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**BUILDING INTERCULTURAL PARTNERSHIPS**

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# **Working with an Indonesian Partner**

A Guide to Establish Effective  
Cross-Cultural Communication and  
Working Relationships in Indonesia

IN - COUNTRY  
ORIENTATION  
PROGRAM  
(ICOP)

**JAKARTA  
INDONESIA**

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**CENTRE FOR INTERCULTURAL TRAINING (CIT)  
CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA)**

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## Working with an Indonesian Partner

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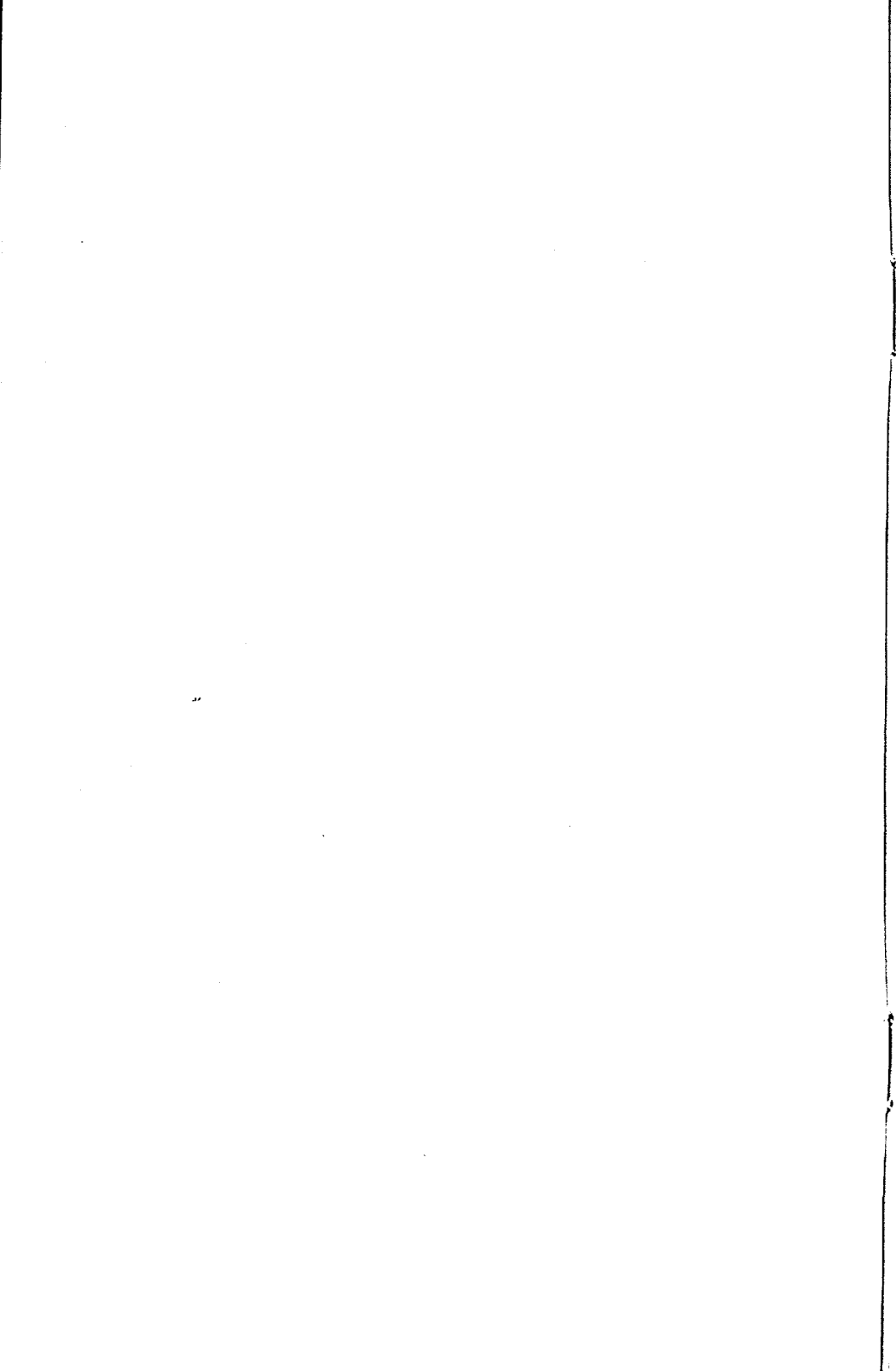
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## **FOREWORD**

*Working with an Indonesian Partner* is one in a series of guides designed to help Canadians and Asians work together effectively. The idea for the series came from years of experience preparing Canadian technical advisors for work in developing nations and their foreign counterparts for missions to Canada as part of Canada's international development assistance programs. Although many guides were available to help them prepare for culture shock and learn the practicalities of living overseas, there were few good resources to assist them in developing effective working relationships, one of the most challenging and critically important aspects of their overseas experience.

The guide is modeled after *Thais Do Business the Thai Way*, which was produced by the SVITA Foundation of Bangkok for CIDA.

*Working with an Indonesian Partner* is for Canadians who work with Indonesians in a business, official, or international development capacity. It

offers practical advice on forming partnerships and alliances based on trust, understanding and effective communication.

The guide was written by Patricia Farry, Jasmin Jasin, Soekmana Soma, and Martina Tobing under the direction of Ibu Irid Agoes, Coordinator of CIDA's In-Country Orientation Program (ICOP) in Jakarta. It was edited by Stiles Associates Inc. of Ottawa.

