

Parantara: The Javanese Way of Managing Business Relationships in Indonesia

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Abstract

- This paper investigates the influence of indigenous Indonesian management behaviours during international business negotiations in an Indonesian context, and the impact of these behaviours upon multinational corporations (MNC) in Indonesia.
- Through an inductive analysis of interviews with 55 Indonesian and non-Indonesian managers, this paper applies a postcolonial theoretical lens to identify indigenous Indonesian management behaviours, and to determine their influence upon MNCs in the Indonesian context.
- Two key findings emerge of the indigenous Indonesian management behaviours; the importance of the Parantara as a ‘third party agent’ that operates as a backchannel conduit for communication between parties, and the unique relationship building process in Indonesia, which moves from a task orientation to relationship building orientation.
- The findings demonstrate that MNC negotiations in Indonesia are influenced by the Javanese cultural protocols embedded in the indigenous Indonesian management behaviours. Subsequently, these culturally embedded behaviours may determine the success or failure of MNC negotiations in Indonesia.

Keywords: Indonesia, international business negotiations, Parantara, relationship building, indigenous management behaviours

Introduction

The emergence of Asia as an essential trading location within the global economy, and the corresponding decline in economic strength of the traditional western economies of North America and Europe, has resulted in a developing need to understand the indigenous management practices in Asian cultures. In particular, there is a lack of knowledge of the indigenous management behaviours common to the largest economy in South East Asia: Indonesia. Multinational Corporations (MNC's) are increasingly investing in Indonesia and there is a need to understand the contextual backgrounds of unique management cultures in these emerging economies if MNC's are to achieve successful investment outcomes (Cheng, Wang, & Huang, 2009). The established western management practices that have influenced MNC strategies in the past may not be transferrable to alternative cultural environments, particularly in the postcolonial Indonesia of the 21st Century (Tsui, 2004). Consequently, intercultural competence is critical to business success when operating in cultural contexts such as Indonesia (Bartel-Radic, 2006). Many large MNC's are now seeking alternative business models to the traditional US-centred management practices advocated prior to the global financial crisis (Cappelli, Singh, Singh, & Useem, 2010).

The search for alternative management practices has been lead by Welge and Holtbrugge (1999) who have called for an abandonment of universal models in favour of contextualised models of explanation, that identify the unique contextual environments that underpin the indigenous, non-western cultures of Asia. Sinkovics, Penz, and Ghauri (2008) also recognize the need for greater study of the culturally specific and contextually embedded questions such as those that confront indigenous management research. There are numerous opportunities for management research into countries such as Indonesia, where there has been a growth in economic development and increasing importance to the global economy (Tsui, 2004), and yet there is limited research in the area. Postcolonial Indonesian business culture is largely informed by the cultural history of the Javanese empire, the Dutch colonial period, and by the religions and trade that have engaged with the political and business elite in the archipelago over the past two millennia.

International managers looking to invest in Indonesia need to have an awareness of the national cultural profile of Indonesian managers, and additionally be sentient of the different ethnic and regional differences of these managers (Adler, Graham, & Gherke, 1988). Culture related factors will often influence international business relationships (Shi & Wright, 2003), and can be potential points of conflict during any international business relationship. These factors all converge to build indigenous management styles and behaviours. Research into indigenous management behaviours increases knowledge, awareness, and cultural competencies, consequently enhancing the likelihood of successful international business negotiation outcomes (Gray, 2008). Although previous studies have investigated management behaviours in East Asian cultures, there is a shortage of literature that investigates the unique indigenous management behaviours of the largest economy in the region; Indonesia (Gray, 2010). Exploration of the strategic behaviours of Indonesian managers provides the knowledge required to develop awareness, increase knowledge and promote understanding of Indonesian management styles and behaviours in this emerging economy.

This study therefore seeks to address the significant gap in the extant literature on indigenous Indonesian relationship behaviours, and more specifically the Javanese management behaviours that heavily influence business investment in the central Indonesian island of Java. Exploratory in nature this study seeks to: firstly, identify if there is a distinct and definable Indonesian management style during international business relationships; secondly, to explore how the relationship building process operates; and thirdly, to consider the implications for practitioners. These aims have been achieved through the application of three research questions:

Research Question 1: What are the Indigenous management behaviours used by Indonesian managers during international business negotiations?

Research Question 2: How do Indigenous management behaviours affect MNC negotiations in Indonesia?

Research Question 3: How does relationship building affect the achievement of successful negotiation outcomes in the Indonesian environmental context?

The research questions set out to determine the indigenous management styles, strategies and behaviours as they relate to international business negotiations in the Indonesian context.

The first section of this paper has discussed the foundation literature and introduced the research questions. In the second section, the Javanese cultural influence upon Indonesia will be introduced to provide historical context. An understanding of the historical context that underpins the current economic and business environment in Indonesia is critical in a complex cultural environment such as Indonesia. As such this study of indigenous management practices in Indonesia is informed by postcolonial theory, which allows the researcher to uncover meanings embedded in the cultural traditions in the years since achieving political independence from the Netherlands in the late 1940's. Postcolonial theory and its application as a useful lens from which to analyse indigenous management behaviours in Indonesia is explored and discussed in the third section. The methodology section describes the design of the semi-structured interview schedule and subsequent thematic analysis of the transcripts of the 55 key informants. The final sections describe the key findings of the Indonesian indigenous management behaviours and their effect upon international business negotiations, before a discussion of the implications for managers and future research.

Providing Context for International Business Negotiations

International business negotiations involve participants from two or more different countries, and engaged in business-to-business transactions (Phatak & Habib, 1996). As a consequence, the influence of national and sub-national culture upon the negotiation can become important (Hofstede, 2001). Negotiators are influenced by their cultural background, and knowledge of the indigenous management and negotiation styles are arguably more important than an awareness of culture. In the

past 30 years there has been a variety of research into the negotiation styles of international managers from many of the major and emerging economies in Asia; including China, Japan, India, Korea, and Thailand, which has benefited MNC investments in the Asian region (Christie, Kwon, