additional bonus, the agricultural sector enjoyed bumper rice production, harvesting a record 20 million tons. Unfortunately, population expansion has diminished the benefits of this achievement.

Rapid expansion of the economy has created inflationary pressures, but as measured by the official index, recent inflation has been only in the low to mid teens. Control of inflation and maintenance of a stable currency are major objectives of government policy, yet the government stands by its simultaneous plans to encourage investment both by domestic business and by international groups in joint ventures.

Indonesia's current economic plan, REPELITA III (5 year plan), emphasizes the agricultural sector and the development of the agricultural infrastructure, as well as the processing of agricultural products and timber into basic and finished goods. There is also significant growth potential in light manufacturing, construction, tourism, fisheries and food processing, and the communications industry.

The need for well-trained managers in private and state industries and in agri-business is evident, and the government of Indonesia has placed high priority on the development of managers for both sectors.

The following quote from a World Bank report highlights other factors that will affect private sector managers and management development in the private sector:

REPELITA III (the third 5-year Plan)... lays the basis for an ambitious program to develop a heavy industry base which will lay a large claim on public resources...A large allocation to capital intensive public sector projects, as in the past, may restrict the availability of investment funds to, and thus the development of, the private sector, which is already constrained by the policy environment.¹

¹ World Bank Indonesia, 1981. Selected issues of industrial development and trade strategy: The main report, July 15, 1981.

THE MANAGEMENT ENVIRONMENT

The entrepreneurial/managerial/professional class in Indonesia is emerging rapidly and is more evident and influential than as recently as five years ago. Indonesia in the early 1980s contains a unique amalgam of U.S., European, and Japanese industrial technology and consumer goods. Government organization and policy and the educational and economic infrastructure also reflect the blending of influences from many sources; however, in almost every aspect of activity in Indonesia the country's own cultural heritage is visible. Indonesia has been singularly successful in maintaining a distinct identity despite the onslaught of foreign technology, style, and influence.

There are powerful cultural, ethnic, and historical forces at work in the management setting in Indonesia today, and any plan for assistance to Indonesia's further development must take them into account. In general, the prebumi have little understanding of the private enterprise ethic, and, consequently, there are few native Indonesian businesses in which to conduct pragmatic training. Western trainers and employees have often been thwarted by Indonesians' unwillingness to delegate responsibility or to risk embarrassment with probing questions. Moreover, many Indonesians now in management positions have achieved their authority and prestige through nepotism or graft. For these people, management tends to mean maintaining their authority rather than applying it or sharing it with other competent people in pursuing a goal.

Perhaps the most important influence on management in Indonesia is the elementary, secondary, and university education system. The government of Indonesia, with the support of the United States and other donors, has made considerable investments in education at all levels since 1945. Elementary education is now almost universally available. The literacy rate is estimated to exceed 80 percent, more than double the rate of just 20 years ago. Since the mid-1950s the number of all schools has more than doubled and the number of secondary schools has increased more than tenfold.

The spread of uniform Indonesian and English language education is helping to integrate the society. English is a compulsory subject in secondary schools, has become clearly the second language in Indonesia, and is very important in business. Knowledge of English is

widespread, particularly among managerial and professional people, who have taken up English enthusiastically in the last five to ten years.

Colonial Dutch influence is still very much in evidence in education. Secondary education is geared primarily to traditional liberal arts pursuits. Technical/vocational high schools are outnumbered by schools with a traditional focus by about 100 to 1. Although we believe that a trend to the contrary may be developing in Indonesia, university students tend overwhelmingly to favor liberal preparation for careers in government over professional programs leading to careers in business, industry, or technical fields.

Also reflecting old colonial influences, the possession of a university degree per se is very highly valued in Indonesia. There is not as much emphasis on the development of specific skills and ability as there is on formal, degree-granting education.

Business administration, management, and accounting programs have crept into most university curricula in Indonesia in the past decade, almost always through the economics faculties. However, the university programs in management usually bear little resemblance to the professionally oriented curricula found in most U.S. business schools. (One interviewee characterized the typical Indonesian university management curriculum as a "review of economic and political philosophy.")

There are clear exceptions to this pattern. The University of Indonesia in Jakarta and the Institute of Technology in Bandung offer both degree and non-degree programs that follow quite closely the U.S. concept of business school curricula. There are also several private and university affiliated management institutes that offer certificate programs of up to one year in length and shorter seminars and courses aimed at specific topics and job categories. Many of these institutes, most notably the Institute for Management Education and Development (LPPM) in Jakarta, are designed after U.S. models.

Although much has been achieved in building a good geographic distribution throughout Indonesia of elementary and secondary education, management education and training resources are concentrated rather heavily in Jakarta.

The overwhelming majority of private sector managers we interviewed indicated that the greatest future need in management training and education will be at the middle management level. Clear needs were identified for introducing general management programs to help lower level managers move into the middle management ranks and for continuing education to assist managers to broaden and deepen their skills.

Most of the people interviewed indicated that custom and the present scarcity of qualified managers make it unreasonable to expect that trainees be absent from their regular tasks for any lengthy period, the occasional overseas study being the clear exception.

The lack of qualified middle managers is indeed serious, yet the team sees an equal, if not more important, need for lower level management training and more specialized training to meet the needs of smaller or medium-sized Indonesian companies. Remoteness from Jakarta and lack of awareness of existing opportunities are two of the many and complex reasons for this situation.

We have thus identified two principal areas of great need. These are:

- operations, finance, and marketing management skills for middle and upper managers, in light manufacturing firms that service the entire country and provide some regional exporting.
- introductory and more specialized skills for entry-level managers in line operations, sales, bookkeeping, and credit, mostly in companies that are locally owned, lacking broader connections, and located in great number in outlying provinces.

It is clear to the team that there are major quantitative needs for managers in both categories and that present programs, as currently staffed and marketed, are inadequate to meet future needs. It is also clear that Indonesians have interest in management training, especially on the non-technical level. We found several pieces of evidence to support this observation:

- One of the largest industrial companies in the private sector reports that it had 2,000 applicants for 20 places in its management trainee program.
- A leading university has 30 applicants for its part-time degree program in management for each student it can accept.
- A private sector management training institute has 10 times as many applicants for its 10-month, full-time program as it has seats available.
- One university has a training and consulting program for economically disadvantaged persons who operate very small businesses, including one-person operations. The course is offered in 30 locations throughout the republic. Since 1975 about 1,500 people have gone through the program but authorities report that this effort has barely scratched the surface of those who want to participate (or of filling the need for this level of personnel).
- Several large company training managers report that they have not trained 50 percent of their employees who are eligible for and who should receive training and that it will be several years before they can provide these employees with at least some limited training.

As noted previously, the team was not able to obtain precise, statistical data; however, it was the opinion of many of the people interviewed that in spite of the apparent interest of increasing numbers of Indonesians in management training, even if all of the aspirants could be trained, there would still be an alarming shortage of persons prepared in management at all levels. Anticipated economic development, a population growth rate that will be well above two percent per annum for several more years, increases in the standard of living, and movement of large numbers of people out of subsistence

agriculture will also place increased demands on the supply of managers in Indonesia.