We welcome your comments, suggestions and insights for subsequent editions. Please write to us or send us a facsimile message. We hope your stay in Indonesia is rewarding.

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## INTRODUCTION

This briefing book has been produced to introduce Canadian business people, government officials, consultants and advisors to some of the cultural aspects of doing business in Indonesia. Its aim is to provide helpful, practical information which can be used when interacting with Indonesians in a professional and social environment.

It is important to know that business success in Indonesia cannot be separated from successful intercultural adjustment. There are three criteria that indicate success: good personal adjustment, good interpersonal relations with hosts (demonstrated by the hosts saying to themselves that the newcomer interacts well), and the completion of tasks related to your goals.

To provide a balanced, non-judgmental view, we have written the guide as a collaborative effort, taking into account Indonesian and Canadian perspectives. Topics covered include an analysis of the differences between working with a Canadian partner and an Indonesian partner, Indonesian values and how they influence working relationships, communication styles and differences, and the strategies required when dealing with business people, government officials,

academics, consultants and non-governmental organizations (NGOs).

It is incorrect to assume that culture and values are separate from business, particularly in Indonesia. A more holistic approach is preferable.

A grounding in one's own culture and value system can go a long way toward understanding another culture. Knowledge of the factors that influence the "Canadian" way of doing business can help one appreciate the factors that influence another country's culture and business practices.

So, sit back and take a moment to consider our suggestions. You probably have your agenda mapped out and your schedule organized. However, take time before you arrive to absorb the information in this guide, and see if you have taken the cultural aspects of your assignment into account.

Experiences in Indonesia are as individual as the people who experience them. Keep in mind that this booklet is a guide; your individual strategy will be unique. If the information is helpful, this guide will have achieved its aim.

Good luck!

## **ABOUT INDONESIA**

This vast archipelago is a diverse, culturally rich nation. Situated on the equator on a cross between the Pacific and Indian oceans, Indonesia bridges two continents, Asia and Australia. Its strategic position has always influenced the cultural, social, political and economic life of the country. Stretching from the region of Irian Jaya in the east to the island of Sumatra in the west, Indonesia encompasses about 17,000 islands, a land area of 1.91 million square kilometres and 7.9 million square kilometres of territorial waters.

Like Canadians, Indonesians are familiar with the concepts of diversity and multiculturalism and thus enjoy the contributions of a multitude of cultures and traditions, including more than 580 languages and dialects. As in Canada, Indonesians welcome and celebrate diversity. This is reflected in the country's motto, Unity in Diversity or *Bhineka Tunggal Ika*.

Indonesia's national language, *Bahasa Indonesia*, is an important unifying factor. It developed from a Malay dialect that once dominated the language of trade throughout the country. Canadians are often surprised by Indonesians' unquestioned use of *Bahasa Indonesia*, when most people speak a different language in the

home. *Bahasa Indonesia* emerged out of the country's struggle for independence. In 1928, in the so-called *Sumpah Pemuda*, Indonesian youth from many regions of the country met in Jakarta and pledged allegiance to one country, one nation and one language.

During more than three centuries of Dutch colonialism, many local kingdoms fought unsuccessfully to attain sovereignty. Indonesia proclaimed its independence on August 17, 1945 after the Japanese departed toward the end of World War II. Nationalism is deep-rooted. Foreigners might find one Indonesian critical of another, but will face resentment if they, themselves, criticize Indonesia. Indonesians cherish their country's independence. It is, for them, a source of great pride.

*Pancasila*, the Five Principles, were set forth as Indonesia's state philosophy in the 1945 Constitution. The principles are:

1. belief in God;
2. just and civilized humanity;
3. the unity of Indonesia;
4. democracy guided by inner wisdom and unanimity arising out of deliberations amongst representatives; and
5. social justice for all.

The first principle of *Pancasila* affirms that Indonesians believe in the existence of God and implies that they believe in life after death. It suggests that the pursuit of sacred values leads to a better life in the hereafter. The second principle requires that human beings be treated with due regard to their dignity as God's creatures. The third principle embodies the concept of nationalism and emphasizes the importance of fostering national unity and integrity. The fourth principle requires Indonesians to exercise their democratic rights with a deep sense of responsibility to God Almighty, with respect for humanitarian values and human dignity, and with a view to preserving and strengthening national unity. The fifth principle calls for the equitable distribution of social benefits to the entire nation. It implies that all Indonesia's natural resources and its potential wealth should be utilized for the greatest possible good and happiness of all. These five principles are interrelated and inseparable.

Since independence, Indonesia has played a significant role internationally. The Asia-Africa Conference was held in Bandung, West Java in 1955, and Indonesia initiated the Association of South-East Asian Nations (ASEAN). Indonesia has been actively involved in the leadership of Non-Aligned Movement nations. It has been a champion of development for peoples in developing nations.

Indonesia's goal is to move from being an aid recipient to a self-sufficient aid provider and a world trading partner. Indonesia's aspirations for self-reliance are important to keep in mind when doing business in Indonesia. Accentuating the mutual benefits of one's project or business venture is the preferred route to successful partnerships in Indonesia.

