1. Introduction

1.1 Background to the research

The catalyst for this research project is a combination of postgraduate Master of Business Administration studies in 1994, which focused on Australia's competitiveness in South East Asia, and participation in language and culture immersion courses conducted by the Satya Wacana Christian University located at Salatiga, Central Java (Program Intensif Bahasa dan Budaya Indonesia). These provided an insight into Indonesia and the processes of international business and raised questions about the Australian entrepreneurs’ preference to trade with Japan, Hong Kong, the United States of America, the United Kingdom and other countries, rather than their nearest Asian neighbour. This preference persisted despite considerable effort by the government of the day to enhance Australia's political and trading ties with Indonesia. Comments by the Prime Minister were indicative of the government’s drive to close the political, economic and cultural rift that existed between Indonesia and Australia.

"No country is more important to Australia than Indonesia. If we fail to get this relationship right, and nurture and develop it, the whole web of our foreign relations is incomplete. When I became Prime Minister, I was determined that one of my highest priorities would be to ensure that Australia's relationship with Indonesia received the attention I believed it deserved. We live adjacent to the fourth most populous country in the world. Too few, Australians understand the importance of this neighbour of ours" 


Even prior to the commencement of the economic recession in late 1997 Indonesia only rated as Australia's tenth largest trading partner after Germany and accounted for only 3% of trade¹. This is rated as modest according to Kelly (1998a) and is significantly less than trade with the United States of America, China and Singapore (see figure 1.1).

There is considerable quantitative data available from several Indonesian and Australian governmental organization concerning trade between Indonesia and Australia. Organization such as the Department of Foreign Affairs and Trade, Austrade, and the Australia-Indonesia Business Council maintain readily accessible qualitative databases on trade between the two countries. Linked with this data is the extant literature on cross cultural communications and management (Hofstede 1980, Trompenaars 1993, O’Sullivan 1994).

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¹ Any reference to Indonesia as Australia’s closest neighbour is in an Asian context only. Geographically Papua New Guinea is Australia’s closest neighbour. In terms of international trade PNG is Australia's 18th largest trading partner and in 1999 total bilateral trade was worth around $2.1 billion (1 per cent of Australia's total trade). Source: http://www.dfat.gov.au/geo/png/png_brief.html

² Two way trade between Indonesia and Australia in the period 1997 - 98 was made up of imports from Australia A$2.75 billion and exports A$2.87 billion. Source: Department of Foreign Affairs and Trade, Jardine Flemming, Bank of America.
Research on Asian business practices is also readily accessible, such as that undertaken by Engholm (1991), Richards (1991), and Mills (1994). So are studies by Hofstede (1982), Draine & Hall (1986), Soemardjan (c.1989), and Mann (1994) which focus on the practicalities of doing business in Indonesia.

Research which focuses on Australian businesses entering the Indonesian market is however confined to that provided by researchers such as O'Hare (1996) and Faulkner (1995). Both have included generic analysis of the cultural problems that can inhibit Australian small to medium business in Indonesian trade.

In view of the modest trade between Australian and Indonesia, despite their proximity and political encouragement, it appears that business practices in Indonesia do inhibit the competitiveness of Australian small to medium businesses. This thesis provides a rigorous and specific analysis of whether business practices do inhibit trade between Indonesia and Australia.

1.2 Research problem and research questions

The research problem is to determine whether Indonesian business practices and culture inhibit the competitiveness of Australian Small to Medium Enterprise (SME) in Indonesia.

As noted in section 1.1, it is apparent from previous research that cultural problems and a lack of understanding of business practices hinders the process of international business in Indonesia (Hofstede 1982, Draine & Hall 1986, Engholm 1991, Harsono 1996, Wong, et.al. 1998).

There has been no previous comprehensive research specifically related to Australian SMEs and the problems that they encounter in Indonesia. This neglect in research has occurred because the Indonesian market has been the domain of major corporations who have had sufficient finance and experience in South East Asia to enable them to overcome many of the cultural barriers that are met by smaller businesses.

The following research intends to provide a rigorous framework that will assist in overcoming the lack of specific information.

Research questions will examine and analyse the more relevant cultural differences and business practices in Australian/Indonesian trade.

The research process will be used as a qualitative tool to analyse the more relevant cultural differences and business practices that have been identified by organization such as the Department of Foreign Affairs and Trade and the Australian Trade Commission. Some of these differences in cultural and business practices are:
The business expectations of Australian entrepreneurs in Indonesia and the need for strong interpersonal relationships.

The transfer of technology between the two countries and overcoming technological and business practices barriers.

Problems that Australian entrepreneurs meet with when dealing with Indonesian business hierarchies and government bureaucracy.

Problems that the normally time conscious Australian entrepreneur encounters when confronted with an Indonesian's attitude towards time, deadlines and postponements in business transactions.

The Indonesian characteristic of avoiding loss of face, and maintaining group harmonies throughout the negotiation process, versus the Australian entrepreneurs use of confrontation as one means of resolution.

The Indonesia requirement for collective agreement in decision making policy versus the individualistic Australian approach to decision making.

Diversity in business practices throughout the archipelago. For example, a Minangkabau entrepreneur from Medan is more transparent in business negotiations than a Javanese businessperson.

These, and other differences, require analyses because of their effect on the competitiveness of Australian SMEs in Indonesia and the need to identify exactly what barriers inhibit this competitiveness.

1.3 Justification for the research

The justification for the research in the next four chapters is as follows (Perry 1994):

- the importance to the Australian economy of trade with Indonesia;
- the neglect of the research area by previous researchers;
- the inadequate use of methodology by previous researchers; and
- usefulness in potential applications of the researcher’s findings.

These are proven in the following four chapters.

1.3.1 The importance to the Australian economy of trade with Indonesia

Prior to the collapse of key Asian economies in late 1997 Indonesia’s economic growth and diversification was amongst the most successful in the developing world, with an
economic policy leading to a GDP growth rate of 7.8% in 1996, inflation below 6%, and a per capita income that in 1996 moved beyond the US$1000 threshold (McLeod 1997).

Australian businesses took advantage of the constructive bilateral co-operation that developed between the two countries, with exports to Indonesia reaching A$2.8 billion in 1995/96, and Australia accounting for approximately 3.8% of foreign investment in the country (Austrade 1997). This trade is insignificant against Asian competitors in the Indonesian market (see figure 1.1) and Indonesia continues to maintain strong trade alliances with China, Vietnam and the former Soviet Union (Indonesia 1997, Official Handbook).

Figure 1.1 - Major investors in the Indonesian economy

![Bar chart showing major investors in Indonesia.]

Source: Australian Bureau of Statistics

Despite the rhetoric by the Australian government and the Australia Indonesia Business Council, trade between the two countries is considerably less than many of Australia’s other Asian trading partners, such as Japan, Singapore, and Hong Kong. Before the current Indonesian economic crisis, investment flows between the two countries were relatively small with Indonesia being ranked 7th amongst Australia’s principal trading partners, and 8th as a destination for Australian cumulative investments (Austrade 1997).

Although it is not intended that this thesis encompass an analysis of the Indonesian currency crisis, the main causes of the devaluation of the Rupiah merits a brief overview as several of the contributing factors towards the current economic crisis also play a prominent role in the discussion in chapter 5.

According to McLeod the cause of the financial crisis was a sudden loss of confidence by foreign investors in the Rupiah, with the main reasons for devaluation being ‘weak micro
economic policies; excessive investment in property; corruption, cronyism and nepotism; unsustainable macro economic policies; excessive foreign borrowing; poor supervision of the banking system; and the presidential succession issue (1997a : 3).

McLeod (1997a, 1997b), along with other analysts (Walters 1998; Leahy & Greenless 1998), maintains that all the recent concerns over the precarious state of the Indonesian economy 'have been the staple diet of business and financial analysts since long ago, and presumably were already factored into risk evaluations (McLeod 1997a : 3).

Even though there has been an abrupt deterioration in Indonesia's economic direction and momentum, the opportunities for Australian businesses still exist. The Australian Trade Commission's monthly trade data in February 1998 shows a 34% increase in the value of Australian exports to Indonesia over the year to December 1997, a rise of 12% over the same period in December 1996 (http://www.austrade.gov.au/). According to Shultz, manufacturing operations, and the resources and mining sector continue to offer many export opportunities (1998 : 9). With the devaluation of the Rupiah, there are greater avenues for expansion of Australian businesses into Indonesia with the ability to capitalize on the favourable exchange rate and costs of labour. At the same time Indonesia will seek markets that are more competitive, and economically stable.

According to Austrade (http://www.austrade.gov.au/) Indonesia's population of over 200 million people provides a sizeable market with an emerging middle and upper income segment. Its strategic location, large labour force earning relatively low wages, abundant natural resources, financial and trade sector deregulation efforts, and improved political climate has seen strong interest in domestic and foreign investment and fuelled the development of a robust manufacturing economy.

The extent to which Australia will be able to seize these opportunities is uncertain. The state of global telecommunications and the ease of international travel means that Australia's geographical proximity to Indonesia may not provide the competitive advantage that some entrepreneurs believe. Electronic marketing, the internet and improved telecommunications will mean that world wide companies will have the same opportunities to access Indonesian markets as the entrepreneur based in Darwin. The distance between Darwin and Jakarta however must always provide a physical advantage.

1.3.2 Reasons for poor trade with Indonesia

Australia's trade relations with its closest Asian neighbour are not significant (see figure 1.2). This is despite the fact that Indonesia is a country with a current population over 200 million, with a pressing need to find markets that are more competitive and strategically important to the archipelago. There are some valid economic and political reasons why the trade between the two countries is considerably less than many of Australia's other Asian trading partners. According to previous research conducted by Faulkner (1995) and O'Hare (1996) the weaknesses of Australian businesses in Indonesia are as follows:
• Australians appear too eager to do business.

• Australians’ are poorly prepared for business in Indonesia.

• Government agencies are not well coordinated.

• Australia does not appear to be able to establish long-term trading goals that will enable them to remain competitive in Indonesia. For example, a ten-year business plan.

• Australian business is too centred on Jakarta.

• Australians generally lack Indonesian language skills.

This last category is the focal point of this research because a greater understanding of Indonesian business practices and culture will provide additional opportunities for Australian enterprises to expand their markets into Indonesia. Research and analysis of common problems that are encountered by Australian businesses can be used to enhance the competitiveness of Australian companies in Indonesia.

Figure 1.2 - Australia’s export markets 1995/96

Source: Australian Bureau of Statistics
1.3.3 The neglect of the research area by previous researchers

There is an abundance of quantitative data accessible from organization such as the Department of Foreign Affairs’ East Asia Analytical Unit, the Australia Indonesia Business Council, and the Australian Bureau of Statistics. In Indonesia data is available from the Australian Trade Commission (Austrade) in Jakarta, Kamar Dagang dan Industri Indonesia (KADIN - Chamber of Commerce and Industry), and the Badan Koordinasi Penanaman Modal (BKPM - Investment Coordinating Board).

Research is available on cross cultural communications and the effects of culture on organization and management. Research by Furnham & Bochner (1986), Hofstede (1991), Trompenaars (1993), Ferraro (1994), and others advocate that cross cultural communications, and the effect of culture on organization and management, does inhibit the processes of business.

There are also several practical guides to conducting business in Indonesia written by researchers such as Engholm (1991), Richards (1991), and Stace (1997). Contained within this category is the research by Soemardjan (c.1989), which provides a rich description of the practicalities of business in the country, but from an Indonesian perspective. Hofstede’s (1982) research is also useful, but is based on the experiences of Dutch expatriates working with IBM, and has similar overtones to research undertaken on the four cultural dimensions of management.

The research by Mann (1994), Faulkner (1995) and Draine and Hall (1996) is worthy of mention because of the practical guide that it provides to living and conducting business in Indonesia.

Much of this research is generic in nature and does not rigorously address the cultural problems that Australian SMEs encounter in Indonesia. Mann’s (1994) analysis provides a comprehensive summary, but the research is from an Indonesian and Canadian perspective.

The literature review in chapter 2 reveals that, despite the previous research, there has been little ‘in depth’ and focused appraisal of the discipline of Indonesian culture and business practices and the specific effect these have on the competitiveness of small to medium Australian businesses in Indonesia.

1.3.4 Inadequate use of methodology by previous researchers

There is considerable quantitative data available on trade between Indonesia and Australia, combined with numerous treatise on communications and a substantial body of extant literature on Asian business practices.

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There are however, only a handful of publications that focus on Indonesian business practices and culture. Although Mann’s (1994) contribution does have the hallmarks of a qualitative ‘case study’ method of inquiry, there is no distinctive affiliation with a research process. Faulkner (1995), Draine and Hall (1996), or O’Hare (1996) do not attribute their findings to a rigorous research procedure, but rather make their contribution based on a participatory analysis of their experiences in Indonesia.

The only two notable exceptions to the above are Soemardjan (c.1989), whose academic background infers that his research is rigorous in nature, although this is not transparent in Business and Culture. The second is Hofstede’s (1982) research into the cultural pitfalls for Dutch expatriates in Indonesia. As discussed in section 2.2.2 Hofstede’s quantitative analysis has several limitations particularly concerning the depth of his analysis and the broad generalizations that are made concerning the values of whole nations and regions.

The dearth of specific application is addressed in this research process to add a qualitative analysis of Indonesian culture and business practices and their relation to small to medium Australian business enterprises in Indonesia.

1.3.5 Usefulness in potential applications of the researcher’s findings

The research findings have practical applications. Despite the current economical crisis in Indonesia, as there is still scope for Australian business to expand into the country in sectors such as agricultural, training, and mining (http://www.austrade.gov.au/) and research into common cultural problems that Australian businesses confront may assist in increasing their market share.

The research has been used to analyse some of the questions posed by cultural differences encapsulated in questions such as:

- What roles do decision making and group consensus play in the process of business in Indonesia?

- In what way is disagreement in Indonesia expressed?

- To what extent do Indonesians seek long-term trade with Australian businesses?

- Why is it important to have the appropriate relationships in Indonesia for a business to succeed?

- How should Australian businesses deal with the Indonesian’s relatively relaxed attitude towards punctuality for appointments?

- Have globalisation and telecommunication removed any of the cultural barriers that inhibit the competitiveness of Australian SMEs in Indonesia?
Section 2.6, briefly summarizes the analytical processes, which have been employed to filter the extant research literature and identify those questions that have not been rigorously addressed by previous researchers. In addressing these questions the research will provide an academic contribution and a practical input into the policies of organization such as Austrade, various State Chambers of Commerce, and SMEs seeking access into the Indonesian market.

1.4 Methodology

This section is an introductory summary of the methodology. Chapter 3 provides further justification of a qualitative paradigm and case study method of inquiry.

Initially a comparison of positivism and critical relativism was undertaken and the results indicate that critical relativism is the more appropriate paradigm for this particular research problem.

In this research project Husserl’s theories on phenomenology combined with 13 case studies, consisting of 29 in-depth interviews, and a focus group were employed as the primary means of eliciting a ‘rich’ and meaningful interpretation of the data. The use of the ethnographic software packages QSR NUD*IST\(^4\) is also justified, as is the reliability and constructual, internal, and external validity of the research process. Chapter 3 includes a discussion of the ethical problems confronting the research process.

Despite the volumes of ‘theoretical justification’ there is perhaps, no ‘right’ approach to research, as each paradigm, method of inquiry and means of data collection and analyses have their own particular attributes and disadvantages, all of which contribute equally to the process of research. According to Perry (1994) there is a requirement to establish a framework that not only displays a rigorous and thorough research design, but also is able to extract rich and meaningful data.

The methodology outlined in this section not only provides a sound methodological structure, but is also an appropriate tool for determining the cultural problems that inhibit the competitiveness of Australian small to medium size entrepreneurs in Indonesia.

1.5 Outline of the thesis

This thesis follows five basic steps that Perry (1994) advocates:

- Chapter 1 introduces the core of the research problem, and outlines the process that leads towards the conclusion. As noted in figure 1.3 this chapter outlines the

\(^4\) QSR NUD*IST stands for Non-numerical Unstructured Data Indexing Searching and Theorising. It is a computer package designed to aid users in handling non-numerical and unstructured data, by supporting processes of coding data in an index system, searching text or searching patterns of coding and theorising about the data. Source: QSR NUD*IST User Guide, Qualitative Solutions and Research Pty Ltd, La Trobe University, Melbourne.
background to the research, the research problem, methodology, justifications, definitions and limitations. There are also four criteria that justify the research with the methodology being case studies and a focus group.

- Chapter 2 links the research problem with the existing body of knowledge, and identifies research questions that previous research has not adequately addressed.

- Chapter 3 deals with the methods used during the research process to collect data that assist in answering the questions identified in the previous chapter.

- Chapter 4 discusses the process of data collection and analysis.

- Chapter 5 discusses the findings, and the implications of those findings.

Figure 1.3 - The model of the research cycle

1.6 Definitions

According to Perry 'definitions adopted by researchers often lack uniformity (1996 : 15)'. To avoid such an observation the key definitions used throughout this research process are defined, together with their authoritative sources.

*Culture:* ‘Every human being is programmed. It is a programming which enables us to observe the world around us, to understand it, and which makes the world appear logical to us. It is a programming that is instilled at a very early age (Hofstede 1980, 1982, 1991).’

*Small to Medium Enterprises (SMEs):* ‘A business in which one or two persons are required to make all the critical management decisions - finance, accounting,
personnel, purchasing, processing or servicing, marketing, selling - without the aid of internal specialists, and with the specific knowledge in one or two functional areas (Bailey & Royston 1981).

A variety of definitions of SMEs have been advanced in recent years, and have been qualified by a size component. The following qualification serves as a functional addition to the above definition, and should not supplant it:

'A small business is one which employs up to 20 people in non manufacturing industries, and 100 people in manufacturing industries (House of Representatives Standing Committee on Industry, Science and Technology 1990).

1.7 Limitations of scope and key assumptions

The research is based upon a case study methodology as the primary data collection method. This may inherently affect the generalization of the findings, as the sample size is relatively small and may not represent the entire population.

As outlined in section 3.4, the original boundaries for the selection of case studies were confined to small to medium Australian enterprises that are currently involved in international trade between Australia and Indonesia. Financial constraints and practicalities of conducting the research in two geographic locations limited access to these companies.

A preferred criterion was that case study companies should have more than five but no more than ten years experience in Indonesia. A minimum of five years was considered necessary for a business to begin to really understand the business practices and culture of Indonesia. At the other end of the scale it was considered that after ten years the company or organization would be well established, and that the collective memory of the problems initially met in Indonesia would have been diminished by time.

This time line proved to be unworkable as it greatly restricted the North Queensland company selection base, and also tended to diminish the problems that SMEs encounter in Indonesia in the formative years of the company’s involvement in the country.

A key assumption throughout the research process was that the term ‘culture’ as defined in section 1.6 includes not only behaviour norms of Indonesian society based on attitudes, beliefs and values, but also encompass generally accepted Indonesian business practices which have been highlighted in the hierarchy of cultural problems in table 2.2.

1.8 Conclusion

The main purpose of this research is to place into perspective the cultural sensitivities and barriers which Australian businesses must overcome. The major findings are highlighted in chapter 5 and confirm that:
There are cultural barriers and business practices in Indonesia that inhibit the competitiveness of Australian SMEs.

The research also highlights that:

*Market research and time spent by Australian entrepreneurs in learning the fundamentals of international business is equally important in understanding business practices and culture.*

The purpose of chapter 1 is to identify the research problem and acknowledge that there are considerable theoretical and practical gaps in previous research into the business and cultural hurdles that inhibit the competitiveness of Australian entrepreneurs in Indonesia. The chapter justifies the paradigm and method of inquiry that are employed to collect sufficiently 'rich' data. Data, which in turn adequately address the questions, identified in the review of the extant literature, and is used to establish the major findings.

Chapter 1 is the introduction to the thesis as it identifies a course of action and framework that leads to the major findings in chapter 5. These findings are significant to Australian SMEs because the Indonesian economy will recover from the current economic malaise, and Australian business must take the opportunity to further understand and adapt to the business practices and cultural expectations of what is potentially, a large and influential trading partner.
Literature Review

2.1 Introduction

2.1.1 The purpose of chapter 2 was to review the existing literature and identify research questions that had not previously been addressed. Reviewing the theoretical and methodological dimensions of the relevant literature on cross-cultural communications, Asian and Indonesian business practices and Indonesian culture achieved this. Figure 2.1 illustrates the logic of the review and the relationship with the research problem, immediate discipline, and research propositions.

Initially the parent discipline of cross-cultural communication is reviewed (section 2.2), which in turn identifies the more immediate discipline of Asian business practices and culture (section 2.3). The discussion concerning the immediate discipline produces a focused review of Indonesian business practices and culture (section 2.4). The outcome of the review is an identification of research problems not addressed by previous research (section 2.5).

Figure 2.1 - Relationship between the research problem and research propositions

This literature review is to ensure that the methodology undertaken in chapter 3 is not a repetition of previous research. The chapter also examines previous literature related to the cultural problems that inhibit the competitiveness of Australian SMEs in Indonesia (justified in section 1.2 and 1.3), and from this review research propositions are developed.

Throughout this chapter there has been a concerted effort to balance the need to focus on the immediate problem of identifying those cultural hurdles that inhibit the competitiveness of Australian SMEs in Indonesia, and the need to demonstrate familiarity with the background literature (Perry 1994). The chapter outline is shown at figure 2.2.

To assist in illustrating the logical sequence of this review a ‘mind map’, or model, has been developed showing how the background and focus group ideas are clustered together according to the parent, immediate, and focus disciplines (see figure 2.3). Against a background of Bloom & Krathowl’s (1956) six level educational hierarchy the ‘mind map’ attempts to encapsulate the relationships between the parent discipline of inter-cultural communications, Asian business practices, and the immediate discipline of Indonesian business culture.

In figure 2.3, the research aims are the catalyst for the background and focus studies of the existing literature, leading to the discovery and modelling of unanswered research questions. The model is designed to demonstrate that there is a considerable amount of literature that discusses communications and culture, and that within the body of knowledge there is research that relates to culture and the conduct of business in Indonesia.

The basis of the review of the relevant literature is to provide the theoretical foundation for the formulation of classification and analytical models. These models will assist in highlighting research questions that have not been addressed by the wider studies of culture by researchers such as Hofstede (1980) and Trompenaars (1993). The findings of this literature research have been the primary means of identifying research questions that have yet to be rigorously addressed.

From these questions there emerges a methodology which analyses the data that is described in chapter 4, the results of which can be employed to address the reasons why Australian SMEs are not as competitive as other foreign companies in Indonesia.
Figure 2.3  Mind map – relationship between disciplines

RESEARCH QUESTIONS

COMMUNICATIONS  JOINT VENTURES  CORRUPTION

INTER CULTURAL COMMUNICATIONS  INDONESIAN BUSINESS CULTURE  ASIAN BUSINESS PRACTICES AND CULTURE

TIME HORIZONS  LONG TERM ACHIEVEMENTS  MEANING OF YES

THEORETICAL BACKGROUND

RESEARCH AIMS

BACKGROUND RESEARCH  FOCUS STUDY

RELEVANT LITERATURE

LINKS
2.1.2 **Background to Indonesia business practices and culture**

Due to the abundance of wider literature on culture compared to the very limited series of publications on Indonesian business culture, the intention of the literature review is to place a greater emphasis on the immediate discipline. One of the problems encountered during the review is that there is very little published specifically on Indonesian business culture since Indonesian’s independence in 1945. Even less was written during the Dutch colonial period.

One of the main reasons that the immediate discipline lacks continuity is that the research has been influenced by three distinct periods:

- The ‘Colonial Period’ before the cessation of hostilities between Indonesia and the Dutch in 1949.

- The ‘Sukarno Period’ from 1949 to 1967. In this period there is little relevant literature as globalisation and the involvement of Australian businesses in the country was restricted to providing contractors to assist with the oil industry, and establishing the infrastructure.

- The ‘New Order Period’. The era where economic rationalism was provided by a group of western trained economists, called the ‘Technocrats’. There was a shift away from reliance on the oil industry towards obtaining a competitive advantage by encouraging growth in industries such as manufacturing, food processing, building, and construction industries. This period also includes the recent replacement of B.J. Habibie by Wahid, and the collapse of the Indonesian economy.

2.1.2.1 **The Colonial period.** This period covers the cessation of hostilities between Indonesia and the Dutch in 1949 and is relevant to the specific research problem. It essentially covers the period of the Dutch colonization of the Dutch East Indies; the occupation by the Japanese during the period 1942 to 1945 under the guise of the ‘Great East Asian Co-prosperity’ program; and the struggle for independence between the Republic of Indonesia and the Dutch, which ceased under the auspices of the United Nations on 7 May 1949. Even though there appears to be little relevance between this period and the problems that may be met by Australian SMEs in a modern ‘global market’, it should be noted that the Dutch influence has shaped many of Indonesia’s attitudes towards business practices.

During the Colonial period the Dutch and other foreign companies were involved in business in Indonesia, particularly in the islands of Java and Sumatra. Despite this involvement Indonesians were not provided with the opportunity to become involved in management of business organization. According to Soemardjan ‘...they [the Dutch] assumed the attitude of a superior race over the population and, supported by the colonial administration, they maintained their Western way of business so as to obtain the maximum profits for the shareholders in the Netherlands (c.1989 : 1)’. Like many
colonial administrations of the era a dual economy developed where Indonesians continued to conduct business in their way, whilst the Dutch continued to develop a capitalistic economy. This exploitation of Indonesia’s natural and human resources has been important in shaping current attitudes towards foreign investment. For example, the Indonesian government’s insistence on joint venture partnerships has been one attempt to overcome the Dutch legacy of a dual economy. For this reason the period before 1949 is considered to be within the boundaries of the research problem.

2.1.2.2 The Sukarno period. This period covers from 1945 to 1967 when the involvement of Australian businesses in the country was restricted to providing aid and contractors to assist with the oil industry and in establishing the infrastructure. This period is also important to the background study of the research problem as there is an emergence of publications by Indonesian academics and businesspersons on cultural problems such as bureaucracy and inadequate business structures that inhibit the competitiveness of foreign investors in Indonesia. This period provides an introduction to later literature, and at the same time establishes a link between earlier research and the problems that are currently encountered in Indonesia.

2.1.2.3 The New Order period. The third period has been controlled by Suharto’s economic Repelita* program and until the recent economic decline of the Asian markets, was the reason for Indonesia’s classification as an ‘Emerging Asian Tiger’. It is this period that has the greatest relevance to the research question, and the one that has been determined as the focus of the literature review. During this initial period of rapid economic expansion there has been a greater involvement of small to medium businesses in Indonesia, although the current economic crisis and political unrest throughout the archipelago have dampened investor confidence.

In the earliest days of Indonesia’s bid for Independence, Australia strongly supported Indonesia and mediated for the end of the conflict with the Dutch. According to Faulkner ‘This particular period of friendship, lasting several years, while Indonesia gained entry into the UN, continues to this day to be a point of reference in government-to-government speeches and is a source of great friendship and acceptance; more so than for many other nations seeking business opportunities with Indonesia (1995 : 4)’.

During this period the Indonesian economy underwent major changes which until recently enticed Australian SMEs into the market place. There were several rounds of deregulation under the five-year Repelita programs, which opened up the Indonesian economy to Australian enterprises to a greater extent than before. Like many other South East Asian countries, Indonesian began to enjoy high rates of economic growth, combined with a middle class cosmopolitan taste in consumer goods (http://www.austrade.gov.au/).

* The government of Indonesia operates an annual budget cycle, which is regulated on a five year plans basis through Repelita. The New Order Government introduced the system of five-year planning cycles in 1968. Australian International Development Assistance Bureau Country Programs Division., 1991, *Introduction to Government Administration, Planning and Budgeting in Indonesia*, AGPS, Canberra. p 59.
As rapid economic growth continued into the mid 1990s there was a considerable increase in trade and investment contracts between Australia and Indonesia. There was also a marked increase in development of relations between state and city governments, where private enterprise became involved. Sister state / province agreements still remain current including a series of Memorandum of Understanding on trade and investment between New South Wales and Yogyakarta; the Northern Territory and eastern Indonesia; Queensland and Central Java; and Victoria with Jakarta.

Whilst under the ‘guided democracy’ policies of Suharto’s New Order, (and the government of B.J. Habibie), most of the economic benefits of the five year development programs (Repelita) have been redirected towards development in the Jakarta region. The focal point for both politics and business in Indonesia. Java also has the largest population density\(^\dagger\) in the archipelago, and the wages are cheaper than in areas such as Sumatra (which has a relative labour shortage).

There have been recent moves by the Australian and Indonesian governments at moving projects away from the central Java region, such as the Australian Indonesia Development Area (AIDA). This is a special economic zone between Australia and Indonesia covering all of Indonesia, except Java and Sumatra. However, in many parts of Indonesia the opportunities for Australian SMEs are limited, and central Java still tends to attract the majority of Australian entrepreneurs (McLeod 1997).

In tandem with this increase in trade and prosperity there was a proportional increase in literature concerning Australia’s involvement in the Indonesian economy, with recent publications dealing with the problems that western businesses have in understanding business practices and culture in Indonesia. One of the problems that the review identifies is that much of the literature that deals specifically with Indonesia is still generic in nature, and in many cases relate to the problems that have been encountered by major international corporations, rather than Australian SMEs. The purpose of the following analysis is to identify the literature that is common to both Australia and other western enterprises, and determine those specific questions that have not previously been addressed.

### 2.1.3 Boundaries of existing literature

The following Venn diagram (figure 2.4) illustrates the boundaries of the parent and immediate disciplines and how they merge, the circles encompassing the boundaries of the existing body of knowledge.

Firstly, there is the literature that discusses cross-cultural communications and culture within organization and provides a wide-angle lens overview of the parent discipline.

\(^{\dagger}\) Population density in Jakarta is 13,242 persons per sq km, in comparison to Yogyakarta with 916 persons per sq km and Dili the capital of East Timor with a density of 55 persons per sq km. Source: Indonesia 1997, An Official Handbook pp. 247 - 257.
Secondly, there is the middle level discipline that discusses business practices and customs in Asia. Lastly, the focus is on the narrow lens that specifically refers to the cultural problems that Australian SMEs encounter in Indonesia (see section 2.1.1). As Peshkin maintains ‘Each type of lens requires of the researcher the intention to perceive in a certain way, often in ways that we have not used before (c.1996 : 10)’.

Figure 2.4 - Venn diagram outlining boundaries of extant knowledge

As a rule, throughout this review, any literature that has been incorporated in the immediate discipline has been carefully scrutinised, whilst studies that relate to the parent discipline are less relevant and have only been accorded a short description. This later category is too numerous to examine in detail and includes a great deal of content that does not pertain to the focus study. It should also be noted that the scope of the model highlights strong links within the relevant literature, and within this considerable body of knowledge there is a focus study that specifically relates to culture and the conduct of business in Indonesia. It is this last discipline of Indonesian business practices and culture that is critically examined during the review.

In summary, the review takes the form of travelling down a funnel of written research knowledge where the beginning is broad and generic in nature, warranting only a brief overview. As the analysis progresses so does the funnel reduce in size so that ultimately there are only a few researchers who are worthy of scrutiny. From this analysis previously unanswered questions concerning the competitiveness of Australian SMEs in Indonesia are identified.

2.2 Parent Discipline - Cross-cultural Communication Studies.

As illustrated by figure 2.2 this section covers cross-cultural communications, and international business and management techniques. It provides an analysis of Hofstede’s (1980, 1982) cross-cultural dimensions, and a ‘wide angle lens’ overview of previous research on cross-cultural communications and the impact of culture and business practices on international business. It is important to the logic of the chapter as it
provides a generic summary that forms the basis for further analysis of the immediate discipline.

2.2.1 Hofstede - Culture's Consequences. In 1980 Hofstede's published his research on cultural relativity that provided a framework for future studies into management and business cultures. In Culture's Consequences (1980) data was obtained from 40 countries and collected from employees of subsidiaries of the IBM organization. Selection of respondents was based on their performance of similar tasks, education levels, formal organization structures, and country of origin. From the original research, Hofstede was able to determine that there are four main dimensions to culture:

- Power-distance as a characteristic of culture, where less powerful persons in society accept inequality in power and consider it normal. Inequality exists within any culture, but the degree that it is accepted varies between one culture and another.

- Masculine cultures where society values assertive achievement and behaviour in preference to modesty and caring relationships. Men are expected to be assertive, ambitious, and strive for material success, whereas women are expected to care for the quality of life, nurture children and the weak. On the other hand feminine cultures have relatively overlapping roles for both sexes, where men may put the quality of life over material success.

- Individualism where individual gains are given preference over group achievements. This dimension assumes that a person will look after their own interests and the interests of their immediate family. On the other side of the spectrum there occurs a 'collectivist' culture where a person through birth or circumstance belongs to one or more cohesive collectives from which they cannot detach themselves. These 'collectivist' organization protect the interests of their members, but in exchange expect permanent loyalty.

- Uncertainty avoidance where society will not accept risk or ambiguity. Within this dimension people within a society are either risk seekers or made nervous by situations that are considered to be unstructured, or unpredictable. To avoid such situations society will adopt strict codes of behaviour and a firm belief in absolute truths.

A fifth element based on the teachings of Confucius was identified by Bond (Hofstede & Bond 1988) and classified as the 'Confucian dynamism' dimension. It refers to a long-term versus short-term orientation in life. It deals with values, which the Western mind is able to clearly recognize, but was not included in the original questionnaires that formed the basis for the four dimensions in Cultures Consequences (1980).

Hofstede's (1980) work is important to the research problem as it supports the theory that different societies maintain different core beliefs, and that members of different cultural groups will respond to different types of motivation and environmental factors.
However, some of the results of the research can be challenged and the conceptual soundness of Hofstede’s theory and research questioned (Richards 1991).

An observation on Hofstede’s results is that the generalizations made regarding the values of whole nations and regions are very broad. This means that the use of cultural dimensions may be inappropriate when dealing with multi cultural societies. This is because multicultural countries such as Indonesia and Australia have such large variations in their national identities that a broad index loses meaning. Hofstede also agrees that in countries such as Indonesia, which is one of the most heterogeneous in the world, it is difficult to identify one ‘culture’.

The majority of Australian SMEs that are involved in Indonesia deal with Javanese businesses, however Hofstede’s research does not however take into account that Indonesia is an archipelago of 17,508 islands. The population of the country is now over 200 million people many with different ethnic origins, languages, and religions. Hofstede fails to acknowledge this diversity because his analysis is based on the culture of the Javanese people. The research has also been broadly criticised as a result of the large generalizations made regarding the values of whole nations and regions. For example, O’Sullivan points out that ‘As with any bottom line total, these scores do in some cases disguise considerable internal diversity (1994 : 47)’.

There were 40 countries analysed in Culture’s Consequences (1980) including several South East Asia countries, but the outcomes of the research did not include Indonesia. The reason for this exclusion was that the data available from IBM was obtained from organization in 67 countries. Any country that had less than 50 respondents to Hofstede’s survey was eliminated, with Indonesia amongst the countries excluded. Despite this initial rejection the data that was obtained for Cultures Consequences (1980) was resurrected for further research into the cultural pitfalls for Dutch expatriates in Indonesia, on the basis that the data was ‘still sufficient for reasonably reliable statistical results (Hofstede 1982 : 10)’.

The analysis of Indonesia was based upon responses from 29 employees in 1967, and 37 employees in 1972, the respondents also including a number of Malaysian and Korean employees. There is no clear indication of the proportion of the group who originated from Malaysia and Korea, and the database for Hofstede’s analysis is therefore unreliable.

Another issue is the impact of Hofstede’s labels. Four dimensions are used by Hofstede to describe the culture of nations, with the objective of these dimensions being to produce a ‘world wide atlas of work and value systems’. Managers of multinational businesses were to be the most likely users of this atlas. To some of these managers the labels may be useful for establishing a general framework for appreciating cultural differences. To other managers the labels could perpetuate ethnocentric ideas and negative value judgements, as they are value laden. This is possible as Hofstede’s research has no explanatory power, just labels and ratings and some observed relationship between ratings and dimensions.
The value profile for Indonesia fits within Hofstede’s East Asian cluster, characterized by medium masculinity, low to medium uncertainty avoidance, high power distance and low individualism (Richards 1991). Labelling countries or broad regions such as the Indonesian archipelago is erroneous. Some will invariably see this as an endorsement of patronising ideals and retard the goal of cultural sensitivity and appreciation. This situation highlights the need to modify the labels so that they do not infer national tendencies of weaknesses or strength, subordinance or dominance, selfishness or sharing.

Unlike a geographical atlas a ‘values atlas’ changes across time. Many changes have occurred generally in Indonesia since Hofstede’s original study was published in 1980. For example, considerable changes have occurred to governmental policies; many Indonesian businesses have become globalised; technology has had a marked impact on Indonesian society; and there has been a considerable increase in well-educated and internationally aware middle class Indonesians. In 1967, when Hofstede’s original surveys were conducted, Suharto’s ‘New Order’ regime was still struggling to come to terms with the aftermath of the communist coup, and large sections of Indonesia, including many parts of Java were relatively isolated.

During the original study data was collected over intervals of time, and Hofstede found that some results changed within countries. He disregarded this data, as his objective was to determine consistent work values of nations. Twenty-nine years later the changes in Indonesia’s infrastructure and economic circumstances have meant that that the accuracy of Hofstede’s original results have been affected by the changes in national values and cultures.

Singh also states that Hofstede’s research lacks conceptual validity and that the magnitude of differences between countries can be labelled inaccurate, subject to change and difficult to use (1990 : 75). For example, in the analysis of Indonesia Hofstede’s database consisted of only 27 Indonesian, Malaysian, and Korean respondents. This is not considered to provide ‘reliable statistical results’ that lead to an accurate cultural guide of a country consisting of over 200 million people who are spread over 17,508 islands. Dwiatmadjia also argues that the respondents in Hofstede’s study were all employed by one multi national enterprise (IBM). The scores may be influenced by company related factors such as ‘industry, corporate culture and the size of the organization (unpub : 5)’.

As a general guide, Hofstede’s dimensions have provided a generic framework from which an assessment of the impact of culture differences on business can be undertaken. On the other hand this type of index requires, by its very nature, more meaningful and appropriate explanations of differences between countries and some form of guidelines for use by managers who are not trained in cross-cultural studies.

2.2.2 Hofstede - Cultural pitfalls for Dutch expatriates in Indonesia. Hofstede’s research paper for Twijnstra Gudde International on ‘Cultural pitfalls for Dutch expatriates in Indonesia’ (1982) is an analysis of the ‘Indonesian’ culture based on a
Javanese model. As explained in section 2.2.1 an analysis of one particular culture may not be indicative of an entire country. In this case the analysis provided by Hofstede is skewed towards the Javanese way of business, rather than a reflection of the internal diversity of cultures and values that may be met by an Australian entrepreneur in Indonesia.

Despite these concerns Hofstede’s acknowledgment of the gross differences between cultures has been the basis for cultural research over the last three decades, and the relevance of the research to the current problem is important for several reasons. Firstly, Hofstede’s research into cultural relativity does provide a reference with which later studies of cultural dimensions can be compared. The second reason is that Hofstede’s research into the ‘Cultural pitfalls for Dutch expatriates in Indonesia’ can be used as a comparison against the data concerning the problems that are experienced by Australian SMEs in Indonesia. For example, the scores and rank structures between Indonesia and Australia are listed below at table 2.1. They provide a comparative overview of Hofstede’s four cultural dimensions.

Table 2.1 - Score and rank numbers of Indonesia and Australia on Hofstede’s four cultural dimensions

<table>
<thead>
<tr>
<th></th>
<th>Individualism</th>
<th>Power Distance</th>
<th>Uncertainty Avoidance</th>
<th>Masculinity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Score Rank</td>
<td>Score Rank</td>
<td>Score Rank</td>
<td>Score Rank</td>
</tr>
<tr>
<td>Indonesia</td>
<td>14 6-7</td>
<td>78 43-44</td>
<td>48 12-13</td>
<td>46 22</td>
</tr>
<tr>
<td>Australia</td>
<td>90 49</td>
<td>36 13</td>
<td>51 17</td>
<td>61 35</td>
</tr>
</tbody>
</table>

Scores: 0 = low, 100 = high; Rank numbers: 1 = lowest, 50 highest.

Table 2.1 shows that Indonesia has a low score (14, rank 6-7) on the dimensions of individualism, and therefore has a strong collectivist culture. Australia is on the other end of the scale and has a particularly strong individualist culture where there is greater emphasis placed on the value of the individual rather than that of the group. Indonesia also scores high on the power distance scale (78, rank 43-44) where it is perceived that the nation will accept unequal distribution of power in society, whereas Australia has a far greater egalitarian culture. With uncertainty avoidance both countries have an aversion to ambiguity and risk (48 versus 51). In the masculinity dimension Indonesia scores just slightly on the feminine side, with Australia tending towards the masculine side (46 versus 61).

Hofstede’s research indicates that ‘Australian’ culture does have similarities (uncertainty avoidance and masculinity) and differences (power distance and individualism) with Indonesian culture. The question that now must be asked is ‘how this research compares
and contrasts with the positions developed by other researchers, and how this has contributed to the current body of knowledge?

Hofstede acknowledges that there is such a thing as an Indonesian culture pattern which ‘differs from his/her own, and which he/she should take into account when dealing with Indonesian organization (1982 : 13)’. Although seemingly unrelated to the research conducted in Culture’s Consequences that is the basis for the research in Indonesia, Hofstede provides an informative insight into the cultural barriers that inhibit the competitiveness, and effectiveness of Dutch expatriates in Indonesia. Topics covered in the research paper include relationships, the affect of corruption on bureaucracy and the Indonesian business community, the need for strong harmony and for the preservation of face, community spirit, the role of the family hierarchy in business, community status, the meaning of time, globalisation, long-term involvement, and the role of women in Indonesia.

The analysis of these cultural traits in the business environment is informative and is further supported by a second section of the ‘Cultural pitfalls for Dutch expatriates in Indonesia’ that is titled ‘Consequences for the transferability of Dutch (and other foreign) management methods in Indonesia’. The section highlights a number of constraints to the transferability of management methods in Indonesia, which are just as relevant to Australian SMEs as they are to the Dutch. Limitations that are discussed range from the dismissal of employees, to avoiding direct confrontation and the need for formal politeness and restraint of emotions.

Hofstede’s research in Culture’s Consequences (1980) and later publications is perhaps the most definitive research on the dimensions of culture and how they affect managers and international business. However, there are several limitations concerning Hofstede’s research, particularly concerning the depth of analysis and the broad generalisations that are made concerning the values of whole nations and regions.

2.2.3 Richards - Culture and Management Development in South East Asia.
Richards (1991) has used Hofstede’s examination of international differences in work related values applying the four main dimensions to two organization in Brunei to determine the applicability of management ideas across cultures. Richards’ research was primarily concerned with organization development within the two companies, focusing on effectiveness, climate, and culture. The reason for this research being incorporated within the boundaries of the research problem, is that Richards’ data analysis is relevant to both Indonesia and Brunei as their value profiles fit within Hofstede’s East Asian cluster:

- low individualism;
- high power distance;
- strong uncertainty avoidance; and
medium masculinity.

The studies by Richards are theoretical rather than empirical in nature. Richards’ methodology obtained data from qualitative evidence gained from discussion groups with members of staff at varying hierarchical levels in the Brunei government. In the case of the first organization, the research was conducted over a four-year period involving 11 senior managers and 30 middle level managers. The second organization involving a four-month period based around a developmental program for 20 middle level managers and supervisors.

From the data collected Richards describes the characteristics of the organization values and culture in Brunei using Hofstede’s four main dimensions. For example, the ‘managerial’ effectiveness of organization in Brunei was considered ineffectual because of the collectivist culture of both organization. ‘Factors such as kinship and ethnicity having a major bearing on a wide variety of organization decisions and behaviour and that less or no account will be taken of formal qualifications or expertise of the individual’s ability to perform effectively (1991: 362).’

The analysis of the impact of management change on organization in Brunei is also applicable to Indonesia. Richards makes it clear that entrepreneurs attempting to enter South East Asian markets should be aware that technological and educational advancement do not necessarily mean that cultural change has also occurred. This observation is important in later chapters where the modernization of Indonesia’s economy is discussed in relation to the barriers to business competitiveness that may be encountered by Australian SMEs.

The perceived limitation to Richards’ research is that the shortcomings on Hofstede’s research discussed earlier (section 2.2.1) are also applicable to the analysis of Brunei. Richards also acknowledges that Hofstede has not specifically studied Brunei, although he has used the research by Blunt (1988) on the processes of public administration to extend the research database. There is also the argument that the analysis was based on theoretical research conducted on two Brunei government organization. This is not a true reflection of a country that is as culturally diverse as its nearest neighbour, Indonesia.

2.2.4 Neuijen - Diagnosing Organization Cultures. Neuijen (1992) is a protégé of Hofstede, who in partnership with his mentor developed an instrument for measuring the cultures of organization. Undertaken in three stages the research involved 20 Dutch and Danish firms. The method of inquiry consisting of an anthropological stage involving in depth interviews; a sociological stage consisting of a written questionnaire; and a final stage consisting of comments of the research results obtained from the management of each of the organization involved. From the case descriptions Neuijen established a pattern of internalisation where values and norms that apply within the organization are internalised. A second pattern of conformation was established where members of the organization adhere to underlying norms and values without committing themselves. From the analysis of the qualitative data six dimensions were also defined which have become instruments for measuring the cultures of organization.
The first dimension that the quantitative analysis reveals is a pattern of process orientation versus results orientation results within organization. In a process-orientated organization people are conformists who work in accordance with detailed instructions, and all days are the same. Employees do not make more of an effort than is necessary. According to Hofstede's dimensions this scenario is similar to the work ethos found in many Indonesian organization. This is in contrast to the majority of Australian small businesses who are results orientated because innovation and maximum effort are required to generate profit.

Neuijen's research has been included in this literature review because it is a particularly lucid example of ethnographic research. It focuses on culture and emphasizes the use of a 'culture lens' with which a researcher needs to determine the true meaning of culture. The lens is interchangeable. When used effectively the researcher is able to avoid blind spots in understanding, and is able to appreciate the insights of those that view culture through other paradigms (Neuijen 1992: 84).

Neuijen's research also provides several insights into definitions of culture that have been used in section 1.6, and provide a useful comparison to other research definitions. The limitation of the Neuijen's research is that the instruments for the measuring the cultures of organization are based on a northern European framework, and may not have as much relevance in a South East Asian scenario. On the other hand Neuijen's six dimensions do provide a very generic framework for measuring culture that will provide a useful comparison in later chapters.

2.2.5 Ferraro - The Cultural Dimension of International Business. Ferraro's (1994) anthropological insight into culture and international business makes a contribution to the existing body of knowledge in that the research establishes an anthropological framework. The framework providing a contrast for the analysis of the immediate focus group data.

Ferraro (1994) examines 'The Temporal Dimension' and how particular cultures deal with time. This analysis compares the northern American attitude of 'time is money' to other societies where rigid schedules and punctuality are considered to be dehumanising. This conceptual analysis of time; individualism versus collectivism; material achievement; informality; and competitiveness is generic in nature. However, the analysis provides a useful framework within which comparisons can be made to other researchers such as Soemardjan (c.1989), Mann (1994), and Faulkner (1995).

Ferraro also maintains that over reliance on cultural generalizations and the stereotyping of particular groups should be avoided because an individual's behaviour may also be conditioned to other variables such as 'education, biology, or experience (1994: 136 - 137)'. This is relevant to the research problem, because the data analysis should avoid any stereotyping of a particular cultural group, as they are also individuals with their own unique set of personality traits and experiences. For example, a Javanese business negotiator who has a Masters of Business Administration from the University of
Queensland may not object to discussing a contract during a preliminary meeting. Many of his Javanese colleagues are renowned for their ponderous reliance on group consensus before a decision is reached. It is important in later chapters to acknowledge that a natural stereotyping of particular groups is unavoidable, although the research must also take into account individual personality traits and experiences.

Ferraro points out it is equally important to avoid being ethnocentric in when comparing cultures, as who is to say that the Australian concept of time management is in any way better than Indonesian’s very flexible attitude towards time lines.

This theme is endorsed by Robock & Simmonds who maintain that cross-cultural analysis should take into account that patterns may be representative of a national group, yet may not be applicable to everyone in that particular group (1989: 413). Robock & Simmonds (1989) also point out that cross-cultural analysis in international business tends to emphasize differences because these differences are likely to create business problems. The researcher must be careful to not assume that there are more differences than exist. For example, an Australian entrepreneur visiting Medan in northern Sumatra may have a preconceived idea that his Minangkabau counterpart has a different attitude towards time and reaching a quick settlement on a contract. Cross-cultural studies suggest that they are alike. What is important to note is that the boundaries for this particular research problem should be clearly defined, yet there should be some flexibility to allow for individual differences, and the wide ethnic diversity within Indonesia.

The only perceived limitation of Ferraro’s (1994) research on how international business is affected by cultural anthropology is that much of the analysis has been undertaken from the perspective of an American anthropologist, with most of the data relating back to a north American scenario. The implication of certain sections of the analysis being irrelevant to South East Asia. Another observation that can be made is that, like Furnham & Bochner (1986) and Lussa (1994), cross-cultural scenarios are provided to identify a source of conflict and suggest how it could have been minimized or avoided. A worthwhile exercise, but if Ferraro’s case, the examples are very generic in nature. For instance, the scenario based in Sidney [sic], Australia, is questionable particularly concerning the Australian trait of condoning excessive drinking in a business environment, and the segregation of women from the negotiation process (Ferraro 1994: 110).

2.2.6 Trompenaars - Riding the Waves of Culture. Using empirical and theoretical research involving 15,000 employees in 50 countries Trompenaars (1993) also analyses the problems that can confront entrepreneurs when doing business across cultures. The research is relevant to the current problem as the analysis of the data is relatively current, and is supported by a database consisting of 14,993 responses comprising of 47 national cultures.