The team has identified several other characteristics of the management environment in Indonesia. These may well be considered as "conditioning factors" in future development efforts. A few of these are that:

- Management ranks at the top are very thin, and, as stated earlier, frequently not filled on a merit basis.
- Top managers often assume or are assigned several tasks in addition to their main jobs, both the number and nature of which are not compatible with efficiency. (This may be due to a dearth of qualified people or to personal insecurity about letting other people perform tasks.)
- There are few "management scholars" in the ranks of either teachers or practitioners, and, therefore, few prominent people to lend leadership and momentum to the cause of developing business faculty.
- Few business people understand the use of capital and equity or the methods for obtaining capital or leveraging equity.
- Although many U.S. management concepts are readily applicable to Indonesian practice, there is evidence that human resources/personnel staff need to make cultural adaptations.
- There are several large industries in Indonesia that may have special management needs and are large and active enough to be able to support the development of specially designed training and management development materials; these industries include agri-business, food processing, transportation, distribution, oil, construction, tourism, and communications.
- Many of the managers we interviewed stated that most business failures in Indonesia result from the inability to handle financial, accounting, budgeting, or cash flow aspects of the business; this seems to imply a short term weakness in existing management training programs.

Finally, there are several issues involving government that have strong influence on the management environment in Indonesia. Of course, these are not ubiquitous, but they were mentioned in our interviews often enough to warrant their inclusion in this section. The team realizes that these issues are not unique to Indonesia and that many of the same comments could be obtained about the relationship between the U.S. government and U.S. business enterprises.

- The Indonesian government "zig-zags with business" (to quote one interviewee). Several private sector managers we interviewed (almost all from large companies, both multinational and locally owned) related anecdotes of difficulty in dealing with government agencies. Licenses, permits, and other operations details often involve frustrating, time-consuming, and costly delays.

- There are few clear guidelines for the development of long term relationships and the building of trust between government and private sector businesses and businessmen.
- There is an overlap of responsibility and authority on the one hand, and lack of communication on the other, among government ministries.
- Few elements of the tax structure motivate the growth and development of private business or the making of long-term commitments to nurture and develop domestic or international markets.
- Government investment often seems ad hoc and not well thought out.
- Government-backed loans to small business are frequently awarded on the basis of personal contacts and nepotism and sometimes provide up to 75 percent of the total capitalization of the firm.
This leaves little motivation (or penalty) for the owner who has very little if any of his or her own money at risk. When the owner plays such a small role in the acquisition of capital, it is difficult to be truly entrepreneurial. Most likely the owner will behave like the manager of the bank's (or the government's) business.
- Government attempts to enforce the Indonesianization of private enterprises have been spotty. Laws, regulations, and forms abound, but the enforcement of these is often sacrificed at crucial times in order to attain other goals. There are still many expatriate managers in Indonesia. If the government's Indonesianization program is accelerated, or if enforcement is tightened, there will be additional short-term pressure on the supply of trained managers.

Overall, it is difficult for the team to comment on the likely position of the government regarding the options we identified. The government of Indonesia speaks with many voices. With the short duration of our stay in mind, the team accepted the advice of AID officers in Washington to concentrate on the empirical needs and opportunities for providing assistance.

MANAGEMENT EDUCATION AND TRAINING PROGRAMS

There are a large number of management education and training programs in Indonesian public and private universities and colleges and in the private sector, both non-profit and for profit. Although we visited only a few, we believe that we gained an accurate view of the best the country has to offer and, postulating from that, of the general calibre of training available. Following are brief descriptions of the programs that we visited.

LPPM--(LEMBAGA PENDIDIKAN DAN PEMBINAAN MANAJEMEN) INSTITUTE FOR MANAGEMENT EDUCATION AND DEVELOPMENT

- 56 full-time staff; 119 part-time staff
- 10-month training program in management, two groups per year, for recent college graduates
- numerous short courses, both in-house for companies and to the public, generally three to five days full time, three to five weeks part time (evenings)
- more than 11,000 hours of instruction offered in 1982, taught for the most part by Institute staff
- sponsors a few foreign-conducted seminars
- offers English language courses with a resident faculty and language laboratory on premises
- offering a new 10-month program to train small business consultants and management trainers
- consulting services offered by staff
- publishing department has translated more than 80 management books to date and also publishes a management journal in Indonesian
- most courses are taught in Indonesian
- beginning to raise funds to build a new campus

SGV UTOMO: EXECUTIVE DEVELOPMENT AND TRAINING CENTER

(A division of the largest public accounting/consulting firm in Indonesia. Privately held, affiliated with a multi-national firm in the Philippines.)

Offer two main groups of seminars:

- Vertical Group--new technologies and approaches to strategic management situations in participants' own fields of specialization
- Horizontal Group--conceptual framework and perspective of other functional areas outside participants' own fields
- programs primarily in English
- serves both public and private sector managers
- small staff in EDTC itself. SGV Utomo accounting, auditing, and consulting staff teach about 90 percent of the seminars
- forty seminars offered in 1981, including 15 in-house for large companies
- plan significant expansion in the future
- eight hundred to one thousand per year participate in EDTC programs, 2000 total since 1978

YPM--(YAYASAN PRASETYA MULYA) MANAGEMENT DEVELOPMENT CENTER

- new program began first module in September 1982 with strong initial funding and support from business leaders
- twelve week full-time program is the first module of several progressing toward full certificate. First module focuses on basic knowledge of functional business areas. Suggested general topics in economics, technology, government, business policy, and strategic management
- hope to have a general management, MBA-type program with six three-month modules, including some elective flexibility

TOUCHE ROSS DARMAWAN AND COMPANY

- offers a few courses and seminars, primarily in-house for accounting and consulting clients
- specializes in on-site, on-job training with shadow management provided by staff

FACULTY OF ECONOMICS--UNIVERSITY OF INDONESIA

- Sarjana/Doctorandus program with specialties in development studies, management, and accounting--a five year, full time program, which the average student takes about eight years to complete
- currently graduates about 700 per year

- the university also offers an extension program in management which takes students with Sarjana Muda (3 year) or Sarjana degrees (usually in other subject areas) and grants the Sarjana degree; 733 graduates since 1972, currently graduating about 100 per year; 2000 applicants per year; about 50 percent of students enrolled are from the private sector; of 215 students who entered the Extension Program in Management this year, 73 had Sarjana degrees, and 60 of those were in Engineering
- another university program, the Management Institute (LPEM), offers short-term, non-degree courses in-house and to the public
- the Faculty of Economics and the LPEM staff also provide consultancy and research services to private sector firms and to state enterprises

INSTITUTE OF TECHNOLOGY AT BANDUNG

- programs in management are offered through the Industrial Engineering Department
- regular Engineering degree is a five year program with four field options: Factory and Facilities Design, Statistics, Engineering Administration, Economics
- other options and programs are planned and a small graduate program is already underway
- ITB has graduated 28 management students since 1980 and is now accepting about 25 per year
- also offers a few short courses taught by ITB faculty, both in-house and for the public, and some consultancy services
- ITB has an Educational Communications Center with excellent audio/visual production facilities; management program has not used these facilities extensively.

CONCLUSIONS

It is quite clear to this team that more managers and managerial skills will be needed in the future in Indonesia and that present education and training resources and institutions in Indonesia are not up to the task of supplying the needed skills. Specific attention to financial, accounting, budgeting, and cash flow management skills is urgently needed. Also needed is the rapid development of more sophisticated marketing skills, both for domestic and international markets, and human resource management skills.

Two categories of need have been identified:

1. general management skill development for middle managers in larger corporations
2. introductory, more specialized skills for lower level managers and supervisors in smaller, mostly locally owned companies.

There are already a number of programs for the first category of need. Their quality is uneven, their geographic dispersion is poor, and there are clear needs for improvement that can be met by U.S. and other donor assistance. It should be noted positively, however, that general management oriented programs for middle managers are available and that their clientele, in most cases, can afford to register and draw upon their resources. The team has concluded that an appropriate donor approach to achieve needed improvements for this group would be to focus precisely on improvement, expansion, and support of existing programs in this group rather than on creating substantial additional infrastructure.