First-time visitors may be struck by Indonesia's social and economic contrasts. Many of Jakarta's office buildings and hotels are as modern as any in the major cities of the world. However, many villages (*kampungs*) are without clean water, reliable power, and other amenities. The National Planning Agency (BAPPENAS) reports that more than 26 million Indonesians live below the poverty line, defined as income of less than the regional minimum wage, Rp 4,600, which is about Cdn \$3.00 per day. While Indonesia faces many development challenges, it has modern infrastructures in place such as good asphalt roads and telecommunication facilities, especially in and around urban centres. Through *Wartel* (*Warung Telekomunikasi*) or telecommunication shops, Indonesia provides telephone facilities for long-distance and international calls, facsimile and telegraphic services. Big hotels have business centres with similar services. Indonesia also has many well-educated and experienced people who



are enthusiastic about doing business and improving the quality of life for all in their country.

Canadians coming to Indonesia should keep in mind these important features of this complex society. Acknowledg-

ing that differences exist and respecting them will increase their chances of success in business and personal dealings. Reading and research about the history of this great nation will help visitors understand the people and cultures they will encounter.

## **WORKING WITH AN INDONESIAN PARTNER**

Doing business in Indonesia will undoubtedly be different than it is in Canada. This should be your first assumption. Once having made this

assumption, you will have taken the first step in acknowledging cultural differences.

### ***The Partnership Approach* ♦ ♦ ♦**

It is important to take a win-win approach when forming partnerships in Indonesia. Although one of your aims will be to contribute positively to your operations in Canada, including financial gains, you should consider your prospective Indonesian partners as equals with similar expectations of you. It is important to Indonesians that foreign investment and business ventures benefit the Indonesian people.

fail in their attempts to establish constructive partnerships with Indonesians.

Some foreigners regard the Indonesian population as merely a source of cheap labour. The people of Indonesia are proud of their achievements and deserving of greater respect, considering their country's remarkable progress since independence.

Many foreigners believe that Indonesian business people lack the experience and education of business people in other parts of the world. This is a misconception. While the percentage of post-secondary graduates in Indonesia (1.5% of the total population in 1992, according to the Department of Education and Culture) is much lower than in most western countries, there are many educated Indonesians who compete successfully in the global economy. Foreigners who are ethnocentric, condescending or who consider themselves superior will

Joint ventures and development projects in Indonesia often involve training and technology transfer. It is important to look at the people involved in such projects as competent and ready and able to learn. You might learn something too, if you view the learning experience as a two-way process.

Trust is an important ingredient of any good relationship. The same goes for business relationships with Indonesians. Foreigners often find that their Indonesian counterparts want to know about their personal life, and probe

them with many questions that are outside the realm of business. Indonesians do this to get an idea of the individual's character and trustworthiness. Without acknowledging it, many westerners do the same; few people would do business with someone they did not trust.

When contemplating a business relationship, Canadians tend to look at the company's track record. The track

record is important to Indonesians as well, but they tend to attach more importance to the individuals who run the company. In the West, businesses experience far more turnover than in Indonesia. In the West, less focus is placed on the individuals behind the company, while in Indonesia, people tend to stay with the same company for a long time. Results are usually tied to the people who make them.

### ***How National Values Influence Business and Management Practices***     ♦ ♦ ♦

#### ***Family and community***

In contrast to most Canadians, Indonesians place collective concerns—the group, family and community—ahead of individual aspirations. Indonesians expect their relatives, clan or social group to look after them in exchange for their unquestioned loyalty. Individualist societies have a loosely knit social framework wherein individuals care only for themselves and their immediate family. Whereas westerners are expected to plan their careers by themselves and take full responsibility for achieving their goals, people in collectivist societies expect their parents, spouses and even their bosses to take part in decisions affecting their careers. While individualists prefer to stand and fall on their own efforts, collectivists are comforted in the knowledge that someone is always there to rescue them.

The family is of paramount importance in the lives of Indonesians. Indonesians have a sense of duty and belonging to family that is different from that of Canadians. Indonesian children are taught to respect their parents and elders and to defer to their wishes. Canadians also respect their parents and elders, but they are encouraged to be independent, too. The idea of leaving home and finding one's own way in the world is widely accepted in Canada, but not in Indonesia.

Let's compare Canadian and Indonesian responses to funerals. Canadians sometimes have difficulty understanding why Indonesians just drop everything they are doing when someone dies. According to Islamic rules, the dead body must be buried within 24 hours. The living are

supposed to make sure the dead are buried before their bodies deteriorate. People go to the house of the deceased as soon as they hear the news, even when it is in the middle of the night. The visit is intended not only to pay respect, but more importantly, to give moral support to the grieving family and to assist with the funeral preparations. This custom applies to the family, friends, neighbours and work colleagues of the deceased. The closer one's relationship, the more support one is expected to provide. Canadians will save themselves a lot of frustration if they are aware that work is frequently interrupted for funerals.

The example above also describes the Indonesian concept of *gotong royong*, mutual cooperation. Community members cooperate in almost every aspect of life. Naturally, the degree to which they cooperate varies from one location to another. *Gotong royong* is often stronger in the rural areas where, for example, people take turns harvesting their paddy fields and share the work to build a *balai desa*, a village community centre or a mosque. In big cities, *gotong royong* exists, but often to a lesser degree.

**Consensus decision-making** is integral to Indonesian culture. Its purpose is to create harmony. Indonesian people believe that the majority

must accommodate the minority. Through consensus everyone can voice his or her opinion, eventually reaching a conclusion that all parties can live with. The country's long tradition of consensus decision-making prevents the majority Muslim population from turning Indonesia into an Islamic state. Consensus makes it possible for majority and minority religious groups to live together in an atmosphere of acceptance, understanding and tolerance. This approach is prevalent throughout Indonesian organizations and institutions.

### **Harmony**

Indonesians tend to conform in order to preserve harmony. This is very different to what westerners, including Canadians, see as desirable. Most westerners tend to applaud individual achievement and support people who struggle against the system. Indonesians also believe that individual achievement is important, but think people should be humble, too, and should strive to achieve something only when they have the support of others. Indonesians frown on people who act superior. To say "I did it!" may be interpreted as a sign of pomposity because it goes against Indonesian collectivistic values. As the Indonesian proverb states, "Like the principle of the rice paddy, the more its grains weigh, the lower it bows."

### Religion

plays a vital role in the lives of Indonesians. The first canon of *Pancasila* is the belief in God. Islam is the religion of about 85% of the population. About 10% of Indonesians are Catholics and Protestants; 3% are Buddhists; and 2% are Hindus. Each religion confesses to have a supreme God. Indonesians believe strongly in religious tolerance and all religions are practiced freely. Religion is intertwined with politics, business and family life, not compartmentalized as it is in much of Canadian society.

Canadians must learn to appreciate that prayers play an important role in the lives of Muslims. You can hear the mosques call Muslims to prayer five times daily, at dawn, noon, mid-afternoon, sundown and in the evening. Muslims try to perform the prayers at the beginning of each prayer time, the earlier the better. You should schedule breaks at prayer times to show respect. When you invite people to dinner, give your Muslim partner enough time to arrive after the sundown prayer.

Since Muslims eat no pork, be sure not serve it when you are hosting your Muslim partner. Should there be a dish that contains pork, make certain you tell your Muslim guests which one it is. Also, keep in mind that Muslims should not drink alcohol.

Canadians should be aware that Muslims fast from dawn to dusk during the month of Ramadhan. From before sunrise until after sundown they abstain from eating, drinking, smoking and sex, and they refrain from showing anger and thinking or expressing ill-feelings towards others. As a foreigner, you are not expected to fast; however, it is important to respect those who do. Being aware of the challenges they face, and refraining from eating, drinking, smoking or expressing anger in public will aid your cultural understanding and relationships. Since Muslims go to a special evening prayer, you should consult your partners when you plan to hold an evening activity. They may be willing to attend, but they will also appreciate your sensitivity to their religious practices.

*Idul Fitri*, which follows Ramadhan, is a big holiday for Indonesian Muslims. It is a time when people get together and celebrate. On *Idul Fitri*, people ask for and give forgiveness to others. Although it is culturally enriching to visit Indonesia immediately following Ramadhan, don't expect to get much business done. Since family is paramount to Indonesians, they usually take leave during this holiday and return to their hometowns to be with their families and friends. You would be surprised to see how quiet Jakarta is during the *Idul Fitri* holiday

when almost two-thirds of its 8.5 million inhabitants are away.

### **Leadership and hierarchy**

It is important to understand the preferred leadership styles in Indonesia. Foreigners often perceive the Indonesian leadership style as paternal. President Soeharto is often considered a father figure. A prominent Indonesian, Ki Hadjar Dewantoro, whose anniversary is commemorated on Education Day, states the following principles of Javanese leadership:

- ◆ leaders should stand in front to set a good example to followers (*Ing ngarso sungtulodo*);
- ◆ leaders should stay among the followers in order to work together (*Ing madya mangun karso*); and
- ◆ leaders should stand behind to give support and encouragement (*Tut wuri handayani*).

Understanding the hierarchical structure of Indonesian organizations and identifying the right channels to pursue in them will help you develop successful business relations. You may need someone with good contacts acting on your behalf. Contacting the right people, going through the appropriate channels, taking into account who does what, and taking care not to circumvent the chain of command are delicate but necessary tasks. Secretaries can help you gain

access to their bosses. You should treat them with respect, as you should all staff in your counterpart's organization. Civil officials should be accorded deep respect because their reason to be is to take care of people. Their assistance can be of great value to you and your business venture.

### **Privacy**

Foreigners unaccustomed to Indonesians are often taken aback when their Indonesian work colleagues question them about their age, children, religion and so on. Don't be alarmed. Such personal questions are typical and considered "fair game" in the business realm. Indonesians believe they really don't know someone until they know him or her personally. Try not to be put out by such questions, and answer politely. You should consider personal questions as a gesture of friendship, rather than as an invasion of privacy.

During your mission to Indonesia, you may find your Indonesian partner providing you with a full schedule that includes evening programs, leaving you with almost no free time for yourself. Or they may offer to take you to places of interest. This is not meant to invade your privacy. Their actions stem from a sense of responsibility to ensure that you, their guest, are well taken care of and not lonely. Treating guests well is important to Indonesian people.

### **Manners and hospitality**

are very important to Indonesians. For example, respect can be demonstrated through physical gestures. When sitting in the presence of an older or respected person, evaluating your feet conveys disrespect. Using the left hand is improper, as is pointing with the foot. Shaking hands is a common ritual when two people meet, but some women prefer not to shake hands with men. Instead, they clasp their hands and bow a little as a sign of respect.

When addressing people, the word *Bapak* is used for male and *Ibu* for female. *Bapak* literally means father, and *Ibu* means mother. However, the two words are widely used to show respect for people who are older, respected or superior. The word *saudara*, which literally means brother or sister, is used to imply a more familial relationship.