Trompenaars’ (1993) data base and qualitative research, combined with 15 years of academic and field work, has not received the same accolades as Hofstede’s (1980, 1982, 1991) studies into management and business cultures. Trompenaars’ (1993)
methodology appears to have considerably fewer limitations than earlier ground breaking studies by Hofstede’s in *Culture’s Consequences* (1980).

Trompenaars (1993) emphasises throughout his research that there is no ‘one best way of managing’, although he acknowledges that many of the cultural barriers that inhibit competitiveness can be mediated. This observation has been taken into consideration in later chapters, where the analysis highlights the finding that there is no one best way of overcoming cultural barriers between Australian SMEs and their Indonesian counterparts. Like Hofstede (1980), and Ferraro (1994), the research conducted by Trompenaars (1993) is focused on management techniques, with all three discussing variations in cultural attitudes towards time and the environment. Trompenaars (1993) also creates a conceptual framework of dimensions based of four different types of corporate cultures: the Family (e.g. Belgium, Spain, Japan); the Eiffel Tower (e.g. large French and German companies); the Guided Missile (e.g. US, UK); and the Incubator (e.g. start up companies in the Silicon Valley). What emerges from the research is that what international managers need to be able to overcome cultural barriers is skill, sensitivity, and the experience to be able to draw upon all the decentralised capacities of an organization.

This view is also supported by Robock & Simmonds (1989) who state that when businesses are involved in international business they are often ‘faced with a wide range of cultural differences that can significantly affect the achievement of business objectives (1989 : 434)’. A problem that frequently occurs is that many businesses have a natural tendency to observe and evaluate other cultures by comparing them with conditions in their own country. Careful analysis, open mindedness, and flexibility overcome this tendency towards ethnocentrism.

2.2.7 **O’Sullivan – Understanding Ways - Communicating Between Cultures.**

O’Sullivan’s (1994) research into communicating between cultures provides further depth to the wider discipline of understanding culture and the problems that can be encountered when attempting to cross-cultural borders. The research compares a range of studies already included in this review including Hofstede (1982), Bochner (1982), Brislin et. al (1986) combining these studies with the author’s intercultural experiences.

As with much of the other research classified as ‘parent discipline’ a lengthy analysis of O’Sullivan’s (1994) *Understanding Ways - Communicating Between Cultures* is not appropriate. However, there are two areas worthy of mention as they begin to focus on certain themes that are highlighted within the boundaries of the immediate discipline. Firstly, O’Sullivan (1994) states that businesses increasingly testify to the ‘impact of intercultural mis-communication on efficiency, productivity, and effectiveness in education, commerce and international relations (1994 : 5)’. Secondly, the financial benefits from improved communications are considerable. Supporting this theme Furnham & Bochner (1986) state that ‘culture contact’ can have beneficial effects, but exposure to unfamiliar cultures can be stressful, and potentially harmful. Furnham & Bochner’s comment that ‘rather than expanding the mind and providing a satisfying and interesting personal experience culture ‘shock’ can create anxiety, confusion and depression in individuals (1986 : 5)’.
O'Sullivan (1994) also makes it clear that cultural values are not universal. If 'you believe that your (culture’s) preference, your way of deciding what is good, what is right, what is appropriate, what is polite, is the only way or the correct way (1994 : 54)' then your attitudes are ethnocentric. You have failed to acknowledge that there are other ways, which are valid for other people. This theme is discussed further in this chapter, and is also revisited in detail during the discussion in chapter 5.

2.2.8 Varner & Breamer - Intercultural Communication In the Global Workplace. Varner & Breamer (1995) offer an approach to unfamiliar cultures that makes business communications far more effective. Varner & Breamer’s (1995) research warrants inclusion in the parent discipline because they make it clear that intercultural communication is grounded in a body of theory that has not been previously applied to business. They argue that the research makes a new contribution because previously international business studies have concentrated on business functions such as accounting, marketing techniques, shipping, insurance, and management. These studies have tended to ignore the importance of the all encompassing communications task and 'the cultural knowledge necessary to complete them successfully (Varner & Breamer 1995 : xii)'.

The research has three main focuses:

- how to learn about other cultures for business purposes;
- how to apply intercultural communications skills to specific business communications tasks; and
- how intercultural communications impact on the global economy.

Through this process the research probes the reasons for cultural behaviour in business, and identifies the need for cultural understanding in business communications. Such an approach assists in charting the boundaries of the research problem, as Varner & Breamer (1995) make it clear that the way to deal with diversity is not to deny it or ignore it, but to learn about differences so that they do not impair communications. Their research links together international and intercultural communications developments, and provides a summary of theoretical research into business communications.

2.2.9 Bochner - Cultures In Contact. Bochner (1982) provides an insight into what transpires when people with different cultural backgrounds meet each other. His findings support other immediate discipline researchers such as Brislin et.al (1986) and Beamer & Varner (1995). Bochner (1982) brings together many of the main concepts, theories, and empirical findings that were published before 1980, and then employs these findings to discuss:

- social interaction between culturally disparate individuals;
• the function of gestures in cross-cultural communication; and
• the linguistic bridges between culturally disparate groups.

For example, Bochner (1982) uses Geertz (1960) to highlight some of the communication problems that can be encountered in Indonesia where in Javanese society the participants in speech will often ‘use linguistic etiquette to protect their inwards feelings from external disturbances (Geertz 1960 : 241 - 242').

2.2.10 Geertz - Interpretations of Culture. Geertz’s selected essays in Interpretations of Culture (1960) describe an interpretive theory of culture against an Indonesian framework. The research is the earliest contribution to the body of knowledge that is discussed in this review. It is included because Geertz’s (1960) treatise is undertaken at a stage when anthropological research had little impact on the processes of international business. Of note is Geertz’s anthropological interpretation of culture and how this affects Indonesian society, much of which is confirmed by later research into the impact of culture on business. A lengthy dissection of Interpretations of Culture is not warranted in this review, although for a rich and engaging description of Indonesian culture Geertz (1960) is recommended.

Bochner (1982) and Geertz (1960) both emphasize that problems occur when cultures interact. These problems are becoming more pronounced because there is a growing economic interdependence of peoples, combined with a global communications and transport system that is according to Lesser an indication of ‘one world’ in prospect (1985 : 140).

2.2.11 Terpstra - The Cultural Environment of International Business. Terpstra’s (1985) research into the cultural environment of international business is encapsulated in the introduction to his analysis which states ‘International business people tend to brush aside culture as a vague, non quantifiable variable that will take care of itself if proper business analyses have been accomplished (1985 : 1)’. Practical advice on understanding the importance of culture has been provided by researchers such as Stace (1997), Engholm (1991), and Koopman (1994). The value in Terpstra’s (1985) research is in the classification of the four operations of culture, which facilitate social order, which is also combined with a lucid definition of culture. This is followed by an explanation of difference between business culture and corporate culture. These definitions have been particularly useful in section 1.6 and have added depth to the findings and definitions provided by other researchers.

2.3 Asian Business Practices and Culture

This section of the literature review is important to the logic of the chapter as it provides a link between the parent discipline of cross culture communications and management and section 2.4 which analyses the immediate discipline of Indonesian culture and business practices. As illustrated in figure 2.2 a discussion on Asian business begins to
narrow the focus of the literature review to a more manageable analysis of previous research.

2.3.1 Stace - Reaching Out From Down Under. Stace’s (1997) research is included as it provides further support to the premise that Australia’s economic future is dependant on ‘internationalisation’, and that to succeed in the Asia Pacific region then Australian enterprises must come to terms with the culture of their nearest neighbours. Stace’s (1997) two phased research provides an insight into some of the key strategic and management issues faced by organization travelling the international path. Using a qualitative approach Stace has involved five major companies, including Telstra, BHP and Lend Lease, and interviewed up to 35 employees within each organization. From the analysis of the case study data, Stace has provided advice on how a business can sustain their global ambition, and how they can transform that ambition into an international enterprise.

2.3.2 Engholm - When Business East Meets Business West. Engholm’s (1991) guide to business practices and protocol in the Pacific Rim, affirms that each Asian destination requires a huge investment of preparatory time and effort in an attempt to understand Asian business cultures. Engholm (1991) provides a pragmatic overview of the cultural pitfalls that may be encountered when conducting business in the Pacific Rim. The first two parts of the research provide a useful guide to any businessperson contemplating business in Asia. Engholm (1991) also includes his version of the six ‘principles’ to understanding Asian corporate culture:

- The collective comes first.
- For every person, a social rank and station.
- Let there be harmony (at least on the surface).
- No person shall ‘loose face’.
- Relationships first, business later.
- The rules of propriety and ceremony shall prevail.

According to Engholm (1991) these six principles are the basis of most of the Asian social etiquette and business protocol problems that can be met with in Asia. These principles do provide a useful comparison to those hurdles that are identified by researchers such as Mann (1994), Faulkner (1995), Draine & Hall (1986), and Soemardjan (c.1989).

A perceived limitation of Engholm’s (1991) research is that his analysis is focused on large enterprises, which may have the financial backing and networks in place to be able to circumnavigate many of the barriers that confront smaller businesses in Asia. Furthermore, Engholm’s assertion that his research ‘reveals everything’ business people
need to know to better communicate, negotiate, and conduct themselves with propriety (1991: vi) does not take into account the kaleidoscope of cultures that can be encountered in Asia.

2.3.3 The Centre for the Study of Australia Asia Relations (CSAAR) - Australia and the Asia - Pacific Challenge. In 1996 CSAAR published a series of papers as part of a Griffith University and Australian Institute of International Affairs decision to adopt ‘Australia and the Asia - Pacific Challenge’ as the Institute’s project for the period 1993 - 95. As part of the ‘contribution to the wider understanding of Australia’s relations with the countries of the Asia- Pacific region (CSAAR 1996 : 1)’, the Queensland Branch of the Institute implemented a survey of Queensland business activities in Asia. The survey analyses the rapid expansion of Asian market knowledge, and the nature and extent of Queensland SMEs in the Asia. It also provides a practical insight into the factors affecting the competitiveness of Queensland businesses in the region.

The survey consisted of a 27-question survey covering areas such as levels of business investment, impediments to the competitiveness of businesses in the region, length and extent of involvement, and the levels of language and business training. Due to financial constraints the population sample was limited to 2000 business that were located in the Brisbane area, and were registered on the CSAAR’s Asia Pacific Business Training program database. Copies of the questionnaire were sent to each of the registered organization whether or not they were known to be still active in the Asia region. There were 352 completed responses received by the Centre, or a 17.6% response rate, with the results to all questions being analysed. A bivariate analysis of certain questions was also undertaken.

The data analysis covered topics such as types of and performance of Australian businesses in the Asia - Pacific area, types of activities and their performance, methods of doing business in the region, the commitments to regional business, impediments to business activities, and language competence and staff training.

The survey’s contribution to the body of knowledge is that it provides further analysis of two essential areas already identified in section 2.2:

- Long-term versus Short Term Involvement. The survey revealed that firms with longer involvement in the region were more likely to assess their performance positively. This outcome concurs with the positions developed by researchers such as Hofstede (1982), and Soemardjan (c.1989) both agreeing that there is a close correlation between the period of regional involvement and success. These findings also affirm the Garnaut Report\(^2\) which emphasises that success in the

\(^2\) The Garnaut Report is a collection of fifty papers that were presented as part of the second annual School Seminar of the Research School of Pacific, Australian National University, in 1980. The papers cover a wide range of topics ranging from Indonesia’s geomorphic formations to the role of the Chinese in business. The majority of the papers presented highlight the geographic, economic, political, and ethnic diversity of the Indonesian archipelago.
region is possible if businesses have a long-term perspective towards the region (Fox & Garnaut: 1980). What the CSAAR report does highlight, and is not clearly defined by other researchers, is that ‘it would be unwise to infer that length of involvement by itself is the key to success (CSAAR 1996: 7)’ The report also emphasises that that the length of involvement combined with market diversification is a key element for success in the region.

- Methods of Doing Business. The report also analyses methods of doing business in Asia. One procedure including executive visits and the use of in country agents, such as a joint venture partner. These regular executive visits being identified as essential to start up operations and operations management. The findings are important to the research problem as they confirm by statistical analysis that maintaining regular personalized contacts is an essential part of a successful business strategy in the region. ‘The findings which emerged very clearly from the survey indicated that over 68 per cent of firms initiated and 57 per cent of firms sustained business enterprises in the region by regular and frequent executive visits...This is an issue that demands attention in business training for the Asian environment (CSAAR 1996: 10 - 11)

The report also maintains that Australian SMEs should avoid a more permanent presence as branch offices of joint venture partnerships. Such a commitment would require a large capital outlay that a small company could not sustain. ‘With the growing utilization of, and rapid improvements in telecommunications technology, firms can more easily and cost effectively monitor agents, clients and business operations. For relatively small businesses, this has allowed penetration of markets from which they have been excluded in the past (CSAAR 1996: 10).’

Although these findings are not specifically related to Indonesia, they do provide support to the immediate discipline, and at the same time raise other unanswered questions that are addressed later in this research. For example, ‘Are joint venture partnerships in Indonesia more cost effective than establishing a permanent presence?’

The main section of the CSAAR research that assists with charting the boundaries of the body of knowledge is the chapter on impediments to business activity in the region. The findings are considered important to the research problem as they provide a qualitative boundary by providing a statistical break down of the difficulties of doing business in Asia. Firms typically reported that there was more than one impediment to their business activities, with the major concerns being costly delays, bureaucratic difficulties and inadequate market information (see figure 2.5).

The paper also addresses questions such as whether it would be useful to determine a link between cost delays, inadequate information, and bureaucracy? Whether a lack of financial support contributes to a minimal understanding of cultural and language knowledge?
The final chapter of the paper discusses language competence and staff training, with the data analysis suggesting that the more steps entrepreneurs take to consolidate the language skills of their staff, the longer they remain active in the region. Of significance to the research problem is that there appears to be a perception that these language skills are an integral part of a doing successful businesses in Asia.

This is a view that is supported by James who points out that ‘Very few multinational companies have been able to make the transition to a genuinely global structure, most retaining the home country’s culture in their overseas operations. If Australian companies are able to adopt more multi ethnic habits of governance, they may get an edge (James 1997 : 66)’.
The findings are supported by other intercultural communication researchers such as O'Sullivan's *Understanding Ways - Communicating Between Cultures* (1994) which provides a practical handbook on how to manage all intercultural interactions. Varner & Breamer’s *Intercultural Communications In the Global Workplace* (1995) also maintains that communications skills are required in ‘today’s dynamic global workplace’.

Despite the contribution that the paper makes to the body of knowledge there are limitations in that the population base has been drawn from over 2000 respondents contained on the database of the CSAAR’s Asia Pacific Business Training Program. Copies of the questionnaire were sent to all businesses and government departments on the database whether or not ‘they were known to be active in the Asian markets’.

The limitation of the sampling process is that an unknown percentage of the population base had little experience, if any, in working in Asia. This is also reflected in the response rate of 17.6 per cent, from which there have been drawn some significant conclusions. It should be noted however, that the report does acknowledge that the analysis is based on a relatively small sample of Queensland firms, with the scope of the project limited by both financial and time constraints.

2.3.4 The Queensland Tourist and Travel Corporation (QTTC) - Understanding Asia. The research by QTTC was published in 1997 as a guide to the Queensland tourism industry. It provides a summary of the unique aspects of various Asian cultures including Singapore, Malaysia, India, Indonesia, Thailand, Philippines, Hong Kong, China, Taiwan, Korea and Japan. Each country overview encompasses a market brief, an explanation of the economy, visitor needs, accommodation, food requirements, etiquette when dealing with tourists from that particular country, and a section on language. The final chapter covers a broad summary of business protocol, things to remember with Asian visitors, principles of negotiation, and the role of etiquette.

The data for the research was obtained from CSAAR, and market briefs from the Australian Tourist Commission. Various tourist industry managers from organization such as Sunlover Cruises, Australia Holiday Company, and Sea World Enterprises have also provided comment on each of the countries based on personal experiences in Asia.

From the data contained in the final section on business protocol principles of negotiation, and the role of etiquette, there are several themes that are common to the findings of researchers such as Faulkner (1995), Mann (1994), O’Sullivan (1994), and others. For example, the necessity to maintain ‘face’ during negotiations, and the evasive decision making process are two areas that appear to be common throughout Asia. For this reason the publication by QTTC is seen as contributing to the existing body of knowledge.

The research brings together several themes that will assist with not only defining the boundaries of the body of knowledge, but also assists with answering research questions that are discussed in later chapters.
2.4 Indonesian Business Practices and Culture

This section is the focus of the literature review, with the previous overview of culture and communication in an Asian environment providing the foundations for a much greater scrutiny of research that has been undertaken to date. This section links the extant literature, and at the same time highlights the lack of previous rigorous research on Indonesian business practices and culture, and their impact on the competitiveness of Australian SMEs.

2.4.1 Edith Cowan University - Indonesia in Brief. At the forefront of the ‘New Order’ period is a publication by Edith Cowan University (1995) which has been written specifically for Australian businesses, about business practice and customs in Indonesia. The publication entitled ‘Indonesia in Brief’ introduces doing business in Indonesia, combined with hints and advice for business success in Indonesia. Topics covered include: How to select the correct business partner; Is Indonesia the right place for a particular product or service? How vital is an Indonesian lawyer? What type of business structures work in Indonesia; and the benefits of partnerships and joint ventures.

The publication also includes a statistical overview of certain Indonesia market trends, a short section on cultural considerations such as etiquette, and a brief introduction to the Indonesian language. The statistical section of the publication covers an overview of Indonesian market trends including history, demographics, status of the economy, and consumer profiles of the population of Jakarta. The data being taken from the Indonesian Handbook (1995), and a Jakarta based marketing and research company. This information is also supplemented by data from sources such as the Australian Bureau of Statistics, with the raw data being either tabulated or graphically presented.

The limitations of the publication are that it only provides a broad overview of business practices, and the statistical overview of the Indonesian market concentrates on Jakarta only. Furthermore, much of the statistical data presented in graphical format appears to have little correlation to the main theme of ‘Business Practice and Customs in Indonesia’ with data ranging from the restaurants most frequently used by Jakarta residents to the types of shampoo bought in Jakarta in a one month period. Similarly, the final section in the publication, ‘Survival Phases’ provides the businessperson with a brief introduction to Indonesian language, but again concentrates on ordering of food or catching public transport, rather than business practices.

What the literature does have to offer in terms of the research problem is a simple guide to cultural considerations. The guide covers mutual respect and community spirit; saying no and saying yes; dress standards; using the left hand; business cards; being a guest; keeping your cool; giving gifts; cultural sensitivity; loss of face and third party payments. It is also one of the more relevant and practical guides to business practices and culture in Indonesia, and more importantly has been written specifically for Australian businesspersons. As an academic contribution to the extant body of
knowledge there are anomalies in the publication, however as a practical guide to a busy entrepreneur it has merit.

2.4.2 American Women’s Association - Introducing Indonesia: A Guide to Expatriate Living. First published by the American Women’s Association in 1972, Introducing Indonesia: A Guide to Expatriate Living is a guidebook, cultural handbook, shoppers guide, and general reference for expatriates living in Indonesia. It is the publication that is recommended by the Jakarta based Australia New Zealand Association to all expatriates and their families on arrival in Indonesia. Originally written by eight women who had lived in Indonesia for a combined total of 45 years, the book provides a practical guide to working and living in Indonesia.

The publication does provide an overview of several areas that are discussed at length in chapter 4. The section on customs and courtesies covers topics on etiquette such as rude and impolite behaviour, appropriate hand and body gestures, and facilitation payments. For example, the advice on facilitating payments is just as relevant to an American expatriate as they are to any Australian considering conducting business in Indonesia. ‘Facilitation payments are a fact of life in Indonesia. This extra money to facilitate one thing or another is prevalent throughout all levels of Indonesian society. You will soon find that the wheels of bureaucracy are quickly greased with a little token of your appreciation (American Women’s Association 1993 : 105)’.

Mann (1994) explains that many of the problems that westerner entrepreneurs have in Indonesia are related to the bureaucracy, and what is perceived as being corruption also support the comments concerning facilitation payments. The Indonesian government cannot afford to pay the public service market salaries and therefore public servants often earn income from outside sources. ‘Foreigners see this as corruption. But it really isn’t. It is a means of retaining people within the service. You might have to view these sorts of payments as nothing other than payment for services rendered. It is a matter of survival (Mann 1994 : 44)’.

The American Women’s Association also provides practical advice on learning Indonesian. ‘The best way to learn more about Indonesian habits, customs, and culture is to make a real effort to learn Indonesian. Indonesians see your attempts to learn their language as a sincere interest in their people, way of life and culture (1993 : 80)’.

Additionally there is a section on ‘Islam and Your Daily Life’ that discusses the highly blended and syncretic religious environment in Indonesia. These sections are important as they provide a contrast to the analysis of collected data at chapter 4.

The perceived limitation of the research is that the data is anecdotal in nature, and is based not on a rigorous research process, but rather the life experiences of the eight women over a combined period of 45 years. On the other hand the information on customs, courtesies, and the role of Islam in Indonesia does provide an informative overview of some of the barriers that can inhibit the competitiveness of Australian businesses. For this reason Introducing Indonesia: A Guide to Expatriate Living (1993) is considered to be an important contribution to the extant body of knowledge.
2.4.3 UKSW - In a Nutshell: A Guide for Overseas Staff. This is a booklet produced by the international staff at the Satya Wacana Christian University. The booklet, which was produced in 1988, provides advice on preparation, arrival, and facilities available at the Satya Wacana Christian University (UKSW), located in Salatiga, Central Java. The booklet does have a fairly informative section on Javanese culture and etiquette with practical advice being given on topics such as Javanese conventions, general behaviour, body language, entertaining, and 'special hints for singles'.

It is this last topic, which is of significance, as it specifically details some of the problems that women may encounter whilst working in Salatiga. For example, 'Once you arrive in Indonesia, you will realize that to Indonesians, single status is somewhat like pregnancy - a condition that will undoubtedly change sooner or later. As a single, you can be expected to be asked why you are not married yet or when you intend to end your single status, especially by those who are unfamiliar with the Western ideas of being single by choice', or 'If you are a single expatriate woman, you may find that many men here have the impression that all Western women are promiscuous (UKSW 1988: 39)'.

The data is based on the experience of several of the expatriates working at the University, and as a research process has certain limitations because the data is anecdotal. However, as with the American Women’s Association (1993) publication A Guide to Expatriate Living, the advice provided is very practical in nature, and is useful as a comparison with the data analysed at chapter 4. The Satya Wacana publication also focuses on traditional Javanese culture, and some of the information is at variance with other literature which tends to concentrate on the 'cultural melting pot' of Jakarta where many of the traditions are being eroded by the encroachment of western values. Often such advice does not reflect the customs and culture of other ethnic regions within Indonesia. For example, the Salatiga booklet is quite explicit about public displays of affection between opposite sexes, whereas much of the current literature ignores this important point of etiquette.

As a contribution to the body of knowledge In a Nutshell: A Guide for Overseas Staff (1988) is important as it portrays a distinctly Javanese perspective on culture and etiquette. It follows that as Australian SMEs move away from the over crowded and relatively expensive city of Jakarta then these businesses may be confronted by the more traditional approach to culture and etiquette.

2.4.4 Soemardjan - Business and Culture in Indonesia. In 1989 the Australian Indonesian Business Cooperation Committee and the Australia Indonesia Chamber of Commerce combined to form the Australia Indonesia Business Council (AIBC). The main objective of the AIBC is to foster cultural understanding between the two business communities, and to promote trade and economic cooperation. The existence of the AIBC is relevant to the conduct of the research as it is through the advice from the Secretariat in Canberra that the majority of the case studies in both north Queensland and Jakarta were selected (see section 3.4.3).
The Secretariat was also able to provide advice on publications that were relevant to the immediate discipline, and recommended Soemardjan’s (c.1989) *Business and Culture in Indonesia* as a publication that provided an insight into conducting business in Indonesia.

Soemardjan’s research (c.1989) is considered to be because, unlike the majority of research in the immediate discipline (Hofstede 1982; Mann 1994; Faulkner 1995), the analysis is undertaken by an Indonesian academic. It also provides a logical and structured explanation of why Indonesians react to certain circumstances.

The principle contribution of the research is contained through Soemardjan’s insight into the reasons why western businesses have difficulty coming to terms with Indonesian culture and business practices. This ‘cursory review of the Indonesian cultural setting will easily reveal that much of the cultural elements in the system of capitalism are absent in Indonesian society (c.1989 : 4)’.

Soemardjan describes the cultural diversity of the country that is manifested in different languages, ethnic backgrounds and customs, and where no capitalistic cultural elements in their combined form can be found. He also acknowledges that there is a great plurality of cultures throughout the archipelago, and that it would have been difficult when independence was achieved in 1947 to identify one national culture that encompassed the entire population (c.1989 : 4). However, Soemardjan does acknowledge that ‘60% of the population of all sukus (cultures) in Indonesia’ have some common characteristics such as organization of personnel on a social basis and primarily for social purposes, communality and a low level of science and technology (c.1989 : 8). Soemardjan’s analysis of Indonesian business culture again highlights the question ‘Has been any comprehensive analysis of the entire culture of the Indonesian archipelago, and that by just focusing on Javanese is this a true representation of the culture that affects the competitiveness of Australian SMEs in Indonesia?’

The research by Soemardjan (c.1989) acknowledges that there have been considerable cultural and social changes since Independence, including the efforts by the Indonesian government to create a national culture that would reflect the *Pancasila* and enhance the nations economic prosperity through the five year development programs (*Repetita*). Soemardjan also states that there have been extensive social and cultural changes in urban areas due to information technology and the globalisation of the economy.

According to Soemardjan ‘It is especially with Indonesians who have been subjected to social and cultural changes in the process of modernization that expatriate businessmen

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\footnote{Indonesia 1997. *An Official Handbook* (1997) published by the Department of Information, Republic of Indonesia describes *Pancasila* Democracy as ‘a system of life for the state and society on the basis of the peoples sovereignty. It is inspired by the noble values of the Indonesian nation. *Pancasila* itself, which means the five principles, is the name given to the foundation of the Indonesian Republic. The five principles of *Pancasila* are: Belief in the one and only God; A Just and civilised [sic] humanity; the Unity of Indonesia; Democracy guided by the inner wisdom of deliberations of representatives; and Social Justice for all the Indonesian people (p.33).}
have to deal with (c.1989 : 10). This leads onto a theme that is addressed in later chapters. Will Australian SMEs encounter Indonesian businesspersons who have become ‘globalised’ or will the high costs of conducting business in the major cities such as Jakarta and Surabaya mean that Australian small businesses will have to establish themselves in areas where the infrastructure and westernisation of business practices is not as prevalent?

The research by Soemardjan (c.1989) not only addresses the impact of modernisation on the Indonesian character but also briefly discusses the different cultures than can be encountered throughout Indonesia. For example, the Bugis and Makassar in Sulawesi are reputed to have a quick temper, compared to the finesses of the Javanese businessperson with their cultured speech and avoidance of any controversy.

Soemardjan (c.1989) also classifies Indonesian entrepreneurs into three groups. The first being the ‘Sophisticated’ group who are numerically small, urbanized, and internationally aware. This group tends to be nationalistic, but liberal towards cultural differences. This means that for the Australian entrepreneur not only should there be an awareness of ethic diversity in dealing with a businessperson of Batac origin by comparison to a Javanese, but also within these groupings there exists a further three classifications.

The second group are classified as the ‘Marginals’ who are also urban with formal, but perhaps unpolished education. Their outlook tends to be more rigid, their attachment to culture superficial, and they are reputed to have an attitude towards business that is ‘what is in it for me’. It should also be noted that Milner agrees with this classification of the middle class in Asia by stating that ‘even when their emergence is governed by similar economic dynamics there appears to be no necessary link between modernity and egalitarianism (1996 : 17).

The third group respects western business practices, but does not understand them, as they are members of their original culture and this determines their values and responses. A businessperson from the ‘Sophisticated’ group may have similar values as an Australian towards signing of contracts, the economic value of time, and the function of capital in public and private life. Whereas dealing with a joint venture partner from the third group may mean that all of their decisions may be dictated by their cultural beliefs.

Soemardjan (c.1989) includes a discussion on the general aspects of culture in Indonesia covering areas such as social justice, generational attitudes towards business, family relationships, employment criteria, attitudes towards time, loss of face, and the avoidance of confrontation. Soemardjan maintains that an Indonesian’s attitude towards time is flexible in that ‘Time should not be the master of man, but man should be the master of time (c.1989 : 25).’

There is also a chapter discussing the decision-making process and how an Indonesian ‘perceives problems through his fine inner feelings, and at the same time tries to preserve harmony with his social environment’. The chapter highlights the problems that arise when indigenous cultural values in Indonesia meet with modern management in a
development project. Finally, Soemardjan (c.1989) discusses the traditional role of women in Indonesian business. This last section is significant as other researchers in the focus study only briefly address the role of women in business.

The perceived limitations of Soemardjan’s (c.1989) research are twofold. In the first instance the main emphasis of the research is ‘business and culture’ in Indonesia, and throughout the publication the author does explain with clarity his interpretation of why Indonesians react to given circumstances, with anecdotes supporting the analysis. However, the correlation with the actual process of business appears to be disjointed leaving the reader in doubt as to the relevance of a particular trait to the process of business. For example, Soemardjan discusses the patterns of thinking where ‘Western individuals tend to think with their brain, and other intellectual qualities. While the Indonesian relies more upon the use of their feelings (Soemardjan c.1989 : 28)’ This does not relate specifically to business but is a detailed discussion on the significance of a Western characteristic of using the words ‘I think...’ to express themselves, in comparison to the Indonesian approach which would be saya kira which literally means ‘I feel’. Although the discussion is logical and pertinent to the cultural differences between the two countries, the analysis does not specifically develop a theme on whether these thought processes affect the conduct of business.

The second limitation is that the research was conducted over a decade ago, and much has changed in Indonesia in the interim. This is illustrated with comments such as ‘Social harmony is considered much more valuable than work efficiency (Soemardjan c.1989 : 23)’ and ‘Indonesian managers tend to consider the workers manners, cooperative relationships with his peers, and traditional loyalty as more important yardsticks of evaluation rather than his efficiency and productivity at work (Soemardjan c. 1989 : 43)’. Javanese business has progressed significantly in the last decade, particularly in coming to terms with information technology and the globalisation of many of its industries. This is not reflected in the literature being reviewed.

For a qualitative analysis of business cultures, Soemardjan (c.1989) has provided a comprehensive insight into an Indonesian perspective of the hurdles that can be encountered by Australian SMEs. The research is important as it provides another reference that further defines the boundaries of the body of knowledge, and is also the only contribution to the immediate discipline that has been undertaken by an Indonesian academic, rather than a foreigner.

The analysis is also important to the research problem as Soemardjan has provided a reference against which an analysis of the hierarchy of cultural problems can be compared. Table 2.2 provides such a hierarchy comparing Soemardjan’s interpretation of the cultural problems that inhibit business to those that are discussed by other significant researchers in the immediate discipline.

2.4.5 O’Hare - South West Consultants. Based on his experience in Indonesia, and as the manager of Indonesia and Southwest Pacific Consultants, O’Hare’s (1996) paper provides a brief summary of Indonesian businesses practices. O’Hare’s observations
add further support to the findings of researchers such Soemardjan (c.1989) and Faulkner (1995).

As a contribution to the existing body of knowledge, O’Hare (1996) provides a fairly concise overview of those problems that Australian businesses will encounter in Indonesia. Although most of the points raised have been discussed previously, there are several sections that are worthy of further consideration. For example, O’Hare (1996) uses the Javanese expression ‘Different fields, different grasshoppers’ to describe the ethnic diversity of the Indonesian’s adat (customary laws), including dress, cuisine, architecture and language. He points out that there are several distinctive ethnic groups on Java including the Sundanese of West Java, the Javanese of Central and East Java, the Madurese of Madura and East Java, as well as the Chinese, Betawi, Tenggerese and Badui. Jakarta, the capital city being a microcosm of Indonesia’s diversity (1996 : 1)’.

What is significant about this observation is that O’Hare (1996) then continues by stating that notwithstanding ethnic diversity, there are a number of generalizations that hold true for most Indonesians. These include personal traits, attitudes towards commitment, choosing a joint venture partner, overcoming the bureaucracy, and business ‘facilitation’.

O’Hare also provides an insight into two areas that have not yet been fully addressed. The first is that unlike several other researchers, O’Hare (1996) claims that Australians should not underestimate their ability and capacity to get things done provided they understand the culture. ‘An Australian business executive can have better access in Indonesia than comparable Indonesian executives. This is because the respect given to foreigners by Indonesians is not always given to fellow Indonesians. Australians are less likely to be assessed by status or ethnicity so are less likely to have to queue and wait cap in hand (1996 : 3)’.

O’Hare (1996) also discusses Australian attitudes towards corruption and facilitation payments in Indonesia. Rather than a critical analysis of nepotism and the failings of the Indonesian bureaucracy, O’Hare compares the use of facilitation payments in Indonesia to the often costly and time consuming contracts in Australia. These are sometimes overcome by paying the relevant commissions and brokerage fees to the appropriate professional organization. For example, entrepreneurs in Australia would contemplate courting a local counsellor or client over an expensive lunch, and would not object to the payment of a commission to a real estate agent to facilitate the sale of a property.

O’Hare (1996) points out that this is no different to Indonesia, except that in many Asian countries the payments are far more transparent. This is an interesting point of view, which is in contrast to the positions developed by other researchers in the immediate focus group. These comparisons are illustrated at table 2.2 and are considered useful as they provide a comparison to other positions developed within the immediate discipline.
Table 2.2 - Comparison of hierarchy of cultural problems

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</table>

### 2.4.6 Eriko Associates - Trade Investment and Tourism in East Java.

A publication written by Indonesians specifically for western investors is *Trade Investment and Tourism in East Java* (Eriko Associates 1992). Although the discussion is not as comprehensive as that undertaken by Soemardjan (c.1989) it does provide an informative overview of the culture shock that can be encountered by western businesspersons in Indonesia.

Several sections are worthwhile highlighting. The first is that there is a distinction between understanding basic etiquette such as body language, and understanding that 'many other subtleties may be encountered that can cause problems (Eriko Associates : 151)'. The subtleties that are discussed include business attitudes towards time, establishing personal relationships, and the process of negotiation.

These themes have been addressed by other researchers, but in this publication subjects on the use of telecommunications and making an appointment are brought to light. For example, ‘Setting up an appointment by mail or telephone is not effective in Indonesia. The mail calls for planning. Indonesians operate on a day to day basis and the phone does not have enough immediacy (Eriko Associates 1992 : 154)’. There are also two points that are considered important to the conduct of business in Indonesia. Firstly, foreigners must appear in person to conduct negotiations because Indonesians conduct
business on a personal basis. Secondly, dealings must be done with the help of a local intermediary, as Indonesians like to deal with each other, not strangers.

Several other researchers address the first point. The second should be treated with some scepticism. Previous research indicates that Indonesians do not appear to give preference to a prabumi (local) businessperson over a foreign investor. The Indonesian government for example, passed in 1995 a series of amendments to the constitution allowing expatriates to manage and own their own businesses without involving a joint venture partner\(^8\). Presidential Decree No 75/1995 also ‘opened almost all positions within the boards of directors and the boards of commissioners of companies partly or wholly owned by foreign investors to expatriates (Jakarta Post 10 Nov. 1995, p.4)\(^{}\). On the other hand McManus, the previous Queensland president of the Australia - Indonesia Business Council claims that ‘wise business’ in Indonesia is about working with Indonesian partners. ‘A good partner knows the market better than anyone else’ with the establishment of long-term relationships also being important to overcoming the complexity of business rules in Indonesia (MacDermott 1996 : 18)\(^{}\).

The argument for long-term joint venture relationships has the same overtones as Hadiz’s (1996) argument against cultural relativism, where the requirement to maintain close links with an Indonesian partner is another way of ensuring that Indonesian’s have greater access to foreign investment. Pratt (1996) also supports MacDermott (1996) by agreeing that ‘Joint ventures with local partners are usually needed to circumvent local requirements and demands, both official and unofficial. Many foreign investors experience difficulties with the taxation requirements and the complex legal system (Pratt 1996 : 133)’ Corben also maintains that ‘choosing local business partners is the single most important decision an investor makes (Corben 1994 : 126)’.

2.4.7 Lussa - Cultural Assimilator. Lussa (1994) has compiled another example of an Indonesian’s perspective of the cultural problems that may confront a business in Indonesia as part of a Masters of Administration thesis. The thesis is a quantitative analysis of the problems that Australia tourists will face in Indonesia. Lussa (1994) argues for a cultural assimilator to be made available to Australian tourists travelling to Indonesia. The argument essentially is that through enhanced cultural knowledge prior to departure, the tourist is able to easily overcome the culture shock of Indonesia, thereby enhancing the entire holiday experience.

Lussa (1994) also provides as part of the thesis twenty-one scenarios that can be used to analyse cultural problems that may be encountered. The scenarios are just as applicable to a backpacker in southern Sulawesi, as they are to a businessperson in Jakarta.

For example, using a ‘vignette technique’ (Finch, 1987: 105) a scenario is presented where an Australian journalist in Indonesia is late for a 6 p.m. appointment with a prominent Indonesian politician. The politician asks the journalist to return at a better time, and the reader is presented with four solutions why the meeting was unsuccessful. The most appropriate answer being that that being a devout Moslem the politician had to pray at the time**. Lussa (1994) has provided some very practical anecdotes, which makes readers think before committing themselves to a particular course of action. Lussa’s assimilator is a very useful tool for the conduct of business in a country like Indonesia where, unlike many western cultures, thought is a prerequisite for action.

2.4.8 Brislin - Cultural Assimilator. Lussa’s (1994) cultural simulator mirrors the studies by Brislin et.al (1986) who also advocates the use of a general cultural assimilator to assist in meeting various program goals. There are ‘critical incident’ scenarios that contain some universal characteristics of interpersonal interaction. These vignettes highlight the problems that may be encountered in areas such as punctuality, control over resources, decision-making, gender roles, and relations with colleagues.

Brislin’s (1986) research brings to the extant body of knowledge is eighteen different themes which have been duplicated in the one hundred case study scenarios and eighteen essays which provide the qualitative data for the development of the cultural assimilator. These eighteen generic themes range from attitudes towards time and space to the acceptance of hierarchies. What is important to the research problem is that Brislin (1986) has identified eighteen generic areas that are considered to be cultural barriers. These categories assisting with the charting of the boundaries of the parent discipline.

2.4.9 Faulkner - Business Indonesia. Business Indonesia provides a practical insight into doing business in Indonesia. Faulkner’s (1995) research has considerable credibility as he spent seven years in Indonesia as the President Director of PT BRC Lysaght Indonesia. In 1991 Faulkner also established the Indonesian Secretariat for the Queensland Premier’s Department. Based on his personal ‘lived’ experiences he has addressed several themes that are designed to assist Australian businesses in understanding Indonesian business customs. These include etiquette, respect for hierarchy, meeting people, ‘rubber time’, loss of face, food etiquette, appropriate dress, and avoiding aggressive behaviour.

Faulkner’s (1995) analysis is important to the research problem for several reasons. It brings greater depth to the extant body of knowledge from an Australian entrepreneur’s perspective and provides another reference with which the data in later chapters can be compared.

Based on his experiences in South East Asia, Faulkner (1995) provides a practical guide to conducting business in Indonesia with a short history of the country, followed by a

** Moslems are called to prayer five times a day: at approximately 4.30 a.m. (subuh), 12.00 p.m. (ashar), 6.00 p.m. (maghrib) and 7.30 p.m. (isya). Source: American Women’s Association, 1993, p.106.
geographical and demographic overview of the archipelago. For a first time visitor to Indonesia this is a practical guide to Islam and other general topics ranging from annual national holidays to advice on shopping as a tourist. The second chapter of Business Indonesia is quantitative in content providing a summary of Indonesia’s trading relationship with Australia and includes advice on business opportunities and choosing competent distributors and agents.

Much of the economic data is readily available through Austrade and the South East Asian Secretariat at the Queensland Department of Economic Development and Trade, although the publication does include a section on Indonesian businesswomen that contrasts with other publications. For example, Faulkner (1995) states ‘Women provide an enormous amount of power and position in Indonesia today which may be further explored for mutual gain (1995, 55)’ whereas Soemardjan (c.1989), Mann (1994), and others tend to adopt a more conservative stance.

The Department of Foreign Affairs and Trade booklet Australia - Indonesia Connections also supports this analysis that states ‘More women are making inroads into professional, governmental and business circles, especially Chinese business women. This is facilitated by having domestic assistance (1996 : 16)’.

The data Faulkner (1995) provides is a very practical guide to preparing for a first visit to Indonesia, what to expect on arrival in Jakarta, and becoming established in Indonesia. All topics that are of value to the Australian businessperson. However, the chapter on ‘Understanding Indonesian business culture’ has the most relevance as the focus is on the cultural problems that can confront Australian businesses in Indonesia. Like most of the other researchers covered in this review the information is based on experience, and the topics covered are certainly of assistance to Australian entrepreneurs considering business in Indonesia.

Faulkner also refers to Soemardjan’s (c.1989) explanation of differences in patterns of thinking, and in many ways mirrors Soemardjan’s major concerns about ethnic diversity, avoidance of aggressive behaviour, loss of face and attitudes towards time horizons (See table 2.2). Comments concerning food etiquette, gift giving, visiting a private home and dress standards are also reflected in a similar manner to the American Women’s Association Introducing Indonesia. A Guide to Expatriate Living.

There are also two sections of Faulkner’s (1995) research that are noteworthy. The first is the discussion on the periods of instability and uncertainty that have been caused in the last 20 years by the devaluation of the Indonesian Rupiah. The other section discusses why the development of business in Indonesia has been different to the remainder of South East Asia. The comment concerning business reaction to the devaluation of the Rupiah by 50 per cent in 1974, and 38 per cent in 1983 is that ‘In these periods you have to stay abreast of what is really happening around you and to remain calm and aware of any safeguards that must be adopted to restrict adverse fallout (Faulkner 1995 : 111)’.
The comments concerning the development of business practices in Indonesia in comparison to neighbouring countries such as Malaysia and the Philippines provide a cursory summary in that Faulkner states that ‘They all have either been colonized by the British or have been so close to other Western nations over extended periods of time that their common laws, traffic regulations and legal system all bear a similarity to the Westminster system. The British were involved for generations in Singapore, Malaysia and Hong Kong while the Europeans and Americans have been similarly associated with Thailand and the Philippines. Not so Indonesia (1995 : 134)’.

2.4.10 Warto & Samiati - Javanese Culture. In describing the resilient nature of Javanese culture Warto and Samiati state ‘It is the place where socio-cultural traditions have undergone a process of change in the course of time, yet are still preserved and crystallized even to the present time (1995 : 9)’. Over the past two thousand years Indonesia has been influenced by an array of commercial, religious and political forces, yet unlike many of its closest neighbours the Indonesian people have managed to retain much of their cultural identity. This is often reflected in their business practices.

According to Soefield, Samiati and Birtles (1995) in a research paper for James Cook University and the University of Sebelas Maret ‘Like an onion, one can peel back layer after layer to find a copious array of customs, beliefs and practices, many of which have been maintained for centuries despite the constant overlay of new influences. The resilience of Javanese people in absorbing and adapting external influences while retaining older customs and values has produced a rich syncretism that has been the subject of many studies (1995 : 51)’.

Although the Dutch on a harsh and massive scale colonized Indonesia for hundreds of years until independence, the country does appear to have retained a unique identity with few overt traces of colonization. Yet just a short distance across the Straits of Malacca there lies the Malaysian peninsula where many of the business practices and attitudes towards commerce have a transparency that is influenced by British colonization.

2.4.11 DFAT - Australia : Indonesia Connections. Australia - Indonesia Connections (1996) is a briefing package that is produced by the Cross-Cultural Connections Program of the Department of Foreign Affairs (DFAT). The aim of the Program is to provide insights into cross-cultural issues for Australian officials, business people, and others who are preparing to visit Indonesia, or to live and work there, for the first time. Connections was produced by the International Public Affairs Branch of DFAT based on a questionnaire presented to a panel of four people who had lived and worked in Indonesia for several years.

The representative panel included two senior DFAT staff, an academic from the Department of Chinese and Indonesian at the University of New South Wales, and a senior military officer who had served in Indonesia attached to the Australian Embassy. All are Indonesian linguists with a wide array of experience in the country.
The respondents were provided with a questionnaire to guide their discussions, with an in-depth interview technique being used to obtain the raw data. Other researchers mention most of the themes that have been addressed within the booklet. For example, Faulkner (1995), Mann (1994), and Soemardjan (c.1989) have already discussed sections on time horizons, etiquette, and the role of religion and personal relationships in depth.

What should be noted are the comments concerning the role of the military in business, and the attitude towards foreigners. Other researchers have frequently mentioned the Indonesian's attitude towards Australian businesses has been very positive, given that the strong endorsement that the Australia provided to Indonesia's bid for independence with the United Nations in 1945. There are also two comments that the Australia Indonesia Connections booklet make which are noteworthy, the first one being that 'There is some distrust of foreigners who may be inclined to "prey" upon their country', and the other 'Indonesia is rich in resources which have been a magnet for foreigners to exploit without giving Indonesians their fair share (1996 : 22)'.

Furnham & Bochner (1986) also point out that the majority of Indonesians feel that everyone who has done business in the country has always cheated them. 'The nationals resent the "extraction" mentality, the "get-the-money-and-run" attitude, the short term memory for friends and business contracts, and the ability to do business and not make it personal (1986 : 191)'.

The Australia - Indonesia Connections booklet also briefly covers the role of the military in Indonesian and their involvement in business with the 'dual function' doctrine providing them with the right to be involved in all major government decisions. Comments such as 'Senior military officers expect courtesy and even deference from foreigners who come in contact with them (1996 : 21)' are perhaps alien to most businesses in Australia where the defence forces have little affiliation with corporate business, and an egalitarian ethos means little reverence is given to tall poppies, let alone military officers. This is also supported by Morrison, the former Australian Minister for Defence and Ambassador to Indonesia, who maintains that there is a 'fundamental difference in the culture, traditions and roles of the two armed forces. Australia must recognize these differences and be aware of their consequences (1996 : 18)'.

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'In the aftermath of World War II, Australia was one of the major international proponents for Indonesian independence, taking the Dutch to the UN Security Council in 1947 for breaching the peace and representing and advocating Indonesia's interests on the UN's Committee and Commission which saw final acceptance of Indonesia's independence.

'Freeman defines dual function as 'The Armed Forces operates under a policy of dwifungsi, or dual function, which stipulates that whilst being responsible for national defence and security, the Armed Forces must play an active role in the political and social development of Indonesia (1993 : 8)' Within the Peoples Consultative Assembly (Majelis Permusyawaratan Rayakan) 100 of the 500 members are appointed Armed Forces of Indonesia (ABRI) representatives. Source Joint Standing Committee on Foreign Affairs and Trade 1993, p.22.
One of the perceived limitations of the Connections booklet is that the program has been developed for Australian officials, many of who gained their experience from within the cloistered environs of the Australian Embassy in Jakarta. Much of the information provided is pertinent, but many of the obstacles that are met by small to medium businesses are not addressed such as Indonesian bureaucracy, nepotism and the problems in selecting a joint venture partner.

The research however is valuable because the questionnaire that was provided to the four respondents provides a useful reference when formulating the questions that form part of the in depth interview process which is discussed in later chapters. The questions that the Department of Foreign Affairs and Trade have deemed important in identifying the distinctive characteristics of Indonesia provide a useful boundary within which similar questions can be formulated for small to medium entrepreneurs (see table 2.2).

2.4.12 Goennawan - Sidelines : Writings from Tempo. For a overview of an Indonesian’s attitude towards Australia the articles in Writings from Tempo (1994) by the editor of the banned Tempo magazine, Goennawan Mohammad, are worth reading. On lifestyle Goennawan (1994) comments that Australians are just a wealthy version of the Javanese, who really understand the meaning of a full life. On the work ethos of the country he states that ‘One in three Australians works for the government and one in ten is unemployed. Sometimes it is difficult to distinguish between those who are unemployed and those who work for the government (1994 : 215)’. What is less humorous is Guinean’s observations that despite all the political rhetoric Australians are still by nature ethnocentric, and that there is still a belief that Asia needs Australia.

According to Goennawan for many Australians ‘neighbours cannot always be pleasing. Asia is a mystery, and when Asia suddenly goes amok (Indonesia, for example), then these neighbours are confusing and suspicious (1994 : 216)’. Stace also comments that Asia’s perception that Australia is a country of superior lifestyle opportunities, but removed from the economic mainstream (1997 : 3).

2.4.13 Mathieson – Asian Reporter. An area that has not been adequately addressed in the literature is the problem that Australian businesses have in coming to terms with the legal processes in Indonesia. According to Mathieson (1996) in the Asian Reporter ‘One of the reasons for this is that South East Asian legal systems are hybrid systems. They have European forms but take elements from Islam, Buddhism and Hinduism. These eastern elements are sometimes mixed in with the European forms, whilst other times they remain separate (1996 :1)’. This is an observation supported by James who maintains that in north America, the emphasis is firstly legal grounds, then logic, with the business relationship being the final consideration. In Europe the emphasis is on logic, followed by the business relationship, and finally law. In Asia business deals start with the relationship, followed by logic, and then the law as a final consideration (James 1997 : 66).

In Indonesia the legal system is a composite of Dutch, British and Islamic law which may present a formidable and costly barrier to the small Australian business contemplating
entering the Indonesian market. Soemardjan (c.1989) sites several examples where there is a disparity between the legal expectations of a expatriate businessperson, and the actual decisions that have been handed down by Indonesian courts. For example, the Indonesian concept of social justice where a local bechak (tricycle) driver has run into an expatriates stationary car causing no damage to the vehicle but injuring the Indonesian (Soemardjan c.1989 : 19). The assumption that was made by the expatriate was that it was a clear case of self-inflicted injury. Under the Indonesian concept of ‘social justice’ the expatriate was made to pay compensation for both the repairs to the bechak and driver.

