The Dominant 'Local-Content' Dimensions of MNC's Organizational Culture in Indonesia (A Case Study of Japanese MNC Heavy Equipment Industry at Jababeka Industrial Estate-Indonesia)

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Abstract: As a matter of fact, Multinational Companies (MNCs) are becoming imperative elements of today's daily businesses and economic activities throughout the world including Indonesia. There are numerous MNCs in Indonesia and they have difficulties developing a substantial organizational culture due to the cultural differences, especially in accommodating 'local-content' dimensions. Intended for this necessity, this research is designed to identify MNC's 'local-content' dimensions for developing substansial organizational culture. The research was carried out from June 2013 until August 2015 involved 18 informants, in production section of Japanese heavy equipment MNC in Jababeka, Cikarang Indonesia. All the data gathered were analyzed by constant comparison analysis and followed by classical content analysis. The process of analysis also applied the software of nvivo 10. The result shows that the important 'local-content' dimensions are, Bahasa Indonesia, comfortable, reward and innovation. By implementing these dimensions, MNCs in Indonesia will have a better chance to develop a substantial and inclusive organizational culture in accommodating the cultural differences.

Key words: MNC organizational culture, dimensions, 'local-content', cultural differences, business

INTRODUCTION

As a matter of fact, Multinational Companies (MNCs) are becoming imperative elements of today's daily businesses and economic activities throughout the world. It is stated that there are at least 82.000 MNCs all over the world having power over 810,000 foreign affiliates making use of >80,000,000 people outside their home bases. Indeed, this observable facts also take place in Indonesia.

There are copious industrial estates in Indonesia and as indicated by central Bureau of statistics (Badan Pusat Statistik-BPS) of Indonesia, West Java is not only the largest province which has industrial estates but it also takes the lead in terms of contribution to Gross Domestic Products (GDP). Including the special administration DKI for the capital city of Jakarta, West Java has become an industrial hub and growth centre, comprising 25% of GDP and 30% of all foreign and domestic investment. As a consequence of this progress, it can be witnessed the following facts was obtained from Industrial Estate Association of Indonesia as follows.

As can be seen in Table 1 not only the augmentation of the number of industrial estates but also a significant expansion of the number of employees are

Table 1: Industrial estate statistics 2003-2009 in Indonesia

Province	IE 03	W 09	IE 09	W 09
DKI Jakarta	3	172.268	3	210.000
Banten	10	16.669	14	90.000
West Java	25	229.767	26	620.000
Central Java	7	32.525	7	215.000
East Java	8	77.603	8	125.000
Riau	18	79.191	22	88.500
North Sumatera	3	18.022	3	60.000
West Sumatera	1	222	1	1.000
South Sulawesi	1	5.947	1	19.000
North Sulawesi	0	0	1	n/a
Central Sulawesi	0	0	1	n/a
East Kalimantan	1	810	1	700
Total	77	633,004	88	1,429,200

Legend: IE = Industrial Estate; W: Work force; Industrial estate association of Indonesia

involved in industrial estate in Indonesia. From the year of 2003 until 2009 there was more than doubled of the employees. Besides, as a consequence of the establishment of industrial estate, in which also invites foreign investment there are also a big number of expatriates. The report of Bank Indonesia's Survei Nasional Tenaga Kerja Asing Indonesia 2009, shows that there were 46,876 expatriates in Indonesia and 82% of them were stationed in DKI Jakarta, Banten, West Java, Central Java and East Java. Meanwhile, rooted in the

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report of the Ministry of Workforce and Transmigration, research permit for these expatriates issued in the year of 2012 were 57,826 and 31,073 out of that were issued at the field of industry. Therefore, it can be known that the number of expatriates tend to increase in line with the development of industry and/or industrial estate though Indonesian government has the will to limit the number of expatriate in connection with the expansion of Indonesian working opportunity after the process of knowledge transfer.

One of the areas in West Java Province that has industrial estate is Cikarang, Bekasi. It has several industrial estates such as Jababeka, Lippo Cikarang and MM2100. Jababeka claims that at the year of 2012 they have >1,500 companies >767,000 employees involved and have multinational companies that is originating from around 30 countries such as the United States of America, England, France, Germany, Australia, Japan, China and South Korea.

From the information above, it can be easily understood that this area has a quite big number of expatriates and to a certain extent, the existence of foreign companies and expatriates has given and will offer advantages to this area and of course to Indonesia in general but at the same time, the differences between the expatriates and the local employees have caused and will cause problems, due to the differences of cultures, habits, values, etc.