### **Face and indirectness**

Indonesians are sensitive people. Having been subjected to Dutch colonialism for three and a half centuries and Japanese occupation for three years, Indonesians value their personal pride, one of the few things the Dutch and Japanese could not cart away. "Destroy the face," said an Indonesian manager, "and they will have nothing left." Because saving face is so important, people rarely ask

for things directly, preferring instead to skirt the subject at hand, revealing their intentions gradually.

The Indonesian style of negotiating is indirect. Indonesians avoid embarrassing the other party by having to say "no." By exposing a request gradually until they have a fairly good chance of getting a "yes" response, Indonesians avoid the embarrassment of being turned down directly.

Be tactful when negotiating. If you must say "no," it is advisable to say "I wish I could, but..." so as to save face for everyone. This tendency to be indirect cannot be generalized. The closer the relationship, the more straightforward the communication. The more business-like the situation, the shorter the indirect conversation. In many cases, the poorer someone is, the more sensitive he or she becomes.

Avoid confrontation. Indonesians consider it bad form to vent one's anger and frustration in public. It is particularly important not to criticize or express dissatisfaction publicly, as this may cause the person being criticized to lose face. Most Canadians tend to "call a spade a spade." Indonesians attach far more importance to the maintenance of harmony than the pursuit of what one would consider to be the truth. The truth can

hurt others unintentionally. This often makes it difficult for Canadians to gauge what their Indonesian counterparts really think. One must be sensitive when criticizing or showing displeasure. Preserving individual dignity and saving face are paramount. It is important to let counterparts know when you are dissatisfied, but it must be done tactfully. Relay your dissatisfaction privately with the utmost discretion. Most Canadians would want to be treated this way as well. Remember that you are a guest in Indonesia and that you should make an effort to understand the culture you are working in.

### Time

One of the most talked about differences between Canadians and Indonesians is their concept of time. Canadians view time as a commodity that can be saved, spent or lost. They have a linear concept of time. Time is finite. It is precious and mustn't be wasted.

### Communication ♦ ♦ ♦

Communicating effectively will be your greatest and most important challenge. Most Canadians on short missions have insufficient time to learn *Bahasa Indonesia*. Any attempt to learn the language, however brief, will be extremely useful and greatly appreciated. Many of your Indonesian counterparts will speak English relatively well, especially if they have

The Indonesian concept of time is cyclical. The country's tropical climate, its largely rural population, and its transportation and communication problems contribute to this contrasting view of time. Expressing frustration and anger at what some would perceive as a slow pace of events will hinder good relations. A patient and flexible approach may ease your frustrations. It is important for you to be on time because most Indonesians you work with know that punctuality is important.

Indonesians dislike to be hurried. While your Canadian office may be anxious to see results quickly, being too pushy in negotiating an agreement may result in no agreement at all. Indonesians don't respond well to a hard-sell approach. Take things slowly; be prepared to wait. Remember that Indonesians are usually dealing with English as second language.

had a good education. Low-level staff and minor officials may be weak in English. Often people will say they understand when they don't. They won't tell you they don't understand because they don't want to offend you. While this tendency may frequently frustrate you, you need to understand that it is not intended to displease or mislead you.



When speaking to people who are not fluent in English, speak at a slower pace than you would normally, and avoid the use of jargon and slang. Showing interest in what your partner is trying to say and being patient will encourage your partner to communicate. Clarification and feedback help to establish mutual understanding in these situations.

Face-to-face interaction is the preferred mode of communicating in Indonesia. Phones and faxes are useful, but they should not replace person-to-person contact. You are unlikely to succeed without face-to-face communication.

Non-verbal communication can lead to misunderstanding across cultures. Westerners often use non-verbal gestures to augment their speech. In Indonesia, the non-verbal cues are not always easily read. Gestures can have different meanings, depending on the context. For instance, smiling can mean embarrassment or confusion, depending on the situation. You may also find that many Indonesians avoid eye contact. This should not be interpreted as a sign of dishonesty or reluctance. Indonesians consider eye contact impolite, especially when it involves young people communicating with elders and subordinates speaking to people of higher rank or status. Standing with your hands on your hips is another gesture that can be misinter-

preted. You may wish to communicate that you are relaxed, but Indonesians may perceive standing akimbo as a show of power or dominance.

Indonesians tend to hide negative emotions, such as anger and frustration. Withdrawal often signifies disagreement or resentment. Silence, which makes many Canadians uncomfortable, occurs frequently in the course of conversations and negotiations in Indonesia. Avoid frustration; when in doubt about your counterpart's non-verbal cues, don't hesitate to ask what he or she is thinking.

Indonesians prefer to communicate orally rather than in writing. Since less educated Indonesians have no training in written English, you may have to help your staff in developing their report-writing skills. Indonesians use the passive voice frequently when writing in English because of their tendency to be indirect. For the same reason, they often use several sentences to present an idea instead of one concise, straightforward sentence. Since some people shy away from lengthy documents, reports and manuals written in English, you should summarize and/or translate them to minimize misunderstanding.

Patience, understanding and clarification will help you communicate effectively with your Indonesian partners.

## **WORKING EFFECTIVELY WITH YOUR PARTNER**

### ***Who is Your Counterpart?***    ♦   ♦   ♦

Before coming to Indonesia, inquire about your potential counterparts and partners. The Canadian government and the Indonesian Embassy and consulates in Canada are good sources of information. It is very important that you know the right government

agencies and business people to deal with. It is also important to understand the culture and motivations behind the people you will be working with in Indonesia. Different counterparts require different strategies.