Despite the fact that we have not emphasized the funding of middle management development programs (believing that adequate resources from the business community and other sources are available for this segment of the market to support its own development), we identified several programs and institutions whose quality and contributions may merit consideration for the funding of specific projects or programs.

In the public sector, the University of Indonesia (Jakarta), ITB (Bandung), Airlangga University (Surabaya), and, no doubt, several others that we did not review have strong faculties and programs and have demonstrated the ability to develop and execute good management

programs at several levels. Their programs serve both private sector and government needs. Funding at the margin to allow these types of institutions to expand their services, broaden or deepen their offerings, or extend their reach into a wider geographic area certainly would merit PRE or other donor consideration. The bureau may wish to solicit proposals from these institutions for the development and expansion of faculty or to assist in the development of external funding sources, e.g. the business community.

In the private sector the largest, most sophisticated institution is LPPM. The staff and faculty of LPPM impressed us as knowledgeable and efficient, and the Institute offers several good programs. Current funding efforts at LPPM are being directed toward the building of a new campus. If the capital campaign is well managed (advice has been sought from a major U.S. consulting firm) the effort should be successful within two years.

Since LPPM's programs are almost always restricted to Jakarta, helping LPPM to broaden its geographic coverage may be a useful project. Also, assisting LPPM to establish firmer ties with U.S. universities would be very helpful for faculty and program development.

Other private sector institutions that cater to middle management needs are very new (e.g. the YPM Management Center), are quite small, or are appendages to accounting/consulting firms. Selective assistance to this group may be effective, but we did not identify important opportunities to pursue in the near future.

In the category of lower level, skill-oriented management training there is tragically little activity. This is especially ironic because of the high expectations that the government of Indonesia expresses regarding small, locally owned enterprises. Additional needs and pressures exist in this category because of the large numbers of people who will be entering the work force age group in the next decade, and because of other pressures that we cite in previous sections of this report. In this category, perhaps even more so than for higher level programs, wide geographic coverage throughout the Indonesian provinces is of vital importance.

The very large number of people who need introductory, skill-oriented management training and the need to achieve wide geographic distribution throughout the Indonesian archipelago cause us to be pessimistic about starting new programs in existing educational institutions. Rather, we believe that a much broader approach involving the widespread distribution of educational materials through a network of several different types of organizations is called for.

The shortage of well-trained managers at all levels in most Indonesian private companies creates severe problems when the time comes for a manager to obtain additional training. Often it is impossible to find a replacement, even on a temporary basis. This will be a major constraint in planning for new and expanded management education and training programs in Indonesia.

Management education offers major opportunities for entrepreneurs in Indonesia. There is clear evidence that companies, particularly the larger ones, are willing to utilize the services of such programs and pay a market rate, especially when the programs are well-designed

and offer well-executed courses, good logistics and arrangements, and adequate rewards in terms of certificates, credentialing, and market visibility.

Notwithstanding the demand, there is a needless lack of communication and coordination among management education and training organizations in both the public and private sectors. Despite the many programs that exist, there is an alarming lack of common knowledge among the offerers and potential users of training services. We found very little sharing of ideas and practices in leadership and management training between well-established companies and smaller, younger enterprises. There is considerable potential in simply raising awareness of what is available in the country, and the United States and other donors could be able to help in this regard.

Indonesia does not have adequate resources devoted to the translation and adaptation of existing English and other foreign language management training materials into the Indonesian language. Although some knowledge of English is widespread, particularly in the business sector, much of the (particularly lower level) instruction could be done in the Indonesian language.

Persistent throughout the team interviews has run the suggestion that there should be a set of "Indonesian management concepts" or an "Indonesian philosophy of management." The implication is that, to the extent such "Indonesian" concepts exist, foreign materials may be adapted to Indonesian culture.

Although we agree that the "Indonesian style of management" and Indonesian cultural influences are important in some instances, we conclude that adaptation of generally accepted Western management practices would be necessary for only limited areas, mostly in personnel and human resource management. We do not suggest adding further delay and expense to Indonesianize demonstrably useful management education and training materials from other countries; most of them could be used with only a direct language translation.

Our interviews in universities and in management institutes in Indonesia conveyed a strong feeling that if the programs of such institutions were stretched to reach areas outside Jakarta (or Bandung, in the case of ITB), their quality would suffer. We contend, however, that these programs can extend considerably their geographic reach with modest additional resources, without seriously compromising present quality. Future assistance efforts, particularly for well-established programs, could be expanded to include marginal investments to assist with expansion of services, both in quantity and in geographic distribution, and of course in quality.

Historically in Indonesia and elsewhere, when assistance is requested in an area such as management development, one of the first items listed is "facilities," immediately preempting a large part of the potential assistance and often discouraging potential donors. Our brief attempts at a space utilization survey of existing educational institutions disclosed no major problems for immediate uses, and adequate space for modest additions to programs. We believe that lack of available space may be eliminated as a cause for postponing assistance in management development projects. Indonesians should be

reminded occasionally of Mark Hopkins' sagacity in his advice that "the best classroom situation is the teacher on one end of the log and the student on the other." (Granted that today the log must be wired for audio-visual and electronic instruction elements.)

The importance of management skills is being recognized in many university curricula in Indonesia, such as public health, communications, engineering, and agriculture. U.S. assistance could be aimed at least in part at helping these other disciplines to build management courses into their programs. A standard program or module could be prepared for use in such programs.

Indonesian universities and management training organizations lack a good network of contacts with business schools, universities, and consultants in the United States. Where such contacts have been formed (IESC assistance to LPPM and the large number of Indonesians who have attended the University of California at Berkeley are two examples) the results have been almost uniformly good. With U.S. assistance it could be possible to sharpen the focus of existing relationships and to develop new ones. Of course, the United States does not have an exclusive franchise on good management training ideas. The network of contacts could be broadened to include management training organizations in other countries such as the European Management Institute in Lausanne, Switzerland (IMEDE), INSEAD in France, the Belgian Management Institute, the Danish Institute, the Singapore Institute of Management and the Asian Institute of Management in Manila.

Finally, the government's Indonesianization process was noted in a previous section of this report. Although the program has not been consistently and persistently applied, it will have an effect on future management education and training efforts in Indonesia. U.S. funding could recognize and support the Indonesian government's goals and could ensure that U.S. vendors reflect these goals and objectives in their management education and training proposals. Improvement in management education and training is one of the best ways to achieve Indonesianization. Management training in Indonesia will likely receive more emphasis and enthusiasm if the government comes to see this fact.

OPTIONS IDENTIFIED

Because of its vast potential and need, Indonesia attracts great interest among consulting and training organizations in the industrialized countries. The Bureau for Private Enterprise may likely be aware of proposals to carry out some of the tasks we identify. In proposing, for instance, elements of a training package or procedures for bringing training to outlying areas of Indonesia, the team offers concepts and approaches for PRE to implement. The team does not mean to suggest, in identifying the following options, that it has rejected current proposals. The program design concepts we indicated could serve PRE as criteria for assessing current proposals and in soliciting new proposals.

OPTION 1 - ENTRY LEVEL MANAGEMENT EDUCATION PACKAGE

We were reminded in our interviews of the tremendous quantitative demand for introductory level management training in Indonesia. We are convinced that the high growth rates in the employable population that Indonesia will experience for the next several years will increase the demand.

Although a few attempts have been made to provide introductory management training in the provinces, the needs are not being met to even a small fraction of what is required. There are, nevertheless, organizations and infrastructure through which management training may be offered on a large scale and with good geographic coverage.