2.4.14 Australian Trade Commission : Jakarta. The Australian Trade Commission in Jakarta have compiled a market briefing package for small businesses interested in entering the Indonesian market. The briefing has ten checkpoints recommended as ‘umbrella’ strategies that will facilitate business success. These checkpoints have been included as figure 2.6 as they provide a contrast against which data from other organization and researchers can be compared. More importantly the Trade Commission’s Market Profile briefing states that ‘There is no “universal” set of success factors as the country is large, complex, and evolving rapidly (Austrade 1995 : v-12’).

Figure 2.6 - Doing business in Indonesia

![Diagram of Doing Business in Indonesia](image)

The market profile also acknowledges that one of the keys to success in Indonesia is understanding that business relationships are more directly influenced by awareness of business practices and culture than they are in Australia. The major topics that are covered include loss of face, decision making through consensus, time horizons and general etiquette such as use of business cards, consumption of alcohol, body language
and exchange of gifts. All of the information provided is significant because a peak organization such as the Australian Trade Commission in Jakarta have identified that there are local customs and standards of behaviour that do affect Australian businesses in Indonesia.

2.4.15 Draine & Hall - Culture Shock: Indonesia. One of the more significant contributions to the immediate body of knowledge is the research conducted by Draine & Hall (1986) in *Culture Shock*. The research is important because the authors have undertaken contemporary research into ‘doing business Indonesian style’ by comparing the research of a noted Indonesian anthropologist, Koentjaraningrat with the findings of Soemardjan (1989) and Hofstede (1982). Koentjaraningrat has described six common traits that are found amongst Indonesians following what has been previously described as the Sukarno period. These are contrasted with Soemardjan’s six common traits of the Indonesian village system (1989), and with Hofstede’s twelve limitations to the transferability of Dutch (or Western) management methods (1982). A brief overview of the comparative analysis is illustrated at table 2.7.

Draine & Hall’s (1986) ‘hands on’ guide to interacting with Indonesians at social and business levels also assists to chart the boundaries of the existing body of knowledge. The research discusses not only the areas of social sensitivity that entrepreneurs should be aware of, but also the problems that Indonesian businessmen perceive as being the areas that foreign businessmen often find it difficult to enter. For example, there is a list of areas where a foreign businessman/technician often misreads the cultural signals during a business negotiation (1986: 190). These range from understanding the function of the *bapak* (boss) to the importance of the acknowledgment of nationalism. The discussion then continues with an overview of what the Indonesian expects the expatriate to know about their personal style of doing business:

- In Indonesia business relationships are not democratic, they are hierarchical.
- In the eyes of the Indonesian, an Australian businessperson is primarily and always a guest.
- Maintenance of face to face harmony of feelings for an Indonesian will always take precedence over the task to be performed.

Draine & Hall’s (1986) also describe of each of the major ethnic groups in Indonesia. The data provides information on the most commonly encountered ethnic groups and discusses each groups culture, traditional background and origins of personal names. The groups concerned are the Achenese, Badui, Batak, Bugis, Dayak, Javanese, Minahasa, Mingkabau, and the Chinese. A worthwhile analysis which again brings to light the problems of ethnic diversity that an Australian small to medium business may encounter when entering the Indonesian market.

The only perceived limitation with Draine & Hall’s (1986) research is that the chapter on Indonesian business practices and culture is too brief. Like much of the other literature
the findings are theoretical in nature, and do not appear to have been supported by empirical data. What is significant is that the discussion on Indonesian culture and business practices is balanced with a review of contemporary research in the immediate discipline.

Table 2.7 - Comparison of contemporary research

<table>
<thead>
<tr>
<th>Koentjaraningrat</th>
<th>Hofstede</th>
<th>Soemardjan</th>
<th>Western Values</th>
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<tbody>
<tr>
<td>Indonesian work traits</td>
<td>Limitations to the transferability of management methods</td>
<td>Village cultural elements that affect business</td>
<td>Cultural elements of Western capitalism</td>
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<tr>
<td>Neglect work quality</td>
<td>Ethnic and family factors affecting personnel selection</td>
<td>Communality</td>
<td>Individualism</td>
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<td>Immediate gratification</td>
<td>Loyalty and seniority rather than results</td>
<td>Tradition orientated democracy</td>
<td>Liberal democracy</td>
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<td>Inferiority complex</td>
<td>Direct appraisal difficult</td>
<td>Achievement orientation with social obligations</td>
<td>Achievement orientation</td>
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<td>Undisciplined attitudes</td>
<td>Dismissal of employees undesirable</td>
<td>Low level of science and technology</td>
<td>Science and technology</td>
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<tr>
<td>Reluctance to accept responsibility</td>
<td>Avoidance of direct confrontation</td>
<td>Manpower organization on a social basis</td>
<td>Organization of human skills</td>
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<td>Copying of another’s initiative</td>
<td>Use of intermediaries</td>
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<td>Motivation through profit making</td>
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<td>Use of community labour v productivity</td>
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<td>Participative management not appropriate</td>
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<td>Status differences required</td>
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<td>Punctuality and precision not common</td>
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<td>Restraint of emotions</td>
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2.4.16 KKN - Corruption, Collusion, and Nepotism. Hadiz (1996), from the Asian Research Centre at Murdoch University puts forward the argument that Indonesia’s acceptance of corruption has more to do with helplessness than tolerance. The question
is asked ‘Do Indonesians have fundamentally different values when it comes to corruption?’

Anderson is cited as voicing the popular perception of corruption ‘unlike Westerners, the Javanese - the dominant ethnic group in Indonesia - did not perceive wealth accumulated through corruption as presenting an ethical problem. Anderson asserted that, to the Javanese, wealth ‘naturally flowed’ to those who held positions of power (Hadiz 1996 : 17)’. Hadiz opposes the argument of cultural relativism, by pointing out that there is considerable covert opposition in Indonesian to such ‘Asian values’ and indeed, as the events leading up to 21 May 1998 indicate, many Indonesians are keenly aware of the ill gotten wealth accumulated in Jakarta’s corridors of power (Nason & Woodley : 1998).

The argument continues that in reality the tolerance of corruption has to do with powerlessness rather than culture, and those organization for cultural relativism are the ones benefiting most from it, including Asian leaders themselves. Hadiz (1996), unlike many of the other researchers, questions the validity of cultural relativism when faced with the reality of a political system which is unable to control the behaviour of those who govern. He also argues that ‘If sufficiently empowered, the Indonesian people would be likely dispel popular notions of what constitutes “Asian values”. After all the struggle in Indonesia is not between “Asian” and “Western” values, but between conservatives and reformers, as is the case everywhere else (1996 : 17)”.

This theme is continued by Milner who states that Australians are wary of anything that ‘smacks of cultural relativism’ and they tend to suspect that in particular areas such as corruption and human rights certain Asian countries claim cultural differences merely to disguise their real motives (1996 : 17). Milner (1996) also states that Australia’s understanding of another society must be especially subtle if we are to know when and how that society’s representatives employ false cultural stereo types to mislead foreign observers.

The argument is also supported by Broadfoot from the Hong Kong based Political and Economic Risk Consultancy who states in the Asian Business Monthly that corruption is an on going issue in the region because ‘In Asia, most countries have corruption because there are not good legal systems, not good accounting systems - simply not good systems (ABM Feb. 1994 : 126)”.

Alatas’ (1980) treatises on the Sociology of Corruption does not support Hadiz’s (1996) hypothesis where there is a discussion of the nature, function, causes and prevention of corruption. Alatas argues that ‘facilitation payments’ are a traditional cultural practice, although for this to be assumed then the sociologist ‘studying the phenomenon of corruption has to be fully conversant with the history, the culture, the language, and the circumstances of at least one rich and complex instance from which he can derive his data and test his theories (1980 : 1)” . In a lengthy and systematic monograph Alatas justifies the existence of corruption, and refers to the problems encountered in Indonesia under Suharto’s New Order government. This phenomena is also defined by Globerman (1986) as prebendalism, where it is the right of an official, because they hold an office
that provides little pay, to receive extra fees (1986: 149). What is important to the research problem is that Alatas supports the hypothesis that corruption is endemic in Indonesia, and that cultural relativism is more than just an term that is used by those who have most to benefit.

2.4.17 Mann - The Culture of Business in Indonesia. Of all the literature reviewed, the work by Mann (1994) is considered to be the most focused as his research specifically deals with the cultural problems that a western entrepreneur may encounter in Indonesia. What Mann (1994) brings to the existing body of knowledge is not new, as others have previously undertaken much of the research. What is important about Mann’s (1994) research is that it has considerable depth, and provides an insight into the problems that western entrepreneurs may encounter in Indonesia.

Mann (1994) describes in detail the culture of business in Indonesia by initially explaining the five factors that shape Indonesian attitudes to business:

- Culture
- The Republic’s history
- The patterns of authority
- The kind of society Indonesia is, in industrial terms
- The diversity of its peoples

Each of these areas are discussed in detail, and provide an important framework upon which Mann (1994) describes the Indonesian way of business. For example, Mann discusses the Indonesian belief that all foreigners are rich, and that ‘foreigners would not come to Indonesia unless the country’s plentiful and therefore inexpensive resources were allowing them to make big profits (1994: 112)’ Like much of Mann’s (1994) research it provides an insight into the Indonesian thought process and assists in clarifying much of what has been written by researchers such as Soemardjan (c.1989) and Faulkner (1995).

The description of the Indonesian way of business then continues with an analysis of the role of Javanese society which discusses traditional Javanese attitudes, the conflicts that a stratified Javanese society has with modern business practices, the concept of peace and harmony, the establishment of personal relationships, loss of face, paternalism and the priorities an Indonesian places on materialism. This is an important analysis as it brings to the existing body of knowledge a framework which firstly describes the generic business practices and cultural traits that are common throughout the archipelago, and then provides a further level of understanding by detailing those traits which are readily identified as Javanese. This analysis is perhaps the most important of all the literature on Indonesian culture and business that has been written by a westerner, and combined with
Soemardjan’s (c.1989) research provides a solid basis from which to chart the boundaries of the immediate discipline.

As much of the previous literature has pointed out, one of the keys to the success of doing business in Indonesia is like understanding a Wayang Kulit (leather puppet) show. The movements of the puppet and their shadows are obvious to the entire audience, however the key to understanding the real meaning behind each movement is to understand the dalang (puppeteer) and their interpretation of the rich traditions that are the basis of each show. Mann’s (1994) *The Culture of Business in Indonesia* does provide a glimpse behind the screen to discover who is actually pulling the strings.

This view is not supported by Mills in the recently published Asian Business Insights (1997) where Sofyan Wanandi (chairman and chief executive of the Gemala Group) remarks:

> 'Australians should not romanticise Indonesia and be of the opinion that to understand Indonesia or do business in Indonesia it is necessary to understand “wayang”, the shadow puppet play, or many other cultural values or expressions. It is good to know them but they do not provide the basis for a good business relationship (Mills 1997 : 129)’

Although Mills does provide a topical and informative insight into the current economic and political situation in Indonesia, like Engholm (1991) the analysis of Indonesia that is provided is only very broad overview. Nevertheless, the comments by Wanandi are noteworthy, and provide a balance against the views of much of the literature reviewed in this chapter. The emerging theme that ‘organization with the right contacts, right product, and right financial support do not need to understand the culture of a country to be successful’ is discussed in later chapters.

Returning to Mann’s (1994) research, it is based on theoretical and philosophical observations undertaken during his close association with Indonesian. From his first visit in 1978 his career has been closely linked with the country, establishing the Canada - Indonesia Business Council, and promoting Indonesia at seminars throughout Canada. Based on this close affinity Mann (1994) has undertaken ten case studies which combined with his own observations have been the basis for *The Culture of Business in Indonesia*. Each of the case studies involve senior executives from a number of prominent companies, who provide an insight into their impressions of doing business in the country.

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Although each of the case studies do not appear to have been structured through a formal ‘in depth’ interview process that would be found in a phenomenological epistemology, they do provide a rich background upon which Mann discusses the culture of business, how to do business in Indonesia, working with the government, concluding with a brief historical background and discussion on the challenges of learning the language.

The case studies are worth further investigation as they are a source of rich data that can be compared with the positions developed by other researchers in the focus group. The following is a brief synopsis of each of the case study interviews:

- Interview 1 discusses the hurdles that can be encountered in a corporate organization. What is worth noting from this interview is that the topic of ethics and honesty is raised in that ‘there is a higher level of ethics and honesty in Indonesia than many foreigners think.... Like all good businessmen they want to emerge from a deal as well as they can (Ronahan 1994 : 18)’ This is a theme that has not been pursued by researchers such as Alatas (1980), Hadiz (1996), Hofstede (1982) and others who have woven corruption and nepotism into the natural process of business in the country.

- Interview 2 conducted with Jakarta based legal consultants in Indonesian business law, who provide an explanation of Indonesia’s cultural diversity. Churchill & Zahirsjah describe the common traits that may be encountered when conducting business in the country. These traits include avoidance of anger, consensus, personal relationships, respect, group dynamics, overcoming the bureaucracy, and loss of face. What is noteworthy about this interview is that the respondent Ronahan, a senior executive with PT Asuransi Jiwa Dharmala Manulife, describes the Indonesian legal system as one of the major drawbacks to business in Indonesia ‘When you rely on certain rules which you know are in the civil or commercial code you can’t be sure that these are going to be understood in the same way by all parties concerned (Churchill & Zahirsjah 1994 : 32)’

- Interview 3 discusses the effects of globalisation on a country as ethnically diverse as Indonesia, and proposes that Indonesia should adopt the best practices ‘from among its own ancient cultures and also from overseas (Hakim 1994 : 35)’. There is also an acknowledgment that some of Indonesia’s traditional values are not appropriate in a globalised scenario, and these must be honed and polished to conform to the changing processes of business. Hakim, a senior executive with PT Caltex Pacific Indonesia, states that there is a perception that Indonesian businesses will have to embrace modern values to remain competitive, but this does not mean that Indonesian’s will forget their traditional values. So that ‘Indonesians will still be somewhat different, and will have an identity of their own (Hakim 1994 : 40)’. This comment is worth keeping in mind when discussions on the effects of a globalised economy on Indonesia’s culture are covered in later chapters.
The interview also highlights the necessity for foreign businesspersons to study Indonesia’s culture before attempting to do business in the country. The data makes it clear that although there are some cultural traits that inhibit the competitiveness of Indonesian businesses in a globalised economy, there are also some very positive aspects of Indonesia’s culture, which are not appreciated by foreign entrepreneurs.

- Interview 4 highlights the folly of disregarding the culture of Indonesia, or assuming that culture has no part to play in everyday business life. It elaborates on the cultural diversity of the country by providing an overview of the many cultural aspects of Indonesia. Benton, the Director of Planning and Development with Lippo Village, states ‘Many aspects of Indonesia’s culture are very Javanese / Sundanese but, equally non Javanese. Particularly the Padang and Batak people and, to some extent, the Balinese, Acehnese, the Maduranese and people from Sulawesi, are also making a big impact on the way business is done in Jakarta and throughout the country (1994 : 43)’. The data supports earlier research that states that the Javanese are very influential in business in Indonesia and that there is an element of Javanese shadow play behind virtually everything that happens in Indonesia. The interview reiterates that it is much easier to do business in Indonesia today than it was twenty years ago, as there is no longer a distrust of foreigners. Although, to succeed, companies that want succeed in Indonesia must first learn how to conduct business in the country.

- Interview 5 involves Makarim, a Jakarta based attorney - at - law, who discusses negotiating successful business relationships. What is significant about this particular interview is that it provides an explanation of why a foreigner should place importance on a written contract, rather than the word of a joint venture partner. ‘A good contract is always helpful in protecting one’s rights under any circumstances (Makarim 1994 : 53)’. This is in contrast to the advice provided in other literature which emphasises the importance of personal relationship over written agreements, and also the earlier points concerning the difficulties of working within a legal framework that has little resemblance to the Australian laws of contract.

- Interview 6 discusses Indonesian culture and its impact and influence upon business. The main points in this interview with Soekardi, the Chairman of PT Resources Jaya Teknik Management, are that the key elements of Indonesian culture are defined as being customs, behaviour, attitudes, norms, values, personality, feelings and perceptions. ‘Some of these elements are unchanging, whilst others are undergoing a process of evolution as a result of a combination of external influences from outside Indonesia and internally from within Indonesian society itself (Soekardi 1994 : 61)’. Those that have changed, according to Soekardi, are behaviour and feelings, both being influenced by the increasingly large numbers of foreigners working and travelling throughout Indonesia. There is also an acknowledgment that Javanese culture is different from business culture, and that Indonesia was once influenced by colonialism and is now
affected by many new influences, including the culture of the Javanese (1994 : 64).

Interview 7 is conducted with McGoldrick, the President Director of PT Sepatu Bata, which highlights that Indonesia’s culture is an amalgamation of many elements ranging from the influences of the Sundanese, Sumaterans, and foreigners. McGoldrick maintains that cultural influences are at work throughout the commercial sectors of Indonesia, and even people who are well educated and trained occasionally revert back to the traditional way of doing things. This compares with the positions developed by Soemardjan (c.1989) and others, who also provide an insight into the globalisation’s affects on the country’s culture.

Interview 8. Harsono maintains that in Indonesia the catch phrase ‘business is business’ is inappropriate because the cultural influence will always be a factor. ‘It will be very difficult for industrialization and westernisation to wipe out local culture altogether. Actually we need the almost unconscious influence of local culture to give us a sense of identity (Harsono 1994 : 86)’. This sense of identity has been obliquely referred to by previous researchers, and ties in with the concept of nationalism as being an important factor in understanding business practices in Indonesia.

Interview 9. In contrast to Makarim (1994) who believes that contracts are an integral part of the business process, Rohanan takes the view that a contract is important but mutual trust is equally as significant. ‘In the Oriental way the degree of formality is of relatively lower significance than the degree of trust (1994 : 89)’, and that insistence by a foreigner for an ‘water tight’ contract may lead to cultural conflict.

Interview 10. In the final interview with Lee, the Regional Vice President of SNC - Lavalin International, there is an affirmation that culture has a major impact on the way business is done in Indonesia ‘It effects attitudes and attitudes effect the ways in which people do business (1994 : 93)’. Lee also states many of the cultural barriers to business competitiveness that are apparent in Indonesia are also present in countries such as Burma, Thailand, and Japan. There are certain subtleties, although these are not so important from a business point of view. These cultural characteristics are described as sensitivity to others, establishing close relationships, avoidance of confrontation, manipulation of the meaning of ‘yes’, and the ability to overcome the communication barrier.

According to Lee all of these traits are present when conducting business in Indonesia. By making the best use of the competitive advantage of each culture then many more windows of opportunity will occur. For example, Australian small businesses can provide technological breakthroughs that are then value added through the traditional culture and steadiness of progress that Indonesia has to offer.
The case studies add a richness to the existing body of knowledge that has not been evident in other research within the focus group, with the data being drawn from the practical experience of many years of involvement in Indonesia, both from a western and Indonesian perspective. These impressions leave no doubt that Indonesian culture does affect the business environment, and that an understanding of its intricacies can improve the competitiveness and profitability of a particular enterprise.

A observation of Mann’s (1994) research is that the it has been undertaken from a Canadian perspective, and that much of the advice that is provided to an entrepreneur from Ontario has little relevance to a Darwin based business. However, the research is ubiquitous in nature and is combined with an insight into Indonesian business that has been lacking in much of the other literature. Another perceived limitation of Mann’s research is that the ten businesses that have been selected for interview are according to the definitions in section 1.6, all medium to large enterprises, and are perhaps not truly representative of smaller businesses. For example, are the hurdles that an international organization like Coppers Lybrand (Mann 1994 : 85 - 92) the same as those that are encountered by a small florist business from Perth?

2.5 Summary

The framework for the literature review includes three distinct periods that encompass colonialism under the Dutch; a brief period following the struggle for independence under Sukarno; and lastly the ‘New Order’ period up to and including the current economic crisis during which Suharto managed to harness Indonesia’s diversity, economy, and politics to create a formidable ‘Emerging Asian Tiger’. Although it is the latter period of unprecedented economic prosperity that has enticed the majority of Australian SMEs into the Indonesian market place, the two periods prior to 1965 are also necessary keys to understanding Indonesian business practices and culture.

As previously noted there is a plethora of research into cross-cultural communications and the effects of culture on organization and management, but the literature review summary has been restricted to key publications only. Few of the researchers provide more than a cursory review of other ethnic groups that are likely to be encountered by Australian businesses in places such as Medan in northern Sumatra, or Denpasar in Bali. Areas where, even during the current economic crisis, there are a growing number of Australian entrepreneurs.

What is quite clear, throughout the review, is that cultural problems do inhibit the processes of business in Indonesia. Once this fact has been recognized the focus of the review begins to constrict, moving towards a Greater analysis of the problems encountered in Indonesian businesses. From an analysis of the existing research into Asian business practices the hurdles to business competitiveness that are identified in the broader parent discipline are again highlighted, prompting the focus of the review to narrow even further and to concentrate on the barriers that inhibit this competitiveness.
It becomes apparent that there are several practical guides to conducting business in Indonesia written by researchers such as Engholm (1991), Richards (1991), and Stace (1997), however there has been little specific 'in depth' research into the immediate discipline of Indonesian culture and business practices, and how they inhibit the competitiveness of Australian SMEs.

Contained within this boundary is the research by Soemardjan (c.1989) who provides a rich description of the practicalities of business in the country, but from an Indonesian perspective. Hofstede's (1982) research is rewarding, but is undertaken on behalf on Dutch expatriates, using his previous research undertaken in the five cultural dimensions of management (1980). The research by Draine and Hall (1996), and Faulkner (1995), is worthy because of the practical guide that it provides to living and conducting business in Indonesia, combined with a perceptive overview of research conducted by Hofstede (1982) and Soemardjan (c.1989). Unfortunately, this research is generic in nature, and does not specifically encompass the problems that may be encountered by Australia SMEs. Finally, Mann's (1994) research is considered to be perhaps the most focused of all the research reviewed in this chapter, which combined with the qualitative data obtained from in depth interviews, provides a rich overview of Indonesian culture and business practices. It is limited only by the fact that it is undertaken in the context of large enterprises and from a Canadian perspective.

2.6 Summary of Research Propositions

As stated in section 2.1 the purpose of this chapter is to review the existing literature and identify questions that have not been previously addressed. This has been achieved by identifying extant research on cross-cultural communications and culture within organization; the middle level discipline, which has researched business practices, and customs in Asia; and the immediate discipline of cultural problems that Australian SMEs may encounter in Indonesia. Through these three analytical filters it becomes apparent that there is considerable research, which includes reasons why culture affects the processes of international business. Many of these reasons have been analysed in depth.

It is clear that cultural problems hinder the process of international business. The next step in the research is process is to acknowledge that in most instances there has been no specific focus on Australian SMEs and the problems that they encounter in Indonesia. Questions that have been identified in the literature review include:

- Does a working knowledge of the Indonesian language by an Australian entrepreneur, or the ability of an Indonesian joint venture partner to speak fluent English, affect the competitiveness of an Australian businessperson in the country?

- How do basic customs or conventions affect an Australian conducting business in Indonesia?
• In what ways does the complexities of the Indonesian group, and their need for preservation of consensus and harmony in decision-making, affect Australian business practices?

• Why is it important to have the right relationships in Indonesia for an Australian small to medium enterprise to succeed, and is the establishment of a joint venture partnership important to success?

• In what way is religion important to the conduct of business in the Indonesian workplace?

• In what way are networks and businesses in Indonesia based on family and friends?

• What are the attitudes towards Australian entrepreneurs in Indonesia and are these attitudes a hindrance or a passport to business opportunities?

• How does the cultural diversity of the Indonesian archipelago affect the conduct of business in the country, and should an Australian entrepreneur be aware of the different idiosyncrasies of the archipelago, rather than just the culture of Java?

• To what extent are corruption, nepotism, and the use of ‘facilitation’ payments an integral part of conducting business in Indonesia?

• How does the need for respect and trust affect business in Indonesia?

• What role do women have in Indonesian business and how does this affect an Australian small to medium businessperson?

• Does the Indonesian legal system present a barrier to the competitiveness of Australian entrepreneurs?

These questions all relate to Indonesian culture, with the intention of the following chapters being to analyse the answers and their impact on the ability of Australian small to medium businesses to be effective in Indonesia.
3. **Methodology**

3.1 **Introduction**

The previous chapter has identified and reviewed the conceptual and methodological dimensions of the extant literature on Indonesian business practices and culture. It has also brought to light research questions that are worth investigation in later chapters. The aim of this chapter is to describe the major methods of inquiry that have been used as the tools to collect the data that addresses the research questions. This has been achieved by:

- justifying the paradigm and methodology used in the research process by comparing positivism (quantitative research) with critical relativism (quantitative research);
- detailing the researched procedures that have been employed;
- justifying the ethnographic software used to analyse the case study data; and
- producing a summary of the ethical considerations that have influenced the course and direction of the data collection.

In the traditions of Kuhn (1982) there has been no attempt to combine major paradigms during the research process, as one course of action provides a more than adequate platform with which the research has been conducted (Lather 1993). However, other processes have been employed in a secondary role to assist in the formulation of the research issues, as many of the boundaries of qualitative methods overlap (Tesch 1996). For example, in chapter 1.1 a brief quantitative analysis of current trade statistics between Australia and Indonesia has been undertaken as a pilot study to confirm that Australia’s presence in Indonesia has scope for expansion despite the recent economic crisis that has slowed the country’s economic growth. As Svetseri points out the ideal objective of a research project ‘is to combine both qualitative and quantitative information in order to get a more holistic and comprehensive view about the people and problem under study (1993 : 66)’.

The key to determining whether or not the selected method is appropriate is to demonstrate a familiarity with the core paradigm, and also to display an understanding of alternative research strategies. This chapter provides a critical analysis of two alternative methods of inquiry, with figure 3.1 providing a theoretical model outlining the structure of the chapter.

The model provides a framework, which assists with the interpretation of the method of inquiry, and highlights the use of a phenomenological approach in comparison to a quantitative analysis. The model also illustrates that either paradigm would provide answers to the research questions, although in the case of the research problem the use of a qualitative method inquiry is considered to be more appropriate.
The remainder of this chapter justifies why a critical relativism approach is considered to be the most suitable method of inquiry. At the same time the chapter establishes a research pattern that can be replicated.
In terms of the research problem cross-cultural analysis in international business tends to highlight the difference between cultures because these differences are likely to be the cause of business problems. According to Robock and Simmons (1989) the most common approach to cultural assessment is a partial approach confined to studying particular aspects of culture that affects the business process (1989: 413). For example, in this research project the focus of the research has on topics such as language barriers, long-term goals, understanding Indonesian attitudes towards time horizons, loss of face, and religion.

Robock & Simmons (1989) and Svetsoni (1993) also emphasize the importance of composing a word picture that portrays a ‘constrained slice of behaviour’ that enables the researcher to identify the more significant elements of the research problem (Robock & Simmons 1989: 414). Peshkin supports this point of view by advocating that critical relativism is about 'selecting one category at a time as the basis for perceiving and to shut off those others that are always there competing for our attention (c.1996: 2)'.

The purpose of this chapter is to bring to light those methods of inquiry that have enabled this picture to be painted. Table 3.1 provides a brief comparison between the essential features of positivism and critical relativism.

Table 3.1 - Essential features of positivism and critical relativism

<table>
<thead>
<tr>
<th>Positivism (Quantitative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logical positivism - seeks the facts or causes of social phenomena with little regard for the subjective states of individuals.</td>
</tr>
<tr>
<td>Test the researcher's hypothesis.</td>
</tr>
<tr>
<td>Logic of theory is inductive.</td>
</tr>
<tr>
<td>Constructs are in the form of distinct variables.</td>
</tr>
<tr>
<td>Measurements are systematic created before data collection and are standardized.</td>
</tr>
<tr>
<td>Data takes the form of ‘hard’ numbers collected from precise measurements, and viewed from an outsider’s perceptive.</td>
</tr>
<tr>
<td>Procedures are standard, and replication is assumed. Analysis continues by using statistics that are compared to the hypothesis.</td>
</tr>
<tr>
<td>Verification takes place after the theory building is complete.</td>
</tr>
</tbody>
</table>
Table 3.1 - Essential features of positivism and critical relativism (con’t)

Critical Relativism (Qualitative)

Phenomology and *verstehen*; concerned with understanding human behaviour from the researcher’s own frame of reference.

Captures and discovers the meaning once the researcher becomes immersed in the data.

Concepts are in the form of themes from the ‘insider’ perspective.

Data takes the form of being ‘real’, rich’, and ‘deep’ rather than numbers.

Measures are created in an *ad hoc* manner, and are often specific to the individual setting or researcher.

Research procedures are particular, and replication is uncommon.

Data generation, analysis, and verification take place concurrently.

Logic of theory is deductive, emphasizing theory building rather than hypothesis testing.

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3.2 Justification for the paradigm and methodology

3.2.1 Strengths and weaknesses of positivism

The use of a critical relativism method of inquiry has considerable merit when researching the cultural problems that inhibit the competitiveness of Australian SMEs in Indonesia. For example, as discussed in section 2.3.2 the Centre for the Study of Australia Asia Relations (CSAAR), Griffith University, has effectively employed an empirical method of inquiry into Queensland’s business activities in Asia. The survey consisted of a twenty-seven question questionnaire covering areas such as levels of business investment, impediments to the competitiveness of businesses in the region, length and extent of involvement, and the levels of language and business training. Due to financial constraints the population sample was limited to 2000 business that were located in the Brisbane area, and were registered on the CSAAR’s Asia Pacific Business Training program database. There were 352 completed responses received by the Centre, with the results to all questions being subjected to a bivariate analysis.

The report covered topics such as business activity in the Asia - Pacific area, types of activities and their performance, methods of doing business in the region, the commitments to regional business, impediments to business activities, and language competence and staff training. The CSAAR results contributing to the existing data on the nature and extent of Queensland small to medium tourism enterprises in the Asia.
The research also providing a practical insight into factors that affect the competitiveness of Queensland tourism in the region.

A similar method of inquiry for the current research problem, and will assist in answering the questions identified in the previous chapter. An argument against adopting such an interpretive paradigm is that there is a requirement for a ‘vigorous, disciplined, and systematic procedure, and a reality bound methodology which allows scientists to arrive at a theory that will be free from vague and sloppy approaches (Sarantakos 1993 : 41)’.

It is not within the scope of this treatise to discuss at length the strengths and weaknesses of positivism and critical relativism. On the other hand it is important to establish why one paradigm is considered more appropriate than another.

Positivism has been criticized by theorists such as Finch (1987) and Agger (1991) who maintain that empirical methods of inquiry cannot capture the real meaning of social behaviour, or reflects a real worldview. The following is a brief summary of other disadvantages of positivism:

- A positivist method of inquiry separates the object from its context by excluding the natural process, isolating the objects studied from their environment, and then applying a rigid empirical analysis to the data. This distancing of the researcher from real life situations does not take into account the rich and often colourful reality of the research object. For example, business in Indonesia can be compartmentalized into a statistical analysis of balance of payments, foreign trade and the Gross Domestic Product, however such an analysis often fails to acknowledge the business in Indonesia is controlled by more than monetary consideration. It can be argued that the collapse of the Rupiah in late 1997 can be attributed to weak micro economic policies, poor supervision of the banking system, and excessive investment in property (McLeod 1997). There were also concerns with corruption, cronyism, nepotism, the Presidential succession issue, and the accountability of Suharto’s family businesses. These issues are difficult to quantify empirically.

- The design of the research is predetermined by a hypothesis that limits the relevance and direction of the entire research enterprise (Sarantakos 1993).

- The requirement for objectivity hinders the qualitative research process, where standardization and objectivity inhibit the personal involvement of the researcher. Lather describes this method of inquiry as ‘culture free, disinterested, replicable, testable, empirical substantiation of theory (1991 : 6).’

- One of the principles of positivism is objectivity and neutrality. There is a tendency to treat respondents as objects, rather than ‘experts’ whose views are the source of the data collection process.
• Positivism is based on a model of natural sciences where the research object is segmented, repetitively reproduced, and then dissected. The method of inquiry tends to reflect the world without presuppositions, without intruding philosophical and theoretical assumptions into the research (Agger 1991). These empirical methods are not appropriate for social research, where understanding (verstehen) is the key factor, rather than measurement. This argument is also supported by Mills who states that positivism ‘...is a set of bureaucratic techniques which inhibit social inquiry by “methodological” pretensions which congest such work by obstructionist concepts....(1959 : 20)’.

• The influence the researcher exerts on the research process is negated, as positivism tends to neutralize the researcher.

• The purpose of positivism is quantification and measurement that produces a biased perception of reality. Empirical methods of inquiry become more important than reality, and the situation becomes distorted by rigid processes and measurement (Sarantakos 1993).

• Positivism is based on a theoretical perspective that supports the existing power structure, therefore the status quo is often difficult to analyse.

• The standardized, measurable tools that are used to test hypothesis restrict the real life experiences of social research. According to Perry and Coote these methods ‘do not adequately capture the complexity and dynamism of the context of organization settings (1994 : 3)’.

• Hypothesis predetermines the course of the study and may restrict the respondent's responses.

• Social reality exists in the interpretations of individuals rather than a clinical approach that suggests that social phenomenon exists outside the individuals.

Another weakness of positivism has been identified by Silverman (1985) who states that a researcher’s prior definitions of a hypothesis and concepts may impose certain constraints on the research. The method of inquiry failing to take into account a participant’s meanings, where ‘the researcher is forced to make ex post facto interpretations of unexpected findings which have an unknown relation to how participants themselves define the situation (1985 : 3)’. This is not a view shared by Bailyn who maintains that critics of empirical social sciences who accuse quantitative research doing nothing but proving the obvious ‘have usually limited their vision to the empirical plane and neglected to consider the links between it and the conceptual one (1977 : 102)’.

Rustestam & Newton (1992) maintain that experimental controls are often impracticable in social science research. For example, it would be inappropriate to apply a method of experimental manipulation to an independent variable, such as corruption in the
Indonesian government and its effects on the competitiveness of Australian SME in Indonesia. The use of such statistical methods would be inappropriate and would have little likelihood of adequately describing the relationships and patterns that might come with the framework changing as the study evolves. The use of experimental and quasi experimental designs also attempts to control the data as much as possible (Rudestam & Newton 1992 : 29) and to manipulate experimental conditions in an often detached and clinical nature.

Despite the above criticisms, positivism does provide a social researcher with a clear and concise process that is systematic and disciplined. The two main advantages of positivism being:

- Efficient use of time and resources.
- Positivism provides a vigorous, systematic and disciplined approach that avoids speculative thoughts about reality.

The use of positivism as a method of inquiry into why Australian SMEs are not competitive in Indonesia has merit as it provides a ‘vigorou, systematic, and disciplined’ approach. On the other hand there are several compelling reasons to seek an alternative method of inquiry as the rigidity of the methods and measurement of positivism may not extract the richness and understanding required to adequately address the research questions identified in the previous chapter.

3.2.2 Strengths and weaknesses of critical relativism

It is acknowledged that there is ‘no right’ method of inquiry as both positivism and critical relativism serve different research needs. Both methods producing useful but different forms of data. Although not intended as a direct challenge to the epistemological and philosophical foundations of social science research the selection of a phenomenological approach is considered to be the most appropriate means of obtaining a rich and incisive understanding of the research questions. The three major reasons that critical relativism was considered to be the most suitable method of inquiry are as follows:

- Critical relativism uses less structured techniques for data collection, with the emphasis on discovery and exploration rather than on hypothesis testing. As Denzin points out the qualitative researcher is not bound by prejudgments about the nature of his problem, by rigid data-gathering devices, or by hypothesis (1970 : 216). This enables researchers to sensitively explore the multiple interpretations which may be placed on thought and behaviour when their full complexity is viewed in context (Boydell, Gronow & Turner 1997).

- A researcher using a critical relativism method of inquiry becomes actively involved in the ‘flow’ of the research process. As Dooley remarks the ‘data
collection appears spontaneous and open ended and usually has less structure and planning than quantitative research (1995 : 260).

- Rather than inductive generalizations of research findings the emphasis in critical relativism is on exploration and making analytical or conceptual generalizations. This process creates a system of interconnected ideas that condense and organization knowledge about the social world (Neuman 1991).

The intention of the analysis was to gain an insight into the human phenomenon of business in Indonesia, and to provide a systematic and illuminating description of that phenomenon, rather than justifying an empirical theory (Tesch 1991).

There are also some inherent disadvantages with critical relativism as a method of inquiry that include the risk of collecting meaningless data that becomes a time consuming and frustrating tasks (Richards & Richards 1991). This is one of the major problems confronting the less experienced researcher who has not adequately defined the parameters of their research problem. ‘The very richness of qualitative research is, in short, its bane (Pfaffenger 1988 : 12)’.

Other disadvantages of critical relativism include:

- ethical considerations involved with social research;
- accurate representativeness of the data and validity of the sampling process;
- subjectivity and the risk of becoming personally immersed in the research problem; and
- the researcher influencing the results by not establishing a rapport during the interviews (Perry & Coote 1994).

Lather also points out that the ‘social sciences are much criticized for the slow accumulation of the knowledge base which leaves the policy makers less than overwhelmed by equivocal advice (1991 : 6)’. Svetsreni (1993) argues that the inductive process of critical relativism is considerably more time consuming and difficult to define than the cut and dried processes of empirical research. A dilemma according to Lather (1993), which can cause ‘paralysis of analysis’. Miles also comments that critical relativism can be a ‘cruel trade-off’ between the richness of qualitative data and the tedium involved in analysing it (quoted in Pfaffenger 1988 : 12).

A consideration when using critical relativism is that a framework for the research must be established so that there is a structure within which the research can be conducted (Silverman : 1985). These boundaries do not determine the course of the research. As Halfpenny (1979) points out there should be a sharp distinction drawn between a positivist approach, and the processes of an interpretive understanding of the actions and interactions of the respondents. ‘By virtue of grasping and comprehending the culturally
## Table 3.2 - Comparison of positivism and critical relativism

<table>
<thead>
<tr>
<th>Positivism - Disadvantages</th>
<th>Critical relativism - Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantification and measurement lead to an obscured perception of reality.</td>
<td>Ethical considerations can be a problem.</td>
</tr>
<tr>
<td>A theoretical perspective supports the existing status quo.</td>
<td>There is a risk of collecting meaningless data.</td>
</tr>
<tr>
<td>Research objects are clinically dissected before analysis.</td>
<td>Representativeness and external validity of findings is a problem.</td>
</tr>
<tr>
<td>Positivism views reality from the outside.</td>
<td>There are problems of reliability caused by extreme subjectiveness.</td>
</tr>
<tr>
<td>An hypotheses restricts a respondents responses.</td>
<td>Qualitative research is a very time consuming process.</td>
</tr>
<tr>
<td>Measurement is the key factor, rather than understanding.</td>
<td>Detachment and objectivity are a problem in participant research.</td>
</tr>
<tr>
<td>The researcher is estranged from the research process.</td>
<td>An outsider cannot evaluate the comparative weight of supporting versus non-supporting material, and falsification is impossible to attain (Popperian falsification. Popper, 1959 : 42).</td>
</tr>
<tr>
<td>The research design is predetermined and the direction and relevance of the data is limited.</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Positivism - Advantages</th>
<th>Critical relativism - Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficient use of time and resources</td>
<td>Research is conducted in a natural environment where interpretation and meanings are paramount.</td>
</tr>
<tr>
<td>A vigorous, systematic and disciplined approach avoids speculative thoughts about reality.</td>
<td>A greater awareness of the respondent’s environment is obtained.</td>
</tr>
<tr>
<td></td>
<td>The research process is more intimate leading to a more realistic view.</td>
</tr>
<tr>
<td></td>
<td>There is a greater flexibility in the research process.</td>
</tr>
</tbody>
</table>
appropriate concepts through which they conduct their social life is the way which explanation is achieved (1979: 808)'. Table 3.2 provides a comparison of the advantages and disadvantages of the two methods of inquiry.

Marshall (c. 1987) supports Halfpenny’s (1979) argument by stating that the concept of flexible boundaries is not often readily grasped by many researchers who attempt to use qualitative methods positivistically, trying to pin down and constrain their data into ‘incontestable, replicable, generalisable, detached truths’ which limits the potential of critical relativism.

Having decided that critical relativism was the more appropriate tool for answering the questions identified in the previous chapter, the next stage was to determine which method of inquiry was going to be the most analytical. Like quantitative research, qualitative research contains numerous valid techniques (Lather, 1991). For example, grounded theory, ethnography, life history, and conversational analysis. As Neuman (1991) points out these specific techniques are more appropriate for particular topics.

Initially, three approaches were considered appropriate for the purposes of identifying the cultural problems that inhibit the competitiveness of Australian SMEs in Indonesia. These approaches being hermeneutics, ethnographic research and phenomenology.

3.2.3 Hermeneutics. Hermeneutics is described as the interpretation of texts or transcribed meanings, with the researcher being primarily concerned with deriving a rich understanding of context of the data by returning repeatedly to the text. This is different from phenomenological inquiry because in the hermeneutics process the researcher has already received the data. In a phenomenological study the researcher is intimately involved in what Miles & Huberman (1994) would describe as a spiralling loop that begins at ground level and moves upward with the framework changing as the study evolves to develop a complete understanding of the phenomena. Even though Dithley (1894: 16) emphasized that hermeneutics was not simply a marginal method for using philosophical studies, but rather it is a general method for comprehending of all human expression, phenomenology was considered to be not as suitable as other methods of inquiry for this particular research problem.

3.2.4 Ethnographic research. The ethnographic research process encompasses anthropological descriptions, naturalistic research, field research, and participative observations. By maintaining prolonged contact and immersion in a setting of interest, while at the same time maintaining as much detachment as possible from the subject matter, ethnographers attempt to capture and understand specific aspects of the life of the particular group.

Like hermeneutics the ethnographic approach also makes a contribution to the research problem as the analysis of the data in chapter 4 has been undertaken using an ethnographic software package. This is where the data is systematically coded into as many themes and categories as possible (Peshkin c. 1996) and then compared in an attempt to identify any theoretical implications. Similar to Glasser & Strauss’ 'constant
comparison’ process where there is progressive clarification and definition of the data (1967: 45). A process according to Turner that enables ‘researchers to develop their own [grounded] theories relating to the substantive area which they were studying, and encouraged them to use their creative intelligence to the full in doing so (1981: 225)’. In this instance the ethnographic software package QSR NUD*IST has been utilized to crystallize the theoretical priorities and categorize within the data.

3.2.5 Phenomenology. As described by Polkinghorne (1989) phenomenology focuses on what the person experiences in a language that is loyal to the lived experience as possible. Phenomenology also attempts to peel away the ‘perceived layers of reality’ to reveal what lies beneath the surface.

Incorporated into the current research problem there have been three major assumptions concerning a phenomenological method of inquiry. These assumptions illustrated in the theoretical model at figure 3.1, and are as follows:

- There is a holistic view that qualitative research seeks to understand the entire spectrum of the research problem in order to develop a complete understanding of the phenomena.

- The process is inductive by nature, where there have been no assumptions about the interrelationships amongst the data before the commencement of the research. Throughout this inductive process the research began with very generic observations then developed general patterns that emerged from the case studies (Sarantakos 1993).

- The phenomenological approach used in the current research problem has been based naturalistic inquiry. The intention of naturalistic inquiry being to understand the phenomena observed in its natural environment.

The importance of the phenomenological method of inquiry lies in its ability to penetrate and look beyond the various layers constructed by ‘actors in the real world’ so that the essential structure of their consciousness and its basic principles become clear (Ritzer 1983). This is achieved by setting aside the ‘natural attitudes’ (bracketing) to arrive at the essence of reality. According to Ritzer (1983) Husserl’s (1950) interpretive paradigm achieves a vigorous, critical and systematic approach that is able to delve into complexities and processes of social research.

As illustrated in figure 3.2 Husserl’s (1950) phenomenology advocates that there is a perception that the objective world becomes real through consciousness. People believe that this ordered world is a natural phenomenon, and Husserl (1950) points out that in reality it is a highly structured system where participants actively participate in producing and maintaining that order. To be able to grasp the essence of the subjects and understand them Husserl (1950) maintains that these needs need to be bracketed so that the perception of reality is disregarded and the true meaning of the relationship people have with one another is peeled away.
Husserl (1950) suggests that people are active creators of their environment and conscious of their everyday experiences and knowledge, who perceives the world to be a highly organization system that is created by individuals who actively participate in maintaining that order. Even though they have not consciously been aware that they have created this world. This is what Husserl (1950) terms a 'natural attitude', which a researcher must overcome to understand the 'essence' of the research problem.

Figure 3.2 - Husserl’s phenomenology

To obtain a rich and in depth understanding of the barriers to the competitiveness of Australian SMEs in Indonesia the current research problem has adopted Husserl’s phenomenological method of inquiry. Undertaking a process that allows for the ‘emergence of concepts out of the data - in a schema that allows for introspection, intuition, ruminating as well as analysis in the “traditional” mode (Orana 1990 : 1249).'

3.3 Research procedures

3.3.1 Selection of case studies. The research comprised of 13 case studies involving 29 in-depth interviews, and non-participant observation of Australian SMEs based in Jakarta and northern Queensland. A focus group involving Indonesian middle level
managers participating in an AusAid sponsored Australia Indonesia Special Training Project was also included as part of the research process (see section 3.4.4).

The case studies were undertaken specifically from an Australian entrepreneur's perspective, and formed the basis for developing a model that outlines the cultural barriers that inhibit the competitiveness of those firms involved in the research. As Yin (1994) points out the use of case studies provides a way of investigating a topic by following a set of specified rules. The in depth interviews attempting to discover the respondents own meanings and subjective understandings. The research questions being raised towards the end of the interview if topics had not been discussed in the earlier unstructured discussion. For example:

- Why is it important to have the right relationships in Indonesia for an Australian small to medium enterprise to succeed?

- Do you believe that the gender of a business person affects the competitiveness of Australian companies in Indonesia?

- In what ways is religion important to the conduct of business in the Indonesian workplace?

- In your opinion in which ways are networks and businesses in Indonesia based on family and friends?

A copy of the research questions that were used in the in-depth interviewing process is contained in the protocol at Appendix I.

Svetsreni (1993) points out that it is important to maintain a consistency throughout all the case studies by providing a well-defined and rigorous protocol. This avoids the problem of a poorly structured research process. Yin also maintains that such forethought 'will help to avoid disastrous outcomes in the long run (1994: 65 - 66)'.

A formalization of the interview process also had to be countered by the necessity to maintain the flexibility and rapport that was required to extract 'rich' and relevant data, rather than make widely applicable but conceptually simplified statements. This approach to in-depth interviewing is also supported by Selby (1985) who maintains that there is a requirement for a specific and detailed set of questions, but at the same time this schedule should not constrain or direct the interview.

3.3.2 Checkland’s soft system theory. From the taped interviews the data was analysed using the QSR NUD*IST ethnographic software. The data analysis was then modelled using Checkland’s (1993) soft system theory that is defined as a ‘system based methodology for tackling real world problems in which known-to-be-desirable ends cannot be taken as given.'
Soft systems methodology is based upon a phenomenological stance, which takes into account a broad view of the research problem. Checkland’s (1993) theory assumes that the world contains structured wholes that can maintain their identity under a certain range of conditions that exhibit certain general principles of wholeness. Figure 3.3 is a broad outline of the systems approach which was used to build up the richest possible picture of the ‘real world’ situation:

Figure 3.3 - Checkland’s systems approach

1. The problem situation: unstructured

2. The problem situation expressed

3. Root definitions of systems thinking

4. Conceptual models
   4a. Formal systems concepts
   4b. Other systems thinking

5. Comparison of 4 with 2

6. Feasible desirable change

7. Action to improve the problem situation

"Real World"

"Systems Thinking"

As with all systems models a boundary was established that defined the parameters of the research problem. This boundary assisting in overcoming those methodological problems that were identified in section 3.2.2.

3.4 Procedures used for data collection

3.4.1 Selection process - enumeration. The qualitative method of inquiry involved a number of cases that were chosen by means of a non probability selection process. A non probability selection process providing validity to the research problem by selecting a representative sample of Australian SMEs involved in Indonesia (Miles & Huberman 1984, Yin 1994).
Initially the decision to delineate the population of raw data was confined to small to medium Australian enterprises that were involved with international trade between Australia and Indonesia. The rational for the selection of SMEs was that these were the companies that were most likely to encounter difficulties in Indonesia as they did not have the financial backing nor resource base that was available to larger more established corporations such as BHP, CRA and BTR Nylex. These larger organization already having the financial support and experience in South East Asia that would enable them to circumnavigate many of the problems that could confront smaller entrepreneurs making their first foray into the Indonesian market.

The sample base for the selection of potential case studies was obtained by initially corresponding with organization that accessible and had previous experience in assisting small to medium businesses into the Indonesia market. The following organization were subsequently contacted:

- Queensland Chamber of Commerce and Industry
- Australian Trade Commission - Townsville
- Australian Trade Commission - Jakarta
- Townsville Enterprise Pty Ltd
- Queensland Chamber of Commerce and Industry
- Indonesian Secretariat, Department of Trade and Economic Development
- Australia - Indonesia Business Council Ltd
- Australia - Indonesia Institute (Department of Foreign Affairs and Trade)
- Indonesia and South West Pacific Consultants

From correspondence with these organization meetings were undertaken in Townsville and Canberra to identify potential case studies. The selection of only north Queensland and Jakarta being based on the proximity of the north Queensland case studies to James Cook University, and the financial constraints of continually returning to Indonesia. Initial travel involving with the research project was as follows:

* About 300 Australian companies already have a presence in Indonesia, including significant joint venture partnerships such as BHP, CRA, BTR Nylex, Transfield, Davids Holdings, Olex, Armcor, AMP, ANZ, Commonwealth Bank, Telstra, TNT, Comsteel, CSR, Lend Lease, QBE, Legal and General, Berrival and Coca Cola Amatil. Source: Austrade. ‘Trade with Australia - Indonesia’ March 1997 update.
• 16 December 1995 - 28 January 1996. Attendance at the Program Intensif Bahasa dan Budaya Indonesia (Intensive program in language and culture, sponsored by the University of Sydney) conducted at the Satya Wacana Christian University in Salatiga, Central Java. This was also combined with travel through Sulawesi.