### ***Business***    ♦   ♦   ♦

Indonesia's economy has shown remarkable growth following the introduction of economic restructuring programs by the government. With economic restructuring, the government's goal was to establish a more diversified, competitive economy which was less dependent on oil. The programs have brought about significant changes in the business environment. These have resulted in steady economic growth and show potential for greater development.

The government recognizes the need for foreign investment and expects that it will bring not only an inflow of fresh capital, but also a transfer of technology and know-how and an understanding of how to sell products in world markets. In 1990 alone, the Government approved 432 new projects valued at US \$5.8 billion and 176 expansion projects valued at US \$2.9 billion.

If companies are interested in doing business in Indonesia, it is important that they first undertake a study, exchange opinions with business friends, listen to managers of factories already operating in Indonesia, check the investment measures and discuss their plans with government officials.

There are no uniform, generic types of business people in Indonesia. Indonesian business people come from many different backgrounds and cultures. Their attitudes toward foreigner partners vary. Canadians should be sensitive to the fact that foreign colonizers once controlled Indonesia's government and much of its commerce. Many companies still employ expatriate managers and advisors, although they are gradually replacing them with Indonesians. Indonesians in the upper levels of management are generally well educated and have international experience.

You are likely to meet your objectives if you go through the appropriate channels, respect hierarchies, and get to know your partners slowly. You will find it difficult to make appointments by telephone. The key to gaining access to people in decision-making positions is to have a good local agent who knows the right people and who can arrange meetings for you. There are often many people along the way who are there to weed out undesirable projects and proposals. You will have to convince them that you and your project proposal are worthy before getting to the decision-makers. People are there to protect the decision makers so that they can focus on what is important and not be bothered with unnecessary business.

Westerners are often surprised by the large number of people that Indonesian firms employ. Sometimes two or three people do what one person would do in Canada. Creating employment is an important aspect of business in Indonesia. Firms can

afford to hire many people because they pay low wages and salaries, compared with businesses in the West. (The minimum regional wage in 1994 was the equivalent of about Cdn \$3.00 per day.) Indonesians also like to work together, sharing the burden among many.

Do your homework before embarking on a new venture. Several of the largest firms in Indonesia are state-owned. Similar to crown corporations in Canada, they fall under the stewardship of their respective ministry. For example, Pertamina, the national oil company, is controlled by the Department of Mines and Energy. When conducting business with most state-owned companies, you will have to deal with company and ministry officials alike. There are several types of private companies, depending on the nature of their business. Officials in the Trade Section of the Canadian Embassy can provide you with detailed information on the business sector in Indonesia.

### ***Central Government*** ♦ ♦ ♦

The Government of Indonesia (GOI) consists of many departments and institutions. Most business people and development workers deal with officials at the ministerial level or lower.

The GOI is very much involved in planning the country's economy. Since the installation of President Soeharto's New Order Government in 1967, Indonesia has completed five, five-year development plans, known as

Repelita I through V. Repelita VI, the current five-year plan, emphasizes continued national development, rationalization of the state apparatus, the acculturation of *Pancasila*, the pursuit of an independent foreign policy and free elections in 1997. The National Planning Agency, BAPPENAS, is responsible for drafting and implementing economic planning in cooperation with ministries, state agencies and companies.

Business and government are run by consensus. The Coordinating Ministry for Economy, Finance and Industrial Affairs (EKUIN) is important to those who are targeting the state sector for business or development projects. The Agency for the Assessment and Application of Technology (BPPT) is the key agency for technology transfer. The Indonesian Investment Coordinating Board (BKPM) coordinates and promotes private sector investment from outside sources. The National Agency for Export Development (NAFED) assists Indonesian exporters and foreign buyers.

It is important to identify the most appropriate ministry or agency and its key officials before you begin dealing with the government. In Canada, you can line up meetings with key people in government ministries and agencies by telephone. In Indonesia, access can be difficult, especially if you are unknown and don't have good

contacts to guide you through the bureaucracy. The more senior the official, the more difficult it is to meet with him or her. It helps to have letters of introduction and an intermediary to assist you. You cannot get information or arrange meetings by telephone, as easily as you can in Canada. Foreigners often complain that they don't understand the rules and regulations governing business in Indonesia. Rather than frustrate yourself in an attempt to find your way through the red tape, it is better to hire a knowledgeable agent. Many Indonesians use them, too.

As a rule of thumb, the first visit should be with the top person, particularly after relations have been established. This contact is a matter of courtesy and necessity. Ultimately, all decisions will find their way to the top person's office. He or she needs to know you and your local representative.

Many of the central government officials you meet will be well educated, able to communicate effectively in English and experienced with foreigners. They will be wary of extractive schemes that offer little or no benefits, such as employment and export opportunities, to Indonesians. If you have a worthy proposal, emphasize its benefits to the Indonesian society. It will probably assist your chances of getting your project approved.

### **Local Government** ♦ ♦ ♦

Local governments are modeled after the central government. Headed by a Governor, each region is divided into districts and sub-districts. At the district and village levels, it is unlikely that you will be dealing with officials who have been educated in the West and who speak English well. Unless you speak the local language, it is essential to have an intermediary with you. An intermediary who is acquainted with the local officials and the system will enable you to proceed quickly and with less hassle and

frustration than if you go it alone. You must respect the local hierarchy, whether it is the village head man or a regional or municipal official. It is most likely that you will be dealing with officials at the regional or municipal levels. You will need extra time and patience because they may not be familiar with the requirements of international development agencies or foreign businesses. Your work at this level will, however, be interesting, educational and rewarding for both sides.

