

**HUMAN RESOURCE MANAGEMENT REFORM IN THE
INDONESIAN CIVIL SERVICE: TOWARDS STRATEGIC
FIT?**

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A thesis

**Submitted to the Faculty of Business, Government and Law,
University of Canberra in fulfilment of the requirements for the degree of
Doctor of Business Administration
2016**

ACKNOWLEDGMENT

First of all, I thank my heavenly Father, Jesus Christ, for enabling me to complete this thesis and for fully supporting me through His wisdom so that I can manage this journey well.

Secondly, I would like to convey my greatest gratitude to my primary supervisor, Dr. Wahyu Sutyono, for always encouraging me and convincing me that I can accomplish this journey, as well as providing me continuous support to enrich this thesis. My deepest gratitude goes out to Dr. Raechel Johns, Head of School of Management, the Faculty of Business, Government and Law, University of Canberra, who has provided invaluable feedbacks on my thesis.

Thirdly, my sincere appreciation goes to the Faculty of Business, Government and Law, University of Canberra, for providing me invaluable and generous resources to support my study, enabling me to undertake the study smoothly.

I also would like to take this opportunity to thank my office, the Bureau of Planning and International Relations, Ministry of Education and Culture, Republic of Indonesia, for allowing me to undertake this study, as well as generously providing me with a scholarship. This study opportunity has helped me to develop the ability and professionalism I need and with which I will be able to make a valuable contribution to the Ministry.

I am grateful to all my participants that have dedicated their precious time and provided me with invaluable information needed for this study. Without their support, this study would have not been possible.

I also would like to thank my friends and colleagues who have given feedback on my thesis and provided me with moral support, as well as sharing a laugh with me during my hard times.

Finally, I would like to thank my supportive husband, Sihar Sianturi, and my wonderful son, Samuel Rajawali Sianturi, for always accepting my moods, my anxiety and my complaints. Both of you have done a great job in comforting me and have made me feel that I am one of the luckiest women in the world. I owe my heartfelt thanks to my mother-in-law, my sisters, my brothers, my nieces and my nephews for their pray, love and support.

I believe that this thesis, which I have wholeheartedly and passionately prepared, can be utilised for the improvement of the Indonesian civil service in particular, and for the improvement of human resources management in the civil service in general.

ABSTRACT

Studies of strategic HRM have dominated HRM research over the last three decades. Focusing on the HRM-organisation performance relationship, researchers take various themes and perspectives in their approach to strategic HRM. Among these themes, two contrasting approaches of strategic HRM continue to flourish: first, the best practice approach suggests that certain HRM practices will have the same effect irrespective of context and, second, the best fit approach suggests that the choice of HRM practices should be designed in accordance with an organisations' specific context. While there is little consensus on what constitutes strategic HRM, the most common feature agreed in this field is the notion of the strategic integration; aligning HRM practices with organisations' overall strategic objectives (vertical fit) and with each other (horizontal fit).

Utilising the best fit approach as its theoretical framework, this study examines how vertical and horizontal fit is practised in the Indonesian civil service and what factors likely influence the prevalence of vertical and horizontal fit in the Indonesian civil service context. This study is significant for two important reasons. Firstly, the literature suggests that there are limited studies examining the best fit concept in the civil sector despite its implementation in the private sector positively contributing to organisational performance improvement. Secondly, the study provides enlightenment on how the best fit approach could contribute to performance improvement in the Indonesian civil service. This is in line with the fact that negative images of the Indonesian civil service are continuously highlighted although various HRM reform initiatives have been put in place. To achieve the objectives of the study, the qualitative case study approach accompanied by semi-structured interviews was employed involving 53 senior officials and one focus group discussion from eight Indonesian government agencies, consisting of three central agencies mandated to manage human

resources, the National Bureaucratic Reform Team and four line agencies from both central and local governments. Thematic analysis was employed for data analyses and NVIVO software was used to manage the data.

The study suggests three main findings. First, various HRM initiatives in relation to the HRM reform have been introduced in the Indonesian civil service differentiating them from the old HRM practices. However, the findings indicate that some HRM policies are still contradicting and hinder vertical and horizontal fit. Second, despite the contradictory policies, vertical and horizontal fit can be seen in the line agencies which have been acknowledged as ‘reformed agencies’. This demonstrates that the line agencies play an important role in aligning HRM practices with the line agencies’ goals and objectives and with one another although they are bounded by HRM policies that are unlikely to support the vertical and horizontal fit concept. Third, factors influencing the prevalence of vertical and horizontal fit include knowledge of contemporary HRM in both central agencies and line agencies, commitment from the line agencies’ leaders, devolvement of HRM to the line agencies and the socio-political and economic environments of the Indonesian civil service.

The findings of the study raise policy, practical and theoretical implications. In terms of policy implications, the study highlights the importance of fit in HRM policies to support the achievement of the line agencies’ goals. Therefore, when formulating an HRM policy, the central agencies need to ensure that the HRM policy is linked to line agencies’ goals and to other HRM policies. This is to ensure synchronisation among the policies and thus maximising the achievement of the line agencies’ goals.

From the practical perspectives, the study highlights important points which can be learned by the central agencies in carrying out their strategic role with regard to the formulation of HRM policies; by the line agencies in maximising the contribution of HRM to the achievement of

the goals and objectives of the agencies through the implementation of the best fit concept, and by the leaders of the agencies in providing continuous support to each of the involved parties in the line agencies and involving the HRM department in all agency's strategic decision-making.

In relation to the theoretical implication, it is clear that the best fit approach is not thoroughly applied due to factors discussed previously. However, this does not mean that the best fit concept cannot be implemented. As argued by McCourt & Ramguttty-Wong (2003), instead of adopting the whole concept of best fit, a modulated approach reflecting the best fit concept, such as selecting individual HRM practices and experimenting with devolution, is possible for civil service organisations which still embrace centralised HRM systems. As demonstrated in the findings, some of the line agencies being studied seem to be ready to adopt the best fit approach given that they have knowledge of the best fit concept, strong support from the top leader, less political intervention and less corruption, collusion, and nepotism practices in their HRM practices.

Keywords: Civil service, best fit, bureaucratic reform, devolvement, Indonesia, strategic HRM.

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LIST OF ABBREVIATIONS

BPS	<i>Badan Pusat Statistik</i> (Statistics Indonesia)
DP3	<i>Daftar Penilaian Pelaksanaan Pekerjaan</i> (Work Implementation Evaluation List)
GDP	Gross Domestic Product
HPWP	High Performance Work Practices
HRM	Human Resource Management
KPI	Key performance indicators
MABR	The Ministry of Administrative and Bureaucratic Reform (<i>Kementerian Negara Pendayaagunaan Aparatur Negara dan Reformasi Birokrasi</i>)
MoF	The Ministry of Finance
NCSA	The National Civil Service Agency (<i>Badan Kepegawaian Negara</i>)
NIPA	The National Institute for Public Administration (<i>Lembaga Administrasi Negara</i>)
NPM	New Public Management
OECD	The Organisation for Economic Co-operation and Development
RPJMN	<i>Rencana Pembangunan Jangka Menengah Nasional</i> (The National Mid Term Development Plan)
RPJPN	The National Long Term Development Plan (<i>Rencana Pembangunan Jangka Panjang Nasional</i>)
TKD	<i>Tunjangan Kinerja Daerah</i> (Region Performance Allowance)
UNDP	United Nations for Development Program
UNDESA	The United Nations Department of Economic and Social Affairs