Indonesian private enterprise, particularly in the larger firms, is dominated by ethnic Chinese, a small minority in Indonesia. There is a strong interest on the part of the government of Indonesia in bringing other ethnic groups into business and industry in a knowledgeable and efficient way, starting with small entrepreneurs and moving gradually toward larger enterprises. The government's interest seems to be quite consistent with our observation that there are pressing needs for more skilled managers and that low-level, skill-oriented training offered on a large scale is the place to start.

Throughout our interviews we found agreement with the suggestion that, regardless of the nature of the business or industry, there is a body of knowledge and a set of skills that are vital to the success of

the entrepreneur. Multinational and private banks, Indonesian Chamber of Commerce (KADIN) members, leaders in diverse industries, and others have agreed that a package would be an effective tool in spreading management education throughout Indonesia.

There seems to be agreement that an entry level management education package could be used by such groups as:

- public enterprise (training units)
- cooperative associations
- agriculture programs for managers involved in owners-to-be programs
- small business clinics and training centers
- management training institutes
- university faculties for general use
- faculties of economics in undergraduate courses of management training
- training the trainers programs
- banks and other institutions
- secondary school curriculum planners.

There are several organizations, including trade associations and government agencies, through which management training might be channeled to such groups. The major obstacle to progress is the lack of coordination, communication, and planning. Examples of organizations that might be brought into a cooperative effort to form a network of management training activities include the following:

- the 27 state universities in Indonesia
- KADIN--the Indonesian Chamber of Commerce, through its Compartment of Small-Scale Enterprises
- HIPLI--the Indonesian Association for Training and Development whose membership consists of training directors from public and private enterprises
- HIPMI--the Association of Young Indonesian Businessmen, who have expressed great interest in entrepreneurship training
- HIPPI--the Association of Indigeneous Businessmen of Indonesia
- existing management training institutes such as LPPM, the Institute for Management Training and Development, and the YPM Management Center
- the Indonesian Management Association, which has recently formed ties with the American Management Association, the Singapore Institute of Management, and other associations overseas
- the Indonesian government Ministries of Education and Industry.

We consider as the primary possibility for assistance that AID organize and fund the development of a package of educational materials which would form the core of many training programs to be offered throughout Indonesia.

The AID effort could involve forming an Indonesian Advisory Committee to assist with the development of the package, choosing a vendor to develop the materials (probably a U.S. university or consulting firm) using a technology appropriate to Indonesia, and assisting with the development and coordination of a network of institutions to use the materials and to bring the package to the attention of potential users.

The focus of the package could be basic management education, aimed at the development of useful skills for entry level managers. The following topics suggest the level and scope of what might be included:

- Simple definition of management (e.g., Management involves the organizing of people, machinery, money, and materials in ways which best accomplish the stated goals [objectives] of the enterprise.)
- Record maintenance: accounting records (simple and basic), inventory records (details in inventory control), cost, quantity, credit records, salary records, transportation, etc.
- Legal Aspects
- Purchasing: advantages of quantity buying, alternative sources of goods, credit sources, seasonal price fluctuations, etc.
- Role of bargaining
- Inventory control: inventory audits, safeguards, order points, overstocking and understocking
- Credit analysis: simple rules to determine risk, maximum credit, applying for loans (cautions), etc.
- Pricing: pricing for profit, competition/discounts, and mark-up rules
- Marketing: defining market (simple terms), market surveys (simple form, e.g. conversation with customer), new products (information from supplier or field agent), competition, advertising
- Government aid programs: government regulations, attitude

Some good work has already gone into the development of such a package. The team obtained a copy of "Kursus dan Latihan Pimpinan, Perusahaan Kecil" produced by the Airlangga University Faculty of Economics and the Cranfield School of Management with support from the British Council.

This workbook of over 150 pages with accompanying cassette tape is a good example of a possible option. The important element of our proposal is not the material per se; it is the network to distribute it and get it applied in the provinces, to train people how to use it and teach from it, to make potential users aware of its existence.

Despite our favorable impression of the British material, we found no evidence that it was being used, and this is the rub. We believe that AID's most important contribution will be in assisting the Indonesians to coordinate the development, widespread distribution, and use of an effective entry-level management training package.

OPTION 2 - LEADERSHIP TRAINING FOR MANAGEMENT

Not only is there a scarcity of managers in Indonesia, but also a very small number of those who can provide leadership in the training of managers. The problem requires a three-pronged approach: (1) to develop and upgrade management training personnel, (2) to spread the concept of management training to entrepreneurs and managers who are not yet familiar with the idea, and (3) to make managers and management training personnel more aware of existing materials and programs for management development. This option addresses all three objectives; a subsequent one focuses on objective (3).

In order to create a group of people distributed throughout Indonesia who can exert leadership in management training, we envision that:

- PRE could support the development and execution of large-scale programs of specific training to develop management trainers, and that
- programs could be offered to personnel from businesses with, say, 20 or more employees, who could be capable of offering some kind of management training to their fellow employees. These people, in addition to doing management training themselves, could serve as an important resource to promote the idea of management training throughout the organization.

The development program might be self-financing, i.e., a fee could be charged to cover the variable costs. However, we believe that donor assistance is necessary to establish the program, develop the teaching materials (the package referred to in Option 1 might serve usefully in this program and for the participants when they return to their companies), and train a cadre of program leaders and teachers to take the program into the provinces and to employees of small enterprises. The Bureau for Private Enterprise could examine current proposals to do this sort of training, including the technology management program proposed by the Fund for Multinational Management Education.

Specific elements of this possible approach include the following:

- Participants--Working through provincial government officials, university economics faculties, and trade and business organizations such as KADIN, HIPMI, and HIPLI, develop in each province lists of personnel from industry and business (large and small) who are interested in management education and who can benefit from leadership training.
- Program leaders--Recruit leaders of the first programs from U.S. private sector enterprises and universities. Three or four IESC volunteers could be recruited for this project. Under the leadership of a person thoroughly knowledgeable in management development in general and Indonesian needs and adat (customs) in particular, these persons would be assembled in the United States for intensive culture/language

orientation and the development of a course of study. (This could be an expansion of the methodology, organization, classroom orientation, etc., of the entry level management training package in our Option 1.)

The first team of instructors could travel to Indonesia to teach a series of programs already scheduled by staff in Indonesia. Indonesian counterparts could act as interpreters, guides, and understudies.

When the IESC personnel leave Indonesia, the counterparts could carry the program into sections of Indonesia not yet reached. The students in these courses could also be expected to carry on the same program(s) with still other groups, causing a ripple effect throughout the country. HIPMI, HIPLI, and other organizations with member groups in the provinces could identify participants and logistics.

Assuming that IESC or other personnel could be recruited for a longer period than is customary for IESC volunteers, each project consultant/ leader could cover six to eight provinces, teaching a seven-to-twelve day program (probably part-time in the late afternoons and evenings in most cases) in each area with a three-day break between programs. This would take roughly six months, a reasonable assignment, we believe, for the type of person we have in mind.

Reports by means of questionnaires could be expected from provincial participants and from the trainers of trainers. These would allow revisions of the program as it proceeded. In-country planning, support, and supervision could come from the funding organization or from a selected private enterprise. Examples of organizations that could handle the Indonesian aspects of this program and would participate in the overall coordination include accounting firms such as SGV--Utomo or Touche-Ross Darmawan and Company, management institutes such as LPPM or YPM, or even large private companies that have a management training staff already established.

There must be a well-planned and implemented evaluation and follow-up program. Evaluation and recapitulation could be necessary after each 12-day program and could take place during the R&R period.