### **Academics and Consultants** ♦ ♦ ♦

Most of the academics and consultants you meet will be graduates of overseas universities and familiar with western ways of doing business. Most will have experience working for foreigners. They can be helpful intermediaries for Canadians wanting to form partnerships with Indonesian business firms or government agencies. As a group, they are well connected and wield considerable influence. Though they will be acquainted with your way of doing things, you should show them courtesy and respect by adapting to their culture and environment. The cultural gap will be wider with their staff, most of whom will have been educated locally.

There is a distinct culture associated with universities and their academic staff. Generally more independent than other groups, academics are also more likely to provide commentary, analysis and suggestions on the current affairs. Even though universities tend to be less hierarchical than other institutions, academics place high value on seniority. Lectures are the dominant instructional method in Indonesian universities, although more participatory methods are beginning to be introduced in the classroom. Relationships between students and lecturers tend to be more formal than in Canada.

Some academics and consultants have superiors to report to and have a great deal of work to do in addition to working with you. You should learn as

much as you can about the hierarchies they work within in order to better appreciate the frustrations and delays that may occur.

### ***Non-Governmental Organizations (NGOs)*** ◆ ◆ ◆

The NGO sector, which generally plays a positive role in the development of Indonesia, is growing. NGOs often respond to local, micro-needs and social issues. It is often said that NGOs offer a more independent, if not critical, perception of social reality than governments, because they are closer to the grassroots. But NGOs can be bureaucratic and politically oriented, too. NGO organizational culture can be like government, despite NGOs' efforts to distance themselves from government. In order to form effective partnerships, Canadians must be familiar with each organization's hierarchy and channels of communication. Since NGOs tend

to be territorial, it is important to know where they focus their activities, their key players and their roles.

Many NGOs have experience working with foreigners because much of their funding comes from foreign sources. Some may, however, be unacquainted with the way western businesses and institutions operate.

Most Canadians who are in partnerships with Indonesian NGOs work at the grassroots level or in administrative capacities. Since they will be expected to integrate fully, they should have a good grasp of *Bahasa Indonesia*. Otherwise, an interpreter is essential.

### ***Your Partner's Point of View*** ◆ ◆ ◆

How will your Indonesian partner perceive you? First, you will be treated as a guest and should behave as one. Follow the dictum, "When in Rome, do as the Romans."

Your partners will think of you as a well-educated expert, especially if you bring new technology or innovative methods to Indonesia. They may expect you to transfer your knowledge and skills to your Indonesian counter-

parts. Your counterparts will be anxious to learn, but they will react negatively if you are patronizing or have an attitude of superiority. Please remember that Indonesians have considerable knowledge, experience and expertise. Knowledge and skill transfer should be a two-way exchange. Seek input from your partners on the practical application of your methods and technologies in order to adapt them to local circumstances.

Failure to do this would give Indonesians the impression that you are patronizing or worse, that you underestimate their knowledge and skills.

Indonesians who have never traveled abroad may have misconceptions about Canadians and other westerners. Indonesians gain most of their knowledge of western cultures from the media. Western movies often portray westerners as having few morals and uninhibited life styles. Although most westerners are not like this, it is, unfortunately, the perception many Indonesians have of them. Aside

from being a business person, you are a cultural ambassador when you travel to a foreign country, and should act accordingly.

Unaware of Canadian taxation levels and the high cost of living in Canada, most Indonesians will assume that you are rich. You will eventually become aware of the disparity between expatriate and Indonesian levels of remuneration. To counter misconceptions, try to understand the basis of Indonesians' perceptions, and communicate your views politely. Sharing insights on each other's cultures will lead to mutual understanding and respect.

### ***Suggested Approaches***

Canadians will run into difficulties in Indonesia if they rely on western ways of doing business.

In Canada, business partners usually have similar agendas and goals. Business people in Canada often travel for short periods, making full use of their time by conducting several meetings each day. They do most of their planning and preparation by phone, facsimile and e-mail. In meetings, Canadian partners generally like to get down to business after a few preliminaries. They like to keep to a set agenda and time table.

Canadians like to deal in quantitative terms and often rely on hard data to



guide their decision making. Canadian business people often consult lawyers on business matters and are accustomed to binding contracts. They often review the minutes of meetings before finalizing agreements.

Canadians must be realistic when planning business trips to Indonesia. If it is your first trip and you have few contacts, you will need extra time to establish contacts and arrange meetings. Don't attempt to see ten people in two days. The traffic jams of Jakarta will cause delays. Travel to other parts of Indonesia can be slow, especially by car. Allow plenty of leeway so that meetings can be arranged and rearranged if necessary.

Although you can make some preliminary contacts by telephone and fax before leaving Canada, you need to do most of your business face to face when you get there. Personal interaction is crucial.

You and your Indonesian partner's goals and agendas may be different. Indonesians will want to get to know you on a personal level before discussing business issues. They often make this a higher priority than the immediate business at hand, because they will be dealing with you for a long time. Accept this process and let the Indonesian counterpart decide when to begin talking business. When discussing business matters, be flexible about timing and agenda items.

Indonesian business people use lawyers infrequently. While they consider formal contracts important, they don't make them the focus of their business deliberations. Business is conducted person to person. Lawyers and paperwork are looked after on the sidelines, not at the centre.