• 29 June - 28 July 1996. Attendance at the Program Intensif Bahasa dan Budaya Indonesia conducted at the Satya Wacana Christian University in Salatiga, Central Java. Attendance on the course was specifically to participate in the ‘Business in Indonesia’ component of the program.

• 11 - 15 September 1996. Travel to Canberra for meetings with the Australia - Indonesia Business Council, the Australia - Indonesia Institute, Faculty of Asian Studies at the Australian National University, and the company Indonesia and South West Pacific Consultants.


This has not taken into consideration several previous visits to Indonesia travelling throughout Sumatra, Java, Madura and Bali that occurred before the commencement of the doctorate, however were in essence the catalyst to the research proposal. On 26 July 1996 a paper was to the staff of the Fakultas Ekonomi (Faculty of Economics) Satya Wacana Christian University discussing the perceived difficulties of conducting business in Indonesia from an Australian perspective. The response and notes following the discussion providing the basis for the formatting of the questions contained in the protocol at Appendix I.

3.4.2 Protocol. From these initial interviews the next selection step was to obtain access to Australian companies involved in Indonesia, that were information rich (Perry & Coote 1994). The choice of suitable case studies again being undertaken to yield a selection from which generalizations could be safely be made (Yoddumnern-Attig 1993), and from which the case studies were deemed to be collectively representative of the population of interest (Sarantakos 1993; Miles & Huberman 1994, Neuman 1991).

During this initial phase of the research various selection processes were considered, with the criteria of convenience and practicality being applied to each recommended case study. This enabled a suitable ‘selection’ frame that provided the most comprehensive ‘enumeration’ (Dooley 1995) of an ‘empirical population’ of small to medium size Australian entrepreneurs that were involved in Indonesia (Yoddumnern-Attig 1993).

Purposive ‘selection’ (Bouma 1996) being a practical response to the limited population base in north Queensland, and the financial practicality of living and travelling throughout Indonesia (Yoddumnern-Attig 1993 : 93). Miles & Huberman (1994) argue against such a selection process because the savings in time, effort and money are often at the expense of information and credibility (1994 : 28). This valid observation was taken
into consideration, and offset against the limited population base, parochial conditions in north Queensland, and the financial practicality of confining the research to one region whilst in Indonesia. Smith & Cantly (c.1987) summarize the initial problems encountered with the selection of case studies. ‘Far too often textbook discussions of methodological issues bear only scant resemblance to the experience of research workers who must seek sponsorship, collect data, write their reports and then try to ensure that their conclusions play some part in subsequent policy making and decision taking (c.1987: 157).’

Silverman also points out that great care must be taken by the researcher to select case studies which ensures that no bias is present (1985: 113), with the aim of the selection process being to accurately reflect the phenomenon that occurs in Australian SMEs that are involved in the Indonesian market. An idea also supported by Peshkin (c.1996) who maintains that there is a need for ‘purposeful sampling’ in the selection of case studies.

During the research the selection process was broadened in an attempt to balance the arguments by Miles & Huberman (1994), Silverman (1985) and Peshkin (c.1996). The selection of case studies was modified to include a process that Yoddumnern-Attig (1993) refers to as snowball sampling. This was considered to be a more effective selection of cases (Perry & Coote: 1994) for the data base, particularly as potential respondents in north Queensland were limited to approximately twelve companies who had an ongoing interest in Indonesia.

Following a series of written letters to these organizations, a total of six companies agreed to become involved in the research. A seventh case study was undertaken in Townsville in June 1997 as part of the requirements for a qualitative research methodology subject conducted by James Cook University. By this stage it was considered that much of the data that was available from north Queensland case studies had already been obtained, and that a ‘saturation’ point (Glasser 1978, Turner 1981, Sarantakos 1993) in the data collected was being reached.

During the formulation of the initial selection plan, one of the boundaries that was established was that companies that were to be considered should have more than five years experience in Indonesia, and no more than ten years. A minimum of five years being considered necessary for a business to begin to understand the business practices and culture of Indonesia, and a maximum of ten years. It was considered that after ten years the company would be well established, and that the collective memory of the problems initially encountered in Indonesia would have been diminished by time. These time parameters proved to be unworkable as it greatly restricted the north Queensland selection base, and did not take into consideration that the problems that SMEs could possible encounter in Indonesia could occur in the formative first few years of the company’s involvement in the country. The parameters were subsequently modified to include any Australian SME that was involved in Indonesia.

The information provided by the Australian Trade Commission and the Australia - Indonesia Business Council concerning Australian SMEs in Jakarta identified a variety of
companies and organization that may be interested in participating in the research. Fifteen companies were initially contacted concerning possible involvement in the project. As Finch & Mason (1990) point out it is important to maintain a flexible approach to sampling, and to retain the ability to amend a sampling plan on the basis of contextual information obtained during the research process.

Ten Jakarta based companies indicated that they would be interested in participating in the research, with the period 2 - 28 January 1997 chosen to conduct initial meetings with those organization and then undertake initial in depth interviews. Although, the Islamic calendar had been taken into account to avoid periods such as Lebaran and Ramadan, the fact that many of the potential respondents in Jakarta would have returned to Australia for the Christmas break during this period had not been taken into account. Only four of the original points of contact could be contacted on arrival in country, with another two case studies being identified by Austrade staff on arrival in Jakarta.

3.4.3 Case Studies. The purpose for undertaking the case studies was to obtain from the respondents their interpretation of why Australian SMEs were not competitive in Indonesia. The criteria for selection of the case studies was as follows:

- **Case Study One.** Barrie Lovett, Manager Economic Development Division, Townsville Enterprise Pty Ltd. Townsville Enterprise was selected as a case study because of their on going networking in South East Asia on behalf of north Queensland businesses. Barrie Lovett, was selected as a respondent because of his appointment as the Manager of the Economics Developments Division of Townsville Enterprise. His portfolio also included the role of organization and coordinating trade delegations for north Queensland businesses to Indonesia. Before being employed by Townsville Enterprise Barrie Lovett was employed in Papua New Guinea and South East Asia as a senior executive with the Hawker De Havilland organization.

- **Case Study Two.** Trevor Mack, Managing Director, Townsville Indonesian Language Services. Trevor Mack was identified as a potential respondent because of his Indonesian background. Originally a graduate of the Defence Force Language School at Point Cook he served as an interpreter with several of long-term surveys and mapping operations in Indonesia. Trevor Mack was also employed as the senior Indonesian language lecturer at the James Cook University’s Institute of Modern Languages. Trevor Mack’s consultancy also provides advice to north Queensland businesses and government organization on Indonesian business practices and culture.

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1 The American Women’s Association’s Guide to Expatriate Living describes Ramadan as the traditional month long period of fasting by Muslims, that affects all aspects of Indonesian life and business. Lebaran (Idul Fitir) at the end of Ramadan is described as were the end of the fasting period is celebrated with family and friends. p 107 - 108.
Case Study Three. Owen Jones, Managing Director, TORGAS Inc. The Townsville Regional Group Apprenticeship Services is an apprenticeship and trainee coordination organization, as part of the non profit ‘Group Training Australia’. Through the efforts of Owen Jones the organization established the International School of Business. Specifically designed to cater for computer workshops and middle management training packages. The International School of Business was primarily involved in management training for middle level Indonesian officials, academics and businessmen. Owen Jones was also selected as a respondent because of his continuing interest in business networking between Indonesia and north Queensland. He participated in the Townsville Trade delegation to Central Java in 1993, and has strong links with the Indonesian Chamber of Commerce (KADIN). Owen Jones was instrumental in coordinating a Memorandum of Understanding between the western Java township of Tasikmalaya, and the twin cities of Townsville and Thuringowa in November 1996.

Case Study Four. Geoff Plante, Managing Director, Geoffrey Plante & Associates. Geoff Plante represents one of the main organization in the Townsville region that has made active inroads into Indonesia over the past five years. Installation and design of cold room storage being their core business.

Case Study Five. Peter McDougall, Senior Partner, ACEL Training & Development. Centred Experiential Learning (ACEL) is a Townsville based organization that develops leadership skills through innovative group activities. Established by Peter McDougall in 1992 the company has targeted many Indonesian based organization, and have to date undertaken training packages with the CRA / BP company PT Kaltim Prima Coal, a CRA gold mine PT Kelian Equatorial Mining, and a community assistance program in Indonesia, the CRA Foundation. Peter McDougall was selected as a respondent because of his extensive experience in large organization, and because his company had established a market niche in Indonesia. He is also the organization of a Townsville Indonesian group that meets on a monthly basis to discuss recent developments and market opportunities in Indonesia.

Case Study Six. Stan Neal, Managing Director, Ruswin Locksmiths. Stan Neal participated in the first north Queensland Trade Delegation to Central Java in 1993, and was identified as a potential case study because of his interest in establishing a locksmith business in Indonesia. His first visit to Indonesia with the Trade Delegation was unique in that he managed to negotiate a contract for specialist locks within two days of arriving in the country. From his experiences during the delegation he had intentions of establishing a locksmith business in Indonesia in conjunction with a major key manufacturer in southern Queensland. For several reasons Stan Neal opted to establish a Ruswin Locksmith business in Port Moresby, Papua New Guinea being where he had spent the last twenty years of his career working with a major brewing company. Stan Neal had never been involved in the locksmith trade before establishing Ruswin Locksmiths, and
had established a lucrative business with basic business principles and a sound business plan. His failure to enter the Indonesian market was identified as not being a lack of business acumen, but rather a lack of understanding of the business culture.

- **Case Study Seven.** Yanti Abdurrachman, Attorney at Law, CB Indonesia. Yanti Abdurrachman was recommended by the Australian Trade Commission, not only as a case study, but as a general point of contact for a briefing on the legal aspects of doing business in Indonesia. Yanti Abdurrachman is an Australian citizen and grew up in Melbourne, attending Monash University to undertake her Bachelor of Arts/Law. After working as an attorney at law in Melbourne she sought employment in Jakarta working initially with Moctar, Karuwin and Komar before being employed by CB Indonesia. Yanti Abdurrachman had worked in Indonesia since 1992, and as an Australian citizen and an Indonesian by birth her opinions and insights into Indonesian business culture have a depth that was not as evident in several other respondents.

- **Case Study Eight.** Garry Kirkman, Senior Technical Adviser, PT Skypak International. Garry Kirkman was recommended by the Australian Trade Commission as a potential case study, and was included as a case study because he was an Australian executive involved in an international medium size enterprise. As a business person working in a very competitive international business environment his responses during the in-depth interviews revealing a different point of view concerning Indonesian business cultures to those expressed by a smaller business person.

- **Case Study Nine.** Adrian Clayton, Technical Representative (Sales & Marketing), Pac-Rim Printing Pty Ltd. The first point of contact with Adrian Clayton had occurred during a four week intensive language training course conducted at the Satya Wacana Christian University, Salatiga in January 1996. Adrian Clayton was selected as a case study because a strong rapport had already been established, and because of his experience working with Pac-Rim Printing in South East Asia. Initially employed by the company as a marketing consultant on the Indonesia free trade island of Batam, Adrian Clayton was offered a position as the technical adviser to the company in Jakarta in June 1996. His role in Indonesia was to identify market opportunities for the company’s printing press on Batam Island. There was also an opportunity to share an apartment with Adrian Clayton for the duration of the research in Jakarta, and the offer of becoming involved in his business as a non-participant observer.

- **Case Study Ten.** Donna Carter, Trade Commissioner, Australian Trade Commission Jakarta. The inclusion of Donna Carter was not intended, however following an initial in-depth interview with Yanti Abdurrachman it became apparent that the case studies to date had only included one other business woman. Donna Carter, was employed as one of the eight Trade Commissioners at the Australian Trade Commission in Jakarta, and had been most helpful in
obtaining primary data for the research and providing access to the technical library at the Commission. Donna Carter had been working in Jakarta for two and a half years, and was also a fluent Indonesian.

- **Case Study Eleven.** Ron Mell & Meredyth Blackwell - Bell, Company Directors, PT. Perdana Bungapertawi. Both Ron Mell and Meredyth Blackwell-Bell had been recommended by the Australian Trade Commission as an example of a small business that had met with many obstacles when they had first entered the Indonesian market. Despite considerable financial and personal hardship the business had succeeded, and from all accounts before the initial interview this was not the anticipated outcome. They had established a company exporting dried flower arrangements from Western Australia to the major hotel and retail outlets in Indonesia.

- **Case Study Twelve.** Kevin Parker, General Manager, PT. Southern Cross Electrical Engineering. Kevin Parker was identified as a case study because he was a long-term resident of Indonesia, and had managed PT. Southern Cross Engineering since 1990. Kevin Parker had spent a total of forty years working in South East Asia, twenty years of those years in Indonesia. He represented an older generation of expatriates, whose opinions and experiences were potentially different from those of the generation of middle managers in the 1990s.

- **Case Study Thirteen.** Eric Gill, President of the Indonesian Association in Townsville (*Masyarakat Indonesia*). Eric Gill was the President of the Townsville Indonesian Association, and was married to an Indonesian - Australian who had been living in Townsville for twenty years. The initial point of contact with Eric Gill had been through a series of functions organized by *Masyarakat Indonesia*. Eric Gill had established a partnership with another Australian in the early 1970s and they had attempted to establish an electrical contracting company in Java during the period 1973 to 1975. From the preliminary discussions it transpired that the company had identified considerable opportunities in Indonesia as the building and communications industry were booming because of the increased OPEC oil prices. This was a time when Indonesia's economy was on the upturn as oil prices were bringing in much needed foreign dollars.

It was during this short period of unprecedented economic prosperity for Indonesia that Eric Gill became involved in electrical contracting tasks on major building sites in Yogyakarta, and then into the provinces working on generators and communications infrastructure. The company's fortunes declined along with the decrease in the price of oil, and this compounded with several irrational economic decisions by the Indonesian government and the state owned oil company Pertamina meant those business opportunities for small businesses were not as profitable.
One of the primary reasons for selecting Eric Gill as a case study was that he had
attempted to establish a small business in Indonesia 25 years ago, and the data
that he provided would establish whether any of the problems encountered then,
were as relevant today.

A sociogram at figure 3.4 represents the linkages that have been established as part of the
selection process.

3.4.4 Focus Group. In July 1997 a focus group was undertaken as another method of
data collection to enhance the data already collected by the case studies. It was
originally intended to coordinate a focus group consisting of businesspersons from the
north Queensland region who had extensive experience in Indonesia. Unfortunately, the
selection of case studies had exhausted most of the likely participants, and it would have
been unlikely that a group of eight or more ‘Indonesian experts’ could have been
convened without considerable travel costs and inconvenience.

During the period 27 April 1997 to 18 July 1997 the International School of Business,
located in Townsville, employed me to coordinate a twelve-week management program
for a group of eighteen Indonesian bureaucrats. Initially, there was no intention of
involving the group in the research, as one of the boundaries of the research problem had
been that only Australian entrepreneurs would be involved in the data collection process.
The aim of the research project being to define those cultural problems that inhibit the
effectiveness of Australian SMEs when conducting business in Indonesia.

In July 1997 a paper was presented on the process of successful business in Indonesia to
an International Trade Workshop coordinated by the Queensland Department of
Economic Development and Trade. Following the presentation the Indonesians became
very enthusiastic about providing an Indonesian perspective why Australians are not as
competitive in Indonesia as their Asian counterparts. A focus group was subsequently
conducted involving the eighteen Indonesians. The focus group was conducted at the
International School of Business, and was considered to be productive as the session
provided another viewpoint that confirmed much of the data that had been collected from
the Australian case studies.

The majority of the Indonesians in the group were senior bureaucrats with the Indonesian
Ministry of Industry and Trade, located in Java, Sumatra, and Kalimantan. The group
leader was Syukri Ilyas, who was an ‘Instructor for Small Enterprises’, Department of
Cooperatives and Small Enterprises, in Jakarta. The remainder of the group were from
the Indonesian Ministry of Industry and Trade, District Office of Cooperative & Small
Enterprises, Ministry of Manpower Vocational Training Centres, and a Productivity
Instructor for the Regional Productivity Development in South Kalimantan. From the
non-participant’s observers notes these were the main points that were extracted from

- Language is a problem as English is not well known, therefore Australians need
to speak Indonesian.
Culture should always be taken into consideration. For example, Australians are easily angered, whereas Javanese keep their emotions inside. This influences decisions at a later stage.

There is a requirement to know formal and informal approaches to business. For example, an initial game of golf with a potential business partner is a more suitable approach that a formal meeting.

Australians do not appreciate that local business persons also have a point of view.

There is a requirement to build relationships, and a need for a formal leader to be identified.

There is a need to keep promises.

Entrepreneurs must follow government procedures. For example, there is a need to contact the Indonesian Ministry of Industry to prepare a business plan.

Entertainment costs are important in any business transaction.

Indonesian businessmen have a lack of experience in dealing with international business.

The Indonesian Government will always assist small businesses, as they are the backbone of the Indonesian economy.

Strategy for negotiation for negotiation should always be a win/win strategy, which will succeed in the long term.

Business should not only be financially motivated. Must care about the social aspects such as scholarships and welfare.

Joint ventures should also involve transfer of technology. They are also not just about dollars, but should also include locals in the business arrangements.

In Indonesia family, business, and friendship are all linked.

Much of the information obtained was relevant, although had been covered during the in depth interview process. Perhaps the most significant information that the group covered was the requirement for an informal and formal approach when conducting business in Indonesia. Again these points had been covered by case studies, but had not been presented in such simplistic terms by an Indonesian. However, the group dynamics were dominated by three of the participants, with Ilyas Syukri being the most vocal. Unfortunately Ilyas Syukri was the designated group leader and many of the comments
that he made during the course of the focus group were perhaps not the opinions of other individuals. As he was the group leader, none of the other participants contradicted any of his statements. Ironically when the facilitator gave other members of the group the opportunity to speak they were quickly contradicted or belittled by their peers. This made the focus group difficult to facilitate, as Ilyas Syukri’s comments were often repetitive, and his grasp of the English language perhaps the poorest in the group.

As Svetsreni points out a method of inquiry, such as a focus group discussion, provides valuable data, however they are more difficult to control. ‘Since the communication process is multi dimensional and involves many people, but is a valuable method for assessing group consensus and the enforcement of social norms (1993 : 68)’. On the other hand the focus group highlighted how difficult it can be working with Indonesians, because as Vong - ek (1993) points out people are generally very reluctant to sharing their personal thoughts, feelings and experiences in a group situation.

3.5 Discussion of the boundaries of reliability and validity

3.5.1 Construct validity. The first of the four tests that have been used to establish the quality of the research design is construct validity. This is where the correct operational measures for the concepts being studied have been established. There are three steps that are recommended by Yin (1994) which develop a sufficiently operational set of measures that enabled ‘subjective’ judgments on the collection of data. Each step equally important considering the unlimited number of phenomena that a topic such as Indonesian business practices and culture encompass:

- The first step was to establish that the boundaries of the research problem are limited to clearly identifiable parameters. The key criteria being business and cultural practices, inhibit, and small to medium enterprises. This was considered an appropriate framework within which to establish subjective judgments on the collection of data.

- The second step was the use of case studies to measure the lack of competitiveness of Australian SMEs. This is justified as the life experiences of each respondent unravels the problems met when conducting business at a ‘personal’ real world level.

- The final step was to have the draft case study data reviewed by the respondent, which according to Yin ‘will enhance the accuracy of the data, hence increasing the construct validity of the study (1994 : 144)’. Section 3.7 describes the ethical considerations of the data being reviewed by the respondent. Appendix I also describes the review procedures employed during the case studies.

These three steps also coincide with Dooley’s concept of construct validity where the measured variable reflects only, or mainly, the intended construct (1995 : 279) and enables the researcher to see the entire picture (Svetsreni 1993).
3.5.2 Reliability and the auditable research process. According to Yin (1994) reliability demonstrates that the operations of a study, such as the data analysis procedures can be repeated, with the same results (Yin 1994). Throughout this method of inquiry there has been a concerted effort to leave a clearly recognizable research trail for the study to be replicated. For example, the coding scheme is a commercially available ethnographic analysis package, with modifications to the data analysis having a clearly defined auditable trail.

Figure 3.5 provides an overview of the research process beginning with the establishment of the research problem, through to the discussion of the research questions that were identified in the literature review. The overview illustrating that a consistency in the qualitative methods of inquiry would enable another researcher to understand the basic methodology, and arrive at similar conclusions.

Figure 3.5 - Auditable flow diagram of research process
When discussing similar conclusions Tesch (1996) observes that even if two researchers were to analyse exactly the same text, their strategies and outcomes would be quite different although each relevant and justified considering their relevant epistemologies and research frameworks. Boonmongkon (1993) also points out that the respondent will also judge the researcher according to their personality, cultural background, age gender, social status and professional background, and that these perceptions will often determine the course of the in-depth interview process.

It can be argued (Boonmongkon 1993, Tesch 1996) that regardless of the consistency in the method of inquiry the variations in the nature of the data will inevitably vary from the original outcome. To replicate this particular method of inquiry will always result in variations in the data analysis, and that the best that can be hoped for is that a clearly recognisable and auditable trail will at least provide another researcher with a one clearly defined direction.

3.5.3 Internal validity. To avoid the perennial problem of bias that a researcher, as the research instrument, brings to a qualitative method of inquiry there have been certain procedures undertaken throughout the research project to provide credibility to the research process (Yin 1994). This was achieved through structural corroboration that involved:

- Exploring the case studies in sufficient detail to enable a cross check of data so that a certain response by an individual respondent could be further analysed if it appears to be contrary to the responses of the other case studies (McMahon 1996). In this case no data was disregarded, although there became a point towards the end of the in-depth interviews that a saturation stage had been reached and much of the data had become repetitive (Glasser 1978, Turner 1981, Sarantkos 1993).

- Wherever possible the use of ‘verisimilitude’ was included in the in-depth interviewing process. Verisimilitude attempting to draw the reader into the world of Indonesian business practices and culture, thereby providing a high degree of internal coherence and plausibility that relates to the reader’s own experiences in business. As Appleton suggests the true value of relative criticism should be ‘evaluated by its credibility rather than internal validity in a quantitative sense (1994 : 1134)’.

- The data was also corroborated against the information provided by other researchers, and against the notes entailed in the Investigator’s Diary. For example, during one in depth interview there was obviously a disagreement between two respondents that was instigated because of a previous domestic argument concerning the utilisation of Indonesian employees within the business. Although not overtly apparent in the transcripts, the tension and personal idiosyncrasies are reflected in the Investigator’s Diary.
3.5.4 **External validity.** The external validity of the research results refers to the generalisability of the findings, and whether these findings generalize to other populations, places and times (Dooley 1995: 279). In this case the research project has endeavoured to provide a ‘thick and holistic’ description of the cultural problems that inhibit the competitiveness of Australian SMEs in Indonesia. From the raw data collected these problems appear to be innumerable. Using ethnographic data analysis procedures the phenomena have been reduced to a relatively manageable number that have been identified on a regular basis within a specific setting.

Observations changed as the research process progressed, and whenever possible the results of the analysis have taken into consideration the ramifications of making specific observations that might affect the business that were involved in the case studies. For example, the Senior Trade Commissioner at the Australian Trade Commission in Jakarta had specifically requested that any comments concerning the Australian Trade Commission in Jakarta office should be forwarded to his staff so that if any problem areas that were identified it could be addressed.

The request presented a dilemma as at least three of the case studies in Jakarta had adverse comments concerning the assistance provided to small businesses by the Trade Commission. In one particular instance the comments made were particularly disparaging, even though the business concerned relied heavily on the external support network provided by the Commission. The information was eventually forwarded to Jakarta but only in generalized and anonymous format that had been previously approved by the three case studies concerned.

As Silverman (1985) points out the researcher is forced to apply common sense to the research process to be able to understand what is displayed in the case studies. For example, the questions that were formulated for the protocol were based on ‘What everyone knows about doing business in Indonesia’. A concept that is also supported by
Peshkin who states ‘Our research products are the outcome of our decisions about what to sample, that is, they incorporate what we have learned about and chosen to experience from within the vastness of our research setting (c.1996 : 2)’. Lather also maintains that neutrality is not extended into the processes of social science, and there is no escaping the political content of theories and methodologies (1993: 9). Without these preconceived ideas and attitudes it would have been difficult to ‘point’ the case studies in the right direction.

There was also a concern that the literature had generated preconceived ideas that could force the data analysis in the wrong direction (Glasser 1978). This assumption appeared to be in contrast to the basic foundation of qualitative research in that ‘The researcher firstly enters the field without preconceptions, strict designs, categories, hypotheses or knowledge about the research project, without relevant theoretical definitions (Sarantakos 1985 : 13)’.

As Glasser & Strauss point out ‘is is difficult to ignore the theory accrued in one’s mind before commencing the research process (1987 : 253)’, and that ‘no methodology can hope to obtain a data base ‘uncontaminated’ by the beliefs and expectations of the research (Selby 1985 : 102)’. Peshkin (c.1996) also supports this argument by maintaining that a researcher needs to avoid the ‘organization of presentism’ by knowing what has happened both internally and externally. History provides the researcher with a lens that is critical for grasping the meaning of what is currently going on.

A compromise was reached by acknowledging that a framework for measurement was needed to make sense of the case study data. This framework being required to avoid what Popper (1959) would term as the temptation to jump to easy conclusions just because there is some evidence that seems to lead in an interesting direction (Finch & Mason 1990). As Turner remarks ‘researchers need to remain aware of the dangers of developing indefensible arguments from their data (1981 : 227)’. The compromise being that there is a focusing influence from previous theories and experience that have assisted in defining the parameters of the research.

### 3.6 Special treatment of data before it was analysed

#### 3.6.1 Computer program used to analyse the data. As Silverman (1985) points out there is potential value in simple counting procedures in qualitative research because ‘such counting helps to avoid the temptation to use merely supportive goblets of information to support the researcher’s interpretation (1985 : 17)’. By using an ethnomorphic software package such as QSR NUD*IST a framework was created in summary form which assisted in answering those questions that were identified in the previous chapter. At the same time the program highlighted deviant cases and encourages further analysis of the regularities in the data.

The use of an ethnomorphic package also assisted in overcoming ‘spurious correlations’ (Popper 1972) where there is a temptation to make conclusions because there is some
evidence that leads to an interesting direction. To demonstrate that there was rigour
applied to the data analysis the QSR NUD*IST was used to provide an analytical and
impartial analysis of the research data.

A useful tool that was employed throughout the research process was a table listing the
hierarchy of perceived problems that have inhibited the competitiveness of Australian
SMEs in Indonesia. As each of the case studies was developed so was data categorized
into a hierarchy consisting of headings labelled very important, important and
considerations. A technique which Peshkin supports in that ‘a listing of objects can help
in organization the complexity of reality (c.1996 : 4).

<table>
<thead>
<tr>
<th>VERY IMPORTANT</th>
<th>CONSIDERATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>Etiquette</td>
</tr>
<tr>
<td>Decision Making / Consensus</td>
<td>Use of the Left Hand</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>Hands on Hips</td>
</tr>
<tr>
<td>Short v Long-term Involvement</td>
<td>Touching on Head</td>
</tr>
<tr>
<td>Personal Relationships Srieg</td>
<td>Pointing</td>
</tr>
<tr>
<td>Time Horizons</td>
<td>Soles of Feet</td>
</tr>
<tr>
<td>Bribery Sogok / Corruption</td>
<td>Halal Food</td>
</tr>
<tr>
<td>Business Structures / Hierarchy</td>
<td>Politeness</td>
</tr>
<tr>
<td>Joint Ventures</td>
<td>Offering of Food</td>
</tr>
<tr>
<td>Meaning of Yes</td>
<td>Work Practices</td>
</tr>
<tr>
<td></td>
<td>Honesty / Respect / Trust</td>
</tr>
<tr>
<td></td>
<td>Generational Attitudes</td>
</tr>
<tr>
<td></td>
<td>Globalization / Modernization</td>
</tr>
<tr>
<td></td>
<td>Personal Space</td>
</tr>
<tr>
<td></td>
<td>Attitudes Towards Foreigners</td>
</tr>
<tr>
<td></td>
<td>Flexibility</td>
</tr>
<tr>
<td></td>
<td>Business Cards</td>
</tr>
<tr>
<td></td>
<td>Exchange of Gifts</td>
</tr>
<tr>
<td></td>
<td>Use of Titles</td>
</tr>
<tr>
<td></td>
<td>Legal System</td>
</tr>
<tr>
<td></td>
<td>Cultural differences in</td>
</tr>
<tr>
<td></td>
<td>comparison to other SE Asian countries</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IMPORTANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anger / Loss of Face</td>
</tr>
<tr>
<td>Role of Men and Women</td>
</tr>
<tr>
<td>Role of Religion / Spirituality in Business</td>
</tr>
<tr>
<td>Role of Family / Friends</td>
</tr>
<tr>
<td>Understanding the Power Base - cukongs</td>
</tr>
<tr>
<td>Cultural Diversity within Indonesia</td>
</tr>
</tbody>
</table>
At the conclusion of the case studies and focus group a final table was compiled and used as a reference point when the data from QSR NUD*IST was analysed. Table 3.3 details the perceived problems that were initially thought to inhibit the effectiveness of Australian SMEs in Indonesia. The use of the hierarchy is supported by Mills who points out that a researcher must use their life experiences in their intellectual work, and continually examine and interpret it. ‘In this sense craftsmanship is the centre of yourself and you are personally involved in every intellectual product upon which you may work (1959 : 196)’. 

3.6.2 Justification / limitations of QSR NUD*IST. Recommended by Miles & Huberman (1994), Tesch (1996) and Boydell, Gronow & Turner (1997), the software program QSR NUD*IST (Non numerical Unstructured data Indexing searching and Theory-building) was considered the most appropriate theory building program to answer the questions concerning Indonesian business practices and culture that was identified in the previous chapter. Developed by the Melbourne based company Qualitative Solutions and Research, version 4 of QSR NUD*IST provided the appropriate support, management and analysis required for the research problem. The QSR NUD*IST program provided a mechanism which enabled:

- Timely processing of the case studies and focus group. As Boydell, Gronow & Turner (1997) point out computer programs save on the scissors, glue and note cards of qualitative researchers of yesteryear (1997 : 5).

- Coding of the research data on screen, and extrapolating of that data interactively.

- The addition of memos as required to documents and codes that assisted with the cross triangulation process.

- Searching imported text for words, phrases or patterns, with the results being automatically coded.

- The rearranging, restructuring, and editing of codes, and coding relationships.

- The performance of complex and repetitive tasks in a timely and efficient manner.

There were two additional factors which determined the choice of QSR NUD*IST over other theory building programs. The first being that one of the case studies had been manually coded as part of a qualitative analysis unit that had been undertaken in 1997. The manual coding task initially appeared to be relatively straight forward, but as categories broadened, codes were amended, and more complex relationships emerged. The process of manually coding became a tedious, time consuming, and often arbitrary

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chore. To manually code and accurately cross reference all 13 case studies and the focus group, would have been possible, but also 'hard and obsessive work' (Miles & Huberman 1984, Pfaffenberger 1988). The second, and most important reason for choosing the QSR NUD*IST software was that Qualitative Solutions Research provided on line assistance through the World Wide Web, discussion and support through email and fax facilities. As an Australian product the package offered an increased opportunity to discuss the use of the program with other local postgraduate researchers. For example:

- participation in a series of workshops on QSR NUD*IST at the Queensland University of Technology in early 1998;
- receipt of the monthly QSR NUD*IST newsletter; and
- periodic meetings with two other doctoral candidates to discuss QSR NUD*IST and data analysis techniques.

The use of ethnographic software programs is not without its disadvantages. Firstly, a researcher must be wary of dissecting the data so that a holistic method of inquiry is no longer possible. According to Agar, ethnographic software programs are essentially a means to an end. Unless common sense is applied to the entire research process then the arbitrary use of software programs 'can lead you straight to the right answer to the wrong question (1996 : 181)'. A theme that is supported by Richards & Richards who maintain that 'storing and sorting can easily produce a new sort of fetishism - with storage systems instead of the joys of fieldwork (1991 : 53)'.

Macnaughton also questions the use of numbers in qualitative research to accurately present the researchers' findings because of a 'tendency to force qualitative research into a quantitative mould (1996 : 1099)', and that the use of numbers, instead of words, suggests a false objectivity. Arguments (Agar 1981, Macnaughton 1996, Peshkin 1996) against the use of empirical techniques and software programs in qualitative methods of inquiry are as follows:

- The computer does not make conceptual decisions, so that the intellectual tasks such as thinking, judging, deciding and interpreting are still done by the researcher.
- The computer does not have the ability to recognize the meanings and innuendoes of language, and all a software package does is follow a series of binary instructions regarding words, phrases or segments of text.
- It is uncertain whether the same quality is being measured from the highest point to the lowest point on the scale, and there is a difficulty in distinguishing between discrete points on a scale. For example, it would be difficult attempting to establish a scale that accurately established the attitudes of Australian entrepreneurs towards their Indonesian joint venture partners.
It is also difficulty when establishing that each point along that scale is the same distance from each other. For example, it is difficult to express the dissatisfaction with Javanese joint venture partners on a scale of 1 to 10, if a score of 1 and 2 is the same at that distinguishing a score of 7 and 8.

In qualitative research there is a greater margin of error because of the intimate involvement of the researcher who inevitably influences the measurement process.

The use of empirical software may lead to 'snapshot' images that may capture something that has existed, but it may mislead by the extreme narrowness of its representation. The danger according to Agar is that with software programs such as QSR NUD*IST there is rush to obtain clarity and certainty that may mean the ambiguities of the problem are 'resolved too quickly, or even at all (1996 : 183)'. An argument supported by Pfaffenger (1988) who maintains that researchers often rely too heavily on the statistical capabilities of the software package rather than spending time developing a well crafted, thoughtful analysis.

Peshkin argues that being systematic and orderly is not inconsistent with qualitative research as there may be occasions when the phenomena can only be revealed using 'rigorously structured perceptual means so that we can report frequencies and timing that serve as the basis for our speculations and interpretations (c.1996 : 4).

Macnaughton continues the argument by stating that qualitative research is more akin to the understanding obtained from painting a picture. Qualitative researchers should not hide under a 'numerical bushel but illuminate it with language that reflects the new kind of understanding that they wish to convey (1996 : 1100)'.

Peshkin also maintains that by forming patterns of outcomes and actions 'their regularity give form and content to what we are perceiving (c.1996 : 10)'. Agar (1996) also maintains that software programs are only a tool. The critical way of seeing 'comes out numerous cycles through a little bit of data, massive amounts of thinking about that data, and slippery things like intuition and serendipity. An electronic ally doesn't have much of a role to play (1996 : 193)'.

Despite the disadvantages, one of the major justifications for employing a software package such as QSR NUD*IST is that previously tasks such as counting occurrences of words or phrases, or assembling thematically related topics, are no longer painstakingly conducted by hand (Burgess 1995). As Richards & Richards point out the computer 'offers a handy Trojan horse for infiltrating into qualitative research the narrowest goals of qualitative sociology (1991 : 40)'. With the computer these tasks can be completed promptly, resulting in increased accuracy, saving of the researcher's time.
3.7 Ethical considerations

One of the ethical problems encountered in the project was that the research involved a series of 'gatekeepers' (Blumer 1982) which included organization such as the Department of Foreign Affairs and Trade; the Australian Trade Commission offices in Jakarta and Townsville; the Queensland Chamber of Commerce and Industry; Export Access; the Queensland Department of Economic Development and Trade; the respondents themselves; and finally other professional colleagues. The core of the problem being to reach a compromise that most satisfied the diverse interests of each of the different parties (Dooley 1995). Warwick (1973) points out that in the case of human research at least four parties are normally involved. 'The individual participant, the researcher, the larger society, and the researcher's profession. Many of the ethical problems in research spring from conflicts between the freedoms of these four parties (1973:43)'.

The majority of the data extracted from the case studies was considered to be 'commercial in confidence' and if released without authority would have resulted in a compromise of a respondent if the data had been passed to government organization, or other competitive companies. For example, one of the case studies in Jakarta was being placed under considerable pressure at the time of the in depth interviews to provide exorbitant facilitation payments to an Indonesian joint business partner to have perishable goods cleared from Indonesian customs. The greater the delay the less value the goods became, and subsequently the greater the amount of 'facilitation' payments were being demanded as each day passed. When requests for additional funding were being relayed to the organization's accountant in Australia there was a demand for official invoices before payment would be forthcoming. These invoices were not provided, and a stalemate continued until the goods had perished, and were subsequently released from bond when it was realized that there was nothing to be gained from further delay.

As a researcher, this was one of the more intriguing of the case studies conducted, as many of the other respondents had alluded to problems encountered with joint venture partners, but had provided few specific details. In this instance there was a rich and engrossing example of the problems faced by Australian SMEs unfolding during the data collection process. There was a temptation to pass on the knowledge to other professional peers, business associates in Indonesia, and staff at the Austrade offices. This would have compromised the respondent, the company involved and the Indonesian government, and has only been included in this chapter in a modified and anonymous format well after the event in order to demonstrate one of the ethical problems that can be encountered in the process of social research. This is supported by Blumer who makes it clear that the researcher has always to take into account of the effects of his actions upon those subjects and act in such a way as to preserve their rights and integrity as human beings (1982:3).

Invasive questions concerning the profitability of the case study organization were also avoided, although several of the respondents were still hesitant in discussing practical aspects of their involvement in Indonesia. Another case study that highlights some of
these ethical dilemmas involved preliminary research into the organization involvement in Indonesia as part of the selection process. This research revealed that the company concerned had made several forays into Indonesia in the past five years all of which had all met with financial failure. During the in-depth interviews conducted with the respondent it was considered important not to ‘channel’ the in-depth interview towards the reasons for the financial failures, yet at the end of both interviews the respondent had not mentioned the circumstances of their company’s involvement in the country. Data, which may have added another layer to the existing database.

Another ethical constraint met in the research process was that sponsors were deliberately not approached to assist with the project as it was considered that such involvement would inevitably lead to:

- pressure for the research to analyse specific topics;
- the imposition of constraints on how data was collected and analysed; and
- limited control over the form and content of published material.

Both the Australian Indonesian Business Council and the Austrade office in Jakarta displayed some interest in the project, although in reality it was the major corporations that may have been forthcoming with financial support. To avoid compromising the research these organisation were deliberately avoided.

Finally, it was considered important in the research design to incorporate an ethical dimension into the research proposal as this ensured that the respondents were aware that the data would be treated with confidentiality. The ethical considerations concerning the research project were explained to each correspondent before the commencement of each interview, with a copy of those considerations at paragraph 2 of the Protocol at Appendix I.

During the initial in-depth interview each respondent was informed that the data collected may be published as part of the dissertation and could be cited in further publications. In the majority of cases the respondents were only willing to continue if they could review the transcripts and make any amendments where necessary. The reason for this request being the respondent’s apprehension that comments that they made in an informal in-depth interview process may well affect their businesses in Indonesia.

There was some concern that there would be problems with reducing the project’s data base if the respondents were given the opportunity to make significant amendments to their transcripts. Fortunately, there were few alterations to the transcripts all of which retained their ‘thick’ descriptive quality, and at the same time were ‘always mindful of the context of individual lives.’
3.8 Conclusion

The key issues that have been discussed in this chapter coincide with the aim of identifying the most suitable method of inquiry required to answer the questions identified in chapter 2 (section 3.1).

This chapter provides the reader with an analysis of the strengths and weaknesses of positivism and critical relativism, and acknowledges that each method of inquiry serves different research needs (section 3.2). Having decided that critical relativism was the most appropriate tool for answering the research questions, the next stage of the chapter discusses the analysis of data using hermeneutics, ethnographic research, and phenomenology. Husserl’s theories on phenomenology combined with case studies and in depth interviews being employed as the primary means of eliciting ‘rich’ and meaningful data.

The research procedures composed of 13 case studies involving 29 in-depth interviews, and non-participant observation of Australian SMEs based in Jakarta and northern Queensland. A focus group involving Indonesian middle level managers participating in an AusAid sponsored Australia Indonesia Special Training Project was also included as part of the research process (section 3.4).

Over an eight month period case studies were conducted using a non-probability snowball sampling technique to identify suitable respondents in northern Queensland and Jakarta (section 3.5). Non-participant observation, in-depth interviewing, and a focus group then employed being to elicit meaningful data from each of the respondents.

The reliability and constructual, internal and external validity of the research process (section 3.5) has also been discussed, with the use of an ethnographic software package QSR NUD*IST also being justified in section 3.6. The chapter concluding with a discussion of the ethical problems that were encountered during the research process.

It is considered that the methodology and research outlined in this chapter is an appropriate tool for determining the cultural problems that inhibit the competitiveness of Australian small to medium size entrepreneurs in Indonesia. A phenomenological method of inquiry using the QSR NUD*IST ethnographic software program being used as the tool to analyse the data in the following chapter.
4 Analysis of Data

4.1 Introduction

Chapter 3 described the research methodology used to gather and analyse the case study data concerning the competitiveness of Australian SMEs in Indonesia. The aim of this chapter is to provide a clear and concise account of the results of the data analysis. The analysis provides the basis for the discussions that are undertaken in chapter 5.

This chapter is restricted to presentation and analysis of the collected data, without drawing general conclusions or comparing the results to those of other researchers that were discussed in chapter 2.

The chapter begins with a brief synopsis of each firm’s background information and their major business activities in Indonesia. The analysis then continues with the presentation and comparison of the data obtained from each of the case studies and the focus group. The emphasis of the analysis is based on the questions identified in section 1.2 and chapter 2. There is an additional section included in this chapter that discusses those questions, which through the evolving process of ethnographic analysis had not been previously identified. Finally, the chapter concludes with the major findings about the research questions related to the competitiveness of Australian SMEs in Indonesia. These major findings provide the basis for the discussion in chapter 5.

4.2 Brief description of case study companies and focus group

This section describes the organization involved in the research and their key business activities in Indonesia. These case study descriptions do not focus on the variations between each case, but provide background information for the analysis of research propositions contained in section 4.3. Table 4.1 lists the background information on each of the case studies.

4.2.1 Case study 1 - Townsville Enterprise Pty Ltd. Barrie Lovett was identified as a north Queensland based respondent because of his appointment as the Manager of the Economics Developments Division of Townsville Enterprise Pty Ltd. He was also involved in the organization and coordinating of trade delegations for north Queensland businesses into Indonesia. Barrie Lovett’s core business experience in Indonesia was limited to five years of coordinating trade delegations. He has had considerable experience in Papua New Guinea and South East Asia as a senior executive with the Hawker De Havilland organization.

4.2.2 Case study 2 - Townsville Indonesian Language Services. Trevor Mack was identified as a north Queensland based respondent because of his 25 year affiliation with Indonesia, working both with survey teams and as an academic teaching Indonesian at James Cook University. One of the key aspects of his core business is providing advice to businesses and government organization on Indonesian business practices and culture.
### Table 4.1 - Case study background information

<table>
<thead>
<tr>
<th>Case Study</th>
<th>Respondents</th>
<th>Case Study Organization</th>
<th>Location</th>
<th>Gender</th>
<th>In Indonesia</th>
<th>Core Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>Barrie Lovett</td>
<td>Townsville Enterprise</td>
<td>Townsville</td>
<td>Male</td>
<td>&lt; Five Years</td>
<td>Export facilitation</td>
</tr>
<tr>
<td>Two</td>
<td>Trevor Mack</td>
<td>Townsville Indonesian Language Services</td>
<td>Townsville</td>
<td>Male</td>
<td>&gt; Five Years</td>
<td>Translation and cultural orientation</td>
</tr>
<tr>
<td>Three</td>
<td>Owen Jones</td>
<td>TORGAS Inc</td>
<td>Townsville</td>
<td>Male</td>
<td>&lt; Five Years</td>
<td>Training and small business facilitation</td>
</tr>
<tr>
<td>Four</td>
<td>Geoff Plante</td>
<td>Geoffrey Plante &amp; Associates</td>
<td>Townsville</td>
<td>Male</td>
<td>&lt; Five Years</td>
<td>Refrigeration</td>
</tr>
<tr>
<td>Five</td>
<td>Peter McDougall</td>
<td>ACEL Training &amp; Development</td>
<td>Townsville</td>
<td>Male</td>
<td>&lt; Five Years</td>
<td>Management training</td>
</tr>
<tr>
<td>Six</td>
<td>Stan Neal</td>
<td>Ruswin Locksmiths</td>
<td>Townsville</td>
<td>Male</td>
<td>&lt; Five Years</td>
<td>Locksmith</td>
</tr>
<tr>
<td>Seven</td>
<td>Yanti Abdurrachman</td>
<td>CB Indonesia</td>
<td>Jakarta</td>
<td>Female</td>
<td>&gt; Five Years</td>
<td>Legal practitioners</td>
</tr>
<tr>
<td>Eight</td>
<td>Garry Kirkman</td>
<td>PT Skypak International</td>
<td>Jakarta</td>
<td>Male</td>
<td>&lt; Five Years</td>
<td>Parcel post</td>
</tr>
<tr>
<td>Nine</td>
<td>Adrian Clayton</td>
<td>Pac - Rim Printing Pty Ltd</td>
<td>Jakarta</td>
<td>Male</td>
<td>&lt; Five Years</td>
<td>Printing</td>
</tr>
<tr>
<td>Ten</td>
<td>Donna Carter</td>
<td>Australian Trade Commission</td>
<td>Jakarta</td>
<td>Female</td>
<td>&lt; Five Years</td>
<td>Business facilitation</td>
</tr>
<tr>
<td>Eleven</td>
<td>Ron Mell &amp; Meredyth Blackwell - Bell</td>
<td>PT. Perdana Bungapertiwi</td>
<td>Jakarta</td>
<td>Male / Female</td>
<td>&gt; Five Years</td>
<td>Dry floral arrangements</td>
</tr>
<tr>
<td>Twelve</td>
<td>Kevin Parker</td>
<td>PT. Southern Cross Electrical Engineering</td>
<td>Jakarta</td>
<td>Male</td>
<td>&gt; Five Years</td>
<td>Electrical engineering</td>
</tr>
<tr>
<td>Thirteen</td>
<td>Eric Gill</td>
<td>Townsville Indonesia Association</td>
<td>Townsville</td>
<td>Male</td>
<td>&gt; Five Years</td>
<td>Electrical engineering</td>
</tr>
<tr>
<td>Focus Group</td>
<td>IASTP (1)</td>
<td>Indonesia - Australia Specialised Training Project</td>
<td>Townsville</td>
<td>16 Male / 2 Female</td>
<td>&gt; Five Years</td>
<td>Management training</td>
</tr>
</tbody>
</table>

(1) The Focus Group consisted of Indonesian middle level managers from the AusAid sponsored Indonesia - Australia Specialised Training Program
4.2.3 **Case study 3 - International School of Business.** Owen Jones was identified as a north Queensland based respondent because of his reputation as a networker and business facilitator of small business into Indonesia. As the Managing Director of the Townsville Regional Group Apprenticeship Services he had established a training center, the International School of Business, which was designed to cater for computer workshops and middle management training packages. Over the past five years the International School of Business has attracted groups of AusAid sponsored Indonesian bureaucrats, academics, and businesspersons. It is through these networks that Owen Jones established a core business that has strong links with Indonesia, and in particular with the Indonesian Chamber of Commerce (KADIN).

4.2.4 **Case study 4 - Geoff Plante & Associates.** Geoff Plante was identified as a north Queensland based respondent because as the Managing Director of Geoffrey Plante & Associates he represented one of the main organization in the Townsville region that had made active inroads into Indonesia. Installation and design of cold room storage have been their core business.

4.2.5 **Case study 5 - Australian Centred Experiential Learning (ACEL).** Peter McDougall was identified as a north Queensland based respondent because of the ongoing involvement of ACEL Training & Development in Indonesia. ACEL is a Townsville based organization with a core business of developing leadership skills through innovative group activities. Since 1992 the company has targeted many Indonesian based organization, and has undertaken training with the CRA / BP company PT Kaltim Prima Coal, a CRA gold mine PT Kelian Equatorial Mining, and a community assistance program in Indonesia, the CRA Foundation.

4.2.6 **Case study 6 - Ruswin Locksmiths.** Stan Neal was identified as a north Queensland respondent because of his interest in establishing a locksmith business in Indonesia. A joint venture partnership had been established with a major security company in Brisbane specifically targeting the Indonesian domestic and industrial security markets. Due to a series of frustrations, and a lack of knowledge of Indonesia’s business practices and culture, the company elected to establish a locksmithing business in Port Moresby, Papua New Guinea. Stan Neal had spent twenty years of his career working with a major brewing company in PNG.

4.2.7 **Case study 7 - CB Indonesia.** Yanti Abdurrachman, an attorney-at-law with CB Indonesia was identified as a Jakarta based respondent because of her appointment as a Vice President of the Indonesia Australia Business Council. Yanti Abdurrachman was born in Indonesia, however was educated in Australia and holds Australian citizenship. Since 1992 she was worked as a lawyer with the legal practices of Moctar, Karuwin and Komar, and CB Indonesia.

4.2.8 **Case study 8 - PT Skypak International.** Garry Kirkman was selected as a Jakarta based respondent because of his employment as the Senior Technical Adviser, PT Skypak International. Garry Kirkman’s core business in Indonesia was the provision of
technical advice on worldwide express package distribution. At the time of the interviews Garry Kirkman had spent 18 months working in Indonesia. His family has recently returned to Sydney.