OPTION 3 - THREE-DAY MANAGEMENT EDUCATION SEMINAR

We have mentioned the need for increased coordination of efforts in management education and training in Indonesia. In this context, we note again that there is already much management education and training underway in Indonesia; what are lacking are awareness of what is available and suitable planning in the government as well as in the private sector to expand the services offered to a much wider audience.

Many different types of organizations in Indonesia offer management education and training programs. Several universities, including most of the 27 state universities and a good number of private universities and colleges, offer programs, both on a degree and non-degree basis. Several large companies, including most of the oil and gas companies operating in Indonesia, have made sizeable commitments to management training. (Two of the companies that we visited have training directors and large programs that have solid top management support--P.T. Astra and Unilever.) Associations of business people, professional and trade organizations, accounting firms, private management institutes, and many others offer diverse management education and training programs, ranging from a few days to a year in length. In other words, there is already a great deal of activity, but it is diverse, diffuse, uncoordinated, and to most business decision makers, largely unknown.

In order to develop more awareness of present resources in management education and training and to develop an inventory of these efforts and the materials now in use, we suggest that representatives of groups now involved with management education and training be brought together for a seminar or conference in Jakarta. Participants in the conference could include:

- the person most responsible for management training in each of the 27 state universities and 10 to 15 major private universities
- training directors from several of the largest enterprises in Indonesia (at least Caltex, Astra, Unilever, Mobil Oil, Arun, Freeport Indonesia, IIAPCO), to act as section leaders
- a few of the leading businessmen in Indonesia, preferably from companies other than those named above (banking, investment, construction, etc.) to consult
- representatives from existing management training institutions
- selected officials from LAN, state enterprises, and selected government agencies and ministries.

Each participant could bring all pertinent materials from his area of management training--courses of study, curricula, brochures, statements of accomplishments and plans--anything that his affiliation has developed or is in the process of developing. All of these materials, in appropriate categories, would be used to develop a bibliography to be handed to each participant at seminar's end.

The organizers of this seminar should have a thorough knowledge of Indonesian adat (customs); a complete knowledge of organizational

problems, processes, and procedures; and a keen sense of personal and inter-unit relationships.

This seminar could be a joint venture between a university and a management group from the private sector. Its elements may include:

- small groups, each with recorders (human and electronic) and a leader
- one or two short (one hour) courses, for demonstration purposes, extracted, perhaps, from the management education package
- large group sessions for general background purposes
- keynote and summary speakers
- precision, promptness, presence.

An administrator and a small staff could be assembled to plan carefully for the conference. They could develop an accurate and complete registry or directory of management training programs and resources in Indonesia. They could develop the roster of invitees and solicit from them the materials that should be brought to the conference. They could also be responsible for abstracting and cataloging management training materials and for preparing bibliographic material for distribution following the conference.

A desirable result of the conference would be that the administrator or top staff member would belong to an existing organization (such as LPPM or HIPLI), which could continue to serve as a clearinghouse for information about management training resources.

If the administrator is an American consultant or university professor, part of his follow-up responsibilities could be to make certain that an able and well-coached counterpart is trained to carry the program forward. This counterpart might be a member of the staff of the organization that co-sponsors the conference or the organization to which the clearinghouse effort is attached. It is important that both the administrator and the counterpart be skilled in the practical application of electronic data and word processing, so that the clearinghouse is efficiently managed.

Finally, there could be an opportunity for each participant to evaluate procedures, content, and personnel. Each participant could receive a questionnaire in which he can review, one to three months later, the contributions to his own management training program from attendance at the seminar.

OPTION 4: COOPERATIVE AND MANAGEMENT SKILLS DEVELOPMENT

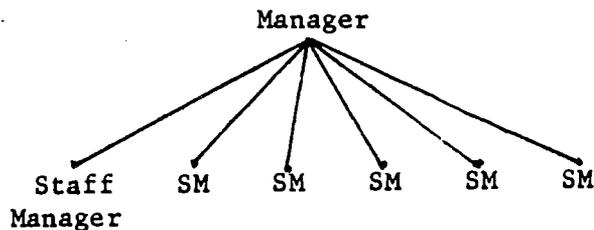
The cooperative associations in Indonesia offer a good opportunity for management training on a large scale. There are 5,600 cooperatives in Indonesia, mostly agriculture based, which employ nearly 100,000 managers and supervisors. In effect, they are part of the private sector and operate with minimal government intervention.

Each cooperative association has a structure similar to that shown in the following diagram:

ASSOCIATION

Board of Directors (5) ---- Board of Supervisors (3)

(A "checks and balances" arrangement, each helping the other)



A Staff Manager for each line of production (jenis usaha)
in the particular cooperative association

In each cooperative there are an average of 15 people who perform at least limited managerial activities. These people generally acknowledge that the skills they bring to their tasks are limited. Our interviews indicate that they frequently seek help to improve the management of the cooperatives from the government or from other sources and, when they get it, seem to profit by it.

Assistance to the cooperative is already available from several sources. The sheer magnitude of the total need makes present assistance seem insignificant, but it is not. It is psychologically important and does contribute to the success and profitability of the cooperatives.

The major sources of assistance to the cooperatives are the following:

- the Netherlands--general assistance, exclusively in Central Java
- UNDP/ILO--training programs in several districts
- United Kingdom--general assistance in Central Java
- Switzerland--general assistance in Lombok and other areas
- Asian Development Bank--general assistance in East Java.

The Directorate Jenderal Koperasi has published (12 July 1982) a summary statement of the 54 prize-winning cooperative associations for 1982. Each of these cooperatives is described according to several factors, including:

- data on accreditation
- kinds of projects
- demographic data on membership

- income data, including capital account, gross income, credit union savings, and net profit.

The point is that a substantial data base on the cooperatives exists and that there is already in place an organization that could serve as a logical focal point for the delivery of management training to cooperative members.

These cooperatives are owned by the members. The profits are distributed to the members. Government assistance has been granted when requested. When the Association of Cooperatives is strong enough it will begin to handle its own training programs and provide its own facilities. It is indeed a most important part of the private sector in Indonesia.

If, as many people that we interviewed contend, Indonesia will succeed economically in direct relationship to the success of its agriculture and small business enterprises, an important impact can be made in the area of assisting the cooperatives in their basic management training programs. The basic management education package that we proposed earlier in this report could be put to good use here. The facilities are in place throughout the districts and provinces. The motivation is there, as are the desire and the realization of need.

Once again, what is needed is an organized effort to initiate solid, well-run programs, at least on a pilot scale to demonstrate the concept. U.S. assistance can help to get such a program started and can have a major impact on the important agricultural and small business sectors.

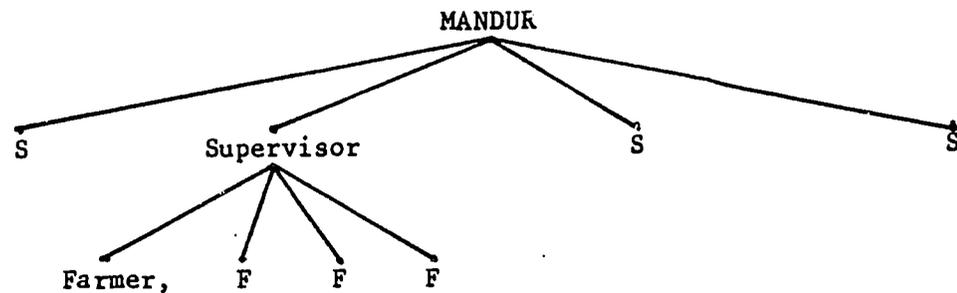
OPTION 5 - THE PRIVATE SECTOR IN AGRICULTURE

The Department of Agriculture Bureau of Research Director, Dr. Asep T. Tojib, provided the background and the impetus for this option. He concurs wholeheartedly with the team that at a certain point, described below, this project coincides with private sector interests.