How can one satisfy the home office and, at the same time, do business the Indonesian way? Your superiors should be aware of the constraints and differences that you will encounter in Indonesia. Plan your trip and set realistic goals. Lofty, unrealistic goals

will frustrate you and your superiors and will discourage you from returning to do more business in the future. Being prepared and informed about Indonesia and its culture is a step in the right direction if your business relations are to be successful.

When forming partnerships with an Indonesian organization, it is important to focus on each partner's complementary strengths. For example, the Canadian competencies could be focused on marketing and personnel. Defining roles and responsibilities in a partnership agreement increases the opportunity of developing a win-win relationship.

The western business style applauds initiative and participation. It is important to foster these attributes in your Indonesian partner. There is a danger in that Canadians may misinterpret the Indonesian preference for indirect communication as a sign of weak leadership, and assume the leadership role themselves. Canadians should try to foster supportive relationships and, where necessary, guide their Indonesian partners in order to strengthen the partnership.

Discussing money is one of the most sensitive issues with Indonesians. Whether one is a boardroom dealer or a market vendor, price is always negotiable in the Indonesian business



culture. Rarely will one reach an agreement without negotiating. Build flexibility into your pricing arrangements and establish a reasonable price range. Be prepared for negotiations over money to take some time.

When negotiating a business arrangement with an Indonesian firm, listen actively. Far too often, westerners fail to listen carefully, formulating their next response rather than digesting what was said verbally and non-verbally. Negotiating in Indonesia requires an understanding of the dominant local norms and methods of reaching agreement. Successful negotiations are devoid of pressure tactics and confrontation. Canadians should remember that when their Indonesian partners says "yes" it does not necessarily mean that they agree or that they have committed themselves. At best, it suggests "I understand." Saying "no" directly is considered crude. The phrase, "Yes, but..." indicates that there is resistance to the proposal. Read the body language and what is said between the lines. Listening carefully will help you bridge the cultural gaps.

Remember that Indonesian decision making is a two-sided, fluid process. On the one hand, deliberations are clarified and gain support as they move toward the person who is the final authority. On the other hand,

decisions require consensus, which usually takes time. Quick decisions are uncommon although not impossible to secure.

As Indonesian weather is very hot and humid, people dress lightly. Generally, men wear suits only on formal occasions, although some businessmen may wear them daily. Government officials usually wear safari suits, while most local government officials have uniforms. People dress more casually on university campuses. However, keep in mind that casual means long pants, shirts and shoes, not shorts and sandals. NGO employees also dress casually for work.

On formal occasions, men often wear long-sleeved batik shirts. (In 1994, the heads of state at the APEC meeting in Bogor were uniformly dressed in batik shirts.) Although suits can be worn on formal occasions, make sure that yours is not too warm. Long-sleeved shirts and ties are also appropriate on formal occasions. Women are advised to wear skirts and sleeved blouses or dresses. Mini-skirts may be inappropriate, depending where they are worn. Some areas are more conservative than others.

Although there are anti-smoking regulations in many buildings, you may find some people who smoke while working. This is particularly

true in local government offices, most of which have no air conditioning. The aroma of clove cigarette smoke is strong, especially at bus and train stations, markets and airport arrival lobbies.

Canadians may find Indonesians much less aware of public safety measures than most Canadians. For example, few Indonesians use seat belts in cars and safety helmets on motor cycles. Several years ago, the government initiated a campaign designed to

increase public awareness of safety in the streets and in the workplace. Nowadays, more people are conscious of safety and are taking measures to avoid injury.

Take advantage of your Indonesian partners' experience with Indonesian markets, regulations, banking and so on. They can guide you and give you insights, just as you would for them in Canada. Sharing experiences and insights will enhance the partnership and build trust and acceptance.

### **CONCLUSION**

Venturing to Indonesia to do business is a big step for many Canadian individuals and companies. It requires them to take risks, to move beyond their comfort zones, and to attempt to operate in an unknown environment. The challenges and outcomes are rewarding for many. But the rewards may be elusive unless Canadians understand their own cultural conventions and relate them to the cultural norms and values of their Indonesian partners.

Business and culture are inseparable. If you are to succeed in Indonesia, you must understand this interrelationship. Before embarking, it is worthwhile to think about dominant Canadian cultural traits. If you understand how culture underlies your work relationships in Canada, you can better appreciate how a different culture will affect your partnerships in Indonesia.

Before departing, consult with other Canadians who have been successful in Indonesia's business, government and NGO sectors. Your experience will be unique, but there will be similarities with others, too. Indonesians living in Canada are an excellent source of information, and may have invaluable cross-cultural knowledge. Be forewarned, however, that some

Canadians and Indonesians are ethnocentric and prone to stereotyping.

Please be reminded that Indonesian cultures and languages are diverse. There is no ready formula for establishing effective partnerships that applies everywhere in Indonesia. Do's and don'ts are helpful, but the reality differs from one set of circumstances to another. What to do and how to react will depend greatly on your partner's background. This handbook has provided you with some general cultural values of Indonesian people. Use this information to ground you, and learn as much as possible about your partners along the way.

Regardless of your expertise and your credentials, your success in Indonesia will depend on your attitude. Keeping an open mind and looking at situations without being judgmental will aid you in having a positive experience in Indonesia. While you cannot divorce yourself from your own cultural values and norms, you can help bridge many cultural gaps in Indonesia by removing some of the layers of colour that give you a Canadian view. Empathy, patience and tolerance will help you become understanding of Indonesians, and lead you to mutually supportive, long-lasting partnerships.

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