4.2.9 Case study 9 - Pac Rim Printing. Adrian Clayton was identified as a Jakarta based respondent because of his position as the Technical Representative (Sales & Marketing) with the printing company Pac - Rim Printing Pty Ltd. Initially appointed by the company as a marketing consultant on the Indonesian free trade island of Batam, he was then offered a position as the technical adviser to the company in Jakarta in June 1996. Adrian Clayton’s core business in Jakarta was to identify market opportunities for the printing press in Batam. His spouse has recently returned to Sydney.

4.2.10 Case study 10 - Australian Trade Commission (Austrade). Donna Carter was identified as a Jakarta based respondent because of her experience as a Trade Commissioner with Austrade. Transferred to Jakarta in 1995 she spent three years in Indonesia, primarily responsible for the facilitation of Australian business into that country. Donna Carter was also posted as the senior Austrade representative to Townsville in May 1997, which provided an opportunity for further interviews to be conducted.

4.2.11 Case study 11 - PT. Perdana Bungapertiwi. Ron Mell and Meredyth Blackwell - Bell were identified as Jakarta based respondents because of their partnership in PT. Perdana Bungapertiwi. The core business of the company being dried floral arrangements. They had been strongly recommended by Austrade staff as an example of a small business that had overcome many obstacles when first entering the Indonesian market in the early 1990s. Both respondents were single, and Meredyth Blackwell - Bell lived with her two teenage children in a Jakarta suburb.

4.2.12 Case study 12 - PT. Southern Cross Engineering. Kevin Parker was identified as a Jakarta based respondent because he was a long-term resident of Indonesia, and had been asked to manage the medium size company PT. Southern Cross Engineering in 1990. He has lived with his family in Indonesia for a total of 20 years.

4.2.13 Case study 13 - Masayarakat Indonesia. Eric Gill was identified as a north Queensland based respondent, to supplement existing data gathered as part of a qualitative research unit undertaken at James Cook University. Eric Gill’s experience in Indonesia is based on his involvement in electrical engineering contracts in the country in the early 1970s, where he subsequently married his Javanese partner, Rose. Both of them are actively involved in the Townsville - Indonesian Association (Masayarakat Indonesia). At the time of the interview Eric Gill was the President of the Association.

4.2.14 Focus group - Indonesia Australia Specialised Training Program (IASTP). It was originally intended to coordinate a focus group consisting of businesspersons from the north Queensland region who had extensive experience in Indonesia. Unfortunately, the case studies had exhausted most of the likely participants, and it would have been difficult to convene a group of eight or more ‘Indonesian experts’ without incurring
considerable travel costs and inconvenience. During the period 27 April 1997 to 18 July 1997 an IASTP program was conducted at the International School of Business, located in Townsville. The research process included coordinating a twelve-week management program for a group of eighteen Indonesian bureaucrats.

Initially, there was no intention of involving the group in the research, as one of the boundaries of the research problem had been that only Australian entrepreneurs would be involved in the data collection. However, in early July 1997 a paper was presented on the process of successful business in Indonesia to an International Trade Workshop coordinated by the Queensland Department of Economic Development and Trade. Following the presentation the Indonesians became very enthusiastic about providing an Indonesian perspective why Australians are not as competitive in Indonesia as their Asian counterparts. A focus group was subsequently conducted at the International School of Business.

4.3 Patterns of data for each research question

This section presents and compares the data obtained from each of the case studies and the focus group. The emphasis of the analysis is based on the questions identified in section 1.2 and chapter 2. Section 4.4 discusses those questions that through the evolving process of the ethnographic analysis were not previously identified.

Once the case studies and focus group were written up in a ‘holistic and comprehensive’ manner (Patton 1990) the data was then entered into the QSR NUD*IST program. It was then coded into an index system from which patterns of coding and theories were established. The only exception is case study 13 that was coded both manually and then for cross analysis purposes re-coded using the software program.

The following section presents an analysis of the patterns of results for each of the research questions identified in section 1.2 and chapter 2. The following techniques were used during the analysis:

- providing statistical summaries and tabulating the frequency of different categories that were initially identified in table 3.3;

- establishing relationships between the categories by displaying cross references in matrix format; and

- providing summaries of the results of the coding and cross referencing that are used in chapter 5 for further theory development and testing.

Unless otherwise stated the quotations in the following sections are extracts from the in-depth interviews with the respondents. For the sake of brevity the term ‘case study’ also includes the data analysed from the in-depth interviews and the focus group discussion. In the analysis of several of the categories the researcher acknowledges that many ‘worldly wise’ Indonesian entrepreneurs and their families are very well educated both in
Indonesia and overseas. Their idiosyncrasies and approaches to business may not reflect their ethnic origins.

4.3.1 Patterns of data for the category of communication and business

This research question concerns the importance of communication in the facilitation of business in Indonesia. Two questions were developed in the interview protocol to explore the respondents’ perceptions and experience towards the research question. The first concerned the use of the Indonesia language in increasing the competitiveness of an Australian businessperson, and the second the importance of finding a joint venture partner who speaks fluent English.

For the purpose of the analysis communications is defined as the ability to communicate effectively with a joint venture partner, or an Indonesian associate. As detailed in table 4.2 a total of 13 of the 14 case studies, or 93% of the respondents, mentioned communications as a factor in the conduct of successful business in Indonesia. The exception was case study 1. Figure 4.1 provides a summary of the frequency with which communication was mentioned. Each case participant’s responses are placed on a continuum with low importance at one end of the scale and high importance at the other. The scale used for this ten point Likert scale ranging from 1, low importance, to high importance at 10.

Figure 4.1 - Frequency of category (communication)

The response for each case study is illustrated by a black circle, representing the frequency that effective communication was mentioned in relation to the conduct of business in Indonesia.

One of the primary tools of QSR NUD*IST is the facility to conduct a search of the index system where each of the case studies has been coded at the nominated categories. Such searches enabled the researcher to answer questions about the relationships between
categories and patterns of coding, with the answers being retained as more data. This process also assisted in overcoming the methodological problem of ‘bounding’ (Miles & Huberman 1984), where parameters of the category have not been clearly established. The QSR NUD*IST program was able to assist in setting the boundaries for the collection of the data.

Table 4.2 - Summary of case study responses for each major category

<table>
<thead>
<tr>
<th>Categories</th>
<th>Case Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Communications</td>
<td>v</td>
</tr>
<tr>
<td>Decision Making</td>
<td>v</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>v</td>
</tr>
<tr>
<td>Involvement</td>
<td>v</td>
</tr>
<tr>
<td>Relationships</td>
<td>v</td>
</tr>
<tr>
<td>Time Horizons</td>
<td>v</td>
</tr>
<tr>
<td>Corruption</td>
<td>v</td>
</tr>
<tr>
<td>Joint Ventures</td>
<td>v</td>
</tr>
<tr>
<td>Meaning of Yes</td>
<td>v</td>
</tr>
<tr>
<td>Flexibility</td>
<td>v</td>
</tr>
<tr>
<td>Networking</td>
<td>v</td>
</tr>
<tr>
<td>Negotiation Skills</td>
<td>v</td>
</tr>
<tr>
<td>Australian Culture</td>
<td>v</td>
</tr>
<tr>
<td>Loss of Face</td>
<td>v</td>
</tr>
<tr>
<td>Gender &amp; Business</td>
<td>v</td>
</tr>
<tr>
<td>Role of Religion</td>
<td>v</td>
</tr>
<tr>
<td>Role of Family</td>
<td>v</td>
</tr>
<tr>
<td>Business Structures</td>
<td>v</td>
</tr>
<tr>
<td>Cultural Diversity</td>
<td>v</td>
</tr>
<tr>
<td>Globalization</td>
<td>v</td>
</tr>
<tr>
<td>Legal System</td>
<td>v</td>
</tr>
<tr>
<td>Attitude to Foreigners</td>
<td>v</td>
</tr>
<tr>
<td>Generational Attitude</td>
<td>v</td>
</tr>
<tr>
<td>Indonesian Tolerance</td>
<td>v</td>
</tr>
<tr>
<td>Equality</td>
<td>v</td>
</tr>
<tr>
<td>Expatriates</td>
<td>v</td>
</tr>
<tr>
<td>Business Image</td>
<td>v</td>
</tr>
<tr>
<td>Honesty</td>
<td>v</td>
</tr>
<tr>
<td>Etiquette</td>
<td>v</td>
</tr>
<tr>
<td>Food</td>
<td>v</td>
</tr>
<tr>
<td>Work Practices</td>
<td>v</td>
</tr>
<tr>
<td>Malaysian business</td>
<td>v</td>
</tr>
<tr>
<td>Market Knowledge</td>
<td>v</td>
</tr>
</tbody>
</table>
When an index search intersecting the categories of communication and joint venture partners was undertaken only case study 12 was identified as having discussed both categories simultaneously. "Choosing the correct joint venture partner is critical to the key to success for Australian off shore companies. Even for those businesses with Australian representatives in Indonesia, a joint venture partner is still very important. A good joint venture partner will provide a business with local knowledge, an ability to overcome the language barrier, and more importantly access to the local network and bureaucracy. The problem in Indonesia is finding a suitable and experienced joint venture partner with whom you can trust that a decision has been made that will benefit both parties concerned."

When conducting an index search between the category of communication and the category of successful business practices 11 of the case studies, or 79% of the respondents, identified communication as being synonymous with the successful conduct of business in Indonesia.

The data provides no consistent patterns based on location, time in country or gender, with a significant divergence of data amongst the case studies. The findings also indicate that except for case study 1 each of the respondents discussed the need for effective communications. This ranged from case study 4 where the category of communications was coded at 2.1% of the data, to case study 9 where 18% of the data contained references to the need for effective communications. Only one case study was identified as simultaneously discussing joint venture partners and communications (see section 4.3.8).

The category of communication is discussed in more detail in section 5.2.1.

4.3.2 Patterns of data for the category of decision making in business

This research question concerns the importance of the decision making process in the facilitation of business in Indonesia, called in Indonesian ‘gotong royong’. The question concerns how disagreement in Indonesia is normally expressed in an oblique manner, and how the preservation of consensus and harmony affects Indonesian business practices. As the coding progressed the category of decision making was subdivided into two groups. The first concerning Javanese ‘community self help, or mutual cooperation’ which is one of the five principles of Indonesia’s Pancasila. The second sub category specifically concerns consensus and the problems met in the decision-making processes in Indonesia.

*The fourth principle of the Pancasila is distinct from the western brand of democracy where there is a system of ‘majority rules’. In Indonesia democracy is based upon the village system of deliberation (permusyawaratan) among representatives to achieve consensus (mufakat). Source: Department of Information, Republic of Indonesia 1997, Indonesia 1997. An Official Handbook, Directorate of Foreign Information Services, Jakarta, p.51.
The category of mutual cooperation and the veiled manner in which negativity is expressed was mentioned in 29%, or four out of the 14 case studies. A cross analysis indicated that all the respondents who had mentioned consensus had worked in the country for periods ranging from three to six years. The category of consensus and the problems encountered by Australian business was identified in six of the case studies, or 43% of the sample population. There is no correlation between this category and gender, location, or in country experience.

When conducting an index search between the categories of consensus and the lateral category of successful business practices four of the case studies, or 29% of the respondents identified understanding the decision making process as being important to successful business in Indonesia.

In summary, nearly half of the respondents cited the decision making process as presenting a problem to Australian businesses in Indonesia. Only four of these case studies identified an understanding of Javanese diplomacy and ‘gotong royong’ as being a key factor. Table 4.3 provides an overview of the frequency, with which consensus or Javanese diplomacy was coded under the category of decision making.

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Case Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6 7 8 9 10 11 12 13 14</td>
</tr>
<tr>
<td>Diplomacy</td>
<td>0 0 0 0 0 42 0 0 41 18 0 27 0</td>
</tr>
<tr>
<td>Consensus</td>
<td>0 13 5 27 0 0 0 21 13 0 11 0 0</td>
</tr>
</tbody>
</table>

This research question is discussed in more detail in section 5.2.2. There is also an extract of the QSR NUD*IST report on frequency of coding for the research question on Decision-Making / Consensus at Appendix III.

**4.3.3 Patterns of data for the category of bureaucracy**

The initial research question was solely concerned with Indonesian bureaucracy, however as the analysis unfolded the data was divided into four separate sub categories:

1. **Government channels.** Defined as the facilitation of business into Indonesia through both the Australian and Indonesian governments. Organization such as the Australian Trade Commission (Austrade), the Indonesian Chamber of Commerce and Industry (KADIN), the Regional Investment Coordinating Board (BKPM), and the National Development Planning Board (Bappenas), are included in this definition. This category was mentioned in 79%, or 11 of the 14 case studies.

2. **Preparation.** Defined as the requirement for Australian SMEs to plan and conduct research before entering the Indonesian market. This category was
mentioned in 86%, or 12 of the 14 case studies, and are also cross referenced with the market knowledge category that is discussed at section 4.4.8.

(3) Austrade. Defined as process of export facilitation through the Australian Trade Commission. The category also includes the various State Chambers of Commerce and Industry and government support organization such as the Queensland Department of Economic Development and Trade. This category was mentioned in 29%, or 4 of the 14 case studies, with each of these case studies having worked in Indonesia for three or more years. Against this category case study 11 was coded on 160 separate occasions.

(4) Indonesian bureaucracy. Defined as the problems met when dealing with the Indonesian government. This category was mentioned in 64% of the case studies.

Figure 4.2 provides a pie chart overview of the significance each of the sub headings under the category of bureaucracy and the conduct of business in Indonesia.

Figure 4.2 - Frequency of category (bureaucracy)

When a cross analysis of the data concerning bureaucracy and the success or failure of Australian businesses in Indonesia was undertaken the results indicated that an understanding of bureaucracy was considered to be important to success. Failure was a consequence of a lack of understanding. The cross analysis highlights the importance of preparation through the correct government channels.

The matrix at table 4.4 is one of several in this chapter that are used as the form of analysis that is recommended by Miles & Huberman (1984) as an efficient data acquisition technique.
Table 4.4 - Cross analysis of bureaucracy, success, and failure

<table>
<thead>
<tr>
<th>Number of Correlations</th>
<th>Success</th>
<th>Failure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Channels</td>
<td>65</td>
<td>9</td>
</tr>
<tr>
<td>Preparation</td>
<td>99</td>
<td>16</td>
</tr>
<tr>
<td>Austrade/State Government</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Indonesian Bureaucracy</td>
<td>29</td>
<td>7</td>
</tr>
</tbody>
</table>

All the 14 case studies discussed one or more of the sub categories of bureaucracy as a factor in the successful process of business in Indonesia. Attitudes towards both the Australian and Indonesian government processes varied significantly amongst respondents. This theme was pursued throughout the data analysis process, with the trend emerging that Australian companies were concerned with the transparency of the bureaucracy in Indonesia. Companies were concerned with the preparation and support provided by the Australian government before entering the Indonesian market. For example, comments from one case study concerning Australian government transparency include ‘They [Austrade] knew Indonesia was covered with corpses of Australian small businesses that had gone bankrupt, and they were not about to discourage us from joining the queue’. This theme generated the inclusion of a further category, market knowledge, and was used for cross analysis of data concerning bureaucracy and the requirement to conduct adequate preparation before entering Indonesian markets.

The cross analysis of data concerning bureaucracy is discussed at section 5.2.3.

4.3.4 Patterns of data for the category of short versus long-term involvement

Short-term and long-term involvement was defined as the attitudes of Australian businesses towards short-term profit versus long-term commitment. As detailed in table 4.2 a total of 12 out of the 14 respondents, or 86% of the population, mentioned commitment versus short-term profit as a reason for Australian business not being as successful as their Asian counterparts in Indonesia. The two exceptions were case studies 2 and 5, both North Queensland based organization with varying degrees of business experience in Indonesia. Figure 4.3 provides an overview of the frequency that this category was mentioned in each case study, with each case participant being placed on a continuum with low importance at one end of the scale and high importance at the other. The scale being used for this ten point Likert scale ranging from 1, low importance, to high importance at 10. The response for each case study is illustrated by a black diamond, representing the frequency that long-term versus short-term commitment was mentioned in relation to the conduct of business in Indonesia.

The trend identified in the scale below is that 83% of the Jakarta based case studies rated short-term versus long-term involvement as being important to the success of business in Indonesia. When conducting an index search of the data the term ‘long-term involvement’ also used to discuss the Indonesian attitude towards short-term profits. For example, ‘This is a major problem in Indonesia where many decisions are made on the
basis of short-term involvement rather than long-term benefits to the nations as a whole. 'This is not to say that there are some very professional and experienced Indonesian businessmen who are able to provide a particularly efficient service, but there are also many Indonesians whose sole concern is their own personal profit margin, rather than the long-term success of the business'.

Figure 4.3 - Frequency of category (long-term v short-term involvement)

A cross data analysis was undertaken between the category and success and failure of businesses in Indonesia with 57% of the respondents identifying long-term goals versus short-term profits with success. Only four, or 29%, of the case studies identified with short-term commitment with failure.

In summary, the findings indicate that the majority of respondents consider that long-term commitment is an important aspect of successful business in Indonesia. Several of the Jakarta based case studies included the Indonesian desire for short-term profit as being a problem for Australian business in the country. This research question is discussed in more detail in section 5.2.4.

4.3.5 Patterns of data for the category of personal relationships and business

The initial research question was concerned with two aspects of personal relationships and business in Indonesia. The first was the extent to which Indonesians look for Australian businesses with which they will trade for the next twenty years. The second was how important it is to have the right relationships in Indonesia for a business to succeed.

As the data was unravelled by QSR NUD*IST the category of personal relationships was further sub-divided into three separate sub categories:
(1) Australian attitudes. Defined as the attitudes of Australians towards mateship and establishing friendships in business. This category was mentioned in 50%, or 7 of the 14 case studies.

(2) Refined (halus) versus coarse (kasar). Defined as the Javanese concept of being refined or being uncouth. This category was mentioned in 14%, or 2 of the 14 case studies. The two case studies concerned involved respondents of Indonesian origin.

(3) Indonesian attitudes. Defined as the Indonesian perception of personal relationships (sreg) and their role in business. This category was mentioned in 79%, or 11 of the 14 case studies.

When a cross analysis of the data concerning personal relationships and the success or failure of Australian businesses in Indonesia was undertaken the results indicated that personal relationships were considered to be more important to an Indonesian rather than Australian businesspersons. There was no significant correlation between gender, location or experience in Indonesia, except that all three female respondents agreed that friendships were important to the success of business. Table 4.5 provides a summary of the cross analysis of the data.

Table 4.5 - Cross analysis of personal relationships, success, and failure

<table>
<thead>
<tr>
<th></th>
<th>Success</th>
<th>Failure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australian Attitudes</strong></td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td><strong>Javanese Status</strong></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Indonesian Attitudes</strong></td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

This research question is discussed in more detail in section 5.2.5.

4.3.6 Patterns of data for the category of time horizons and business

The original protocol questionnaire on time horizons included a question concerning how Australian businesses should deal with an Indonesian’s relatively relaxed attitude towards punctuality. There was also a question on the need for a flexible approach towards time deadlines in the country. As with several of the research questions already discussed the process of grounded theory and the data analysis sequence meant that the original question on flexibility was subsequently reclassified as a separate category.

The data in this section discuss time horizons, which for the purpose of analysis have been defined as the ability to relate to time in terms of punctuality, submission of reports, and completion of business related tasks.

As detailed in table 4.2 a total of 10 out of 14 case studies, or 71% of respondents discussed time horizons, with responses ranging from the philosophical acceptance of differences in culture to more dominant and aggressive responses. For example, ‘Again
with Indonesians there is the whole concept of ‘rubber time’. Indeed, there is a Javanese saying “alon-alon”, which literally means ‘Take it slowly, but surely’, which is a very pervasive trait’ in comparison to ‘for a business that is driven by deadlines, Indonesians do not have the same concept of urgency and time as westerners. I have colleagues who often express huge disappointment that something took so much longer, and that the only way they were able to achieve an outcome was to provide the subordinate or colleague with very specific instructions’.

Another theme that emerged during the coding of this category was that the Indonesian attitudes towards time are not reciprocal, and that if a westerner is late that is considered to be rude. This observation was highlighted by the following comment ‘Indonesians are still very flexible with their time, but if foreigners are not punctual it is seen to be very rude. Get used to the fact that many Indonesians can live with double cultural values in business’.

When a cross analysis of the data concerning time horizons and the success or failure of Australian businesses in Indonesia was undertaken the results indicated that there were 31 occurrences of success and understanding of time horizons in comparison to 47 occurrences of the understanding of time horizons and failure. The assumption that can be made from this finding is that time horizons contribute to the failure of Australian small businesses in Indonesia.

This research question will also be discussed in more detail in section 5.2.6.

4.3.7 Patterns of data for the category of corruption and business

For the purposes of analysis the category of corruption was initially defined as the process of corruption and bribery that pervades most levels of Indonesian bureaucracy. KKN being the colloquial acronym for corruption, collusion, and nepotism. The question in the protocol asked whether ‘facilitation’ payments are an integral part of conducting business in Indonesia. However, as the data analysis progressed the category was further sub-divided into the following:

(1) Business transparency. Defined as the difficulty in assessing the process of business due to a lack of transparency in business practices. This category was mentioned in 57%, or 8 of the 14 case studies. More than 60% of these cases studies were Jakarta based. This category is linked with both the bureaucracy and the requirement for facilitation payments.

(2) Facilitation payments. Defined as the identifiable costs of facilitating business in Indonesia. This category was mentioned in 79%, or 11 of the 14 case studies.

When a cross analysis of the categories of business transparency and facilitation payments was undertaken the data indicated that there is a need for preparation before entering the Indonesian market. The matrix at table 4.6 provides an overview of the significance of the data.
Table 4.6 - Cross analysis of corruption, and bureaucracy

<table>
<thead>
<tr>
<th>Number of Correlations</th>
<th>Government channels</th>
<th>Preparation</th>
<th>Australian government</th>
<th>Indonesian government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business transparency</td>
<td>17</td>
<td>26</td>
<td>17</td>
<td>52</td>
</tr>
<tr>
<td>Facilitation payments</td>
<td>25</td>
<td>4</td>
<td>12</td>
<td>30</td>
</tr>
</tbody>
</table>

The terminology that emerged from the case studies indicated that there was varying levels of perceived corruption in Indonesia, each of which has varying connotations. There is corruption (*korupsi*) which is associated with the higher echelons of the Indonesian government, followed by bribery (*sogok*) which is associated with inducement payments mainly to Indonesian bureaucrats. The least demonstrative term being *pelican* which literally means ‘someone who smooths the waters’.

The term facilitation payments was not only restricted to Indonesia. Parallels with the conduct of business in Australia were mentioned in 29% of the case studies. For example, ‘In terms of facilitation fees it is important to understand that in Indonesia there is almost a pyramidal pecking order, where every service has a fee. Indeed, in Australia we are not much different except that the facilitation fees we pay are much more transparent’. Case study 8 also states that ‘This is not such a big problem as Australia has its version of facilitation fees, such as real estate agent's fees, or selling a vehicle through a second hand car dealer’. This emerging theme is discussed in depth in section 5.2.7.

When a cross analysis of the categories of business transparency and facilitation payments was undertaken the results indicated that facilitation payments, particularly within the Indonesian government, and the need for preparation prior to entering the market are themes that impact on the success of Australian businesses in Indonesia. The matrix at table 4.7 provides an overview of the significance of the data.

Table 4.7 - Cross analysis of corruption, success, and failure

<table>
<thead>
<tr>
<th>Number of Correlations</th>
<th>Success</th>
<th>Failure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency of business</td>
<td>36</td>
<td>19</td>
</tr>
<tr>
<td>Facilitation payments</td>
<td>44</td>
<td>22</td>
</tr>
</tbody>
</table>

The research question concerning corruption indicates that there is a difficulty in assessing the process of business because of lack of transparency, and that facilitation payments are an integral part of business in Indonesia. Additional themes that emerged from the analysis are that there are varying levels of facilitation payments, of which the category of *pelican* has similar connotations to the commissions that are paid in Australia to service organization.
4.3.8 Patterns of data for the category of joint ventures and business

The category of joint ventures is defined as the establishment of a partnership between Australian and Indonesian businesses. As a consequence of the review conducted at chapter 2 the initial question was designed to determine how difficult it was to identify a competent and trustworthy joint venture partner in Indonesia. As detailed in table 4.2 a total of 11 out of 14 case studies, or 79% of respondents discussed problems with joint venture partnerships. There was no correlation between the three exceptions to the findings and demographic data such as gender, location, or experience in country.

Figure 4.4 provides a summary of the frequency that this category was mentioned in each case study. Each case participant was placed on a continuum with low importance at one end of the scale and high importance at the other. The scale being used for this ten point Likert scale ranging from 1, low importance, to high importance at 10. The response for each case study is illustrated by a black circle, representing the frequency that joint venture partnerships were mentioned in relation to the conduct of business in Indonesia.

Figure 4.4 - Frequency of category (joint ventures)

![Diagram showing frequency of joint ventures in Indonesia](image)

The trend identified in the scale is that the clusters of case studies 7 - 11 are Indonesian based. These companies have not placed the same emphasis on joint venture partnerships as those case studies based in northern Queensland. A further analysis of the data using index searches indicates that a joint venture partnership is still very important for success in Indonesia. For example, case study 12, also a Jakarta based organization with the greatest length of experience in country commented that ‘Choosing the correct joint venture partner is critical to the key to success in Indonesia’. This theme is also supported by the Indonesian focus group (case study 14) which comments ‘The Indonesian partners do not want to see their joint venture partners lose. They also want a win win situation’.
A cross data analysis was undertaken between the category and success and failure of businesses in Indonesia. A total of 36% of the respondents identified joint venture partners with success, and only two of the case studies associated the category with failure. The data indicates that the majority of respondents consider a joint venture partner as being important to the success of business in Indonesia. The Jakarta based case studies placed less emphasis on this category than their Northern Queensland counterparts.

This research question is discussed in more detail in section 5.2.8. There is also an extract of the QSR NUD*IST report on frequency of coding for the research question on joint venture partners at Appendix III.

4.3.9 Patterns of data for the meaning of ‘yes’ and the avoidance of confrontation

This category is defined as the apparent inability of some Indonesian businesspersons to commit themselves to a specific course of action. There were originally three questions contained in the protocol as the researcher’s expectations were that this category was a major hurdle to Australian businesses in Indonesia. The research questions were:

- In your view do Indonesian’s tend not to disagree, so when someone says ‘yes’ you should not assume that they are disagreeing?
- Does this sometimes lead to misunderstanding between Australian and Indonesian businesspersons?
- Considering your experiences of first business meetings in Indonesia is there a lack of commitment on behalf of Indonesian businesspersons, even though they have nodded their head and said ‘yes’ to a conversation or question?

Based on these questions and the data obtained as a consequence of each case study a total of 8 out of 14 case studies, or 57% of respondents discussed the meaning of ‘yes’. Table 4.8 provides a summary of the percentage of data in each case study that specifically discussed the meaning of ‘yes’ and the process of business in Indonesia.

<table>
<thead>
<tr>
<th>Case Studies</th>
<th>% of total data</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>7</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meaning of ‘Yes’</td>
<td>4.6</td>
<td>2.9</td>
<td>2.3</td>
<td>1.6</td>
<td>6.8</td>
<td>1.1</td>
<td>2.3</td>
<td>1.7</td>
<td></td>
</tr>
</tbody>
</table>

Only the data in case studies 3 and 10 was coded frequently enough to consider the category important to the conduct of business in Indonesia. All eight of the case studies involved did experience frustration with the Javanese meaning of ‘yes.’ For example, ‘The other thing that I found is that you have to really be careful before assuming a certain level of trust, understanding, and friendship with Indonesian business people. Because Indonesians in my experience are extremely polite, and it is rare to see anger on
anyone's face, or even surprise. So it would be easy to misinterpret someone's true feelings when they have been smiling throughout the whole meeting. "I think we've got on really well", does not necessarily mean that at all.

When an index search of the data involving the categories of the meaning of 'yes' and cultural diversity in Indonesia is undertaken there is a variance in response concerning the Javanese and other ethnic groups. For example, 'Indonesia has considerable cultural diversity, ranging from the Bataks in northern Sumatra to the Balinese. Dealing with each different culture does affect the way business is conducted in the country. A Javanese businessperson is particularly non-committal, and will approach a business negotiation in an entirely different manner to a businessperson from Madura who is normally more aggressive and transparent in their business dealings'. Ten of the 14 case studies or 71% of the respondents commented on the cultural diversity of the country and how this affects the negotiation process.

When a cross analysis of the data was undertaken between the category and success and failure of businesses in Indonesia only two of the case studies associated the meaning of 'yes' with success, and three case studies with the category and failure. The data indicating that many of the respondents were frustrated with the apparent inability of some Indonesian businesspersons to commit themselves to a specific course of action. This was not considered to be a major cause of business failure in the country. The data also indicates that avoidance of commitment is a Javanese idiosyncrasy, and does not apply to all Indonesian ethnic groups. This research question is discussed in more detail in section 5.2.9.

4.3.10 Patterns of data for the category of flexibility in business

The category of flexibility was initially classified as one of the minor themes associated with generic Indonesian work practices, seeking to determine what were the differences in work practices between Indonesian and Australian businesses. As the data analysis progressed it became apparent that this category was important to the success of Australian businesses in Indonesia, and was re-categorised accordingly. For the purposes of analysis the category was defined as the requirement for a flexible approach to business in Indonesia. As described in table 4.2 a total of 13 of the 14 case studies, or 93% of respondents commented on the requirement to remain flexible when conducting business in Indonesia.

Figure 4.5 provides a summary of the frequency that this category was mentioned in each case study, with each case participant being placed on a continuum with low importance at one end of the scale and high importance at the other. The scale used for this ten point Likert scale ranged from 1, low importance, to high importance at 10. The response for each case study is illustrated by a black square, representing the frequency that flexibility was mention in relation to the conduct of business in Indonesia.

The trend identified in the scale below is that all the case studies, less the focus group involving the Indonesians, were concerned about the requirement for a flexible approach
to business in Indonesia. Three of the case studies considered this factor to be important. In particular case study 9 placed considerable emphasis on the requirement for flexibility. For example, 'My job is to go out and knock on doors and meet people. You cannot achieve the same level of productivity in that respect. If I were to get in two productive sales calls a day here, given the way we are currently structured, I would be very pleased. I am not achieving that at the moment. Just the general environment is a problem. The traffic is unpredictable, and not efficient. All that contributes to the frustration'.

Figure 4.5 - Frequency of category (flexibility)

A cross data analysis was undertaken between the category and success and failure of businesses in Indonesia. A total of 35% of the respondents identified flexibility with either success or failure. There is no other obvious correlation between this category and gender, location, or in country experience.

As a consequence of the ethnographic analysis process this category assumed considerably more significance than originally anticipated by the researcher. In summary, the data indicates that the majority of respondents consider flexibility to be an important part of conducting business in Indonesia, with three of the respondents rating the category as very important.

This research question is discussed in more detail in section 5.2.10.

4.3.11 Patterns of data for the category of loss of face and business

The parameters concerning the avoidance of loss of face were originally restricted to questions concerning the repercussions of displaying anger in front of an Indonesian, and what was the actual meaning of 'loss of face'. As the data unfolded the research refocused on the categories concerning the display of anger, and the Indonesian avoidance of loss of face.
(1) Display of anger. Defined as a demonstration of anger or short temper that is considered by Indonesians to be undignified or coarse (kasar). A total of 3 out of the 14 case studies, or 21% of respondents mentioned displaying anger and the conduct of business in Indonesia. The data indicates that this category is not as important as originally expected by the researcher, although the comments by the respondents indicate that it is still a factor which should be taken into consideration. For example, 'Typically, for a Javanese perhaps you are not supposed to show you anger, and it taken as very coarse, and rough if you do. Fairly inexcusable. 'Halus' is the word? 'Kasar', the opposite! So the expectation is that you don't show your anger in public. Of course they do not show theirs either'.

(2) Loss of face. Defined as the loss of dignity or self-respect that is important to the inner equilibrium of many Indonesians. A total of 11 out of the 14 case studies, or 79% of respondents mentioned that loss of face was a consideration when conducting business in Indonesia. A cross data analysis was undertaken between the loss of face and the category of cultural diversity in Indonesia. The results indicating that four of the case studies, or 29% of respondents, consider that a loss of face or display of anger is not a generic Indonesian characteristic, as an Indonesian response is often determined by their ethnic origin. For example, 'A Javanese businessman will often hesitate and remain non committal throughout a business discussion, mainly through fear of 'losing face' and making a decision without the consensus of his partners. Whereas a Batak businessman from Medan may become frustrated with a long and protracted negotiation process. This stereotyping can sometimes be very incorrect, particularly as many Indonesian executives have been educated overseas. On the whole it is wise to assume that when you first meet a Javanese businessman he will most likely react in a particular manner'.

Table 4.9 also provides an overview of the frequency that this category was coded at each of the case studies, with the results illustrating that the loss of face should be taken into consideration when conducting business in Indonesia. The category is not as important as anticipated by the researcher.

Table 4.9 - Percentage of data related to category (loss of face)

<table>
<thead>
<tr>
<th>Case Studies</th>
<th>1</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of total data</td>
<td>6.4</td>
<td>2.8</td>
<td>1.4</td>
<td>7.1</td>
<td>2.3</td>
<td>4.5</td>
<td>3.1</td>
<td>.36</td>
<td>2.5</td>
<td>3.4</td>
<td>.44</td>
</tr>
</tbody>
</table>

The data relating to the display of anger, or loss of face, indicates that these categories should be taken into consideration when conducting business in Indonesia, however they are not considered to be of primary importance. The data also reveals that Indonesians should not be stereotyped, as their ethnic background may often determine how they respond to certain circumstances.
This research question is discussed in more detail in section 5.2.11.

4.3.12 Patterns of data for the category of gender in business

The original research questions concerning the role of gender in business in Indonesia referred to the traditional roles of men and women, and whether the gender of an Australian businessperson affects the competitiveness of a particular business. This was condensed into the one category concerning gender and for the purposes of data analysis was defined as the role gender plays in business in Indonesia.

As detailed in table 4.2 a total of 7 out of the 14 respondents, or 50% of the population, mentioned problems related to gender and conduct of business in Indonesia. A cross analysis search was then conducted to determine whether attitudes varied between male and female respondents, and whether there was a difference between how the Indonesian business men interact with Australian business women in comparison to their Indonesian counterparts. The purpose of the cross analysis was to develop comparative data, rather than to establish additional themes and questions.

A cross analysis of the category gender with the demographic category of the respondent’s gender was then undertaken. All three of the females interviewed during the course of the case studies mentioned the drawbacks and benefits of being a female businessperson in Indonesia\(^4\). As illustrated in table 4.10 the frequency with which the category was coded with the female respondents (case studies 7, 10 & 11) is more frequent than the four male case studies.

<table>
<thead>
<tr>
<th>Case Studies</th>
<th>2</th>
<th>4</th>
<th>7</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>7.5</td>
<td>5.1</td>
<td>9.5</td>
<td>3.3</td>
<td>9.9</td>
<td>11</td>
<td>1.6</td>
</tr>
</tbody>
</table>

The data from the three female respondents also varies. Two of the respondents described gender in positive terms, whilst the third female experienced many frustrations. For example, there are comments such as 'I do not see being female as being a cultural impediment to doing business in Indonesia. There are some fabulous female role models in the business world on the Indonesian side, so I guess the business community and the greater community accepts female participation in a commercial world’. This is in contrast to 'There is an upsurge of Indonesian women who are fed up with a patriarchal system. It is not easy being a woman in this country'.

\(^4\) The researcher also acknowledges that in the sampling process only three women were identified to participate in the research. There is therefore, a bias in the data skewed towards predominantly male case studies. From the impartiality of the analytical process it is hoped that the analysis of categories such as gender provides the conceptual richness and rigour required to answer the question identified at chapter 2.
To provide further depth to the data a cross analysis of the category of gender with the categories of equality, attitude towards foreigners, friendships, negotiation skills and Australian business practices was conducted. The analysis was undertaken to determine whether there was a correlation between the role of women in Australia, and if this perception altered when they conducted business in Indonesia. The data indicated that only a small percentage, or 29% of the respondents, related gender to success, equity, friendships, or negotiation skills.

Based on the analysis the conclusion by the researcher is that the category of gender is not important as originally anticipated. Although gender is of a concern, particularly to females working in the country, the data indicates that it does not present a major obstacle to conducting business in the country. This research question is discussed in more detail in section 5.2.12.

4.3.13 Patterns of data for the category of religion in business

Originally two questions were developed concerning the role of religion in Indonesian business practices. The first question concerned the commitment to religion and whether an admission of atheism or non-belief in a god would affect a business relationship. The second concerned whether religion was influential in the Indonesian workplace. Both these questions were coded under the heading of religion that was defined as the role of religion and spirituality in the processes of business.

A total of 6 out of the 14 case studies, or 43% of respondents mentioned the role of religion in Indonesian business. The data indicates that this category was not as important as originally expected by the researcher, although the comments by the respondents indicate that it is still a factor that should be taken into consideration. For example, 'Many Indonesians have difficulty coming to terms with the typically ambivalent Australian attitude towards religion, and terms such as agnostic and atheist are not in their vocabulary. To be a non-believer will earn you few points, and in some cases will probably be the reason your business proposition never reached the negotiation table'.

When a cross analysis was undertaken between the category and success and failure of business in Indonesia 50% of the case studies linked religion with success, and one case study with failure. An analysis between the category of Indonesian work practices and religion was also undertaken with the results of a text search of all the case studies indicating 29% of respondents believed that religion and Indonesian work practices are closely interwoven.

The following comment from one of the Indonesian based case studies supports the findings of the data 'As a businessperson in Indonesia you also have to come to terms with the need for many Indonesians to pray five times a day, attend holidays such as Idul Fitri, and be less than productive during the fasting month of Ramadan. To deny, or rather not acknowledge an Indonesian their beliefs and religious commitments, regardless of how trivial they may seem to a Westener will only cause tension and unrest within the
workplace'. An extract of the QSR NUD*IST text search on the relevance of religion to work practices is at Appendix III.

The data concerning the role religion plays in conducting business in Indonesia indicates that religious beliefs should be taken into consideration, however are not considered to be of primary importance. The religious commitment of many Indonesians such as praying five times per day (sembayang) or adhering to the requirements of Ramadan also plays an important part in understanding how business works in Indonesia.

This research question is discussed in more detail in section 5.2.13.

4.3.14 Patterns of data for the category of family and business

The research question concerning the role of the Indonesian family was concerned with the influence that family and friends have on the conduct of business in Indonesia. The category was defined as the influence that Indonesian family and friends have over the decision making process. As illustrated in table 4.2 a total of 7 of the 14 case studies, or 50% of respondents, commented on the category.

Figure 4.6 provides an overview of the frequency that this category was mentioned in each case study. Each respondent was placed on a continuum with low importance at one end of the scale and high importance at the other. The scale being used for this ten point Likert scale ranges from 1, low importance, to high importance at 10. A black circle, representing the frequency that family and friends were mentioned throughout the data analysis illustrates the response for each case study.

Figure 4.6 - Frequency of category (role of family)

The trend identified in the above scale is that the majority of respondents rated the role of family and friends in business in Indonesia as being of low importance. The exception being case studies 7 and 12. Both of these case studies were based in Jakarta and had a
long affiliation with the country. For example, comments from case study 12 highlight the role of family in making business decisions. 'The family is particularly important in Indonesia, as it is often the driving force behind a business. To understand that decisions are often made on the basis of the greatest long-term benefit to the family will make dealing with Indonesians, and in particular the Chinese a little easier'.

A cross data analysis was also undertaken between the category and success and failure of businesses in Indonesia with 50% of the respondents identified in table 4.6 linking an understanding of the role of the family in Indonesia to success. An intersection of the category of family and networks was also conducted, with the data indicating that 50% of the respondents identified family with networking. For example, 'It is the whole family structure, and I think it is good. I think we've lost that that art. It is because their whole culture is built on networks. Really they are the masters of networks, because that's how they survive'. There is no other significant correlation between this category and gender, location, or in country experience. As a consequence of the grounded theory process this category did not assume the significance originally anticipated by the researcher.

The data indicates that the majority of respondents did not consider the role of the family in business in Indonesia to be importance. Several of the case studies commented on the need to understand the connection between family and business and in particular the links between networks and family.

This research question is discussed in more detail in section 5.2.14.

4.3.15 Patterns of data for the category of business structures

The research question was designed to elicit data concerning the different roles and structures that are a part of Indonesian business. For the purposes of data analysis the question was sub-divided into two separate categories:

(1) Hierarchy. Defined as the understanding of the structure of businesses in Indonesia. This category was mentioned in 79%, or 11 of the 14 case studies, and illustrated the importance of understanding how to conduct business in the country. For example, 36% of the case studies mentioned the function of the secretary as an intermediary for the Indonesian executive. 'In Indonesia you must go through the secretary, otherwise you are going nowhere until you have proved to her that you are an important person, and that what you want is important enough for her to interrupt the boss'. Table 4.11 provides a summary of the percentage of data in each case study that specifically discussed the relationship between business structures and the successful conduct of business.

The data indicates that the majority of case studies consider an understanding of business structures to be important to the conduct of business in Indonesia. Case study 2 in particular places considerable emphasis on the category. The data is supported by a cross analysis between the category and success or failure of business, which revealed that 63% of the case studies identified in table 4.10
believe that an understanding of a company’s hierarchy is relevant to succeeding in the country.

Table 4.11 - Percentage of data related to category (hierarchy)

<table>
<thead>
<tr>
<th>Case Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>% total data</td>
</tr>
<tr>
<td>Hierarchy</td>
</tr>
</tbody>
</table>

(2) Power base. Defined as the understanding of the power base of businesses in Indonesia, whether family, religious, or monetary based. This category was mentioned in 57%, or 8 of the 14 case studies. When an analysis of the frequency with which the category was mentioned was undertaken, there were no significant conclusions concerning individual case studies, location, gender, or experience in the country. However, several of the case study comments are noteworthy as they indicate that although the category may not be of major significance, the understanding of a business’ power base should not be disregarded. For example, ‘It is identifying the power base at the onset which is the problem, and not always that easy. You can go around in circles and chase your tail on some things, and if you had only known two weeks ago who was pulling the strings, then it would have been a lot quicker, and far less frustrating’.

When a cross analysis between the category and success or failure of business was undertaken, the data indicated that 75% of the case studies identified, relate an understanding of the power base of a business to success.

The data for the category of business structures indicates that an understanding of the structure of businesses in Indonesia and the power base of the business is important, although not as critical as originally anticipated by the researcher. Australian entrepreneurs should not disregard either category when conducting business in the country.

This emerging theme is discussed in depth in section 5.2.15.

4.3.16 Patterns of data for the category of cultural diversity in Indonesia

The research question on cultural diversity was originally designed to obtain data on the problems encountered when dealing with Indonesians. There are an estimated 300 ethnic groups in Indonesia, who speak about 583 different languages and dialects. As the data analysis progressed it became apparent that there was a marked distinction between the approaches towards business undertaken by the Chinese Indonesians, and also by the indigenous (pribumi) Indonesians. For clarity and richness of data analysis the following two categories were subsequently developed:
(1) Chinese business. Defined as the business practices of Chinese entrepreneurs in Indonesia. A total of 57%, or 8 of the 14 case studies, discussed the need to understand how the Chinese conduct business. Five of these case studies were based in Jakarta, with the researchers expectations that the majority of respondents would support comments such as ‘Particularly when dealing with the Chinese, it is not a case of if you will be screwed, but when!’ However, four of the case studies, or 50% of the respondents concerned, rated Indonesian entrepreneurs to be as competitive and ruthless as their Chinese counterparts. For example, ‘There is a perception that the Chinese Indonesians do drive a harder bargain, but at the same time I have met some very astute and entrepreneurial pribumi Indonesians. In terms of the way I relate to Chinese businessmen or pribumi, I do not believe there is a significant difference because at the end of the day. It depends on the strength of their group and their business acumen’. An extract of the QSR NUD*IST data search on the category of Chinese business in Indonesia is at Appendix III.

(2) Indonesian diversity. Defined as diversity amongst the major Indonesian business groups in the archipelago. This category was mentioned in 71%, or 10 of the 14 case studies, and emphasized the importance of understanding the cultural diversity of the Indonesian archipelago. The data indicated that there is a difference in the approach to business by ethnic groups. Figure 4.7 provides an overview of the frequency that this category was mentioned in each case study, with each respondent being placed on a continuum with low importance at one end of the scale and high importance at the other. The scale used for this ten point Likert scale ranging from 1, low importance, to high importance at 10. The response for each case study is illustrated by a black diamond, representing the frequency that cultural diversity was mentioned throughout the data analysis.

The trend identified in the table is that the majority of respondents rated the cultural diversity of Indonesian entrepreneurs to be important to business in Indonesia. With the exception of case study 11, all the Jakarta based respondents placed a degree of importance on the category. Case study 8 considered the category to be very important with 15% of the data coded referring to the need to come to terms with the ethnic background of an Indonesian counterpart.

For example ‘All these groups are different in their approach to things. Central Javanese, for example, have a very reserved and polite approach. The Sumatrans are more direct and conduct their business in more of a western manner. There is a difference in work ethics between different cultures, and attitudes towards time may vary. What is considered important and what is considered unimportant can also vary. You cannot assume that there is one culture that you have to deal with. There are many different cultures’.

A cross data analysis was also undertaken between the category and success and failure of businesses in Indonesia with 50% of the respondents identified in figure 4.7 linking an understanding of the cultural diversity of Indonesia with success.
The data indicates that the majority of respondents do consider the need for Australian SMEs to understand the role that cultural diversity plays in the conduct of business in Indonesia. Although figure 4.13 indicates this is not a major factor in the conduct of business, it is considered to be important particularly in the negotiation process. The data also indicates that there are varying attitudes towards Chinese entrepreneurs ranging from the cynical to the belief that it is not their ethnic background that matters, but their business acumen.

Figure 4.7 - Frequency of category (cultural diversity)

This research question is discussed in more detail in section 5.2.16.

4.3.17 Patterns of data for the category of globalisation and business

The initial research question concentrated on whether the globalisation of world markets and the modernization of Indonesia had affected the conduct of business in the country. As the data unfolded it became clear that despite the large percentage of Indonesian entrepreneurs who were well travelled and educated overseas, there were still problems with the infrastructure and technology within Indonesia. Two research categories evolved from the QSR NUD*IST based analysis:

(1) Technology. Defined as the technological innovations that have improved the processes of business in Indonesia. This category was mentioned in 79%, or 11 of the 14 case studies.

(2) Infrastructure. Defined as the problems encountered with overcoming the infrastructure of a developing country. This category was mentioned in 29%, or 4 of the 14 case studies. Three of which are based in Jakarta.
A cross analysis of data from the category globalisation, Indonesian and Australian work practices, and the success and failure of business in Indonesia were undertaken. The matrix at table 4.12 provides a summary of the significance of the data.

Table 4.12 - Cross analysis of globalisation, work practices and the success or failure of business

<table>
<thead>
<tr>
<th>Number of Correlations</th>
<th>Success</th>
<th>Failure</th>
<th>Australian work practices</th>
<th>Indonesian work practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

The data from the matrix represents the number of case studies that were coded intersecting each category. The results indicate that there is a correlation between technology and infrastructure, and Australian and Indonesian work practices. Comments by case studies also support the data. For example, 'I guess at the top of my list is obtaining accurate information. It is one of the major hurdles of working in Indonesia. Information is not written down in the way that we are accustomed in Australia, where there are multitudes of databases of accurate information which is all cross referenced using information systems. At this particular point in time it just does not happen in Indonesia, where even the simplest things like trying to obtain correct fax or telephone numbers can be extremely frustrating. If you have the wrong number then it is not as simple as phoning the Telstra operator, in this country finding the correct number may take you three hours of ringing Telkom before you finally get the right information'.

The data obtained from the research question concerning globalisation indicates that there are technological problems with Australian companies interfacing with their Indonesian counterparts. These difficulties are not considered to be a major obstacle to business success in the country.

This research question is discussed in more detail in section 5.2.17.

4.3.18 Patterns of data for the category of legal system and business

The research question was developed to determine how important it is to understand the role of the legal system when conducting business in Indonesia. For the purposes of data analysis the category was defined as the legal system in Indonesia based on British, Dutch, Indonesian and Moslem legislation. A total of 6 of the 14 case studies, or 43% of respondents, commented on the category.

There was no apparent correlation between the data and location, gender, or time in country. The figure of 19% of the data in case study 7 that relates to the legal system is skewed towards the respondent's profession as an attorney at law. The remaining five case studies rated the legal system as a minor consideration. Comments from several of the respondents indicate that a sound knowledge of legal proceedings is a factor that still must be taken into consideration. For example, 'If everything appears to be uncertain, as
there are so often so many vagaries, then that is what you have to accept as the way of doing business in Indonesia. What Australian businesses have to understand is that Indonesia is an emerging economy, and therefore a lot of the regulations have not yet been implemented, formulated, or they are being revised.

When a cross analysis of the data was undertaken between the category and success and failure of businesses in Indonesia three of the case studies associated an understanding of the legal system with success, and two with failure. A second cross analysis of the category with corruption indicated five of the six case studies linked the legal system with either business transparency or the requirement for facilitation payments.

The category of the legal system in Indonesia was not as important as originally anticipated by the researcher. From several of the respondents' comments it is a factor that needs to be taken into consideration when Australian SMEs conduct business in the country.

This research question is discussed in more detail in section 5.2.18.

4.3.19 Patterns of data for the category of attitude towards foreigners

The category of attitude towards foreigners was developed to determine whether there was a negative image of foreign businesspersons in Indonesia, and whether this resentment affected the competitiveness of Australian SMEs. For the purposes of data analysis the category was defined as the attitudes towards foreigners in Indonesia, and in particular Australian businesspersons. As outlined in table 4.2 a total of 11 of the 14 case studies, or 79% of respondents, commented on the importance of understanding how Indonesians perceive overseas entrepreneurs.