MATERIALS AND METHODS

Organizational culture: It was stated in the study of Willcoxson and Millett (2000) an organizational culture may commonly be described as a set of norms, beliefs, principles and ways of behaving (Brown, 1995). Resembling national cultures organizational cultures are also formed and transformed eventually, certainly in a much more lenient form. Naturally, an organization will respond to the changes of business environment. The changes include mainly the high level of competitive environment much more sophisticated customer requirements, simultaneously with the more extensive community values held by the employees and also the values and behavior of the founders or formerly leaders (Schein, 1999, 1985; Ott, 1989).

On the other hand, based on anthropological attitude perspective, scholars and researchers pointed out that organizations are cultures (Bate, 1994) illustrating what an organization is (Smircich, 1983). Thus, like national cultures, an organization covers: a pattern of shared fundamental assumptions, invented, discovered or

developed by a particular given group as it learns to deal with its problems of external adaptation and internal integration that has worked well enough to be considered valid and therefore is to be taught to new comers of the group as the appropriate way to perceive, think and feel in relation to those problems (Schein, 1999).

As per being discussed above, MNC will consist of people who come from various places and/or countries. Indeed, in connection with the effort to accommodate different culture there is a requirement to be familiar with home-grown (or 'local-content') aspecst and one of the aspects is indigenous psychology.

Indigenous psychology: At the year of 1879, Wilhelm Wundt developed a psychology laboratory in Leipzig and this moment can be considered as the notorious role in establishing psychology as an independent discipline. It did not take a long time for psychology to succesfully grow (Kim and Park, 2006).

However, there were also arguments or critiques from scholars in correlation with the universality of the theory. Some scholars who have studied psychology in the United States of America (USA) or European countries had difficulties implementing their knowledge in their own 'non-Western' hometown. The most voluble critique of general psychology comes from scholars or psychologists who have been trained in western countries and returned to their native country. Existing psychological theories cannot be regarded as universal, since they have disregarded the quality to understand, predict and control their environment.

Bandura (1999) pointed out that it is ironic if a science of human functioning should ban people for their uniqueness especially in their power to shape their environment and their own destiny. Bandura also asserted that the human mind is not just reactive but generative, creative, proactive and self-reflective.

In response to that there is a model that accommodate the human skills that they develop, the belief that their behavior may contribute to the outcome and the outcome will shape their action, so called transaction model. Therefore, human behavior can be explained in terms of the goals they set for themselves (Bandura, 1999).

People are active agents, motivated to have power over their lives and to attain desirable goals and avoid undesirable consequences. That is why some scholars initiated to develop so called Indigenous Psychology (Kim and Berry, 1993) to accommodate the 'local-content' as part of their environment.

Table 2: Research protocol

Variable/Factor	Code	Central question	Reference
Org. culture			
Bureaucratic	OC 1	As an employee. do you feel at ease when you think that you have to say or ask something in the meeting. and why?	Wallach (1983)
Supportive	OC 2	Does the organization climate support you to actively participate in a meeting. and why?	Wallach (1983), Grey *et al.* (2003)
Values	OC 3	Are values respected within organization and why?	Deal. Kennedy
Innovation	OC 4	Are innovation praised within organization and how?	Gray *et al.* (2003)
competitiveness	OC 5	Does the organization climate support you to perform well and how?	Gray *et al.* (2003)
Stability	OC 6	Does the organization climate support stability and how?	Gray *et al.* (2003)
Emphasis on reward	OC 7	Are good performances praised within organization and how?	Gray *et al.* (2003)
Social responsibility	OC 8	Is social responsibility part of the discussion and how?	Gray *et al.* (2003), Tumbas and Schmiedel (2013)

Problem identified: Coordination is one of the prominent factors necessary in every single organization, especially in MNC. Since industrial estate will invite expatriates, coordination process may face difficulties. A survey that was held by the researcher, started from December, 2012 until February, 2013 at 10 different MNCs in Jababeka Industrial Estate, Bekasi, Indonesia showed that the different cultures and origins contribute significantly to the difficulties in building the culture within the organization.

Research question and objective: In accordance with the stated problem identified above, the research question will be: 'What are the 'local-content' dimensions that contribute to the MNC organizational culture in Indonesia?'. Therefore, in line with the research question above, the research objective will be: 'to identify the 'local-content' dimensions that contribute to the MNC organizational culture in Indonesia'.