A Department of Agriculture project, in conjunction with Transmigration personnel, has allocated 1.5 million hectares of land for a project that will ultimately transfer ownership of this land to private farmers.

Each participant will be allocated three hectares of good land. Under close supervision by agriculture officials, he will till, plant, work, and harvest for three years. At the end of this time, if government officials judge the farmer to be competent, the land will become his.

Under this plan a mandur/manager will be responsible for carrying out, through several supervisors, personnel policies, decision making in regard to cultivation and planting, bookkeeping procedures, motivation of work force, and the like. He will be a manager in the fullest sense of the term. (See diagram below.) At this point management training can exert tremendous influence on productivity. It is here that an entry-level management training package can be very effectively utilized.



three hectares

Because the pool of participants for this project is so large and dispersed over a large geographic area, a pilot program would have to be developed to demonstrate and test the idea. The pilot program could be accessible for evaluation and review by people from several different outlying areas.

Preparation of the project proposal could be done by AID Mission staff already involved with management training (in the government agencies) and with agricultural development. A contract for development of materials (or adaptation of existing materials) and the initial training of course leaders could be given to a U.S. university with a strong agricultural economics program (such as Purdue University, the University of Texas, or the University of California at Davis). Development of the project would have to be carefully coordinated with relevant Indonesian ministries, including Agriculture and Education.

The Department of Agriculture Bureau of Research might be a good candidate for co-sponsorship of the program with the donor agency.

OPTION 6 - MANAGEMENT TRAINING AS A PREREQUISITE FOR FINANCIAL ASSISTANCE

In the preceding options we have developed four general ideas:

1. that there is a major need for introductory level, skills-oriented management training in the private sector in Indonesia
2. that the development and widespread dissemination of appropriate teaching materials would be an important step toward meeting that need
3. that there are several existing public and private sector organizations through which management education and training can be transmitted on a much larger scale than is now being accomplished in Indonesia
4. and that planning, coordination, and communication are the principal hurdles to overcome before real progress can be made in making management training and education available to a larger and broader audience in Indonesia.

This option develops a fifth general idea--that if the four ideas listed above are true, a logical next step could be to impose some discipline on the management training process, and that a good way to begin would be to make management training a prerequisite for the borrowing of money for a new enterprise or the expansion of an existing enterprise.

Most of the people that we interviewed agreed that there is a basic body of knowledge and group of skills that are needed for successful entry-level entrepreneurship. They concur with the suggestion that it may be feasible to insist on at least some management training prior to obtaining financial assistance from public and private banks or other lending institutions.

This suggestion could be combined with at least two other options, (1) that an education program be developed to make private sector entrepreneurs aware of the need for management training, and (2) that a basic entry-level management training package be developed. This sequence, combined with a relationship with lending institutions, could influence the spread of management education throughout the private sector in Indonesia.

Private sector institutions such as banks (e.g., Bank Niaga), investment companies (e.g., P.T. Indonesia Financing and Investment Co., or Private Investment Company for Asia), or accounting firms (e.g., Touche-Ross Darmawan or SGV Utomo) could identify entrepreneurs who need seed money for start-up or funds for expansion. The financial institutions could select and sponsor the entrepreneurs who would attend a management training program tailored to fit the needs of entrepreneurs and, perhaps, particular groups of enterprises, on the condition that successful completion of the program be a prerequisite for the loan or investment. Participation in this type of program by government banks could, of course, be welcome but not necessary.

An alternative structure would be to develop the teaching side of the package with a large educational institution such as the University of Indonesia Faculty of Economics or LPPM and then distribute it through a network of state and private universities. At the local level, a relationship could be established between the university "vendor" of the program and a local bank "supplier" of the participants. The bank, in cooperation with the university, could require loan applicants to complete the program.

The cost of this type of outreach program would be nominal; it would involve the extension of management training efforts to a broader audience through contacts with banks and other financial institutions.

OPTION 7 - SMALL BUSINESS CLINICS

Many entrepreneurs, especially in the "small business" category, realize the need for advice, consultation, and assistance but, because of a confusing proliferation of bureaucratic resources, they typically can find no real assistance. According to the Compartment of

Small-Scale Enterprise of KADIN (the Indonesian Chamber of Commerce) there are 42 offices in the Indonesian Government that deal with small businesses.

One specific way to help small, often new, private enterprises is to establish a system of resource or assistance centers in several districts and Provinces to which both entry-level and experienced entrepreneurs and small business people can go for counseling and general aid and assistance.

There are many such centers or clinics for the public sector; however, according to the business people we interviewed there is very little identifiable, effective help available to private firms.

We suggest that AID investigate the possibility of supporting an existing Indonesian organization to develop small business assistance clinics in a few demonstration provinces or districts. A logical organization to undertake this effort might be KADIN's Compartment of Small-Scale Enterprises.

The following steps might be involved in this project:

- Select an organization to serve as a partner in the development project.
- Select a specialist (perhaps an IESC volunteer or group of volunteers) to serve as a consultant to the partner organization and to assist in the development of project specifics.
- Analyze the situation in government bureaus to recommend improvements in coordination and cooperation within the bureaucracy. (In the long run it might be possible to bring the services of government bureaus into close coordination with private sector efforts, much the way the Small Business Administration works with private sector organizations in the U.S.).
- Select central places in a few demonstration provinces or districts (a school, bank, mayor's office, university campus) where pilot programs can be instituted and where regularly scheduled assistance sessions can be held.
- Set aside space and staff for handling special problems and providing individual assistance on topics such as wages and salaries, recruitment, personnel management, market development and management, product development and quality, taxes, and plant location and layout.

We encountered much evidence that private enterprise in Indonesia is ready for this "clinic" type of assistance. The clinics could be staffed by recent Indonesian university graduates or by graduates of Indonesian management institutes. A good source of staff for the clinics could be LPPM's new 10-month program training university graduates as small business consultants and trainers.

OPTION 8 - SPECIALIZED TRAINING FOR SELECTED INDUSTRY GROUPS

In our section on the management environment in Indonesia we noted that there are several industries that are large enough and important enough to the country's economic development that special management education and training programs for their specific needs may be justified.

During our visit we witnessed just such a special program that impressed us as a potential model for more programs like it. The following brief "case study" summarizes the project we observed.

The International Executive Service Corps (IESC) is a U.S. based, non-profit organization that assigns executives, mainly retired, to serve as volunteer management advisors to local firms in developing countries. It operates as a partnership of business and government to promote economic growth and private enterprise. Word-of-mouth and previous clients provide 90 percent of IESC's projects. Ten percent of the projects result from the work of the volunteers as scouts and miscellaneous contacts.

This is the story of the "ripple effect" of one series of projects. IESC recently undertook a project to assist a private Indonesian advertising agency with the development of its creative staff. The IESC volunteer was well-received and effective during his two week visit.

The owner of the agency suggested to a friend, who was the president of the Association of Advertising Companies in Indonesia (PPPI), that the IESC project in his firm could easily be expanded to help other advertising agencies. While the volunteer was still in Indonesia, an application for a project with PPPI was submitted and approved and the volunteer (the retired vice president of one of the largest advertising agencies in the U.S.) agreed to stay for two additional weeks and run a management development program for middle to lower management people in advertising agencies. Three major topical areas, Account Services, Creative, and Media, were chosen for special emphasis.