Figure 4.8 - Frequency of category (attitude towards foreigners)
Figure 4.8 provides a summary of the frequency that this category was mentioned in each case study, with each respondent being placed on a continuum with low importance at one end of the scale and high importance at the other. The scale used for this ten point Likert scale ranged from 1, low importance, to high importance at 10. The response for each case study is illustrated by a black square, representing the frequency that attitude towards foreigners was mentioned throughout the data analysis.

The data from figure 4.8 indicates that there is a correlation between how the Indonesian's perceive foreign investors and business success. The Jakarta based case studies placing a greater emphasis on the category than the north Queensland based respondents.

A cross analysis between the category and success and failure of businesses was also undertaken with five of the case studies relating the category to success. For example, 'I get the feeling that they find Australians are generally friendly people. Australians are considered to be more relaxed about things than some of the other European international suppliers in Indonesia. We are probably considered to be less gregarious than the Americans, and not as rigid as the Germans. I think in some instances, Australia has an image of being a very egalitarian society where everyone is “a good mate”. From time to time that image changes'.

The data is supported by an intersection of the category with long-term involvement where case study 5 links both categories with comments such as 'Our know how is quite well respected and not only do they want our products, but they also want our knowledge. They also want our western business experience, and all of this takes time and many visits'.

The data analysis of the category indicates that the Indonesian perception of foreigners varies according to country of origin, with Australia being perceived as an egalitarian society that provides long-term benefits to Indonesia. Although the category has been discussed by 79% of the case studies, the frequency of the coding indicates that it is not as significant as several other key categories.

This research question is discussed in more detail in section 5.2.19.

4.3.20 Patterns of data for the category of generational attitudes towards business

The research question was developed to determine whether dealing with younger generation Indonesians in comparison to their elders influenced the competitiveness of Australian SMEs in the country. For the purposes of data analysis the category was defined as the change in attitudes from the New Order generation in comparison to the younger generation who were the instigators of the May 1998 Revolusi'. As illustrated in

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'The New Order Government of Suharto came into being following the abortive Communist coup on 30 September 1965, and remained in power until 21 May 1998 when public disillusionment with the government forced Suharto to resign and relegate his powers to B.J. Habibie.
table 4.2 a total of 3 of the 14 case studies, or 21% of respondents, commented on
generational attitudes towards business.

There is no apparent correlation between the data and location, or time in country,
however a cross analysis was undertaken between the category and success and failure of
businesses in Indonesia. One of the case studies linked an understanding of how to deal
with different generations to success and one with failure. A second cross analysis of
the category with gender indicates that two of these three case studies were able to
identify problems in dealing with gender and age differences. Comments such as,
‘Particularly if you are dealing with Indonesian businessmen over perhaps thirty, then
they may not be so tolerant’ and ‘I find in some ways it is often easier for me to relate
more quickly to older Indonesian men, rather than with Indonesian business women’,
support the analysis.

The category of whether generational differences affect business in Indonesia is not
considered to be important. However, as indicated by the comments from several of the
case studies it is a factor which Australian businesses need to take into consideration.

This research question is discussed in more detail in section 5.2.20.

4.3.21 Patterns of data for the category of honesty and business

The research concerning honesty was originally restricted to questions concerning the
establishment of trust between Australian and Indonesian organization. As the data
unfolded the research refocused on the categories concerning the expectations of
Indonesians in terms of honesty, and then the need for respect and trust when conducting
business in the country.

(1) Indonesian expectations when conducting business with Australian entrepreneurs.
A total of 4 out of the 14 case studies, or 29% of respondents mentioned the need
to understand Indonesian expectations, particularly during the negotiation process.
For example, ‘Although the direct opposite may happen with something as simple
as a handshake, which may literally mean the world, and is entirely enforceable.
So there are expectations created. I think that is something that is very important
to keep in mind when conducting business in Indonesia, is what level of
expectation you generate when you discuss any topic with an Indonesian
counterpart’. A cross analysis of this category and the success and failure of
business in Indonesia indicated that two of the above case studies attributed
Indonesian expectations to business failure, and one to success. The data
indicates that this category is not critical to the conduct of business in Indonesia,
although the comments by the respondents indicate that it is still a factor, which
should be taken into consideration.

(2) For the purpose of data analysis the category, trust and respect, was defined as the
honesty involved in business in Indonesia, in comparison to a very legitimised
system of contracts in Australia. A total of 2 out of the 14 case studies, or 14%
of respondents mentioned the role of trust and honesty when conducting business in Indonesia. The two case studies concerned had worked in Indonesia for more than five years. A cross analysis of this category and the success and failure of business in Indonesia revealed that one of the above case studies linked honesty and trust to business success, and the other with failure. This data is supported by comments such as ‘I used to think, “God, the whole country is mad. There is absolutely no one that I can trust!”’. That was the sort of feeling that you had. I did find of course certain groups that seemed more trustworthy’. The data indicates that this category is not critical to the conduct of business in Indonesia, although the comments by the respondents indicate that it is still a factor, which should be taken into consideration.

In summary, the research question concerning honesty indicates that both Indonesian expectations and trust are of a concern to an Australian SME conducting business in Indonesia, however the data indicates that the category is not as important as originally anticipated by the researcher. This research question is discussed in more detail in section 5.2.21. At Appendix III there is also an extract of the QSR NUD*IST report on the coding matrix for the research question and a cross analysis with the category of success and failure of businesses in Indonesia.

4.3.22 Patterns of data for the category of etiquette

The research question concerning etiquette was initially designed to confirm the importance that previous research in chapter 2 had placed on customs and conventions such as the use of the left hand, hands on hips, pointing, soles of feet, or touching of the head. Subsequently the following six sub categories were developed in order to provide clarity to the data reduction:

1. Use of the left hand, was defined as avoiding the use of the left hand in a Muslim country as the action is considered to be both rude and unhygienic. A total of 2 out of the 14 case studies, or 14% of respondents mentioned the need to avoid using your left hand when dealing with Indonesians. ‘Just to understand the Moslem aversion to using the left hand, and try practicing using only your right hand is a step in the right direction’.

2. A hand on hips was defined as an aggressive body gesture signifying anger or displeasure. No data was coded against this category.

3. Touching of the head was defined as a condescending gesture that is also deemed to be unclean if using the left hand. No data was coded against this category.

4. Pointing was defined as being a coarse or rude gesture, particularly when using the fingers. No data was coded against this category.

5. Displaying soles of the feet was considered to be an unclean and rude gesture, particularly when seated. No data was coded against this category.
(6) Personal data defined as the inquisitive Indonesian nature that takes no offence at asking what Australians would consider to be personal invasive questions. A total of 2 out of the 14 case studies, or 14% of respondents mentioned the need to discuss personal circumstances as part of the negotiation process. 'It can come as quite a shock prior to a business meeting when somebody automatically asks you “Are you married, do you have children, when do you plan to get married?” At the beginning of a business discussion it can be a little bit disconcerting'.

When a cross analysis of the category etiquette with the success or failure of business in Indonesia was undertaken only 21% of the respondents linked the categories of use of the left hand and personal data to business success or failure. A further cross analysis between etiquette and Indonesian tolerance, revealed that 29% of the case studies discussed Indonesian tolerance of ‘faux pas’ and business, although this was normally restricted to newly arrived entrepreneurs ‘Even if you have committed every unintended discourtesy known to mankind they still would not tell you. They would certainly not make you lose face because of your actions. They will just not tell you’. See section 4.4.4.

In summary, the category of etiquette and how this affects the competitiveness of Australian SMEs in Indonesia is not considered to be an important factor in the conduct of business in Indonesia. Socially acceptable behaviour should still be taken into consideration as an Indonesian’s tolerance of continual breaches of etiquette has certain limitations.

This research question is discussed in more detail in section 5.2.22.

4.3.23 Patterns of data for the category of food and business

As with the previous section the research questions concerning food were initially designed to confirm the emphasis that the research in chapter 2 had placed on the importance of food in the process of business. Subsequently, the following three subcategories were developed in order to provide clarity to questions concerning conventions and customs such as the offering of drinks and the religious implications of food:

(1) Politeness was defined as the customs of not eating food until prompted by your host, or leaving food on your plate. A total of 2 out of the 14 case studies, or 14% of respondents, mentioned the need to understand the conventions of eating and drinking so as not to offend your host. The data is supported by comments such as ‘One of the problems with the etiquette of not drinking tea or coffee until invited by your host, is that the tea or coffee may arrive steaming hot, but it may be minutes or even hours before the Indonesia host remembers to invite you to drink’.

(2) Permitted food (halal), is defined as foodstuffs which are permitted by the Muslim faith. Pork and alcohol are prohibited by the Muslim faith. A total of 2
out of the 14 case studies, or 14% of respondents mentioned the need to understand which foods are considered to be halal and which foods would be considered to be particularly offensive to the Muslim faith. The data is supported by comments such as ‘The next one probably concerns alcohol, and other taboos. Babi (pork). Halal is a little obscure probably to an Australian, but is similar to ‘kosher’ in the Jewish religion. Pride. Immense levels of pride. Loss of face? Those kind of things we often associate readily with Asians, I suppose’.

(3) Role of food was defined as the importance of food in the daily routine of an Indonesian. A total of 4 out of the 14 case studies, or 29% of respondents mentioned the need to understand the role of food in Indonesia. The data is supported by comments such as ‘Indonesians eat a lot of rice, and a lot of carbohydrates, but they also eat in small doses. So you'll find that eating is very much part of their social structure. They may eat four to five times a day, so you've got to be prepared for those sorts of irregularities’.

A cross analysis of data the from the category food, success, failure and cultural diversity was undertaken, with the matrix at table 4.13 providing an overview of the significance of the data.

Table 4.13 - Cross analysis of food, success, failure and cultural diversity

<table>
<thead>
<tr>
<th>Number of Correlations</th>
<th>Success</th>
<th>Failure</th>
<th>Cultural diversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politeness</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Permitted food</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Role of food</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

The data from the matrix represents the number of case studies that were coded intersecting each category, with the results indicating that there is a correlation between understanding the role of food in Indonesian life and success of business. The intersection of politeness and cultural diversity also indicates that these customs and conventions concerning food may not be generic to the entire archipelago. ‘I think (food) etiquette is probably more important to the Javanese than to the other ethnic groups in Indonesia’. In summary, the data indicates that an Australian entrepreneur does need to understand the significance of food in Indonesia, and in particular those foods, which may cause offence to an Indonesian guest. Figure 4.13 also highlights that the category of food is more significant than etiquette and body language in the workplace. This research question is discussed in more detail in section 5.2.23.

4.3.24 Patterns of data for the category of work practices in Indonesia

The research question concerning work practices in Indonesia was developed to determine the major differences in work practices between Indonesian and Australian businesses. To define the parameters of a fairly broad topic the data was coded as nine separate subcategories:
(1) Customer focus was defined as the client focus encountered in the Indonesian service industry. A total of 2 out of the 14 case studies, or 14% of the respondents, discussed the problems encountered in the service industry in comparison to the perceived levels of service in Australia. Both the case studies concerned were based in Jakarta and had less than five years experience in the country. The data is supported by comments such as ‘The area in which I have had my greatest frustration in the business environment relate to the service culture .... or more accurately, the lack of it. I do not enjoy here the same levels of service from the people that I work with compared to what I have previously experienced in Australia. This is very frustrating given that I work in a service industry’.

(2) Business cards were defined as the Indonesian practice of having a business card for all occasions. A total of 3 out of the 14 case studies, or 21% of the respondents, discussed the need for business cards while conducting business in Indonesia. The data is supported by comments such as ‘I also think one of the things that is missed by many Australian businessmen, is that their business card only has their business address. It is very important to have your home address on a business card in Indonesia, because it is all part of the establishing rapport. You have got to have a home address so that the person that you give the business card to feels that they are welcome to call you at home. Most likely they won't, but the gesture is the important point’.

(3) Exchange of gifts was defined as the custom of giving and receiving gifts as part of the negotiation process. A total of 3 out of the 14 case studies, or 21% of the respondents, discussed the giving of gifts. A Jakarta based company with extensive in country experience as a small business maintained that there is no requirement for gifts. The north Queensland company stated that ‘There is a need for business cards whilst conducting business in Indonesia. It does not need to be expensive, just something that shows a little bit of thought in selection’. The third Jakarta based organization stated that gifts were given in lieu of facilitation payments.

(4) Use of titles was defined as the use of titles and confirmation of status within the business community. Only one Jakarta based female respondent was coded as discussing the use of titles, and in this instance the discussion concerned the lack of recognition of non-university accredited courses in Indonesia.

(5) Personal space was defined as the sometimes-claustrophobic number of people in a large Indonesian city in comparison to Australia. A total of 2 out of the 14 case studies, or 14% of the respondents, discussed the sense of a lack of personal space when working in Indonesian cities. The data is supported by comments such as ‘I think the most noticeable thing is in fact almost opposite to what Indonesians get when they come here. They feel that nothing is happening, and it is very quiet. I felt overwhelmed by the large number of people, so my feeling about
cultural things is that they come up unawares. Something pops up unexpectedly all the time’.

(6) Business communication was defined as the process of communications in Indonesia, in terms of understanding the protocol of making a phone call to a business associate. A total of 2 out of the 14 case studies, or 14% of the respondents, discussed the problems encountered with communications and understanding the business hierarchy. The data is supported by comments such as ‘In Indonesia, you must go through the secretary. You’re going nowhere until you’ve proved to her that you’re an important person, and that what you want to talk about is important enough for her to interrupt the boss. It is an example of the classical ‘gate keeper’ theory in business management, and not insurmountable if you know the right buttons to push’.

(7) Problem solving was defined as the ability to complete tasks unsupervised, and with little direction. A total of 2 out of the 14 case studies, or 14% of the respondents, discussed the problems encountered with problem solving and conducting business in Indonesia. Both are female and based in Jakarta. The data is supported by comments such as ‘Ultimately in an Australian business certain procedures are very clear cut, and you expect things to happen. At least there is some forward motion, whereas in Indonesia it is not always the case’.

(8) Responsibility was defined as an individual’s acceptance of responsibility for their own actions. A total of 2 out of the 14 case studies, or 14% of the respondents, discussed the problems that can be encountered with the lack of accountability. One of the female respondents based in Jakarta made several comments during an interview concerning her Indonesian employees such as ‘they will not take responsibility, and admit that they are wrong. They will not own their mistakes’.

(9) General practices was defined as the generally accepted work practices in an Indonesia business. This was deliberately coded as a very generic category to capture all the data that covered areas such as safety issues, work environment, leave arrangements, and other general office procedures. A total of 5 out of the 14 case studies, or 36% of the respondents, discussed the problems ranging from the wearing of safety footwear to whether to send Muslim employees Christmas cards.

In summary, the research question concerning general work practices indicates that there are numerous aspects of conducting business in Indonesia that must be taken into consideration. The data indicates that these factors range from the availability of suitable business cards to understanding when it is applicable to offer gifts. This research question is discussed in more detail in section 5.2.24.
4.3.25 Patterns of data for the category of a comparison with Malaysian business practices and culture

This category was included in the original protocol to determine whether there were any similarities, or conclusions that could be gained from a brief comparison with Malaysian business practices and culture. For the purposes of data analysis the category was defined as the similarity in customs and practices compared to the great diversity in the conduct of business. A total of 2 out of the 14 case studies, or 14% of respondents mentioned Malaysian business practices and how they differed with Indonesia. When a text search of these two case studies was conducted the major themes that emerged were lack of cultural diversity, legacies of British colonisation, and transparency of government and legal procedures. The following comments support the data ‘The language and business culture are the two main reasons why perhaps business is easier to conduct in Malaysia’ and ‘One other influencing factor is the fact that Malaysia and Australia share, to some extent, a common heritage in British Colonial administration’. There is no obvious correlation between the category and gender, location, and experience in country.

This research question is discussed briefly in section 5.2.25.

4.4 Miscellaneous data

This data is presented, as it does not fit into the research question categories developed in section 1.2 and the literature review of Chapter 2. Each of the additional questions are a consequence of the evolving process of the QSR NUD*IST data analysis.

4.4.1 Patterns of data for the category of networking and business

For the purposes of data analysis the category of networking was defined as the necessity to be able to network to succeed in business in Indonesia. Initially this category was not identified by the researcher as being a factor in the success of business in Indonesia, as the category ‘role of family and friends’ was considered as the critical issue in the networking process. However, as the data analysis progressed it became apparent that this category was of importance in the success of Australian businesses in Indonesia, and was re-categorised accordingly. As detailed in table 4.2 a total of 11 of the 14 case studies, or 79% of respondents, commented on the requirement to network when conducting business in Indonesia.

Figure 4.9 provides an overview of the frequency that this category was mentioned in each case study, with each case participant being placed on a continuum with low importance at one end of the scale and high importance at the other. The scale used for this ten point Likert scale ranged from 1, low importance, to high importance at 10. The response for each case study is illustrated by a black square, representing the frequency that flexibility was mentioned in relation business networking in the country.
The trend identified in the scale below is that the majority of case studies were concerned about the need for networking for a business to succeed in Indonesia, with four of the case studies considering this factor to be important. In particular, case study 8 placed considerable emphasis on the need for networking. Comments supporting the data include ‘I think it is important for business people to understand how the networking system works’ and ‘Every time you walk out the door you are doing business of some kind, that is how business is done. So you work all the time under a different guise. Whether it is playing tennis, playing golf, or socialising. It is all business, with a need to develop the points of contact and the networks’.

Figure 4.9 - Frequency of category (networking)

Two separate cross analyses were conducted to clarify the data. The first was undertaken between the networking category and the success and failure of businesses in Indonesia. A total of 50% of the respondents related networking to successful business practices, and only one case study with failure. The second cross analysis involved an index search intersecting the category of networking with the ‘role of family and friends’, with three of the case studies, or 21% of the respondents identifying, a need to network with family and friends.

There is no other obvious correlation between this category and gender, location, or in country experience, however it should be noted that as a consequence of the ethnographic analysis process this category assumed considerably more significance than originally anticipated by the researcher. In summary, the data indicates that the majority of respondents consider networking to be an important part of conducting business in Indonesia, with several of the case studies also identifying the need to network with family and friends. This research question is discussed in more detail in section 5.2.26.
4.4.2 Patterns of data for the category of negotiation skills and business

Negotiation skills was another category that evolved from the process of data analysis using QSR NUD*IST, as this particular theme had not been originally identified by the researcher in section 1.2, or chapter 2. For the purpose of data analysis, networking is defined as those skills, which facilitate the negotiation process. As detailed in table 4.2 a total of 12 of the 14 case studies, or 86% of respondents, commented on the requirement for negotiation skills when conducting business in Indonesia. Table 4.14 provides an overview of the percentage of data in each category, which specifically discussed negotiation skills, and the process of business in Indonesia.

Table 4.14 - Percentage of data related to category (negotiation skills)

<table>
<thead>
<tr>
<th>Case Studies</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiation Skills</td>
<td>.85</td>
<td>19</td>
<td>3.3</td>
<td>3.5</td>
<td>1.6</td>
<td>3.1</td>
<td>3.8</td>
<td>19</td>
<td>.79</td>
<td>6.8</td>
<td>1</td>
<td>1.8</td>
<td></td>
</tr>
</tbody>
</table>

The frequency of the data indicates that negotiation skills are considered to be an integral part of conducting business in Indonesia, with case studies 2 and 10 placing considerable importance on the category. To determine whether these skills were only applicable to Indonesia a cross analysis of the category with ‘Australian Business Practices’ was undertaken. No correlation was established between the two categories. It is assumed that the term negotiation skills refer only to the skills required in Indonesia.

There was a correlation between the category and the success of businesses in Indonesia with 8 of the 12 case studies identified linking success with negotiation skills. There was no significance in the location of case studies, or background in the country.

The data concerning gender is supported by a comment from one of the female respondents ‘I have a slightly different perspective because I’m female. I do think gender is important, and does influence the course of negotiations. I do look at some male to male discussions, and know that I would perhaps handle the negotiations differently. Although I don’t believe that being female in this country means that you can’t do business here, in reality it means you just do it in a slightly different way’. As previously discussed in section 4.3.12, all three females involved in the case studies indicated that their negotiation skills were affected by their gender, although for two of the respondents this had positive connotations, whilst the third was negative.

In summary, the negotiation process is considered to be important to the success of business in Indonesia. Although not clearly identifiable in the data, it is assumed that the skills required by Australian entrepreneurs are as applicable to Indonesia as they are elsewhere in South East Asia. The gender of the negotiator was also identified as being important to the negotiation process. This research question is discussed in more detail in section 5.2.27.
4.4.3 Patterns of data for the category of Australian business skills

This category was also developed as a consequence of the data analysis process, as the category was originally included in section 1.2 as a research question concerning the success of the business in Australia. For the purpose of coding the category, Australian business practices, has been defined as those Australian business practices and cultural traits that appear to inhibit the conduct of business in Indonesia. The data analysis indicates that the business practices and cultural traits of Australian SMEs also contribute to their success or failure in the country. The following five sub categories were unravelled from the case study data:

(1) Australian culture was defined as the attitudes and beliefs that have been institutionalised in Australian society. A total of 13 out of 14 case studies, or 93% of respondents, linked Australian culture with the conduct of business in Indonesia. The only exception was case study 14, the Indonesian focus group. Table 4.15 provides an overview of the percentage of data in each case study that specifically discussed the relationship between the category and the conduct of business.

Table 4.15 - Percentage of data related to category (Australian culture)

<table>
<thead>
<tr>
<th>Case Studies</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australian</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>culture</td>
<td>3.8</td>
<td>6</td>
<td>21</td>
<td>8.8</td>
<td>4.1</td>
<td>1.8</td>
<td>9.9</td>
<td>3.4</td>
<td>4.3</td>
<td>6.2</td>
<td>6.3</td>
<td>6.0</td>
</tr>
</tbody>
</table>

The data indicates that there is a strong correlation between an understanding of Australian culture and business practices, and the successful conduct of business in Indonesia. In particular case study 3 places considerable importance on the category which is supported by comments such as 'Firstly, my advice to everyone is you've got to understand your own culture in detail, your own Australian culture. What is your culture? You have to understand your own culture before you can begin to understand another country'.

This research question is discussed in more detail in section 5.2.28.

(2) Links with the home office was defined as the requirement to maintain a close association with a parent organization in Australia. A total of 3 out of 14 case studies, or 21% of the respondents, associated links with the parent organization with the conduct of business in Indonesia. All three case studies were based in Jakarta. When a cross analysis of the category and the success or failure of businesses in Indonesia was undertaken two of the case studies linked the category with success, and the third with failure. This research question is discussed in more detail in section 5.2.28.

(3) Financial support was defined as the financial support that is required to sustain an international operation. A total of 5 out of 14 case studies, or 36% of
respondents, linked financial support with the research problem. When a cross analysis of the category and the success or failure of businesses in Indonesia was undertaken three of the case studies linked the category with success. This research question is discussed in more detail in section 5.2.28.

(4) Business commitment was defined as the commitment of small businesses in Indonesia in comparison to larger organization that have the infrastructure and a diversity of interests in the country. Only 1 of the 14 case studies, or 7% of respondents, linked business commitments with the conduct of business in Indonesia. The comments concerning business commitment were coded for a female, based in Jakarta, with more than five years experience in country. When a cross analysis of the category and the success or failure of businesses in Indonesia was undertaken the category was linked with success. This research question is discussed in more detail in section 5.2.28.

(5) Family commitment was defined as the commitment that working in Indonesia requires with a businessperson that has a young family. Only 1 out of the 14 case studies, or 7% of respondents, linked family commitments with the conduct of business in Indonesia. The comments concerning business commitment were coded for a female, based in Jakarta, with more than five years experience in country. The respondent concerned also had the responsibility of raising two teenage boys, and during the course of the interviews raised several issues concerning the additional responsibilities that raising small children in the country brings to a small business. Although only 7.7% of the data coded for the case study referred to this category, the respondent was the only female with children who was involved in the research, and therefore these results warrant additional discussion at section 5.2.28.

In summary, the data indicates that Australian entrepreneurs should be; aware of their own cultural background and business practices; maintain links with the home office; be aware financial support may not be as forthcoming for smaller businesses; and acknowledge that there is a greater onus on smaller entrepreneurs to commit themselves and their family to their business goals.

4.4.4 Patterns of data for the category of Indonesian tolerance

The research question was developed to determine whether Indonesian tolerance towards an Australian entrepreneur’s lack of understanding of business practices and culture influenced the competitiveness of Australian SMEs in the country. For the purposes of data analysis the category was defined as the tolerance of Indonesians towards the initial ignorance of their culture. Initially the researcher did not identify this category as being a factor in the success of business in Indonesia, however as the data analysis progressed it became apparent that the category should be taken into consideration. As detailed in table 4.2 a total of 4 of the 14 case studies, or 29% of respondents, commented on the Indonesian ability to tolerate a lack of cultural understanding and knowledge of etiquette of newcomers to Indonesia. The data is supported by comments such as ‘Even though
many Moslems are very tolerant of minor breaches of their etiquette, you may find that this tolerance will falter if you continually ignore common courtesies.

There is no apparent correlation between the data and location, or time in country, however a cross analysis was undertaken between the category and success and failure of businesses in Indonesia with two of the case studies linking Indonesian tolerance to success, and one with failure. In summary, the category of Indonesian tolerance towards ‘faux pas’ by Australian entrepreneurs is not considered to be important, however as indicated by the case study comments, it is a factor which Australian businesses need to take into consideration. This research question is discussed in more detail in section 5.2.29.

4.4.5 Patterns of data for the category of equality

This research question was another category which was not initially identified from the literature review at chapter 2, and was subsequently extracted from the data as the QSR NUD*IST analysis unfolded. The category of equality is closely linked with the category of the Indonesian attitude towards foreigners, and Australian culture, but was developed specifically to determine whether the issue of equality does affect the competitiveness of Australian businesses in the country. For the purposes of data analysis the category was defined as the Australian egalitarian approach to life and the conduct of business in Indonesia. As detailed in table 4.2 a total of 10 of the 14 case studies, or 71% of respondents, commented on the category of equity. Table 4.16 provides an overview of the percentage of data in each category, which specifically discussed equality, and the process of business in Indonesia.

Table 4.16 - Percentage of data related to category (equality)

<table>
<thead>
<tr>
<th>Case Studies</th>
<th>1</th>
<th>3</th>
<th>4</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>13</th>
<th>14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiation Skills</td>
<td>1.5</td>
<td>7.0</td>
<td>6.2</td>
<td>3.1</td>
<td>2.0</td>
<td>8.1</td>
<td>1.6</td>
<td>2.7</td>
<td>1.7</td>
<td>3.6</td>
</tr>
</tbody>
</table>

The frequency of the data indicates that equity is considered to be an important part of conducting business in Indonesia, with case study 9 placing considerable emphasis on the category. ‘It means a lot to Indonesians to see that Australians are not coming into the country as pompous and patronizing expatriates’. There was no significance in the location of case studies, gender or background in the country. A cross analysis between the category of equality and Indonesian attitudes towards foreigners was undertaken with three of the 10 case studies identified linking the two categories. A second cross analysis of equity with Australian culture was also undertaken, with four of the case studies identifying equity with the Australian culture. In summary, equity is seen as an important part of conducting business in Indonesia, with the data indicating that in a competitive environment Indonesians are more likely to negotiate with an entrepreneur with an egalitarian approach to business, in preference to a ‘pompous and patronizing expatriate’. This research question is discussed in more detail in section 5.2.30.
4.4.6 Patterns of data for the category of expatriates

This research question was developed to determine what influence expatriates have over the success or failure of Australian SMEs in Indonesia. As with the previous five sections, the category concerning expatriates was developed as the data analysis identified further themes and questions that were not transparent in chapter 2. For the purposes of data analysis the category was defined as directly dealing with expatriates in business, and therefore avoiding many of the problems encountered with an Indonesian joint venture partner. As detailed in table 4.2 a total of 8 of the 14 case studies, or 57% of respondents, commented on the role that expatriates play in the conduct of business in Indonesia.

Figure 4.10 also provides an overview of the frequency with which this category was mentioned in each case study, with each case participant placed on a continuum with low importance at one end of the scale and high importance at the other. The scale used for this ten point Likert scale ranged from 1, low importance, to high importance at 10. The response for each case study is illustrated by a black triangle, representing the frequency that expatriates were mentioned in relation the conduct of business in the country.

Figure 4.10 - Frequency of category (expatriates)

![Frequency of category (expatriates)](image)

The trend identified in the scale is that the role of expatriates in the success or failure of Australian SMEs in Indonesia is important, with three of the Jakarta based respondents rating this category as very important. Comments by these case studies that support the analysis include ‘We tend to deal a lot with expatriates..... in that successful business in Indonesia is not necessarily with Indonesians all the time. It can be with Germans, French, Koreans, or other cultures that aren't necessarily Indonesian’.

Two separate cross analyses were conducted to clarify the data, the first was undertaken between the category and success and failure of businesses in Indonesia, with 4 of the
respondents relating expatriates to successful business practices, and only one case study with failure. The second cross analysis involved an index search intersecting the category of expatriates with networking. Three of the case studies linked the requirement to network with the category of expatriates. There is no other obvious correlation between this category and gender, location, or in country experience. As a consequence of the ethnographic analysis process, this category assumed considerably more significance than originally anticipated by the researcher. In summary, the data indicates that the majority of respondents consider expatriates to be an important part of conducting business in Indonesia, with several of the case studies also identifying the need to network with the expatriate community.

This research question is discussed in more detail in section 5.2.31.

4.4.7 Patterns of data for the category of business image (gengsi)

The research question was developed as a consequence of the data reduction and has been included to add one further tangent to the conceptual richness of the analysis. For the purposes of data analysis the category was defined as the image that both Australian and Indonesian businesses attempt to portray, and determines whether the image of a business is important to the success or failure of Australian SMEs in Indonesia. As detailed in table 4.2 a total of 5 of the 14 case studies, or 36% of respondents, commented on the need to establish a business image. The data is supported by comments such as ‘I don’t know whether this has been discussed previously, but the Indonesians, and in particular the Javanese, put a lot of emphasis on their reputation and public image. In many ways it is quite sacred’.

There is no obvious correlation between the data and gender, location, or time in country, however a cross analysis was undertaken between the category and success and failure of businesses in Indonesia with three of the above case studies linking a business image to success. Two further cross analyses were conducted in which two case studies linked the category of image with loss of face and networking in the country. In summary, the category of business image is not considered to be of major importance, however as indicated by the case study comments it is a factor which includes networks, and the concept of loss of face.

This research question is discussed in more detail in section 5.2.32.

4.4.8 Patterns of data for the category of market research

For the purposes of data analysis the category of market research was defined as knowledge of the Indonesian market and the processes of international business. Initially this category was not identified by the researcher as a factor in the success of business in Indonesia. However, as the data analysis progressed it became apparent that this category was of major importance in the success of Australian businesses in Indonesia, and was re-categorised. As detailed in table 4.2, a total of 100% of the respondents commented on the need for market research.
Figure 4.11 provides an overview of the frequency that this category was mentioned in each case study, with each case participant placed on a continuum with low importance at one end of the scale and high importance at the other. The scale being used for this ten point Likert scale ranged from 1, low importance, to high importance at 10. The response for each case study is illustrated by a black diamond, representing the frequency that market research was mentioned in relation to the conduct of business in Indonesia.

The trend identified in the scale below is that all the case studies discussed the need for market research, with the majority of Jakarta based respondents rating the category as very important to the success of Australian SMEs in Indonesia. In particular, case studies 7 & 8 placed considerable emphasis on the need for research. Comments supporting the data include ‘The information on your respective market, I think, goes hand in hand with the information which you need in regard to understanding the culture. I think that this is probably the most important piece of advice that I can give anyone coming into the country to work, or to explore business opportunities. You must do the desktop research from home’.

Figure 4.11 - Frequency of category (market research)

Two separate cross analyses were conducted to clarify the data, the first undertaken between market research and the success of businesses in Indonesia. A total of 79% of the respondents related market research to successful business practices. The second cross analysis involved an index search intersecting market research with the category of Australian business practices, with 36% of respondents linking Australian business practices with market research; 14% with the home office responsibilities; 21% with financial commitments; and one case study with business commitments.

There is no other obvious correlation between this category and gender, location, or in country experience, however it should be noted that as a consequence of the ethnographic
analysis process this category assumed considerably more significance than originally anticipated by the researcher.

In summary, the data indicates that the majority of respondents consider market research to be an important part of conducting business in Indonesia, with several of the case studies rating the category as the most important reason for the success or failure of a business in Indonesia. This research question is discussed in more detail in section 5.2.33.

4.5 Summary of the findings

The following points summarize the findings for each research question, which are the bases for the discussion in the following chapter. It should also be noted that it is not the intention of this section to influence the objective judgment of the reader by discussing the significance of the analysis (Perry: 1996), however this summary does provide the catalyst for further discussion and comparison with the previous research identified in chapter 2. At the same time the section confirms that the data reduction has provided results that will make a worthwhile contribution to the extant body of knowledge, and also assist the competitiveness of Australian SMEs in Indonesia.

- Section 4.3.1. For the research question on communication, the data indicated that communication is an important factor in the success of business in Indonesia, although the ability to be able to communicate with a joint venture partner was not considered as significant as the ability to be able to speak Indonesian. As detailed in table 4.12 the results of the analysis are not as significant as originally anticipated by the researcher, although they are a factor which should be taken into consideration when conducting business in Indonesia. See section 5.2.1.

- Section 4.3.2. For the research question on decision making the data indicated that nearly half of the case studies cited the decision making process as presenting a problem to Australian businesses in Indonesia. An understanding of the veiled manner in which Javanese entrepreneurs express negativity was not considered as critical. As detailed in table 4.12 the results of the analysis are not as significant as originally anticipated by the researcher. They are a cause of frustration for the respondents rather than a major reason for the success or failure of an Australian business in Indonesia. See section 5.2.2.

- Section 4.3.3. For the research question on bureaucracy all the case studies discussed one or more of the sub-categories of bureaucracy as a factor in the successful process of business in Indonesia. The attitudes towards both the Australian and Indonesian government processes varied significantly amongst respondents. This theme was pursued throughout the entire data analysis process, with the trend emerging that Australian companies were both concerned with the transparency of bureaucracy in Indonesia, and also concerned with the preparation and support provided by the Australian government prior to entering the Indonesian market. The researcher expected the results of the analysis, although
the emerging theme of problems with Australian bureaucracy assumed an unforeseen significance. See section 5.2.3.

Figure 4.12 - Percentage of data coded at each category
Section 4.3.4. For the research question on long-term versus short-term involvement, the data indicated that the majority of respondents believed that long-term involvement versus short-term profits is an important aspect of successful business in Indonesia. However, it should also be noted that several of the Jakarta based case studies included the Indonesian desire for short-term profit as being a problem for Australian business in the country. The emphasis placed on the need for long-term commitment in Indonesia was not unexpected by the researcher, and as detailed in table 4.12 this was a factor which was considered by the respondents to be important to the competitiveness of Australian SMEs in Indonesia. See section 5.2.4.

Section 4.3.5. For the research question on personal relationships and success of business in Indonesia the data indicated that long-term personal relationships were considered to be more important to Indonesian rather than Australian entrepreneurs. The concept of status, being refined (halus) or uncouth (kasar), was considered to be significant to the Javanese. The results were not as significant as anticipated by the researcher. See section 5.2.5.

Section 4.3.6. For the research question concerning time horizons the data indicated that the predominantly Javanese attitude towards time is a cause of frustration for Australian businesses dealing with Indonesia. An additional theme emerging that Indonesian attitudes towards time are not reciprocal, and that as a westerner it is considered rude if you are not punctual. From the data provided in the cross analysis the findings are that time horizons and lack of timely responses are a reason for Australian small businesses not succeeding in Indonesia. The results assumed considerably less significance than anticipated by the researcher, and contributed to the emerging theme that how Indonesians conduct themselves is not critical to the success of Australian SMEs in Indonesia. See section 5.2.6.

Section 4.3.7. For the research question concerning corruption the data indicated that there is a difficulty in assessing the process of business because of a lack of transparency, and that facilitation payments are an integral part of business in Indonesia. Additional themes which emerged from the analysis are the varying levels of facilitation payments, of which the category of pelicin has similar connotations to the commissions that are paid in Australia to service organization such as real estate agents, or second hand car dealers. The results of the analysis were not unexpected by the researcher, however the comparisons with Australia was one of the factors which contributed to the emerging theme of the importance of understanding Australian business practices and culture. See section 5.2.7.

Section 4.3.8. For the research question concerning joint venture partners the data indicated that the majority of respondents consider a joint venture partner as important to the success of business in Indonesia, although the Jakarta based case studies placed less emphasis on this category than their Northern Queensland counterparts. See section 5.2.8.
Section 4.3.9. For the research question on the meaning of 'yes' the data indicated that many of the respondents were frustrated with the apparent inability of some Indonesian businesspersons to commit themselves to a specific course of action. This was not considered to be a major cause of business failure in the country. The data also shows that this characteristic is more Javanese in nature, and does not apply to all Indonesians. This result assumed considerably less importance than anticipated by the researcher, and was another piece of the jigsaw which contributed to the emerging theme that Indonesian business practices and culture are important to understanding how business is conducted in Indonesia. See section 5.2.9.

Section 4.3.10. For the research question on the requirement for flexibility in the conduct of business in Indonesia the data indicated that flexibility is considered to be important to the success of small to medium Australian enterprises in Indonesia. See section 5.2.10.

Section 4.3.11. For the research question concerning the display of anger, and loss of face, the data indicates that these categories should be taken into consideration when conducting business in Indonesia. However, they are not considered to be of primary importance. The data also reveals that Indonesians should not be stereotyped, as their ethnic background may determine how they respond to certain circumstances. As detailed in table 4.12 this result did not assume the level of significance that was expected by the researcher. See section 5.2.11.

Section 4.3.12. For the research question concerning gender and the success of business in Indonesia the data indicated that the category is not as important as originally anticipated, and may even be considered to have positive connotations. Although gender is of a concern, particularly for some females working in the country, it does not present a major obstacle to conducting business in the country. The researcher anticipated this result. See section 5.2.12.

Section 4.3.13. For the research question on the role religion plays in conducting business in Indonesia the data indicates that religious beliefs should be taken into consideration, however are not considered to be of primary importance. The religious commitment of many Indonesians, such as praying five times per day (sembayang) or adhering to the requirements of Ramadan, also plays an important part in understanding how business works in Indonesia. Religious practices are not considered to be a major hurdle in the success or failure of Australian SMEs in the country. This result did not achieve the level of significance originally anticipated by the researcher. See section 5.2.13.

Section 4.3.14. For the research question on the role family and friends in business in Indonesia the data indicates that the role of the family in business is not of major importance to Australian SMEs. However, there is a need to
understand the connection between family and business and in particular the links between networks and family. See section 5.2.14.

- Section 4.3.15. For the research question on the category of business structures the data indicates that an understanding of both the structure of businesses in Indonesia and their power base is not critical to the success of a business in the country. However, both categories should not be disregarded by Australian SMEs. See section 5.2.15.

- Section 4.3.16. For the research question on cultural diversity in Indonesia the data indicates that there is a need for Australian SMEs to understand the role that cultural diversity plays in the conduct of business in the country. There are also varying attitudes to the conduct of business by the Chinese in comparison to their pribumi counterparts. See section 5.2.16.

- Section 4.3.17. For the research question concerning globalisation the data indicates that there are technological problems with Australian companies interfacing with their Indonesian counterparts, and also overcoming some of the infrastructure problems that are associated with a developing country. These difficulties are not considered to be a major obstacle to business success in the country. See section 5.2.17.

- Section 4.3.18. For the research question on the legal system in Indonesia the data indicated that it is not a major factor inhibiting the competitiveness of Australian SMEs in the country. However, an understanding of the legalities and processes of conducting business needs to be taken into consideration. See section 5.2.18.

- Section 4.3.19. For the research question concerning the attitude towards overseas entrepreneurs the data indicates that the Indonesian perception of foreigners varies according to country of origin, with Australia being regarded as an egalitarian society, which provides long-term benefits to Indonesia. The category is not considered to be significant, although an understanding of the image Australian entrepreneurs portray should be taken into consideration. See section 5.2.19.

- Section 4.3.20. For the research question concerning the effects of generational differences on business in Indonesia the data indicates that the category is not considered to be important. However, it is a factor which Australian businesses need to take into consideration. See section 5.2.20.

- Section 4.3.21. For the research question concerning honesty the data indicates that both Indonesian expectations and trust are of a concern to an Australian SME conducting business in Indonesia. The data indicates that the category is not as important as originally anticipated by the researcher. The result also contributed to the emerging theme that Australians must also understand their own culture and
business practices before making assumptions about Indonesian entrepreneurs. See section 5.2.21.

- Section 4.3.22. For the research question concerning the role of etiquette the data indicates that breaches of etiquette are not considered to be an important factor in the conduct of business in Indonesia. Socially acceptable behaviour should still be taken into consideration as an Indonesian’s tolerance of continual breaches of etiquette has certain limitations. This was one of the most significant findings of the research in that the researcher expected this category to be of some importance to the competitiveness of Australian SMEs in Indonesia. The data also indicates that breaches of etiquette, particularly by newcomers to Indonesia, are expected and tolerated. See section 5.2.22.

- Section 4.3.23. For the research question concerning the importance of food in the conduct of business in Indonesia the data indicates that an Australian entrepreneur does need to understand the significance of food in Indonesia, and in particular those foods which may cause offence to an Indonesian guest. As detailed in table 4.12 this category assumed considerably less importance than anticipated by the researcher. See section 5.2.23.

- Section 4.3.24. For the research question concerning the influence of Indonesian work practices in the competitiveness of Australian SMEs in Indonesia the data indicates that there are numerous aspects of conducting business in Indonesia, which must be taken into consideration. The data indicates that these factors range from the availability of suitable business cards to understanding when it is applicable to offer gifts. The researcher anticipated these results. See section 5.2.24.

- Section 4.3.25. For the research question discussing whether there are similarities in the work practices of Malaysia and Indonesia the data suggests that this category is of little importance to the conduct of business. The data concerning lack of cultural diversity, legacies of British colonization, and transparency of government and legal procedures are useful for data comparison. See section 5.2.25.

- Section 4.4.1. For the research question on networking the data indicates that respondents consider networking to be an important part of conducting business in Indonesia, with the data also suggesting that networking occurs both with a business environment and with family and friends. See section 5.2.26.

- Section 4.4.2. For the research question on negotiation skills the data indicated that negotiation skills are considered to be important to the success of business in Indonesia. Although not clearly identifiable in the data, it is assumed that the skills required by Australian entrepreneurs are as applicable to Indonesia as they are elsewhere in South East Asia. The gender of the negotiator was also identified as being important to the negotiation process. Section 5.2.27.
Section 4.4.3. For the research question concerning Australian culture and business practices the data indicated that the category is considered to be important to the success of business in Indonesia. The data suggests that Australian entrepreneurs must be aware of their own cultural background and business practices; that maintaining links with the home office are a consideration; financial support may not be as forthcoming for smaller businesses; and there is a greater onus on smaller entrepreneurs to commit themselves and their family to their business goals. This result is one of the most significant of the research in that it greatly supports the emerging theme that Australian entrepreneurs must be aware of their own business practices and culture if they are to remain competitive in Indonesia. See section 5.2.28.

Section 4.4.4. For the research question concerning Indonesian tolerance the data indicates that Indonesians do tolerate most ‘faux pas’ by those Australian entrepreneurs with little experience of Indonesia. The extent to which this tolerance is extended is a factor which Australian businesses need to take into consideration. See section 5.2.29.

Section 4.4.5. For the research question on equity the data indicates that equality is seen as an important part of conducting business in Indonesia. The data indicating that in a competitive environment Indonesians are more likely to negotiate with an entrepreneur with an egalitarian approach to business, in preference to a ‘pompous and patronizing expatriate’. See section 5.2.30.

Section 4.3.6. For the research question on expatriates the data indicates that the majority of respondents consider the category to be an important part of conducting business in Indonesia. A need to network within the expatriate community also a factor that should be taken into account by Australian SMEs. See section 5.2.31.

Section 4.4.7. For the category on business images the data indicates that business image is not considered to be of major importance. However, factors which include networking, and the concept of loss of face and should be taken into consideration when conducting business in Indonesia. See section 5.2.32.

Section 4.3.8. For the research question on market knowledge and research the data indicates that market research is one of the more important reasons for the success or failure of Australian businesses in Indonesia. The results of the data and the emerging theme of Australian businesses being adequately prepared to conduct international business were not anticipated by the researcher. This research question is discussed in more detail in section 5.2.33.

As highlighted in table 4.13 the data reveals that there are certain categories, which are more significant, than others. For example, market knowledge, understanding Australian and Indonesian bureaucracy, communications, long-term involvement, flexibility, and
understanding Australian business culture and practices are perceived to be considerably more important that understanding etiquette, and the role of religion and the family. The researcher did not anticipate this result. Based on the literature review at chapter 2 coding had commenced where factors such as etiquette, time horizons and avoidance of confrontation were considered to be the main impediments to the competitiveness of Australian SMEs in Indonesia.

As table 4.13 reveals several key themes emerged which indicate that an awareness of Australian culture and business practices, combined with sound market knowledge are equally as important to the competitiveness of Australian SMEs in Indonesia as many of the factors discussed by previous researchers. The results of this metamorphous of data analysis in comparison to the researchers expectations following the literature review is also modelled at figure 5.1.

This chapter has contributed to the research question not only rigorous data reduction, but has also provided conceptual richness in presenting the results of the research. Compared and interwoven with the previous research identified in chapter 2, the following chapter will not only address the research question, but will also demonstrate that the current research does make a distinct contribution to the extant body of knowledge.
Figure 4.13 - Significance of major categories

- Market Knowledge
- Malaysian business
- Work Practices
- Food
- Etiquette
- Honesty
- Business Image
- Expatriates
- Equality
- Indonesian Tolerance
- Generational Attitude
- Attitude to Foreigners
- Legal System
- Globalisation
- Cultural Diversity
- Business Structures
- Role of Family
- Role of Religion
- Gender & Business
- Loss of Face
- Australian Culture
- Negotiation Skills
- Networking
- Flexibility
- Meaning of Yes
- Joint Ventures
- Corruption
- Time Horizons
- Relationships
- Achievements
- Bureaucracy
- Decision Making
- Communications

*Considerations Important factors Key factors*
5 Conclusions and Implications

5.1 Introduction

Chapter 5 intends to demonstrate that this thesis makes a distinct contribution to the extant body of knowledge and links the research questions identified in section 1.2 and chapter 2 with the data analysis conducted in the chapter 4.

The practical application of the research is to develop a framework within which Australian companies are able to improve their competitiveness within Indonesia.

The following section provides a brief synopsis of the previous chapters and reviews the research questions so that the reader can focus on the conclusions of the research.

Chapter 1 introduced the background of the study and identified the research problem which was:

*To determine whether Indonesian business practices and culture inhibit the competitiveness of Australian Small to Medium Enterprises in Indonesia.*

Chapter 2 reviewed the theoretical and methodological dimensions of the relevant literature on cross cultural communications, Asian business, and Indonesian business practices and culture. The main purpose of the review was to identify the research questions listed in section 2.6 which are evaluated in section 5.2.

Chapter 3 developed the case study methodology and provided a detailed explanation of case study research. A justification of the case study methodology was also undertaken using a comparative analysis of qualitative and quantitative paradigms.

Chapter 4 contained a detailed analysis of the case study data using the QSR NUD*IST ethnographic program. The software providing the means for a structured and rigorous reduction in data.

This final chapter 5 provides the conclusions and implications of the research.

5.2 Conclusions about the research

The following section evaluates the categories of the data that have been summarized in section 4.5 and includes analysis of the questions raised in the literature review undertaken in chapter 2. Table 5.1 also provides a summary listing of the contributions made by this research. The evaluation of each category concludes with a summation of its effects on the conduct and competitiveness of Australian small to medium businesses in Indonesia.
5.2.1 Discussion on the category of communication and business

The category of communication has attracted considerable attention in the literature, particularly amongst the broader parent discipline of cross-cultural communications (Bochner 1982, Lee 1994, O’Sullivan 1994). For example, Geertz argues that in Indonesia some of the communications problems that are encountered can be attributed to the Javanese who will often ‘use linguistic etiquette to protect their inward feelings from external disturbance (1960 : 241)’.

The result of the current research into whether communications affect the competitiveness of Australian businesses in Indonesia indicates that communication is an important factor. This is consistent with the literature that that was reviewed in chapter 2. However, the research data also reveals that the ability to be able to communicate with a joint venture partner or speak Indonesian is not as critical as suggested by researchers such as Bochner (1982), Varner & Breamer (1995), and O’Sullivan (1994).

The reason for this inconsistency appears to be that the majority of literature concerning communications is contained within the parent discipline of cross-cultural communications, where the focus of the research is essentially ‘cultural communications’. As discussed in section 4.3.1, and outlined in table 4.13, a similar emphasis is not apparent in the current research. This finding is also supported by researchers such as Engholm (1991) who has not included communications as one of the six commandments to understanding corporate culture in Asia, or Hofstede (1980) whose analysis of five cultural dimensions also does not place an emphasis on this category. Although a few of the immediate discipline researchers identified in chapter 2 include a knowledge of the Indonesian language as a key to the success of business in Indonesia (Austrade 1995, O’Hare 1996, DFAT 1996), the remainder did not rate communication as a major impediment to doing business in Indonesia.

The research therefore identifies a variance of opinion between the researchers in the parent discipline who focus on the importance of cross-cultural communication in business, and those researchers who are more intimately involved in the conduct business in Indonesia.