Benefit of the research: By means of identifying the dominant 'local-content' dimensions of MNC's organizational culture in Indonesia, the management may have clues to set up comprehensive strategic plan until operational plan, concerning the 'local'content' dimensions. In terms of the number indeed the number of expatriates are much smaller than local employees. The culture of the home country of the investors (usually, dominant number of expatriates are coming from this country) will be unconsciously brought and contradicted with the host country culture. By recognizing and implementing these 'local-content' dimensions properly, it will be expected at the end of the process the 'hybrid' organizational culture can be naturally developed.

Focus and limit of the research: This particular research focused on one (unintentionally the only one) Japanese MNC heavy equipment industry in Jababeka

Industrial Estate, on production section. It can be known that each section within the organization has a different working stress level but for heavy equipment industry, production section is one of the top working stress level section within the organization. It becomes conscious that Indonesia has hundreds of tribes and local cultures. Nevertheless, in this particular research, the 'local-content' is considered as Indonesia as a whole.

Implementation of the research: This particular research applied interpretivism research paradigm inductive research methodology, case study research method and mainly participant observation research technique aided by in-depth interview and also a questionnaire as part of triangulation process. The research was carried out from June, 2013 until August, 2015 with 18 informants and since all the informants are Indonesians, all the interviews and also questionnaire have been constructed in Bahasa Indonesia. All the questions, observations, questionnaires were directed to the aspect of organizational culture, especially in the topic of how to create effective communication pattern within the organization, accommodating the 'local-content' and/or indigenous psychology. The research protocol that was used in this particular research can be seen as follows (Table 2) and all the data gathered were analyzed by constant comparison analysis and followed by classical content analysis. The process of analysis also applied the software of nvivo 10.

From the wordcount, chunks and code for each chunk resulted in >4 wordclouds. The filtering process started with wordcloud in which accommodated at least 3 (three) letters and then followed by another wordcloud with at least 4, 5 letters and the last one wordcloud with at least 6 letters. This process was aimed to filter words for instance personal pronoun, prefix, suffix, conjunction, etc. The wordcloud result with 5 and 6 letters can be seen as follows Fig. 1 and 2.

Fig. 1: Wordcloud result with at least 5 letters

Fig. 2: Wordcloud result with at least 6 letters

RESULTS AND DISCUSSION

Originated from the analysis process, in particular the wordcloud above, it can be seen clearly that the important factors or dimensions for this are as follows:

Bahasa: In this case, 'bahasa' means the Indonesian language. Therefore, to ensure the quality of communication and/or coordination, using the Indonesian Language is a very essential point. Indeed, it would be not easy for foreigners to speak the Indonesian language fluently but at least the usage of proper Indonesian words in daily conversation will be beneficial since Indonesian employees will consider that they are warmly welcomed and respected. Moreover, Indonesia has hundreds of tribes and local languages. The usage of proper local language words will benefit to strengthen the relationship and encourage better coordination. However, it has to be seriously taken into consideration since Bahasa Indonesia has a stratum. The exact same expression for older people and younger people will have extremely different words.

Nyaman: Means comfortable. Taken from the observation and field notes, especially for the employees in heavy equipment production section, 'informality' will decrease the stress, since the work places are fully occupied with

large noisy machines and high level of heat. Besides, based on observations there is a fact that Indonesian employees realize that they are coming from so called developing country whereas all expatriates (in this case) are coming from developed countries. In any case, this fact makes 'distance' and informality will take significant part in dealing with this problem. Creativity in developing proper 'informality' will also contribute to this as well as the implementation of the principle of psycholanguage, in which supporting the transmission of communication to have different way to express to different audience.

Reward: From the wordcloud above, it can be seen the word of 'penghargaan', 'dihargai', 'prestasi' are in formation to the essence of 'reward'. Therefore, comprehensibility of the reward and punishment within organization will boost the motivation of the employees.

Innovation: This expression is representing the word 'inovasi' and 'belajar'. This shows that Indonesian employees have a good sense of the effort to innovate and therefore this sense will boost employee's passion.

CONCLUSION

In sequence to answer the research question there are 4 'local-content' organizational culture dimensions for MNCs in Indonesia, namely: Bahasa, Comfortable, Reward and Innovation. by the proper use of these dimensions, it can be expected that the communication and coordination as part of MNC's organizational culture in Indonesia will more smoothly proceed.

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