The volunteer prepared and taught a two week program, four hours per evening, which proved to be exactly what was needed. This was management training at its best--a course precisely applied to the stated needs of the participants.

Thus, because of a series of many, largely fortuitous interactions, 70 advertising industry managers were taught useful management skills and at a very modest cost.

Moreover, ten participants from the PPPI class were selected to carry on the teaching of management skills for advertising agencies in Sumatra, Sulawesi, and East and Central Java along guidelines established by the IESC volunteer. The trainers received additional training and assistance from the same volunteer who stayed on an extra few days to help.

IESC now has plans for a project which will develop a similar sequence of events for top management in the advertising field, a program that is expected to have similar results throughout Indonesia.

The point of this case study is to support our advice that AID seek additional ways to implement this concept with other specialized groups. Such groups might include the Association of Indonesian Appraisal Companies (GAPPI), who have already expressed interest in this proposal, national or regional tourism groups, and travel agencies, accounting firms, particularly in the provinces outside Jakarta, communications and news organizations, construction and real estate development groups, food processing, transportation and distribution companies, textile and garment companies. IESC has a vast pool of untapped managerial and training resources that can be used effectively at relatively low cost.

As with some of our other suggestions, we would prescribe the formation of an advisory group for each industry, drawing on trade associations, government agencies and university faculty. It may be useful to fund an assistant country director for IESC who could devote full time to the development and coordination of industry training programs. With some sort of quality assurance, industry groups will pay for industry-specific training.

OPTION 9 - SECONDARY SCHOOL CURRICULUM

The vast majority of high school graduates in Indonesia do not pursue higher education. Therefore, the development of curricular materials for use in secondary schools to give some orientation to business might be very helpful.

We have noted that preparation for a career in business is still not highly valued by Indonesian students; liberal arts and social science programs to prepare for careers in government are far more popular. Some of the people we interviewed noted an anti-business attitude on the part of many middle-level government officials in Indonesia.

A modest investment in the development of secondary school curricular units to introduce concepts of business and management could foster a more positive attitude towards business, private sector activity and entrepreneurship.

Obviously, the approval and support of the Ministry of Education would have to be obtained before starting any serious development of a project to have an impact on the secondary school curriculum.

We advise that AID fund the services of a management training specialist, Indonesian or expatriate, to develop a project that can make an impact on the secondary school curriculum in Indonesia. Additions to the regular high school curriculum could include courses on modern technology, awareness of business trends, the role of Indonesia in the world economy, international trade, and selected elements of the topics mentioned in Option 1.

The management training specialist, if expatriate, could select or be assigned at the outset an Indonesian counterpart, perhaps from the Ministry of Education. These persons, specialist and counterpart, could:

- analyze curricula now in use to develop options concerning areas where modules or units could be inserted
- assist in the development of these modules or units and in securing qualified people to help with the task
- assist in the selection of schools, in addition to SMEA (Secondary Schools for Economics) where pilot programs can be started and tested
- assist in developing adequate follow-up and evaluation programs that will identify strengths and weaknesses of the project. This should include a follow-up of the graduates of pilot programs in order to ascertain the number who have entered the private business sector and the possible effects of the new curriculum elements on their reason for entering or not entering business and on their success or failure.

The U.S. Government and several other international donor organizations have provided substantial assistance to Indonesia to develop secondary school curricula. The implementation of this option could be carefully coordinated with other organizations that have experience in Indonesia and who may be able to provide staff, technical, and even financial assistance.

MISCELLANEOUS SUGGESTIONS AND COMMENTS

If it is true that donor groups are constantly on the look-out for innovative, high quality projects with maximum value per dollar expended, IESC's schedule of projects should be examined closely. Many of AID's programs might be implemented more efficiently or expeditiously by IESC volunteers than by less specialized and less experienced Foreign Service personnel. Recruitment of IESC personnel is rigorous, demanding prior high success in the candidate's field of specialization. The use of these executives in an unsalaried role of volunteer offers an immediate, large advantage for the implementation of many management education projects.

In Jakarta there are several organizations that relate to training. The team suggests that it may be time to develop a Council of Training Associations. An initial project of this group might be to survey the possibilities of cooperation among the companies with the best organized training programs, the objectives being to afford assistance to the smaller companies and to identify redundant training efforts.

Some examples:

- When visiting consultants/lecturers are available, schedule one extra meeting for non-company personnel or schedule the listed lectures in a larger location and invite training personnel from other companies.
- When courses in management training are offered, provide places for participants from other companies.
- Offer training personnel to assist non-competitive sister-companies in developing training programs.

Indonesia has a rather well-developed state television network, including satellite transmission facilities. It is possible that some elementary management training could be done by means of television. Video-taped programs of the most practical nature with master teachers as instructors could be aired at stated times. Produced professionally, these TV programs would introduce a large audience to business and industrial management, enlighten those who have begun, motivate those who have been thinking about it, and discourage those who should forget about it.

Indonesia already has facilities and manpower to meet the technical requirements of producing professional programs. The Institute of Technology-Bandung, for example, has excellent TV and video-tape production facilities and an Educational Communications Center staff that is highly qualified. If managed appropriately, a few, well-done TV programs on management could develop a large audience and create additional demand for the other types of programs that we have proposed.

There is need for much greater consistency and staying power in donor activities involving management education. General goodwill is one of the positive, if more subtle goals of donor groups. Dangling intentions and projects discontinued before the fulfillment of goals place this objective in jeopardy. It will do no harm to repeat past admonitions in this case. Before a project is finalized and has been approved by the government, the withdrawal of the foreign donor must be calculated to occur only after the project is self-perpetuating or its goals met.

Too often, well-intentioned projects have been started, eagerly pursued for a time, then dropped because of a new administration, new initiating group, or the whim of new interest. Management education, for example, was the chief interest of at least two leading donor groups in Indonesia during the past 10-12 years, but was abandoned long before basic goals could be achieved.

It is quite evident that current management training efforts in Indonesia are male-centered. There are but few exceptions. In four weeks of meetings and interviews only two women were interviewed. In only two other instances, both in banks, was inclusion of women in management training even mentioned.

Time, perhaps, will change this situation, and the many dynamic women's groups now in existence or being formed in Indonesia will accelerate the process. Factors of religion and adat are constraints; nevertheless, it is important that some attention be paid to women when management training is being planned. Approaches may be made to teacher training institutions, to secretarial practice schools, to business institutes, women's associations, and other concerned groups.

APPENDIX

Directory of Persons Visited (All addresses in Jakarta unless noted)

Indra Abidin, President, Association of Indonesian Ad Agencies (AIAA);
Managing Director of P.T. Fortune, Jl. Jen. Suprpto

Asni Anwar, Sales Training Manager, UNILEVER

A. Wahab Asyari, Factory Manager, Indomilk, Jl. Raya Jakarta Bogor

Bambang Soemitro, Executive, Refinery Expansion, Pertamina, Jl. Kramat
Raya

Harlan Bekti, President, Indonesian Management Association; also
President, Harlan Bekti Corporation, Widjojo Center

Bernard Bell, Director, IFC Review Project, Washington, D.C.