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Studies related to the competitiveness of Australian SMEs in Indonesia</th>
<th>Explicit in literature</th>
<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications</td>
<td>Does a working knowledge of the Indonesian language, or the ability of a joint venture partner to speak fluent English, affect the competitiveness of an Australian businessperson in the country?</td>
<td>In Variance</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.2 Discussion on the category of decision making in business

The research data indicates that the decision making process does present a problem to Australian businesses in Indonesia, although an understanding of the veiled manner in
which negativity is expressed by Javanese entrepreneurs was not considered as critical to
the competitiveness of business. These findings are supported by Hofstede (1980)
whose dimension of ‘uncertainty avoidance’ placed Indonesians in the category of low to
medium, indicating that Indonesia is a society in which a person belongs to a cohesive
collective where group consensus takes precedence over decisiveness. Richards (1991)
(1996), Robock & Simmonds (1989), and Ferraro (1994) challenge these findings on the
basis that multicultural societies such as Indonesia have such large variations in their
national identities that Hofstede’s index loses meaning. Ferraro (1994) also emphasizes
the need to avoid over reliance on cultural generalizations and the stereotyping of
particular groups, as they are also individuals with their own unique set of personality
traits and experiences.

The arguments presented are not disputed, as one of the limitations acknowledged in
section 5.6 is that Indonesia has a rich and colourful diversity indicating that not all
businesspersons that an Australian entrepreneur will encounter will behave according to
the research results (Draine & Hall 1986, Soemardjan 1989, Koenjajaranigrat 1989).
Analysis by Faulkner (1995), QTTC (1997), and Soemardjan (c.1989) do concur with the
findings of the research problem in that the decision making process, particularly by the
Javanese, is dominated by the need for group consensus. Mann (1994) also emphasizes
the concept of peace and harmony in the decision making process. Figure 4.13, and the
analysis conducted in section 4.2.2, indicates that the need for group consensus is a cause
QTTC 1997), but is not a major impediment to Australian businesses in Indonesia.

<table>
<thead>
<tr>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision Making</td>
<td>Does the role of the group, and the need for preservation of consensus and harmony in decision making, affect Australian business practices?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.3 Discussion on the category of bureaucracy

The results of this analysis are consistent with Neijen’s (1992) research of ‘process
orientated’ organization. In such organization employees are conformists who work in
accordance with detailed instructions, and all days are the same where employees do not
make more of an effort than is necessary. This concurs with Hofstede’s (1980)
categorization of Indonesians as having ‘low individualism’ where group involvement are
given preference over individual gains.

As noted in section 4.3.3, and outlined in figure 4.13, all the case studies discussed one or
more of the sub categories of bureaucracy as a factor in the successful process of business
in Indonesia, although the attitudes towards both the Australian and Indonesian
government processes varied significantly amongst respondents. This theme was
pursued throughout the data analysis process and it was evident that Australian
companies were both concerned with the transparency of bureaucracy in Indonesia, and
with the lack of preparation and support provided by the Australian government for those
attempting to enter the Indonesian market. The CSAAR Report (1996) rated costly delays and bureaucratic difficulties as major impediments to doing business in Indonesia.

<table>
<thead>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bureaucracy</td>
<td>Does bureaucracy and the requirement to work through government channels affect business in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

O’Hare (1996) also stresses the need to overcome bureaucracy as a major obstacle to business in Indonesia, and Rosser (1998) makes comments concerning excessive distortions and inefficiencies caused by excessive government intervention. The findings of this research are consistent with the extant body of knowledge, in that bureaucracy in Indonesia plays an important part in business.

5.2.4 Discussion on the category of short versus long-term involvement

The results of the research question on long-term versus short term involvement are consistent with the findings of researchers such as Hofstede (1982), Austrade (1995), and O’Hare (1996). For example, DFAT considers long-term commitment one of the ten ‘umbrella strategies’ for business success in Indonesia. The CSAAR (1996) survey states that firms with a longer involvement in the region were more likely to assess their performance positively, although the survey does also state that ‘it is wrong to infer that the length of involvement by itself is the key to success’. This statement is at variance with researchers such as Hofstede (1982), Austrade (1995), and O’Hare (1996) who consider long-term commitment to be a key factor in the success of business in Indonesia.

The findings obtained from several of the Jakarta based case studies concerning the Indonesian desire for short term profit as being a problem for Australian business in the country is also supported by comments from Soemardjan (c.1989) who categorizes Indonesian businesspersons into three groups. One of them being the ‘Marginals’ whose outlook tends to be more rigid, their attachment to culture superficial, and their attitude towards business being ‘what is in it for me’. Section 5.2.8 discusses in detail benefits and problems of joint venture partners.

This research identifies a variance in opinion amongst researchers as to the importance of long-term commitment in Indonesia. However, the current findings support the majority of researchers who believe that long-term commitment is important but, by itself, it is not the key to business success in Indonesia.

<table>
<thead>
<tr>
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<th>Explicit in literature</th>
<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Involvement</td>
<td>How do attitudes towards short term and long-term involvement affect business in Indonesia?</td>
<td>In Variance</td>
<td>Yes</td>
</tr>
</tbody>
</table>
The results of the analysis in section 4.3.4 are consistent with the findings of previous research and confirm that a long-term commitment is important to the competitiveness of Australian SMEs in Indonesia.

5.2.5 Discussion on the category of personal relationships and business

The research data on personal relationships and success of business in Indonesia indicated that long-term personal relationships were considered to be more important to Indonesians rather than Australians. The idea of status, being refined (halus) or uncouth (kasar), was also considered to be significant to the Javanese. These results are consistent with previous research by Soemardjan (c.1989), Mann (1994), Edith Cowan (1995), DFAT (1996) and QTTC (1997). One of Engholm’s (1991) six keys to understanding Asian corporate culture is to place relationships first, and business later. Eriko (1992) also maintains that foreigners must appear in person to conduct negotiations because Indonesians conduct business on a personal basis.

The DFAT (1996) market profile on Indonesia states that the cultivating of relationships is one of the ten umbrella strategies that will facilitate business success. Makarim (1994) also claims that to be successful a business must come to terms with the collectivist culture of Indonesia and avoid problems and conflicts by maintaining strong personal contacts. On the other hand research by CSAAR (1996), Faulkner (1995), and Draine & Hall (1986), does not rate personal relationships as an impediment to business in Indonesia.

The findings of the current research are consistent with the extant body of knowledge, in that personal relationships are considered to be an important factor to business in Indonesia.

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Studies related to the competitiveness of Australian SMEs in Indonesia</th>
<th>Explicit in literature</th>
<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationships</td>
<td>Is it important to have the right relationships in Indonesia for an Australian small to medium enterprise to succeed?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.6 Discussion on the category of time horizons and business

The research showed varied results in the category of time horizons. The findings were in contrast to Hofstede (1982), Draine & Hall (1986), Eriko (1992), and Trompenaars (1993) who maintain that the Javanese attitude towards time is a cause of major frustration for businesses in Indonesia. Hofstede states that ‘Indonesians see time more as cyclical, less as a linear process, and they are therefore less hurried (1982 : 25)’. Ferraro (1994) also discusses the ‘Temporal Dimension’ where in western culture there is a concept of ‘time is money’, compared to a society such as Indonesia where rigid schedules and punctuality are considered dehumanising.

Several other researchers did not consider the category of time horizons as being critical to the conduct of business in Indonesia. The concept of jam karet (rubber time) was not
listed by CSAAR (1996) as an impediment to business activity in Asia, nor did the DFAT (1996) market profile on Indonesia mention the topic as being one of the ten umbrella strategies that will facilitate business success. This supports the current findings that time horizons and lack of timely responses are factors that should be taken into consideration by Australian entrepreneurs, but are not critical to the competitiveness of the business.

The findings also indicate that the Indonesian attitudes towards time are not reciprocal, and as a westerner it is considered to be rude if you are not punctual. This is supported by researchers such as Hofstede (1982) and Mann (1994) who maintain that Indonesians expect a degree of punctuality from westerners, particularly towards a superior (see section 5.2.19).

Section 4.3.6 identifies a variance of opinion amongst researchers as to the significance of time in the success of businesses in Indonesia. Whilst several researchers agree that ‘rubber time’ is a major cause of frustration, other researchers maintain that time delays are a normal part of business in the country, and should not contribute to the success or failure of a business.

<table>
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<tr>
<th>Research questions</th>
<th>Studies related to the competitiveness of Australian SMEs in Indonesia</th>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Horizons</td>
<td>Does the relatively relaxed Indonesian attitude towards punctuality for appointments and flexible approach towards deadlines make doing business in Indonesia more difficult for Australian entrepreneurs?</td>
<td>In Variance</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.7 Discussion on the category of corruption and business

As discussed in section 4.3.7, and detailed at figure 4.13, corruption is closely intertwined with bureaucracy. Globerman (1986) defines the phenomenon of facilitation payments as prebendalism, where it is the right of an official, because they hold an office that provides little pay, to receive extra fees. Both these categories have been discussed in the immediate discipline, and more recently in the international media (Greenless 1998, Watts 1998, Van Klinken 1998, Walters 1998, Watts 1998, Nason & Woodley 1998) where the Suharto family businesses continue to generate considerable attention.

The results of the current research are consistent with previous literature on corruption in Indonesia, with the extent of corruption, nepotism, and cronyism on Indonesian business practices now being openly discussed by both the Australian and Indonesian media. Prior to the Revolusi of May 1998 assessment of the true extent of corruption in Indonesia was mainly conjecture, although both the research and the literature agree that facilitation payments are an integral part of business in the country (Hofstede 1982, Mann 1994, Edith Cowan University 1995, O’Hare 1996). Hadiz states that ‘unlike Westerners, the Javanese - the dominant ethnic group in Indonesia - do not perceive wealth accumulated through corruption as presenting an ethical problem. To the Javanese, wealth “naturally flowed” to those who held positions of power (1996 : 17)’.
When discussing the cultural pitfalls for Dutch expatriates Hofstede (1982) also mentions the adverse affect ‘facilitation payments’ have on the bureaucracy and general conduct of business in society.

Additional themes that emerge from the analysis are that there are varying levels of facilitation payments, of which the category of pelicin has similar connotations to the commissions that are paid in Australia to service organization such as real estate agents, or second hand car dealers. These findings are supported by O’Hare (1996) and Edith Cowen (1995) who both concur that business facilitation payments in Indonesia are similar to the often costly and time consuming contracts in Australia that are sometimes overcome by paying the relevant commissions and brokerage fees to professional organization.

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<tr>
<th>Research questions</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Corruption</td>
<td>Are corruption, nepotism, and the use of ‘facilitation’ payments an integral part of conducting business in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

On the basis of these findings clearly the payment of facilitation payments to ‘smooth the waters’ (pelicin) is clearly endemic at all levels of Indonesian society, and that this must affect the conduct of business in the country. See Section 4.3.7.

5.2.8 Discussion on the category of joint ventures and business

As discussed in section 4.3.8, and outlined in table 4.13, the data from the research question concerning joint venture partners indicates that the majority of respondents consider a that joint venture partner is important to the success of business in Indonesia. The results of this survey are consistent with literature (Corben 1994, Faulkner 1995, O’Hare 1996, Pratt 1996, MacDermott 1996) where both the parent and immediate disciplines discuss the benefits of an equitable joint venture partnership. Corben (1994) states that choosing local business partners is the single most important decision an investor makes. Joint ventures are required because a good partner knows the market better than anyone else and assists in overcoming the complexity of business rules in Indonesia (MacDermott 1996). Eriko (1992) maintains that dealings must be done with the help of a local intermediary, as Indonesians like to deal with each other, not strangers. Pratt (1996) also agrees that joint ventures with local partners are usually needed to circumvent local requirements and demands, both official and unofficial.

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<tr>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint Ventures</td>
<td>Is a competent and trustworthy joint venture partner important in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
The data analysis indicates that joint ventures are an important aspect of conducting business in Indonesia, although when the case studies were being conducted in Jakarta one of the small businesses interviewed had elected not to involve an Indonesian partner in an attempt to avoid some of the problems identified in section 5.2.7. In summary, both the literature and current research concur that joint ventures are important to the conduct of business in Indonesia, although they are not in themselves a perquisite to success.

5.2.9 Discussion on the meaning of ‘yes’ and the avoidance of confrontation

As discussed in section 4.3.9, and illustrated in figure 4.13, the analysis of the data on the meaning of ‘yes’ indicates that many of the respondents were frustrated with the apparent inability of some Indonesian businesspersons to commit themselves to a specific course of action, although this was not considered a major cause of business failure in the country. Soemardjan (c. 1989) discusses the avoidance of confrontation, where an Indonesian perceives problems through his fine inner feelings, and at the same time tries to preserve harmony with his social environment. Draine & Hall (1986), and O’Hare (1996), both agree that maintenance of face-to-face harmony for an Indonesian will always take precedence over the task to be performed.

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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meaning of Yes</td>
<td>Indonesian’s tend not to disagree, so when someone says ‘yes’ it is not wise to assume they are agreeing. Does this sometimes lead to misunderstanding between Australian and Indonesian businesspersons?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

These findings are consistent with the literature that also discusses the frustration of indecisiveness and reliance on group consensus in comparison to the ‘achievement orientated’ values of western capitalism (Hofstede 1980). The findings also contribute to the theme that an understanding Indonesian business practices and culture is important to the way business is conducted in Indonesia, but is not critical.

5.2.10 Discussion on the category of flexibility in business

The research had varied results concerning the category of flexibility, which was in variance with the extant literature. As discussed in section 4.3.10, and illustrated at figure 4.13, the requirement for flexibility in conducting business in Indonesia assumed a more important role than anticipated by the researcher. In the existing literature only Austrade (1997) briefly alluded to the need for flexibility, although they did not include the category as one of their ten ‘umbrella strategy’ checkpoints that would facilitate business success in Indonesia. Greater emphasis was placed on topics such as use of business cards, consumption of alcohol, body language, and exchange of gifts. All these categories assuming considerably less importance in this research than the need for flexibility.
This is at variance with the findings in section 4.3.10, where a total of 93% of the respondents commented on the need for flexibility. For example, one respondent noted ‘My job is to go out and knock on doors and meet people. You cannot achieve the same level of productivity in that respect. If I were to get in two productive sales calls a day here, given the way we are currently structured, I would be very pleased. I am not achieving that at the moment. Just the general environment is a problem. The traffic is unpredictable, and not efficient. All that contributes to the frustration’. It is assumed that many of the previous researchers have assumed flexibility to be an integral part of coming to terms with many of the problems that can be met on a daily basis when conducting business in Indonesia, however this is not clearly articulated in any of the extant literature.

What the current research brings to the extant literature is a clarification that flexibility is an important factor in the successful conduct of business in Indonesia.

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</tr>
</thead>
<tbody>
<tr>
<td>Flexibility</td>
<td>Is flexibility important in the conduct of business in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.3.11 Discussion on the category of loss of face and business

For the research question concerning the display of anger, and loss of face, the data at section 4.3.11 and table 4.13 indicates that these categories should be taken into consideration when conducting business in Indonesia, but are not of primary importance. The data also reveals that Indonesians should not be stereotyped, as their ethic background may determine how they respond to certain circumstances.

The category of loss of face and avoidance of anger has also attracted considerable attention in the extant literature. Hofstede (1982) discusses the need for strong harmony and the need for the preservation of face. Two of Engholm’s (1991) six keys to the success of businesses in Asia are ‘let there be harmony’ and ‘no person shall lose face’. The QTTC Report (1997) states that maintaining face is important, as do Soemardjan (c.1989), Mann (1994), Churchill & Zahirsjah (1994), Faulkner (1995) and Austrade (1995). As an example, ‘Typically, for a Javanespehaps you are not supposed to show you anger, and it is taken as very coarse, and rough if you do. Fairly inexcusable. ‘Halus’ is the word? ’Kasar’, the opposite! So the expectation is that you don’t show your anger in public. Of course they do not show theirs either’.

However, this category does not assume the same importance as would be advocated by some of the researchers. The concept of loss of face was not listed by CSAAR (1996) as an impediment to business activity in Asia, nor did the DFAT (1996) market profile on Indonesia mention the topic as being one of the ten umbrella strategies that will facilitate business success. This supports the current findings that loss of face and avoidance of anger are a factor that should be taken into consideration by Australian entrepreneurs, but is not critical to the competitiveness of the business.
The results of the survey also concur with the extant literature in that the loss of face and avoidance of anger are traits that may not be a generic Indonesian characteristic (Soemardjan c.1989, Eriko 1992, Faulkner 1995, O'Hare 1996). As discussed in section 4.3.16 the cultural diversity of the archipelago means that the responses to a particular occurrence may differ according to the cultural background of the businessperson concerned. For example, 'A Javanese businessman will often hesitate and remain non-committal throughout a business discussion, mainly through fear of "losing face" and making a decision without the consensus of his partners. Whereas a Batak businessman from Medan may become frustrated with a long and protracted negotiation process. This stereotyping can be misleading, particularly as many Indonesian executives have been educated overseas, but on the whole it is wise to assume that when you first meet a Javanese businessman he will most likely react in a particular manner'. This category is discussed at section 5.2.16.

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<tr>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of Face</td>
<td>Does the Indonesian perception of 'loss of face' and avoidance of a show of anger affect the way business is conducted in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.12 Discussion on the category of gender in business

The research question at section 4.3.12 concerning gender and the success of business in Indonesia has not attracted substantial attention by previous researchers, although the perception of the role of women in business differs according to whether the research is conducted by an Indonesian or a westerner. Soemardjan (c.1989) comments that a western business woman is not a rarity in Indonesia and she can be active without being subjected to too much prejudice from her male counterparts. Indonesian women on the other hand are content with the role they can play in society by doing their duties as a wife, mother, and manger of the household. This is in contrast to Faulkner who states that women provide an enormous amount of power and position in Indonesia today that may be further explored for mutual gain (1995: 55).

The Department of Foreign Affairs and Trade booklet Australia - Indonesia Connections suggests that 'More women are making inroads into professional, governmental and business circles, especially Chinese business women. This is facilitated by having domestic assistance (1996 : 16)'. Hofstede's (1980) cultural dimension on masculinity and femininity also characterizes Indonesian men by medium masculinity where they balance ambition and material success with quality of life, often providing their spouse with the opportunity to enter the workforce.

The results of the current research support the extant literature, with the data indicating that although gender is of a concern, particularly for some females working in rural areas, it does not present a major obstacle to the conduct of business. On the other hand being a western woman in a predominantly Moslem society does have some ramifications. As
discussed by UKSW, being a single western woman may have connotations of promiscuity, and 'you can be expected to be asked why you are not married yet or when you intend to end your single status (1988 : 39)'.

The current findings support the extant literature by indicating that gender is a factor that should be taken into consideration when undertaking business in Indonesia, although it is not a major impediment to the success of a business in the country. On a more personal level, a businesswoman may be subjected to Greater scrutiny than their male counterpart, and can be subjected to a series of questions concerning personal circumstances such as marital status, number of children, and family background. These questions are not considered by the Indonesians to be invasive in any way, but are just the normal pattern of conversation when meeting a stranger.

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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender &amp; Business</td>
<td>Does the gender of a businessperson affect the competitiveness of Australian companies in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.13 Discussion on the category of religion in business

The research question at section 4.3.13 has been addressed in the extant literature (Mann 1994, Faulkner 1995, DFAT 1996, O'Hare 1996). *Introducing Indonesia* by the American Women’s Association states that 'Religion in its various forms, is a fundamental integrating factor of the Indonesian personality. The religious perspective permeates all common aspects of life and rites of passage (1993 : 220)’. Faulkner also maintains that 'In business the effects of the Moslem religion are most noticed on Fridays when government offices empty at around 11.30 a.m. and streams of people can be seen on the streets headed for the noon prayers at Mosques all over Indonesia (1995 : 18)'.

The results of this survey are consistent with the extant literature in that a businessperson in Indonesia has to come to terms with the need for many Indonesians to pray five times a day, attend holidays such as *Idul Fitri*, and be less productive during the fasting month of *Ramadhan*. To deny, or rather, not acknowledge, an Indonesian their beliefs and religious commitments, regardless of how trivial they may seem to a westerner, will only cause tension and unrest within the workplace. As outlined in the case studies ‘many Indonesians have difficulty coming to terms with the typically ambivalent Australian attitude towards religion, and terms such as agnostic and atheist are not in their vocabulary. To be a non believer will earn you few points, and in some cases will probably be the reason that your business proposition never reached the negotiation table’.

Based on these findings it appears that an understanding of the highly blended and syncretic religious environment in Indonesia is a factor that should be taken into consideration when conducting business in the country. However, as illustrated in figure 4.13 religion is not considered to be a major hurdle to business ventures.
5.2.14 Discussion on the category of family and business

In section 4.3.14 the data analysis indicates that the role family and friends play in business is not of importance to Australian SMEs. However, there is a need to understand the connection between family and business and in particular the links between networks and family (see section 5.2.26).

These findings are further supported by Hofstede’s (1980) cultural index of ‘masculinity and femininity’ where Indonesians are characterized by medium masculinity where there are relatively overlapping roles for both sexes, where men may put the quality of life and family over material success. This is again endorsed by the cultural index of ‘individualism’, where Indonesians are categorised as having low individualism where there is a ‘collectivist’ culture where a person through birth or circumstances belongs to one of more collective cohesive from which they cannot detach themselves. Soemardjan (c.1989) also supports the theory that family takes precedence over business in Indonesia, as does Trompenaars (1993) who maintains that the family affects the corporate culture, particularly in Asian countries. For example, Soemardjan states that ‘The individualistic nature of many Western societies does recognize the role of the family in the life of the individual, but it does not glorify it to the extent that family life, and family relationships should be extended as a model in modern business (c.1989 : 41)’.

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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of Family</td>
<td>Are networks and businesses in Indonesia based on family and friends?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The results of the data analysis are consistent with the extant literature in that Indonesian families do play a role in the conduct of business, however as illustrated in figure 4.13 this category is not considered critical.

5.2.15 Discussion on the category of business structures

In section 4.3.15, for the category of business structures, the data indicates that an understanding of both the structure of businesses in Indonesia and their power base is important to the success of a business in the country, and should not be disregarded by Australian SMEs. The topic has also attracted considerable attention in the extant literature (Mann 1994, DFAT 1995, Aspinal 1998). Hofstede (1980) states that Indonesians will accept an unequal distribution of power in society. Terpestra (1985) supports Hofstede’s (1980) comments by claiming that there is a need to understand the
difference between corporate cultures and business cultures, as does Engholm (1991) who maintains that one of the keys to understanding corporate culture in Asia is ‘for every person, a social rank and station’.

Soemardjan (c.1989) supports the research by maintaining that 60% of the population of all sukus (cultures) in Indonesia have some common characteristics such as organization of manpower on a social basis. Draine & Hall (1986) also claim that Indonesian business relationships are not democratic, they are hierarchical and that understanding the function of the bapak (boss) is a problem that foreign entrepreneurs often fail to come to terms with. These findings coincide with the data collated in the case studies, such as ‘It is identifying the power base at the onset which is the problem, and not always that easy. You can go around in circles and chase your tail on some things, and if you had only known two weeks ago who was pulling the strings, then it would have been a lot quicker, and far less frustrating’.

The current findings support the extant literature in that an understanding of business structures is an important factor.

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</tr>
</thead>
<tbody>
<tr>
<td>Business Structures</td>
<td>Does the stratified society in Indonesia affect the way Australians conduct business in the country?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.16 Discussion on the category of cultural diversity in Indonesia

O'Hare (1996) uses the traditional Javanese saying ‘Different fields, different grasshoppers’ to describe the ethnic diversity of Indonesia’s adat (customary laws, dress, cuisine, architecture and languages). This saying reflects the findings of both the current data, and the extant literature (Benton 1994, Churchill & Zahirsjah 1994, Austrade 1995, Faulkner 1995, Garran 1998a), both of which maintain that an understanding of cultural diversity is an important aspect of conducting business in Indonesia. Soemardjan (c.1989) points out that there is a great plurality of cultures throughout the archipelago and acknowledges that, although the majority of international business is centred on Java, it is not uncommon for different cultures to be encountered. The examples cited are the Bugis or Makassar in Sulawesi with their quick temper compared to the finesse of the Javanese businessperson and their cultured speech and avoidance of controversies.

When discussing cultural diversity Soefield, Samiati & Birtles state that ‘Like an onion, one can peel back layer after layer to find a copious array of customs, beliefs and practices, many of which have been maintained for centuries despite the constant overlay of new influences. The resilience of Javanese people in absorbing and adapting external influences while retaining older customs and values has produced a rich syncretism which has been the subject of many studies (1995 : 51)’. 
The data analysis undertaken in section 4.3.16 supports the extant literature, with figure 4.13 highlighting the importance of the category to the successful conduct of business in Indonesia. For example, one of the Indonesian based case studies highlighted the need to come to terms with the ethic background of your Indonesian counterpart by stating ‘All these groups are different in their approach to things. Central Javanese, for example, have a very reserved and polite approach. The Sumatrans are more direct and conduct their business in more of a western manner. There is a difference in work ethic between different cultures, and attitudes towards time may vary. What is considered important and what is considered unimportant can also vary. You cannot assume that there is one culture that you have to deal with. There are many different cultures’.

Draine & Hall (1986) also support the case study comments by identifying the most commonly encountered ethnic groups (Achenese, Badui, Batak, Bugis, Dayak, Javanese, Minahasa, Mingkabau, overseas Chinese) and discussing their culture, traditional background, and origins of personnel names.

The results of this survey are consistent with the extant literature, and on the basis of these findings, an understanding of the cultural diversity in Indonesia is an important factor.

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</tr>
</thead>
<tbody>
<tr>
<td>Cultural Diversity</td>
<td>Does the cultural diversity of the Indonesian archipelago affect the conduct of business in the country?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

**5.2.17 Discussion on the category of globalisation and business**

The effect of globalisation on the conduct of business in Indonesia has attracted considerable attention in the literature (Soemardjan 1989, Richards 1991, Hakim 1994, Soekardi 1994, Harsono 1994). The CSAAR Report (1996) states that with the growing utilization of, and rapid improvements in telecommunications technology, firms can more easily and cost effectively monitor agents, clients, and business operations. For relatively small operations this has allowed penetration of markets from which they have been previously excluded in the past.

The research question concerning globalisation indicates that there are technological problems with Australian companies interfacing with their Indonesian counterparts, and in overcoming some of the infrastructure problems that are associated with a developing country. Soemardjan (c.1989) also states that Indonesia is characterized by a low level of science and technology, although there have been extensive social and cultural changes in urban areas due to information technology and the globalisation of the economy.

Despite this rapid modernization of Indonesian, both the current research and the extant literature acknowledge that technological and educational advancements do not necessarily mean that cultural change has occurred (Richards 1991). For example,
Harsono maintains that in Indonesia the catch phrase ‘business is business’ is inappropriate because the cultural influence will always be a factor. ‘It will be very difficult for industrialization and westernisation to wipe out local culture all together. Actually we need the almost unconscious influence of local culture to give us a sense of identity (1994 : 86)’. This theme is also supported by Hakim who states that this process of globalisation does not mean that Indonesians will forget their traditional values. So that ‘Indonesians will still be somewhat different, and will have an identity of their own (1994 : 40)’.

Inadequate technological support, failure to upgrade software, lack of compatibility of hardware, and insufficient training means that globalisation has not entirely overcome the problems of communicating with Indonesia. One of the Jakarta based case studies comments that ‘I guess at the top of my list is obtaining accurate information. It is one of the major hurdles of working in Indonesia. Information is not written down in the way that we are accustomed in Australia, where there are multitudes of databases of accurate information which is all cross referenced using information systems. At this particular time it just does not happen in Indonesia, where even the simplest things like trying to obtain correct fax or telephone numbers can be extremely frustrating. If you have the wrong number then it is not as simple as phoning the Telstra operator, in this country finding the correct number may take you three hours of ringing "Telkom" before you finally get the right information’.

On the basis of the analysis in section 4.3.17 it is evident that globalisation has had an impact on the conduct of business in Indonesia but the process of modernization has not extinguished the cultural heritage of the country, nor have the technological problems of interfacing with an Indonesian counterpart been overcome.

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</tr>
</thead>
<tbody>
<tr>
<td>Globalization</td>
<td>Has the globalisation and modernization of Indonesia affected the conduct of business in the country?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.18 Discussion on the category of legal system and business

The research question concerning the impact of the Indonesian legal system on the conduct of business in Indonesia has attracted some attention in the literature (Broadfoot 1994, Pratt 1996, Mathieson 1996, James 1997). Soemardjan (c.1989) cites several examples where there is a disparity between the legal expectations of an expatriate businessperson, and the actual decision that has been passed by Indonesian courts. For example, where a local bechak (tricycle) driver has run into an expatriate's stationery car, causing no damage to the vehicle but injuring the Indonesian, the expatriate assumed that it was a clear case of self inflicted injury, but under the Indonesian concept of 'social justice' they were made to pay compensation to the driver and for the repairs to the bechak.
In Indonesia the legal system is a composite of Dutch, British and Islamic law that present a formidable and sometimes costly barrier to the small Australian business contemplating entering the Indonesian market. According to Pratt (1996) many foreign investors experience difficulties with the taxation requirements and the complex legal system. A view supported by Churchill & Zahirjah who describe the Indonesian legal system as one of the drawbacks to business in Indonesia ‘When you rely on certain rules which you know are in the civil or commercial code you can’t be sure that these are going to be understood in the same way by all parties concerned (1994 : 12)’.

The recent political upheavals in Indonesia have also highlighted the problems with the Indonesian legal system. Rosser’s (1998b) comments on the current Indonesian investigation into the accumulated wealth of the Suharto family in noting that ‘Weaknesses in the Indonesian legal system and the fact that Mr. Suharto effectively ruled by decree for much of his 32 years in power means that all his actions are likely to be technically legal’. Van Klinken (1998b) also comments that Indonesian laws might be so weak that legally speaking, Suharto’s claims of innocence could be true.

The results of the current research are consistent with the literature. A Jakarta based case study states during one interview that ‘If everything appears to be uncertain, as there are so often so many vagaries, then that is what you have to accept as the way of doing business in Indonesia. What Australian businesses have to understand is that Indonesia is an emerging economy, and therefore many the regulations have not yet been implemented, formulated, or they are being revised’.

In summary, the research data on the legal system in Indonesia and the extant literature indicate that it is not a key factor in inhibiting competitiveness, however an understanding of the legalities and processes of conducting business need to be taken into consideration.

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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal System</td>
<td>Is it important to understand the role of the legal system when conducting business in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
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</tbody>
</table>

5.2.19 Discussion on the category of attitude towards foreigners

The analysis concerning the Indonesia attitude towards foreigners and its affect on the competitiveness of Australian SMEs in the country is consistent with the extant literature. As detailed in section 4.3.19, and illustrated in figure 4.13, the current research concerning the attitude towards Australian entrepreneurs indicates that the Indonesian perception of foreigners varies according to country of origin, with Australia being regarded as an egalitarian society which provides long-term benefits to Indonesia.

According to the Department of Foreign Affairs Australian entrepreneurs should avoid being described by an Indonesian as a ‘foreigner who may be inclined to “prey” upon their country. Where Indonesia resources have been a magnet for foreigners to exploit
without giving Indonesians their faire share (1996: 22). This assessment is supported by Furnham & Bochner who point out that the majority of Indonesians feel that they have always been cheated by everyone who has done business in the country. ‘The nationals resent the “extraction” mentality, the “get-the -money-and-run” attitude, the short term memory for friends and business contacts, and the ability to do business and not make it personal (1986 : 191).’

On the basis of these findings it appears that Australian entrepreneurs should avoid creating an image of short-term profit instead of long-term benefits, although from the analysis it is apparent that Australia is considered to be an egalitarian society, where the majority of entrepreneurs are committed to providing long-term benefits to Indonesia.

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Studies related to the competitiveness of Australian SMEs in Indonesia</th>
<th>Explicit in literature</th>
<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attitude to Foreigners</td>
<td>Is there resentment towards Australian entrepreneurs in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

### 5.2.20 Discussion on the category of generational attitudes towards business

As described in section 4.3.20, and illustrated figure 4.13, the research question concerning whether generational differences affect business in Indonesia indicates that the category is not considered to be important, however it is a factor which Australian businesses need to take into consideration. This category has also attracted some interest in the literature (Churchill & Zahirsjah 1994, Faulkner 1995). For example, Soemardjan (c.1989) discusses the relationship between generations where ‘no Indonesian can harbour hard feelings against his father’. This is a culturally determined relationship between father and son, which can also apply between a superior and a subordinate in a company, an office, or a factory.

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Studies related to the competitiveness of Australian SMEs in Indonesia</th>
<th>Explicit in literature</th>
<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generational Attitude</td>
<td>In comparison to their elders does dealing with younger generation Indonesians influence the course of business in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The results of the survey are consistent with the extant literature in that they also briefly discuss whether dealing with younger generation Indonesians in comparison to their elders influences the competitiveness of Australian SMEs in the country. As with the extant literature the category was not discussed at length with only two of the case studies identifying problems in dealing with gender and age differences. For example, ‘Particularly if you are dealing with Indonesian businessmen over perhaps thirty, then they may not be so tolerant’. Whether generational differences affect business in Indonesia is not considered to be important but it is a factor, which Australian businesses need to take into consideration.
5.2.21 Discussion on the category of honesty and business

In section 4.3.21, and as illustrated at figure 4.13, the analysis concerning honesty indicates that both Indonesian expectations and trust are of a concern to an Australian SME conducting business in the country. Both the current research and the extant literature (Mann 1994, Edith Cowen 1995), infer that the category is a consideration, rather than a key element to success or failure of a business in the country.

The first element of this question concerned Indonesian expectation of how an Australian entrepreneur would conduct business, particularly during the negotiation process. One of the Jakarta based case studies stated for example that ’Although the direct opposite may happen with something as simple as a handshake, which may literally mean the world, and is entirely enforceable. So there are expectations created. I think that is something that is very important to keep in mind when conducting business in Indonesia, is what level of expectation you generate when you discuss anything with an Indonesian counterpart’.

The second part of the research question concerned the trust and honesty involved in business in Indonesia, in comparison to a very legitimised system of contracts in Australia. The research suggests that Indonesians place a considerable amount of trust in a business relationship, whereas Australian entrepreneurs have a more sceptical approach to the negotiation process. Ronahan states that ‘there is a higher level of ethics and honesty in Indonesia than many foreigners think... Like all good businessmen they want to emerge from a deal as well as they can (1994 : 18)’. This is in comparison to one of the north Queensland case studies which comments that ‘I used to think, ”God, the whole country is mad. There is absolutely no one that I can trust!”’. That was the sort of feeling that you had. I did find of course certain groups seemed more trustworthy’.

When discussing the relevance of the written contract Makarim maintains that a foreigner should place importance on a written contract, rather than the word of a joint venture partner, and that a ‘good contract is always helpful in protecting one’s rights under any circumstances (1994 : p.53)’. This is in contrast to the advice provided by Rohanan who maintains that a contract is important but mutual trust is just as significant. ‘In the Oriental way the degree of formality is of relatively lower significance than the degree of trust (1994 : 89)’, and that insistence by a foreigner for a ‘water tight’ contract may lead to cultural conflict.

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<tr>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Honesty</td>
<td>Does the need for respect and trust affect business in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Indonesian expectations and trust are of a concern to an Australian SME conducting business in Indonesia, but it is not a key factor.
5.2.22 Discussion on the category of etiquette

The analysis had varied results concerning the category of etiquette. By comparison to the volumes of data on etiquette and protocol in the extant literature (Faulkner 1995, DFAT 1996, QTTC 1997), the findings of the current research imply that etiquette and protocol are only a minor consideration when conducting business in Indonesia and the influence of etiquette has assumed considerably less importance than had been anticipated by the researcher.

The reason for the inconsistency appears to be that protocol and etiquette are quantifiable criteria which, when displayed by a visiting dignitary or entrepreneur, imply that the person concerned has made an effort to learn a little about the country’s culture. One of Engholm’s (1991) keys to understanding corporate culture in Asia is that ‘the rules of propriety and ceremony shall prevail’. The American Women’s Association (1993) Introducing Indonesia. A Guide to Expatriate Living also highlights the use of appropriate hand and body gestures, as does Faulkner (1995) who mentions the need for a businessperson to understand food etiquette, gift giving, visiting a private home, and dress standards.

However, as discussed in section 4.3.21, and highlighted by figure 4.13, the role of etiquette is not a key factor to the success or failure of an Australian business in Indonesia. An understanding of the need to use your right hand, not to point and avoidance of aggressive body language will assist a businessperson to reach the negotiating table, but the data indicates that Indonesians are relatively tolerant of cultural ‘faux pas’. The failure to provide a gift, or use of the left hand to pass a document, are not a critical as the extant literature suggests (see section 5.2.29). Socially acceptable behaviour should however still be taken into consideration, as an Indonesian’s tolerance of continual breaches of etiquette would certainly be to the detriment of business success.

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Studies related to the competitiveness of Australian SMEs in Indonesia</th>
<th>Explicit in literature</th>
<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Etiquette</td>
<td>Do basic customs or conventions affect an Australian conducting business in Indonesia?</td>
<td>In Variance</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.23 Discussion on the category of food and business

As outlined in section 4.3.23, and illustrated in figure 4.13, the analysis concerning the importance of food in the conduct of business indicates that an Australian entrepreneur does need to understand the significance of food in Indonesia, and in particular those foods which may cause offence to an Indonesian guest. This category is not as significant as suggested by researchers such as Warto & Samiati (1995), Faulkner (1995) and DFAT (1996). When Faulkner (1995) discusses culture and the conduct of business he emphasizes the need to not use your left hand when handling food, not offering anything containing pork to a Moslem, and ‘When offered a drink, tea or coffee perhaps, wait until you are invited to drink it by your host (1995: 108)’.
This emphasis on etiquette and the importance of food in the conduct of business, which is evident in the literature, is not reflected in the current research and is only rated as a minor consideration. As with the previous category it is presumed that generally most Indonesians are not offended if a foreign entrepreneur does not understand Javanese customs. The tolerance of most Indonesians to cultural ‘faux pas’ of westerners is discussed further in section 5.2.29. However, socially acceptable behaviour should still be taken into consideration as an Indonesian’s tolerance of continual breaches of etiquette, or major breaches of etiquette such as the offering of pork or alcohol to a Moslem may be to the detriment of a business venture.

5.2.24 Discussion on the category of work practices in Indonesia

The category of work practices in Indonesia has attracted considerable attention in the extant literature (Hofstede 1982, Eriko 1992, Mann 1994, DFAT 1996). Eriko states that ‘Setting up an appointment by mail or telephone is not effective in Indonesia. The mail calls for planning in advance. Indonesians operate on a day to day basis and the phone does not have enough immediacy (1992 : 154)’. Hofstede (1982) discusses the problems of transferring management methods in Indonesia, whilst Soemardjan discusses work practices and the need to moderate employment criteria along family and ethnic suitability rather than qualifications. ‘Indonesian managers tend to consider the workers manners, cooperative relationships with peers and traditional loyalty as more important yardsticks of evaluation rather than his efficiency and productivity at work (c.1989 : 43)’.

The findings of the current analysis also parallel the extant literature with the data indicating that there are numerous aspects of conducting business in Indonesia that must be taken into consideration. One of the case studies in based in Jakarta comments that ‘The area in which I have had my greatest frustration in the business environment relate to the service culture.... or more accurately, the lack of it. I do not enjoy here the same levels of service from the people that I work with compared to what I have previously experienced in Australia. This is very frustrating given that I work in a service industry’.

<table>
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<tr>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Practices</td>
<td>Are there major differences in work practices between Indonesian and Australian businesses?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

As the data indicates that the factors that are considered to inhibit the processes of international business range from the availability of suitable business cards, to the dismissal of employees being considered culturally undesirable. As discussed in section 4.3.24, and illustrated in figure 4.13, understanding of the work practices in Indonesia is important to business.
5.2.25 Discussion on the category of a comparison with Malaysian business practices and culture

In this category the extant literature provides only a cursory summary by Mann (1994) and Faulkner (1995). When comparing Indonesia to neighbouring countries such as Malaysia and the Philippines Faulkner states that ‘They all have either been colonized by the British or have been so close to other Western nations over extended periods of time that their common laws, traffic regulations and legal system all bear a similarity to our own Westminster system. The British were involved for generations in Singapore, Malaysia and Hong Kong while the Europeans and Americans have been similarly associated with Thailand and the Philippines. Not so Indonesia (1995: 134)’. The findings of the current research also concur with the literature, with the data suggesting that this category is of minor importance to the conduct of business in Indonesia; however the data concerning lack of cultural diversity, legacies of British colonization, and transparency of government and legal procedures are useful for data comparison.

This category was cross analysed with cultural diversity, and transparency of government and legal procedures, with the following comments supporting the findings of Faulkner (1995) ‘the language and business culture are the two main reasons why perhaps business is easier to conduct in Malaysia’ and ‘One other influencing factor is that Malaysia and Australia share, to some extent, a common heritage in British Colonial administration’.

As is detailed in section 4.3.25, and illustrated at figure 4.13, the comparison of Indonesia to neighbouring countries has uncovered little that would be considered to have made a significant contribution to the existing literature, however the data has been useful for cross analysis purposes.

<table>
<thead>
<tr>
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<th>Explicit in literature</th>
<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysian business</td>
<td>Are there any similarities with how business is conducted in a neighbouring Muslim country such as Malaysia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.26 Discussion on the category of networking and business

In this category only Austrade (1995) cites the need to network as a general ‘tip on doing business in the country’. As outlined in section 4.4.1 the category was not identified in section 1.2, or the literature review at chapter 2, and the reason for this inconsistency appeared to be that the category of the ‘role of family and friends’ was considered as the critical issue rather than the networking process. However, as the data analysis progressed it became apparent that the category was of importance in the success of Australian businesses in Indonesia (see figure 4.13).

Supporting comments from the case studies based in Jakarta include ‘I think it is important for business people to understand how the networking system works’ and ‘Every time you walk out the door you are doing business of some kind, that is how
business is done. So you work all the time under a different guise. Whether it is playing tennis, playing golf, or socializing. It is all business, with a need to develop the points of contact and the networks*. The research confirms that networking is an important part of conducting business in Indonesia.

<table>
<thead>
<tr>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Networking</td>
<td>Is an understanding of networking in Indonesia important?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.27 Discussion on the category of negotiation skills and business

This category has received some minor attention in the field of international business and communications (Trompenaars 1993, Ferraro 1994, Beamer & Varner 1995), but was not identified as a key issue in section 1.2, or at chapter 2. It was through the QSR NUD*IST ethnographic analysis process that a theme emerged suggesting that negotiating skills were considered to be important. Although not clearly identifiable in the immediate discipline, the analysis indicated that the skills required by Australian entrepreneurs are as applicable to Indonesia as they are elsewhere in South East Asia. As discussed in section 4.4.1 the gender of the negotiator was also identified as being important to the negotiation process.

Ferraro maintains that ‘In a very general sense, the process of negotiating is absolutely fundamental to human communication and interaction. If we stop to consider it we are negotiating all the time’ (1994 : 130), but on the conduct of business in Indonesia, there is scant information available on negotiating. The reason for this inconsistency appears to be that the negotiating process is encompassed in the more generic categories of communications and the decision making process. This is in contrast to the current research that identifies negotiating skills as a separate category. Unlike previous research the current study has found that negotiating skills are important in not only the more generic category of cross cultural communications, but also in the conduct of business in Indonesia. See section 4.4.2 for further discussion on the category of negotiation skills and business in Indonesia.

<table>
<thead>
<tr>
<th>Research questions</th>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiation Skills</td>
<td>Is the ability to understand how the negotiation process works in Indonesia important to the success of Australian small to medium enterprises?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.28 Discussion of the category of Australian business skills

The research has varied results concerning the category of Australian business skills, with the findings being inconsistent with the literature. Both section 4.4.3 and figure 4.13 suggest that Australian entrepreneurs must be aware of their own cultural background and business practices; that maintaining links with the home office are a consideration;
financial support may not be as forthcoming for smaller businesses; and there is a greater onus on smaller entrepreneurs to commit themselves and their family to their business goals.

These matters are addressed in the extant literature, although several of the researchers allude to Australian ethnocentrism, and the failure of some Australian entrepreneurs to come to terms with indigenous culture, before entering the Indonesian market. Goennawanan makes the observation that, despite all the political rhetoric, Australians are still by nature ethnocentric, and that there is still a belief that Asia needs Australia. Asia is a mystery, and when Asia suddenly goes amok (Indonesia, for example), then these neighbours are confusing and suspicious (1994 : 216). Hofstede's (1982) research indicates that there are differences and similarities between Indonesian and Australian cultures, and to be successful in business an entrepreneur needs to understand both cultures, as does Ferraro (1994) who points out that it is equally important to avoid being ethnocentric when comparing cultures.

The reason for the lack of previous research into the relevance of Australian business practices in Indonesia appears to be the lack of rigorous research specifically focused on the business relationship between Indonesia and Australia. There has been some generic research undertaken (Edith Cowan 1995, Faulkner 1995, Austrade 1995, DFAT 1997) but no specific research to highlight the links between Australian business practices and how these directly impact on the conduct of business in Indonesia.

The current research suggests that Australian entrepreneurs must be aware of their own cultural background and business practices, and that a commitment to Indonesia also has considerable financial and personal ramifications. A north Queensland respondent stated during one interview 'Firstly, my advice to everyone is you’ve got to understand your own culture in detail, your own Australian culture. What is your culture? You have to understand your own culture before you can begin to understand another country'.
topic in any meaningful or rigorous manner. Draine & Hall (1986) state that, in the eyes of the Indonesian, an Australian businessperson is primarily and always a guest. However, there appears to be no further discussion on the theme of tolerance.

As discussed in section 4.4.4, as the data analysis progressed it became apparent that the category of ‘tolerance’ should be taken into consideration as a number of respondents commented on the Indonesian ability to tolerate a lack of cultural understanding and etiquette by newcomers to Indonesia. This is inconsistent with the extant literature, which places considerable emphasis on the importance of understanding Indonesia’s etiquette and culture as a key to business success in the country.

The current analysis confirms that Indonesia’s will normally tolerate most cultural ‘faux pas’ by newly arrived Australian entrepreneurs, and that the emphasis placed on cultural awareness as a key to the success of business in Indonesia is inconsistent with implications in the extant literature. This is also strongly supported by the findings in sections 5.2.22 and 5.2.23. What must be clarified is that the data also suggests that this level of tolerance is not infinite, and that continual breaches of etiquette will have an impact on business. One of the Jakarta based respondents states that ‘Even though many Moslems are very tolerant of minor breaches of their etiquette, you may find that this tolerance will falter if you continually ignore common courtesies’.

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Indonesian Tolerance</td>
<td>Does the Indonesian tolerance of lapses in etiquette affect the competitiveness of Australian small to medium enterprises in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.30 Discussion on the category of equality

As discussed in section 4.4.5, and illustrated at figure 4.13, the question of equality is considered to be an important factor in the competitiveness of Australian SMEs in Indonesia. The current findings indicate that in a competitive environment Indonesians are more likely to negotiate with an entrepreneur who has an egalitarian approach to business, in preference to a ‘pompous and patronizing expatriate’.

<table>
<thead>
<tr>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equality</td>
<td>Does the role of equity amongst cultures, ethnic origins and status in business affect the conduct of business in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The category of equality is also closely linked with the category of the Indonesian attitude towards foreigners (section 5.2.19), and Australian culture (section 5.2.28), but was developed specifically to determine whether the issue of equality affects the competitiveness of Australian businesses in the country.
In section 4.4.5 the frequency of the data indicates that equity is considered to be an important part of conducting business in Indonesia, where ‘It means a lot to Indonesians to see that Australians are not coming into the country as pompous and patronizing expatriates’.

The current research suggests that an Australian entrepreneur will be more competitive in Indonesia if they avoid being ethnocentric (section 5.2.28), and adopt an egalitarian approach to business.

5.2.31 Discussion on the category of expatriates

This research question highlights the need for Australian entrepreneurs to network within the expatriate community. As with several of the previous sections, the category concerning expatriates was developed as the data analysis identified further themes and questions that were not transparent in chapter 2. Comments by the case studies that support the findings include ‘We tend to deal a lot with expatriates... in that successful business in Indonesia is not necessarily with Indonesians all the time. It can be with Germans, French, Koreans, or other cultures that aren't necessarily Indonesian’.

The findings at section 4.4.6 suggest that an understanding of the role expatriate organization play in the conducting business in Indonesia is an important factor and that it is important to network within the expatriate community (see section 5.2.26).

<table>
<thead>
<tr>
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<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expatriates</td>
<td>Do expatriates play a role in the success or failure of Australian small to medium enterprises in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.32 Discussion on the category of business image

As with many of the categories in the latter part of this section the research concerning gengsi (business image) was developed as various themes evolved through the ethnographic data analysis process. As discussed in section 4.4.7, and illustrated at figure 4.13, the findings suggest that a business image is important to business success. The findings are supported by comments such as ‘I don't know whether this has been discussed previously, but the Indonesians, and in particular the Javanese, put a lot of emphasis on their reputation and public image. In many ways it is quite sacred’.

The importance of portraying an image has not been clearly identified in previous research, although the category of loss of face in business is discussed at length in both the literature (Soemardjan c.1989, Mann 1994, Churchill & Zahirsjah 1994, Faulkner 1995, Austrade 1995, QTTC 1997), and in section 5.2.11. Unlike the previous research, the current study has found that a business image is a factor that needs to be taken into consideration by Australian SMEs in Indonesia.
<table>
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<tr>
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<th>Explicit in literature</th>
<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Image</td>
<td>Does a business image matter to business in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.2.33 Discussion on the category of market research

As detailed in section 4.4.8, and illustrated at figure 4.13, all the case studies discussed the need for market research, with the majority of Jakarta based respondents rating the category as very important to business success. For example, ‘The information on your respective market, I think, goes hand in hand with the information which you need in regard to understanding the culture. I think that this is probably the most important piece of advice that I can give anyone coming into the country to work, or to explore business opportunities. You must do the desktop research from home’.

The current research confirms that market research is a key factor in the conduct of business in Indonesia, with several of the case studies rating the category as the most important reason for the success or failure of a business in Indonesia. These findings support previous research by organization such as Austrade (1995), and CSAAR (1996). The CSAAR Report (1996) states that the length of involvement combined with market diversification are considered to be key elements for success in the region, and that inadequate market information is a major impediment to conducting business in Asia. Hakim (1994) also highlights the necessity for foreign business persons to study Indonesia’s market potential before attempting to do business in the country.

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Market Knowledge</td>
<td>Does market awareness and basic business planning procedures affect the competitiveness of Australian small to medium enterprises in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

5.3 Conclusions about the research problem

Based on the findings alone this section provides a summary of section 5.2 and highlights the contribution that the research has made to the extant literature. Listed below is a synopsis of the discussion of each of the research questions whose data is in variance to the existing research, or in the case of nine of the categories makes a contribution to the literature concerning the competitiveness of Australian companies in Indonesia:

- **Communications.** Opinions vary between the researchers who focus on the importance of communication in business, and those who are more intimately involved in the conduct business in Indonesia who advocate that communications are an important factor, but are not considered to be a key to the success or failure
of a business in the country. The current findings support the latter theory (see sections 4.3.1 & 5.2.1).

- **Long-term Commitment.** Opinions vary amongst researchers as to the importance of long-term commitment in Indonesia. The current findings support the theory that long-term commitment is important, but by itself is not the key to business success in Indonesia. This is not clearly articulated by previous research (see sections 4.3.4 & 5.2.4).

- **Time Horizons.** Opinions vary amongst researchers as to the significance of time in the success of businesses in Indonesia. The current findings support the opinion that 'rubber time' is a major cause of frustration but is a normal part of business in the country, and should not contribute to the success or failure of a business (see sections 4.3.6 & 5.2.6).

- **Flexibility.** The current research clarifies the theme that flexibility is an important factor in the successful conduct of business in Indonesia. This is not clearly articulated by previous research (see sections 4.3.10 & 5.2.10).

- **Etiquette.** The extant literature places considerable emphasis on the role of etiquette and protocol in the success or failure of business in Indonesia. The findings suggest that an understanding of etiquette will assist a businessperson to reach the negotiating table. The data however indicates that Indonesians are relatively tolerant of cultural 'faux pas' but socially acceptable behaviour should still be taken into consideration, as an Indonesian's tolerance of continual breaches of etiquette would be to the detriment of a business (see sections 4.3.22 & 5.2.22).

- **Food.** The emphasis on food etiquette in the conduct of business assumes considerable importance in the literature, however this is not reflected in the current research. The tolerance of most Indonesians to the cultural 'faux pas' of westerners has been previously discussed. However, major breaches of religious protocol such as the offering of pork or alcohol to a Muslim may also be to the detriment of a business (see sections 4.3.23 & 5.2.23).

- **Networking.** This particular category has attracted little attention in the extant literature, with only Austrade (1995) citing the need to network as a general 'tip on doing business in the country'. This research suggests that networking is an important part of business in Indonesia (see sections 4.4.1 & 5.2.26).

- **Negotiating Skills.** This category has received some general attention within the parent discipline of international business and communications, however within the immediate discipline of the conduct of business in Indonesia, there is scant information available on negotiating. Unlike the previous research the current study has found that negotiating skills are important in not only the more generic
category of cross-cultural communications, but also in the conduct of business in the country (see sections 4.4.2 & 5.2.27).

- **Australian Culture.** The current research on Australian business practices suggests that Australian entrepreneurs must be more aware of their own cultural background and business practices, and that a commitment to Indonesia also has considerable financial and personal ramifications. This is not clearly articulated by previous research (see section 4.4.3 & 5.2.28).

- **Indonesian Tolerance.** The theme that Indonesian’s will normally tolerate most cultural ‘faux pas’ by newly arrived entrepreneurs, and that the emphasis placed on cultural awareness as a key to the success of business in Indonesia is inconsistent with the data analysis. This theme is also strongly supported by the findings in sections 5.2.22 and 5.2.23. The data also suggests that this level of tolerance is not infinite, and that continual breaches of etiquette will have an impact. These findings are not clearly articulated by previous research (see section 4.4.4 & 5.2.29).

- **Equality.** The current research suggests that an Australian entrepreneur will be more competitive in Indonesia if they avoid being ethnocentric (section 5.2.28), and adopt an egalitarian approach to business. This is not clearly articulated by previous research (see section 4.4.5 & 5.2.30).

- **Expatriates.** This research question highlights the need to not only network within the expatriate community, but also that competitiveness is affected by the presence of other international businesses. This is not clearly articulated by previous research (see section 4.4.6 & 5.2.31).

- **Business Image.** The current findings acknowledge that portraying an image has not been clearly identified in previous research, although the category of “loss of face” and business is discussed at length by numerous researchers. However, unlike the previous research, these findings suggest that a business image is a factor, which needs to be taken into consideration (see section 4.4.7 & 5.2.32).

### 5.4 Implications for theory

The main aim of this section is to reconfirm that the research has not only made a significant contribution to the existing body of knowledge, but has also theoretical implications for the wider body of knowledge. This is achieved by discussing the full picture of the research findings, within the extant literature.

Based on the results of the data analysis for the research questions, table 5.1 builds an initial, general framework that could assist Australian entrepreneurs to develop marketing strategies and business plans that would enhance their competitiveness in Indonesia. For example, the data suggests that instead of spending a substantial amount of time coming to terms with Indonesia etiquette and the giving of business cards and gifts, a SME
should concentrate on key factors such as their market research, understanding their own
culture and business practices, and coming to terms with the bureaucracy both in
Australia and Indonesia.

Aside from the practical contribution to the existing body of knowledge, the research also
has theoretical implications for the wider body of knowledge, the parent discipline, and
related disciplines:

- The research has several practical implications for the wider body of knowledge
  of cross cultural communications and management. A cross analysis of the data
  on negotiation skills, equality, and gender can be used to further analyse
  Hofstede's (1980) four cultural dimensions. The criticisms that Richards (1991),
  Singh (1990), and others level against Hofstede's can be further emphasized or
  refuted using the additional data from the current research. The current findings
  have also applicability to researchers such as Ferraro (1994) whose conceptual
  analysis of time, individualism versus collectivism, material achievement,
  informality and competitiveness is generic in nature. The additional data
  concerning Indonesian business practices and etiquette can be used to provide a
  useful framework within which comparisons can be made to other researchers in
  the parent discipline such as Trompenaars (1993), Furnham & Bochner (1986),
  and Lussa (1994).

- The theoretical implications for the discipline of Asian business practices is that
  the research provides an Australian perspective that is specific to Indonesia,
  however they are as equally applicable to many of the countries within the region.
  The findings supplement research by Engholm (1991), CSAAR (1996), and Stace
  (1997). The current research is able to be used in a cross analysis of Engholm’s
  (1991) guide to practice and protocol in the Pacific Rim, with the data used to
  substantiate the six commandments to understanding Asian corporate culture.
  According to Engholm these six principles are the basis of most of the Asian
  social etiquette and business protocol problems that can be encountered in
  international business. The current research can bring to this research a further
  layer of data that would assist in justifying or refuting Engholm’s principles.

- In terms of the immediate discipline of Indonesian business practices and protocol
  the research brings to the discipline a rigorous and methodological analysis of the
  problems that confront Australian SMEs, from an Australian perspective. The
  practical implications of the current research are that there is now a rigorous and
  methodological analysis of the problems that confront Australian SMEs in
  Indonesia, which has not been previously undertaken. The research
  supplementing the extant literature by Soemardjan (c.1989), Faulkner (1995),
  Mann (1994), and Hofstede (1982).

This section is summarized by providing a modified version of Checkland’s classification
model, which is an illustrated summary of how the research has added to the body of
knowledge.
As discussed in section 3.3.2 Checkland's soft system theory is a systems based methodology for tackling real world problems in which are known-to-be-desirable ends but which cannot be taken as given. The soft systems methodology is based upon a phenomenological stance, which takes into account a broad view of the research problem, and concentrates on interactions between the different parts of the problem. This outlook assumes that the world contains structured which can maintain their identity under a certain range of conditions, which exhibit certain general principles of wholeness. Figure 5.1 is a broad outline of Checkland's systems approach, which was used to build up the richest possible picture of the 'real world' situation of the research problem and how this assists with the competitiveness of Australian SMEs in Indonesia.

Figure 5.1 - Modified version of Checkland's systems approach

1. Problem situation: Australian SMEs in Indonesian business
2. Research into markets
3. Defining potential problems in Indonesia
4. Development of conceptual models based on current research
5. Comparison of 4 with 2
6. Establishment of marketing plan to overcome problems identified in steps 3 and 4
7. Action by Australian business to improve their competitiveness in Indonesia

"Real World"
"Systems Thinking"

Parent Discipline Cross Cultural Communications
Immediate Discipline Asian Business Practices
In conclusion, figure 5.1 illustrates that in the ‘real world’ there are some key factors, which appear to influence the competitiveness of Australian SMEs in Indonesia. Market research, understanding of bureaucracy, and coming to terms with business own culture and business practices are considered to be more significant that understanding of such factors as protocol, religion, and the role of the family. Most importantly, what the current research has provided to the extant literature is a rigorous and in-depth analysis of the research problem from an Australian perspective.

5.5 Implications for policy and practice

There are several practical implications for the research, which apply to both private sector managers, and to the public sector:

The implications for private sector managers are considerable as the data can be employed to focus market research and company polices and practices. Despite the current financial crisis in Indonesia, the research is seen as significant as there is still considerable scope for Australian SMEs to expand their horizons in the country. In many instances a lack of cultural knowledge and understanding of Indonesian businesses practices hinders the competitiveness of small to medium enterprises, and research into common cultural problems that are encountered by Australian businesses can be used to enhance their competitiveness.

In terms of public sector analysts and managers the findings of the current research provides additional data, which can be used to enhance the competitiveness of both governmental organization and companies seeking advice on entering the Indonesian market. The following are actual examples of how the research has already been applied to government policies and practices:

July 1997 - Presentation of a paper on business practices and culture to an International Trade Forum sponsored by the Queensland Government Department of Development and Trade.

August 1997 - Request from the Senior Trade Commissioner in Jakarta for a synopsis of the research, and whether there were any specific implications for the Australian Trade Commission.

February 1999 - Request by the Australia Indonesia Business Council to assist with research on behalf on the Indonesian Government identifying problems within the Indonesian bureaucracy that inhibit the entry of Australian SMEs into Indonesia.

Other peak organization which could benefit from the findings include:

State Chambers of Commerce and Industry;
Indonesia Australia Business Council;
Department of Foreign Affairs and Trade;
State Departments of Industry and Trade; and
Tertiary institutions involved in culture and international business.

5.6 Limitations

Unlike section 1.7, which outlined the limitations, which were deliberately incorporated into the research plan, this section discusses other limitations that have become apparent during the progress of the research.

5.6.1 Stereotyping. One of the limitations acknowledged as the research progressed is that the analysis is very generic in nature, and that the conclusion concerning the behaviour and responses of Indonesian entrepreneurs is by nature a stereotyping process. The researcher acknowledges that there are many ‘worldly wise’ Indonesian entrepreneurs who are very well educated both in Indonesia and overseas, and that their idiosyncrasies and approaches to business may not reflect their ethnic origins. It is therefore acknowledged that the data generated from this research is generic in nature.

5.6.2 Ethnocentricity. O’Sullivan (1994) states that if you believe that your cultures preference, your way is right, what is appropriate, what is polite, is the only or correct way then as a researcher your attitudes are ethnocentric as you have failed to acknowledge that there are other ways which are valid for other people. Robock and Simmonds (1989) also maintain that a problem that occurs in many businesses is that they have a natural tendency to observe and evaluate other cultures in terms of the cultural conditions in their own country. These comments are equally applicable to the current research, and it is hoped that careful analysis, open mindedness, and flexibility have overcome any tendency towards ethnocentricity.

5.6.3 Sampling process. The researcher also acknowledges that in the sampling process only three women were identified to participate in the research, and as explained in section 3.4.2 the choice of suitable case studies was determined by financial constraints, and the practicalities of conducting research in two geographic locations. There is therefore a bias in the data as it is skewed towards predominantly male case studies, although from the impartiality of the analysis process it is hoped that the analysis of such categories as gender still provides the conceptual richness and rigour required to answer the question identified at chapter 2.
5.6.4 Post Revolusi research. At the conclusion of this particular research problem Indonesia’s economic situation was stabilizing as inflation reached 58.0 %, interest rates declined, and GDP was forecast at 0.5% in comparison to -13.7% in 1998. Although improving, the economic demise of Indonesia’s economy is in direct contrast to the economic climate that existed throughout the conceptual phase of the research, literature review, and collection of data. During this period the average growth rate of the Indonesian economy was 7%, and the continuing future under the Suharto’s New Order and the Wahid government offered many Australian SMEs opportunities that had not previously been contemplated.

In between the analysis of data and the completion of the research small to medium investor confidence in Indonesia has crumbled, the Suharto government has been ousted following mounting disillusionment with the blatant nepotism and cronyism of the ‘First Family’ (Alford 1998, Aditjondro 1998, Aspinal 1998, Crouch 1998), and the Indonesian economy continues to wait for political stability under the guidance of President Abdurrachman Wahid. For many Indonesian observers such as Hall (1998), Walters (1998), Hiscock (1998), and Kelly (1998) their prognosis of the future of Indonesia is bleak with a potentially fragmented archipelago and declining economy which they maintain offers little opportunity in the near future for Australian SMEs. There is a limitation therefore to the research problem now that Indonesia is currently no longer a viable investment alternative for the mainly risk adverse small to medium Australian companies.

Chong (1998) clearly argues, despite predictions of the economy contracting by 15 - 20%, the majority of Australian companies already involved in Indonesia are remaining in the country, and that there are growing opportunities for Australian companies who capitalize on the void that is being created by other South East Asian competitors who are currently struggling to overcome their own economic crisis, rather than expanding their operations in Indonesia.

Chong’s argument is supported by Greenless (1998c) who states that ‘Despite the bleak economic outlook for Indonesia and the closure of some international representative offices, there are plenty of foreign companies planning to stay the distance’. Bromby (1998) also comments that there is no immediate reason for existing operators to pull out, and ‘In fact most Australian resource companies are showing a confident face in Indonesia’.

It follows that Indonesia’s economic turmoil and political uncertainty has certainly affected the average Australian investor’s confidence in the country. However, in terms of changing the parameters of the research question it can be argued that despite the current economic pessimism there are more opportunities for Australian SMEs than ever before, and that understanding Indonesian business practices and culture combined with sound market research is more important in the current economic climate than during the heyday of Suharto’s New Order government. As Chong points out ‘The rationale is simple: how can you walk away from a country of 200 million which, while it may be in downturn today will no doubt recover in the future (1998 : 43).’
5.7 Implications for further research

In terms of the extant literature there has been considerable research into the need for international managers and entrepreneurs to understand the importance of cross cultural communications (Bochner 1982, Terpestra 1985, Ferraro 1994, Beamer & Varner 1995, Robock & Simmonds 1989). There has also been significant research into how culture affects the competitiveness of international companies in Asia (Richards 1991, Engholm 1991, Mills 1994, CSAAR 1996).

It is also generally agreed by many Indonesian observers (Hofstede 1982, Soemardjan c.1989, Mann 1994) that in a competitive environment a lack of cultural awareness makes it all that more difficult to reach the negotiating table, although much of the analysis is based on anecdotal evidence obtained from an Indonesian, Dutch, Canadian and European perspective. Engholm (1991) who maintains that each Asian destination requires a huge investment of preparatory time and effort in an attempt to understand Asian business practices supports this argument.

There has also been significant research into the practicalities of conducting business in Indonesia, and as Varner (1995) points out they have concentrated on the functions of business, such as marketing techniques, shipping, insurance and management, and have tended to ignore the cultural knowledge necessary to remain competitive in Asia.

In terms of additional research there is considerable scope for the data analysis undertaken with QSR NUD*IST to be merged with other research projects. Using the facilities of QSR Merge there are unlimited possibilities to combine the existing data with on going qualitative and quantitative projects. There is also the potential to expand the research findings to focus on other areas of South East Asia to rigorously determine whether there is a commonality to business practices and protocol throughout the region.

Other possibilities include a cross analysis of the data with research into the business practices of other regions in the Indonesian archipelago. The Australian mining sector is becoming more involved in the remoter regions of the country such as Kalimantan and Irian Jaya. A practical extension of the current research into these regions would provide additional data that would assist with the competitiveness of these organization.

The contribution that this research has provided to the extant literature is that it confirms by a rigorous analysis that a sound knowledge of the Indonesian market, and the understanding of the culture of the country is inextricably intertwined. The research also reveals that many of the areas highlighted by previous researchers (Pratt 1996, Faulkner 1995, O’Hare 1996, Draine & Hall 1986) such as the need to understand basic etiquette, learning the language, and avoiding ‘loss of face’ are important stepping-stones to the negotiating table.

What is most significant about this research is that not only does it provide a rigorous analysis of an Australian entrepreneurs perspective of business in Indonesia, but also
highlights the need for Australian SMEs to conduct thorough market research, and understand their own culture before they venture into the very competitive Indonesian markets.

‘Australians should not romanticise Indonesia and be of the opinion that to understand Indonesia or do business in Indonesia it is necessary to understand “wayang”, the shadow puppet play, or many other cultural values or expressions. It is good to know them but they do not provide the basis for a good business relationship (Mills 1997: 129)’

What the data from this research suggests is that such factors as using the right hand, giving of gifts, and understanding of religious customs are factors, which will assist an entrepreneur to reach the negotiating table, but in themselves are not a major cause for lack of business competitiveness in Indonesia. What the data also suggests is that to be successful in Indonesia an Australian entrepreneur requires a thorough understanding of not only their own business, but their target markets before they consider venturing into Indonesia.
### Table 5.1 - Comparison between the effort made by extant literature and this research

<table>
<thead>
<tr>
<th>Research question</th>
<th>Studies related to the competitiveness of Australian SMEs in Indonesia</th>
<th>Explicit in literature</th>
<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communications</td>
<td>Does a working knowledge of the Indonesian language, or the ability of a joint venture partner to speak fluent English, affect the competitiveness of an Australian businessperson in the country?</td>
<td>In Variance</td>
<td>Yes</td>
</tr>
<tr>
<td>Decision Making</td>
<td>Does the role of the group, and a the need for preservation of consensus and harmony in decision making, affect Australian business practices?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Bureaucracy</td>
<td>Does bureaucracy and the requirement to work through government channels affect business in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Involvement</td>
<td>Do attitudes towards short term and long-term involvement affect business in Indonesia?</td>
<td>In Variance</td>
<td>Yes</td>
</tr>
<tr>
<td>Relationships</td>
<td>Is it important to have the right relationships in Indonesia for an Australian small to medium enterprise to succeed?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Time Horizons</td>
<td>Does the relatively relaxed Indonesian attitude towards punctuality for appointments and flexible approach towards deadlines make doing business more difficult for Australian entrepreneurs?</td>
<td>In Variance</td>
<td>Yes</td>
</tr>
<tr>
<td>Corruption</td>
<td>Are corruption, nepotism, and the use of ‘facilitation’ payments an integral part of conducting business in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Joint Ventures</td>
<td>Is a competent and trustworthy joint venture partner important in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Meaning of Yes</td>
<td>Indonesian’s tend not to disagree, so when someone says ‘yes’ it is not wise to assume they are agreeing. Does this sometimes lead to misunderstanding between businesspersons?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Is flexibility in the conduct of business in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Loss of Face</td>
<td>Does the Indonesian perception of ‘loss of face’ and avoidance of a show of anger affect the way business is conducted in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Gender &amp; Business</td>
<td>Does the gender of a businessperson affect the competitiveness of Australian companies in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Role of Religion</td>
<td>Is religion important to the conduct of business in the Indonesian workplace?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Role of Family</td>
<td>Are networks and businesses in Indonesia based on family and friends?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Business Structures</td>
<td>Does the stratified society in Indonesia affect the way Australians conduct business in the country?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Cultural Diversity</td>
<td>Does the cultural diversity of the Indonesian archipelago affect the conduct of business in the country?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Globalization</td>
<td>Has the globalisation and modernization of Indonesia affected the conduct of business in the country?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
Table 5.1 (con’t) - Comparison between the effort made by extant literature and this research

<table>
<thead>
<tr>
<th>Research questions</th>
<th>Studies related to the competitiveness of Australian SMEs in Indonesia</th>
<th>Explicit in literature</th>
<th>Explicit in research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal System</td>
<td>Is it important to understand the role of the legal system when conducting business in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Attitude to Foreigners</td>
<td>Is there resentment towards Australian entrepreneurs in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Generational Attitude</td>
<td>In comparison to their elders does dealing with younger generation Indonesians influence the course of business in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Honesty</td>
<td>How does the need for respect and trust affect business in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Etiquette</td>
<td>Do basic customs or conventions affect an Australian conducting business in Indonesia?</td>
<td>In Variance</td>
<td>Yes</td>
</tr>
<tr>
<td>Food</td>
<td>Is food an important part of the business process in Indonesia?</td>
<td>In Variance</td>
<td>Yes</td>
</tr>
<tr>
<td>Work Practices</td>
<td>Are there major differences in work practices between Indonesian and Australian businesses?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Malaysian business</td>
<td>Are there any similarities with how business is conducted in a neighbouring Muslim country such as Malaysia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Networking</td>
<td>Is an understanding of networking in Indonesia important?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Negotiation Skills</td>
<td>Is the ability to understand how the negotiation process works in Indonesia important to the success of Australian small to medium enterprises?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Australian Culture</td>
<td>Is Australian culture and perceptions of how business should be conducted important to the success or failure of businesses in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Indonesian Tolerance</td>
<td>Does the Indonesian tolerance of lapses in etiquette affect the competitiveness of Australian small to medium enterprises in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Equality</td>
<td>Does the role of equity amongst cultures, ethnic origins and status in business affect the conduct of business in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Expatriates</td>
<td>Do expatriates play a role in the success or failure of Australian small to medium enterprises in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Business Image</td>
<td>Does a business image matter to business in Indonesia?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Market Knowledge</td>
<td>Does the market awareness and basic business planning procedures affect the competitiveness of Australian small to medium enterprises in Indonesia?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
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APPENDIX I - CASE STUDY ONE - PROTOCOL

Company Name: Townsville Enterprise Pty Ltd
Interviewee Name: Barrie Lovett
Position: Manager Economics Development Division Date: 26 Nov 1996

1. **Goal.** The goal of the research is to determine the cultural problems that Australian SMEs meet in Indonesia, and how these problems hinder the competitiveness of those businesses.

2. **Ethical Considerations**
   
   • A tape recorder will be used to record the interview, and you may at any time request the tape recorder to be paused if you do not wish your comments to be recorded.
   
   • Your name and your company’s name will not be disclosed outside the scope of this doctorate, nor at any later stage of my studies.
   
   • I will contact you personally if any of the information gained during the interview is to be used for any other purpose than the research project. For example, I will contact you if there is a publication of specific findings for the Australian Trade Commission in Jakarta, or at a later stage there is a publication of a commercial guide to conducting successful business in Indonesia.
   
   • I will provide you with a draft copy of the transcript of this interview when practicable. You may delete or amend any part, or all the transcript if you believe that your comments may be seen as being detrimental to yourself, or the conduct of your business in Indonesia. No part of the interview will be used for the research project until you are satisfied with the transcript.
   
   • Do you have any other concerns about this interview?

3. **Opening Comments.** "Barrie, the purpose of this cases study is for me to gain an insight into the problems that Australian SMEs will encounter when entering the Indonesian market, and how those problems affect their competitiveness. If we can begin the interview on the basis that I know nothing about business culture in Indonesia, and that you are perhaps briefing me as a small businessperson considering entering the Indonesian market on the pitfalls that I may meet”.

   "Please tell me the story of your experiences in Indonesia"
4. **Contact organization.**

**Case Study One.** Townsville Enterprise was selected as a case study because of their ongoing networking in South East Asia on behalf of north Queensland businesses. Barrie Lovett in particular, was selected as a respondent because of his appointment as the Manager of the Economics Developments Division of Townsville Enterprise. He has also an increasingly important role organization and coordinating trade delegations for north Queensland businesses to Indonesia. Barrie Lovett has considerable experience in Papua New Guinea and South East Asia as a member of the Royal Australian Navy, and as a senior executive with the Hawker De Havilland organization.

5. **Access Procedures.**

The following access procedures are to be implemented:

- **North Queensland Case Studies.** Companies that are located in the Townsville region are to be selected on the advice of Townsville Enterprise, the Queensland Chamber of Commerce and Industry, and the Export Manger at Australian Trade Commission Office in Townsville. An introductory letter is to be sent to each of the companies concerned explaining the purpose of the research, with the companies being contacted on the telephone approximately a week after the introductory letter has been forwarded. Once verbal confirmation has been received that the interview is to occur, then a confirmatory letter is to be sent to the interviewee clarifying location and timing of the interview. Each of the interviewees, or their personal secretary, is to be again contacted on the telephone the day before the interview to confirm the details and location of the interview.

- **Jakarta Case Studies.** The Indonesian case studies are to be selected on the advice of the Senior Trade Commissioner in Jakarta, who has indicted that he will provide a list of small to medium Australian businesses that would be willing to become involved in the project. Letters of introduction are then to be sent to the companies concerned, of which several will hopefully agree to be interviewed. Each of the companies is to then be contacted on arrival in Jakarta to confirm timings and location of the interviews that are to be conducted over the period 02 - 28 January 1997.

6. **Questions**

- The following questions may be used during the in depth interview as prompts or ‘channelling’ questions, on the basis that the **main emphasis** of the interview is based on exploring the respondent’s experiences and opinions. The interviewer assumes a listening role, on the assumption that the majority of questions listed below will be covered in the general dialogue.
The questionnaire has been developed specifically from an Australian businessperson's perspective, with the interviews attempting to discover the respondent's meanings and subjective understandings, with the research questions being raised towards the end of the interview if topics have not been discussed in the earlier unstructured discussion.

The purpose of the questions is to establish whether managers believe that a lack of cultural awareness in Indonesian hinders the competitiveness of Australian SMEs.

The basic frameworks for the research questions are as follows:

**Communication**

*In what ways does a working knowledge of the Indonesian language, or the ability of a joint venture partner to speak fluent English, affect the competitiveness of an Australian business person in the country?*

**Etiquette**

*In your opinion how do basic customs or conventions affect an Australian conducting business in Indonesia? For example, anger and the 'loss of face', and basic customs or conventions such as the use of the left hand, hands on hips, pointing, soles of feet, or touching of the head.*

**Food and business**

*In what ways is food an important part of the business process in Indonesia? For example, halal food, and the offering of food.*

**Decision making through consensus**

*To what extent does the role of the group, and the need for preservation of consensus and harmony in decision-making, affect Australian business practices?*

**Indonesian work practices**

*Considering your experiences what are the major differences in work practices between Indonesian and Australian businesses? For example, flexibility in the workplace, business structures and hierarchy, and short term versus long-term involvement.*

**Personal relationships**

*Why is it important to have the right relationships in Indonesia for an Australian SME to succeed?*
Role of men and women

Do you believe that the gender of a businessperson affects the competitiveness of Australian companies in Indonesia?

Role of religion in business

In what ways is religion important to the conduct of business in the Indonesian workplace?

Role of the family and friends

In your opinion in which ways are networks and businesses in Indonesia based on family and friends?

Time horizons

Does the relatively relaxed Indonesian attitude towards punctuality for appointments and flexible approach towards deadlines make doing business in Indonesia more difficult for Australian entrepreneurs?

Attitudes towards foreigners

In your opinion is there resentment towards foreigners in Indonesia? For example, is there a perception that many Australian businesses are only in Indonesia for the short-term dollar benefit, and are not concerned with the long-term prosperity of the country and its people?

Understanding the power base

In what ways does the stratified society in Indonesia affect the way Australians conduct business in the country?

Cultural diversity within Indonesia

Considering your experience how does the cultural diversity of the Indonesian archipelago affect the conduct of business in the country?

Legal system and business

How important is it to understand the role of the legal system when conducting business in Indonesia?
Bribery and corruption

To what extent are corruption, nepotism, and the use of ‘facilitation’ payments an integral part of conducting business in Indonesia?

Joint ventures

In your view is a competent and trustworthy joint venture partner important to the conduct of business in Indonesia?

Meaning of ‘yes’

Do Indonesian’s tend not to disagree, so when someone says ‘yes’ it is not wise to assume they are agreeing? Does this sometimes lead to misunderstanding between Australian and Indonesian business persons?

Trust

How does the need for respect and trust affect business in Indonesia?

Generational attitudes towards business

In comparison to their elders does dealing with younger generation Indonesians influence the course of business in Indonesia?

Globalization and modernization in Indonesia

In your view how has the globalisation and modernization of Indonesia affected the conduct of business in the country?

Cultural differences in comparison to Malaysia

Considering your previous experience in South East Asia are there any similarities with how business is conducted in Indonesia in comparison to neighbouring Muslim countries, such as Malaysia?
## APPENDIX II - CASE STUDY MATRIX

<table>
<thead>
<tr>
<th>Case Study</th>
<th>Respondents</th>
<th>Organization</th>
<th>Interviews Conducted</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>Barrie Lovett</td>
<td>Townsville Enterprise, PO Box 1043, TOWNSVILLE QLD 4810</td>
<td>26 November 1996, 24 March 1997</td>
</tr>
<tr>
<td>Two</td>
<td>Trevor Mack</td>
<td>Townsville Indonesian Language Services, 16 Church Street WEST END QLD 4810</td>
<td>27 November 1996, 26 March 1997</td>
</tr>
<tr>
<td>Five</td>
<td>Peter McDougall</td>
<td>ACEL Training &amp; Development, 55 Alexandra St NORTH WARD QLD 4810</td>
<td>12 December 1996, 18 July 1997</td>
</tr>
<tr>
<td>Six</td>
<td>Stan Neal</td>
<td>Ruswin Locksmiths, P.O. Box 11 HERMIT PARK QLD 4812</td>
<td>19 December 1996, 19 July 1997</td>
</tr>
<tr>
<td>Seven</td>
<td>Yanti Abdurrachman</td>
<td>CB Indonesia, 16th Floor Plaza Central, Jl Jend Sudirman No 47, Jakarta 12930</td>
<td>15 January 1997, 23 January 1997, 28 January 1997</td>
</tr>
<tr>
<td>Thirteen</td>
<td>Eric Gill</td>
<td>Townsville Indonesia Association, 43 Casuarina Drive ANNANDALE QLD 4817</td>
<td>8 May 1997, 11 May 1997</td>
</tr>
</tbody>
</table>
APPENDIX III - EXTRACTS FROM QSR NUD*IST DATA ANALYSIS


(1 2 2) /Primary /Decision Making Process/Consensus
*** Definition: The process of decision making in Indonesia, in comparison to Australia.
+++ ON-LINE DOCUMENT: CASE 10
+++ Document Header:
* RECORD OF INTERVIEW - CASE STUDY TEN
* Tuesday 21 January 1997 with Donna Carter. Australian Trade

+++ Retrieval for this document: 13 units out of 562, = 2.3%
+++ Text units 189-201:
There is of course the issue of consensus which is prevalent throughout
the entire society. For many Australian businessmen it sometimes comes
as a surprise when you have all the Indonesian decision makers collected
in the same Board Room, yet they will not reach a consensus at the time
of the meeting. I have observed it on several occasions where the
Indonesians have taken the stance that "Yes we have agreed to come to
this particular meeting, but our presence in no way indicates that we are
willing to make a decision right now. We are certainly not going to
discuss the matter in front of you, and at best we are going to leave the
room, and conduct a conversation outside where we can keep our
discussions confidential. Even then do not expect a direct answer, or
decision!"

+++ ON-LINE DOCUMENT: CASE 12
+++ Document Header:
* RECORD OF INTERVIEW - CASE STUDY TWELVE
* Thursday 23 January 1996 with Kevin Parker - PT. Southern Cross

+++ Retrieval for this document: 11 units out of 352, = 3.1%
+++ Text units 55-58:
table, or even close a contract. A Javanese businessman will often
hesitate and remain non committal throughout a business discussion,
mainly through fear of 'losing face' and making a decision without
the consent of his partners. Whereas a Batak businessman from
+++ Text units 105-111:
Unlike many western cultures, Indonesians still turn to their elders
for advice and support. Often a business decision will be made where
consensus is mandatory, and even the approval of the parents or
grandparents is necessary. Despite the influence of western
culture, there is still reverence for the opinion of an older
generation. Something to take into consideration when conducting
business negotiations.

+++ Total number of text units retrieved = 90. Retrievals in 6 out of 14 documents, = 43%
+++ The documents with retrievals have a total of 2529 text units, so text units retrieved in these
documents = 3.6%.
+++ All documents have a total of 7046 text units, so text units found in these documents = 1.3%.

******************************************************************************
(1 8)           /Primary/Joint Ventures
*** Definition: The establishment of a partnership or Memorandum of Understanding between
Australian and Indonesian businesses.

Margin coding keys for selected nodes:
A: (1 8) /Joint Ventures F: (1 3 1) /Demographic Data/Experience>Five Years
B: (4 1 1 1) /Gender/Male G: (4 1 3 2) /Demographic
Data/Experience<Five Years
C: (4 1 1 2) /Gender/Female H: (4 2 1) /Lateral Factors/Success/Success
D: (4 1 2 1) /Location/Indonesia I: (4 2 2) /Lateral Factors/Success/Failure
E: (4 1 2 2) /Location/Indonesia J: (4 3) /Lateral Factors/Market Knowledge

ON-LINE DOCUMENT: CASE 11
+++ Document Header:
* RECORD OF INTERVIEW - CASE STUDY ELEVEN
* Wednesday 22 January 1997 with Ron Mell & Meredith Blackwell - Bell.

+++ Retrieval for this document: 12 units out of 1262, = 0.95%
+++ Text units 91-97:
From the very beginning it was not a problem, as we had not originally
(1 8) (2 1 5 2) (4 1 1 2) (4 1 2) (4 1 2 2) (4 1 3 1)
planned entering the market with an Indonesia partner. However, as
(1 8) (2 1 5 2) (4 1 1 2) (4 1 2) (4 1 2 2) (4 1 3 1)
time progressed that changed. One of the main reasons for our
(1 8) (2 1 5 2) (4 1 1 1) (4 1 2) (4 1 2 2) (4 1 3 1)
hesitancy was security, as we had not yet met a local business person
(1 8) (2 1 5 2) (4 1 1 1) (4 1 2) (4 1 2 2) (4 1 3 1)
with whom we had established enough trust. We evaluated that risk,
(1 8) (2 1 5 2) (4 1 1 1) (4 1 2) (4 1 2 2) (4 1 3 1)
and decided that it was unwise to obtain an 'unknown' partner on an
(1 8) (2 1 5 2) (4 1 1 2) (4 1 2) (4 1 2 2) (4 1 3 1)
equal decision making basis in the same industry.
(1 8) (2 1 5 2) (4 1 1 2) (4 1 2) (4 1 2 2) (4 1 3 1)
+++ Text units 99-103:
We basically set up agency in Jakarta which was not aligned to the
(1 8) (4 1 1 1) (4 1 2 2) (4 1 3 1)
industry, and we worked through that company. That has meant that
(1 8) (4 1 1 1) (4 1 2 2) (4 1 3 1)
the shareholders and the Indonesian director has had little influence
(1 8) (4 1 1 1) (4 1 2 2) (4 1 3 1)
over the direction of our business.
(1 8) (4 1 1 1) (4 1 2 2) (4 1 3 1)


+++++ Text search for '[holidays|ramadan|prayer|mosque|celebrations]' 'holidays' or 'ramadan' or 'prayer'
or 'mosque' or 'celebrations'

++++ Searching document CASE 11...

easier to cope with RAMADAN, the work place absences during the call to PRAYER, and all the other commitments a Muslim makes to their hands, saying a PRAYER to whichever God! That has been accepted by

++++ 4 text units out of 1262, = 0.32%
++++ Searching document CASE 12...

HOLIDAYS such as Idul Fitri, and be less than productive during the fasting month of RAMADAN. To deny, or rather not acknowledge an

1 text units out of 352, = 0.85%
++++ Searching document CASE 3...

that was to be sold before RAMADAN. Before Ramadan, because your going "O.K. I'll get it to you in March", and RAMADAN is in February. What

++++ 2 text units out of 458, = 0.44%
++++ Searching document CASE 4...

HOLIDAYS first .... and try to get used to the culture? Well, at least middle of 'RAMADAN', or one of the many festivals they have. You will

++++ 2 text units out of 486, = 0.41%

++++ Results of text search for '[holidays|ramadan|prayer|mosque|celebrations]' 'holidays' or 'ramadan'
or 'prayer' or 'mosque' or 'celebrations':

++++ Total number of text units found = 11
++++ Finds in 4 documents out of 14 online documents, = 29%.
++++ The online documents with finds have a total of 2558 text units, so text units found in these documents = 0.43%.
++++ The selected online documents have a total of 7046 text units, so text units found in these documents = 0.16%.


******************************************************************************

ON-LINE DOCUMENT: CASE 10
+++++ RECORD OF INTERVIEW - CASE STUDY TWELVE
* Thursday 23 January 1996 with Kevin Parker - PT. Southern Cross
+++++ Retrieval for this document: 24 units out of 352, = 6.8%
+++++ Text units 68-72:
In Indonesia 3% of the population, the Chinese, hold 80% of the country’s wealth. Entrepreneurs like Bob Hasan are part of the an elite Chinese community in Indonesia who have managed to capitalise on their relationships with the Suharto family. The Chinese are considered to be fairly ruthless in their business dealings.

(2 6 1) (4 1 1 1) (4 1 2 2) (4 1 3 1)
(2 6 1) (4 1 1 1) (4 1 2 2) (4 1 3 1)
(2 6 1) (4 1 1 1) (4 1 2 2) (4 1 3 1)
(2 6 1) (4 1 1 1) (4 1 2 2) (4 1 3 1)
(2 6 1) (4 1 1 1) (4 1 2 2) (4 1 3 1)
+++++ Text units 233-236:
efficient service, but there are also many Indonesians whose sole concern is their own personal profit margin, rather than the long-term success of the business. Particularly when dealing with the Chinese, it is not a case of “if you will be screwed, but when!”

(2 7 1) (1 8) (2 6 1) (4 1 1 1) (4 1 2 2) (4 1 3 1) (4 2 1)
(1 7 1) (1 8) (2 6 1) (4 1 1 1) (4 1 2 2) (4 1 3 1) (4 2 1)
(1 7 1) (1 8) (2 6 1) (4 1 1 1) (4 1 2 2) (4 1 3 1) (4 2 1)
(1 7 1) (1 8) (2 6 1) (4 1 1 1) (4 1 2 2) (4 1 3 1) (4 2 1)

ON-LINE DOCUMENT: CASE 14
* Indonesia Australia Specialised Training Project Participants.
+++++ Retrieval for this document: 14 units out of 389, = 3.6%
+++++ Text units 69-76:
In Indonesia the art of business belongs to the Chinese, and I believe that perhaps the Chinese businessmen are better than the Indonesian businessmen because Chinese fully understand the informal approach. The Indonesian people, particularly the Javanese, sometimes do not understand this informal approach. The Chinese, and in particular the West Sumatran Chinese are aware of the culture of business, and the sense of business. Sense of business is very important. When

-----------------------------------------------------------------------------
Matrix Node: (1 50) //Index Searches/Index Search 241
Operator: INTERSECT
Definition: Search for (MATRIX INTERSECT (4 2) (2 15)). No restriction
Rows: (4 2) /Lateral Factors/Success
Columns: (2 15) /Secondary/Honesty
Data: Number of text-units coded

<table>
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<th>Indonesian Expectations</th>
<th>Trust &amp; Respect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Success</td>
<td>6</td>
</tr>
<tr>
<td>Failure</td>
<td>11</td>
</tr>
</tbody>
</table>

(1 50) //Index Searches/Index Search 241
*** Definition:
Search for (MATRIX INTERSECT (4 2) (2 15)). No restriction
Matrix Node.

### Cell (1 1)
### (INTERSECT (4 2 1) (2 15 1))
ON-LINE DOCUMENT: CASE 10
+++ Retrieval for this document: 6 units out of 562, = 1.1%
+++ Text units 202-207:
Although a direct opposite may happen with something as simple as a handshake, which may literally mean the world, and is entirely enforceable. So there are expectations created. I think that is something that is very important to keep in mind when conducting business in Indonesia, is what level of expectation you generate when you discuss any topic with an Indonesian counterpart.

### Cell (2 1)
### (INTERSECT (4 2 2) (2 15 1))
ON-LINE DOCUMENT: CASE 13
+++ Text units 188-193:
time I felt that there was an anti foreign feeling. People will be very friendly up front towards you, but perhaps they are not really as seriously friendly at all, and they are just after what they can get. I think a healthy dose of paranoia is worthwhile, and I must say that in the culture shock that I earlier experienced, I used to have days of great frustration. I used to think "God, the whole country is mad."

### Cell (2 1)
### (INTERSECT (4 2 2) (2 15 1))
ON-LINE DOCUMENT: CASE 10
+++ Retrieval for this document: 5 units out of 562, = 0.89%
+++ Text units 209-213:
You might come a way for a meeting, not realising that you've actually agreed, as far as the Indonesians are concerned, to perform certain actions, obtain certain information, and facilitate certain introductions. I think that is important to be very clear concerning your obligations at the end of a meeting.
APPENDIX IV - GLOSSARY

Where ever possible this thesis has attempted to avoid the continual use of Indonesian words, expressions, titles, and acronyms, however for the sake of continuity and clarity of data analysis there are words contained in the various chapters which are of Indonesian origin and are not found in either the latest edition of The Macquarie Dictionary (1991), or the second edition (1992) of The Australian Concise Oxford Dictionary. It is anticipated that the glossary and the attached map of the archipelago will assist readers who are unfamiliar with the country, the language, or the structure and planning process of the Indonesian government.

**Indonesian words, expressions, titles, and acronyms**

**ABRI**
(Angkatan Bersenjata Republik Indonesia) Armed Forces of the Republic of Indonesia

**adat**
Custom, tradition

**alon-alon**
Traditional Javanese saying ‘take it slowly’

**babi**
Pork, pig

**bahasa Indonesia**
Indonesian national language

**bapak**
Father. Deferential Javanese term for senior male, or male employer. Commonly abbreviated to ‘Pak’

**Bappenas**
(Badan Perencanaan Pembangunan Nasional) National Development Planning Board

**becak**
Pedicab

**BKPM**
(Badan Koordinasi Penanaman Modal Daerah) Regional Investment Coordination Board

**budaya**
Culture

**cukongs**
Mostly well to do Chinese financiers or financial backers. (May be involved in illegal or dishonest activities)

**dalang**
Puppet master of the shadow play

**DPR**
(Dewan Perwakilan Rakyat) National Parliament is the national law making body, and consists of 460 members, of which 100 are from the Armed Forces or other functional groups
dwifungsi  The dual function of the military to both defend the security of the nation and to involve itself in social, economic and political matters as well

gengsi  Prestige

gotong royong  Mutual assistance

halal  Allowed, permitted within Islam. Normally refers to food

halus  Refined, cultured, sensitive

ibu  Mother. Deferential Javanese term for senior female, or female employer

Idul Fitri  Muslim celebrations following the fasting month of Ramadan (Also referred to as Lebaran)

intensif  Intensive

jam karet  Indonesian ‘rubber time’

KADIN  (Kamar Dagang dan Industri) Chamber of Commerce and Industry

kasar  Coarse, uncouth

KKN  Colloquial acronym for corruption, collusion, and nepotism

korupsi  Corruption

Lebaran  Muslim celebrations following the fasting month of Ramadan (Also referred to as Idul Fitri)

Masyarakat  Community, society

MPR  (Majelis Permusyawaratan Rakyat) People’s Consultative Assembly, the highest constitutionally established body in Indonesia and consists of 920 members

mufakat  Consensus reached after discussion and deliberation

Pancasila  The Five Principles of State Philosophy

pelicin  A person whosmooths, orpaves the way. Can also refer to money or gifts given to smooth the way
<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pemerintahan</td>
<td>The government system</td>
</tr>
<tr>
<td>permusyawaratan</td>
<td>Discussion, conference, deliberation</td>
</tr>
<tr>
<td>pribumi</td>
<td>Indigenous Indonesians</td>
</tr>
<tr>
<td>PT</td>
<td>(Perseroan Terbatas) Limited Company</td>
</tr>
<tr>
<td>Ramadan</td>
<td>The Muslim fasting month where there is abstinence from food, drink, smoking and sex during daylight hours</td>
</tr>
<tr>
<td>Reformasi</td>
<td>Reform of the Indonesian government (and everything else)</td>
</tr>
<tr>
<td>Repelita</td>
<td>Indonesian government’s five year budgetary cycle</td>
</tr>
<tr>
<td>revolusi</td>
<td>Revolution</td>
</tr>
<tr>
<td>sembahyang</td>
<td>The Muslim requirement to pray five times per day</td>
</tr>
<tr>
<td>sirik</td>
<td>Loss of dignity or humiliation</td>
</tr>
<tr>
<td>sogok</td>
<td>Bribe</td>
</tr>
<tr>
<td>sreg</td>
<td>Javanese term for comfortable, or at ease</td>
</tr>
<tr>
<td>suku</td>
<td>Ethnic group</td>
</tr>
<tr>
<td>wayang kulit</td>
<td>Shadow play with leather puppets often dramatising themes from Hindu epics</td>
</tr>
</tbody>
</table>
Image unavailable due to copyright restrictions.

Please refer to print copy
University of Western Sydney

COMPETITIVENESS OF AUSTRALIAN SMALL TO MEDIUM ENTERPRISES IN INDONESIA

Submitted by Andrew R. Leith
M.B.A, G.Dip(Bus), B.A.(Mil), psc(r)

Submitted as part of the candidature requirement for the award of a Doctorate of Philosophy.

November 2000
PLEASE NOTE

The greatest amount of care has been taken while scanning this thesis,

and the best possible result has been obtained.
Abstract

The purpose of this research is to determine whether Indonesian business practices and culture inhibit the competitiveness of Australian small to medium enterprises in Indonesia.

Prior to the current economic demise of the Indonesian economy Australia’s trade relations with its closest Asian neighbour were not as significant as trade with countries far removed from Australia’s shores such as the United States, Taiwan, China, and Hong Kong. Previous research has identified that cultural problems and inadequate communication contribute towards the lack of competitiveness of international small to medium enterprises, however there has been no rigorous and comprehensive research specifically related to Australian entrepreneurs and the problems that they encounter in Indonesia. The research is therefore justified because of:

- The importance to the Australian economy of trade with Indonesia. Many economic observers maintaining that there are currently just as many opportunities for Australian businesses in Indonesia, as there were under Suharto’s New Order Government.
- The neglect of the research area by previous researchers.
- The inadequate use of rigorous methodology by previous researchers in Indonesian business practices and culture.
- The potential application of the researcher’s findings to the competitiveness of Australian entrepreneurs in Indonesia.

The identification of research questions was achieved by logically reviewing the theoretical and methodological dimensions of the relevant literature on cross-cultural communications, the processes of Asian business, and Indonesian business practices and culture. It was through this process that research questions not previously identified by the extant literature were highlighted.

Prior to the collection of data a comparison of quantitative and qualitative paradigms was undertaken. Following this analysis Husserl’s theories on phenomenology, case studies, and in depth interviews were employed as the primary means of eliciting ‘rich’ and meaningful data. The use of an ethnographic software package was then justified, as was the reliability and constructual, internal and external validity of the research process.

The qualitative method of inquiry employed during the research involved a number of entrepreneurs and organization, which were chosen by means of a non-probability selection process. The sample base for the selection of potential case studies was obtained from a variety of organization ranging from the Australian Trade Commission in Jakarta to the Australia - Indonesia Business Council in Canberra. Data collection was
subsequently undertaken using case studies and in depth interviews techniques with Australian businesses located in north Queensland and Jakarta.

From the data obtained a generic framework was created in summary form and then subsequently analysed using the qualitative software QSR NUD*IST (Non numerical Unstructured Data Indexing Searching and Theory-building program). As the data analysis unfolded it revealed that some categories were more significant that others. For example, market knowledge, understanding Australian and Indonesian bureaucracy, communications, long-term involvement, flexibility, and understanding Australian business culture and practices were perceived to be considerably more important than categories such as understanding etiquette, the role of religion, and the family in business. This result was not anticipated by the researcher, who based on the results of the literature review, had commenced coding other factors as being the main impediment to the competitiveness of Australian small to medium enterprises in Indonesia.

Several key themes emerged which indicated that thorough planning and market research are more important to Australian entrepreneurs than a comprehensive understanding of business practices and culture. This lead to the major finding of the research:

*Market research and time spent by Australian entrepreneurs in learning the fundamentals of international business is equally important as understanding business practices and culture.*

The research findings also have a practical application. Despite the current economical crisis in Indonesia, there is still scope for Australian business to expand into a variety of sectors and research into common cultural problems and marketing techniques may assist in increasing their market share. In practical terms the data has already been utilized by organization such as Indonesia Australia Business Council, the Queensland Chamber of Commerce and Industry, Austrade, and the Queensland Department of Development and Trade.

What the research brings to extant literature is a rigorous and methodological analysis of Indonesian business practices from an Australian entrepreneur’s perspective. This provides a structured link between the parent disciple of cross cultural communications, the plethora of information on Asian business practices, and the reality of Australian small to medium enterprises attempting to enter the Indonesian market.
STATEMENT OF ORIGINAL AUTHORSHIP

The work contained in this thesis has not been previously submitted for a degree or diploma at any other tertiary institution. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made.

Andrew R Leith

November 2000
ACKNOWLEDGMENT

This thesis is dedicated to my partner, Annette Leith. For her perseverance and support I am grateful.

I would also like to acknowledge the support and advice provided by my supervisor, Professor Alan Buttery. Through his candid guidance, and ubiquitous use of a red pen, I have gained an understanding of the fundamentals of qualitative research.

I am also indebted to three wordsmiths. Donroy Leith, Frank Benfield, and Dr Alan Savige. Their advice and suggestions on improvements to the final draft of the thesis were greatly appreciated.
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