William Berg, Chief, Office of Development Administration, USAID,
Widjojo Center

Russell Betts, Director, Asia Foundation, Jl. Darmawangsa Raya

Bhema Fe Croxas, Staff, SGV Utomo, Jl. Let. Gend. Suparman Kaveling

Professor Bintoro Tjokroamidjoyo, Deputy for Planning, BAPPENAS, Jl.
Taman Suropati No. 2

Budiardjo, President/Director, Freeport Indonesia, Wisma Nusantara,
Jl. J.P. Thamrin

Dr. John Butterworth, Consultant to Review Project, British Overseas
Council

Russell Cheatham, Director, World Bank, Artholoka Building

David Cleary, Volunteer Executive, IESC, Wasata Building

Richard Dale, Consultant, P.T. Panca Arya, Widjojo Center

Mr. Derango, Resident Director, IBM, Wisma Metropolitan Building, Jl. Sudirman

William Fuller, Chief of Mission, USAID, American Embassy

Dr. Gunawan, Chairman, Department of Management, University of Indonesia

Dr. Hadi Susastro, Head of Economics, Center for Strategic and International Studies, Washington, D.C.

Dr. Hafuat, Secretary-General, GAPPI (Association of Indonesian Apparel Companies), Sukofindo Building, Jl. Suparman

Nagy K. Hanna, Staff Coordinator; Review Project and Program Officer, World Bank, Artholoka Building

Haryadi, Assistant, Lembaga Administrati Negara (LAN), J.P. Veteran Raya 10

Antonio Henson, Consultant from the Phillipines, SGV Utomo

Ir Heru Sajuto, Director, Training, HIPMI; and Chairman, Group Usaha Trisaki, Jl. Veteran

Heru Prasetyo, Staff, SGV Utomo, Jl. Let. Gend. Suparman Kaveling

M. Hutasoit, Ministry of Education, Retired Secretary General, Jl. Imam Bondjol

Idham, President, Bank Niaga, J.P. Gajahmada 18, Speed Building

Jack Jennings, Director, P.T. Panca Arya, Widjojo Center

Dr. S.B. Joedono, Vice Rector for General Administration, University of Indonesia

Dr. Russell Johnson, Chief of Party, USAID; and Professor of Resources, BAPPENAS, Jl. Tama Surapati

Adi Joiyo, Technical Training Manager, Unilever

Dr. Junaedi Hadisumatro, Dean, Faculty of Economics, University of Indonesia

Thomas Kessinger, Representative, Ford Foundation, Tamon Kebim Sirih

Dr. Panglay Kim, Director, Management Development Center (Prasetya Mulya), Jl. Brawijaya Raya

Dr. Kimman, Director of Research, Management Development Center
(Prasetya Mulya), Jl. Brawijaya Raya

Jean Paul Koenig, Representative, Embassy of France, J.P. Thamrin 20

S.P. Lima Salle, Director, P.T. Dacrea, Jl. Bendung Hanglir Raya
Kauga, Blok B 8-9

Dr. Lo Ginting, Director of Consulting, Management Development Center
(Prasetya Mulya), Jl. Brawijaya Raya

Arman Lubis, Account Supervisor, P.T. Fortune, Jl. Jen. Suprpto

Ali Moor Luddin, Secretary-General, KADIN (Indonesian Chamber of
Commerce)

Dr. Rolfe Lynton, Co-Chief of Party, Health Training Research, USAID,
Jl. Hang Jebat

Marayana, Director, ILO

Mathias Aroef, Professor of Industrial Engineering, Institute of
Technology-Bandung (ITB), Bandung, West Java

M. Muhammad, Advisor, Ministry of Monetary Affairs, Capangan
Pimtengtimur

Nasrudin Sumintapura, Chairman of the Board, Persero P.T. Waskita
Karya, Jl. Hang Tuah Raya 26

Nugroho, Director, Executive Development and Training Center, SGV
Group, Jl. S. Parman Kaveling 56

Professor Isyryn Nurdin, Chairman, Educational Communications and
Technology Department, Institute of Technology-Bandung (ITB), Bandung,
West Java

Dr. Arnold Packer, Professor, American University, A.U. Center for
International Technical Cooperation; Washington, D.C.

Nick Petroff, President/Director, Cibinong Cement, P.O. Box 197/JKT
Jl. Let. Gend. M.T. Hartono

Richard Pigossi, Director, Private Investment Corporation of Asia
(PICA), Wisma Antara, Merdeka Selatan

Dr. Victor Powell, Consultant to Review Project, International Labor
Organization

Priasmoro Prawirohardjo, Director, P.T. Indonesian Financing and
Investment Company, Skyline Building, Jl. Thamrin

Harun Al Rasyid, Chairman, Board of Directors, CALTEX Petroleum,
CALTEX Building, Jl Kebon Sirih

Rudy Roorah, Director of Training, PERTAMINA, Jl. Perwira 586

Dr. John Sabiie, Senior Lecturer, Institute of Technology-Bandung
(ITB), Bandung, West Java

Marlene Seiyadi, Associate, P.T. Panca Arya, Widjojo Center

Michael Selby, Director, Touche Ross Darmawan, 1-B Jl. Raden Saleh
Dr. S.P. Siagiam, Chairman, Lembaga Administrasi Negara (LAN), J.P.
Veteran Raya 10

G.A.B. Smith, Director, British Council, Widjojo Center, 2nd Floor

Soedjai Kartasasmita, Research Director, SBPN, Jl. Taman Cut Mutia

Soembaryono, Manager, Production and Exploration, PERTAMINA, MIGAS
Building, Jl. Tharmin

Dr. Soesanto Darmodjo, General Manager, Division of Human Resources,
P.T. Astra, Jl. Dr. H. Juanda

Drs. Soetjahjo, Director, HIPPI, Jl. Telukbetung 30

David Straley, Private Sector Specialist, USAID, U.S. Embassy

K.T. Sudarto, Director, Matara Advertising, Jl. Suparman

Tato Sukarso, Vice President for Finance and Administration, IIAPCO,
Five Pillars Building, Jl. M.T. Haryono

Sularso, Director of Training, Directorate General Cooperatives, J.P.
Gatot Subrato (Near Air Force Academy)

Sumodarsono, Training Manager, Unilever, Jl. Abdul Muis

Dr. Surjosediono, Chairman, Fakultas Ekonomi, Krishna University, Jl.
Tegalio, Jakarta

Oskar Suryaatmadja, Directorate General, Ministry of Monetary Affairs,
Capangan Pimtengtimur

Ir Swasno, Assistant Secretary General, GAPPI, Sukofindo Building, Jl.
Suparman

Julius Tahija, Chancellor, University Trisakti, and Commissaris,
CALTEX, CALTEX Building, Kebonsirih

Roy Tan, Director, Corporate Planning, P.T. Astra, Jl. Jrianda

Dr. Jerry Tarter, Deputy Chief, Office of Development Administration,
USAID, Widjojo Center

Dr. Asep Tojib, Chairman, SBPN (Office of State Owned
Agri-Enterprises) Jl. Taman Cut Mutia

Udaya, Owner/Director, Udaya Enterprises, Asri Hotel

Mazuri Usman, Advisor, Ministry of Monetary Affairs, Capangan
Pim tengtimur

Leo Utama, Director of Training, Management Development Center
(Prasetya Mulya), Jl. Brawijaya Raya

John Victor, Manager, P.T. Pamerindo Bauana Abadi, Artholoka Building

Wibisono, Director of Training, Citibank, Jl. J.P. Thamrin 55, 3rd
Floor

Dr. Winoto Doeriat, Director, Training and Consultancy, Institute for
Management Education and Development (LPPM), Menteng Raya

John Winston, Assistant Director, British Council

Alwyn Young, Lecturer, Institute for Management Training and
Development (LPPM), Menteng Raya

Dr. Buchari Zainun, Director, SESPA, J.P. Veteran Raya 10

Frank Zerad, Country Director, IESC, Wasata Building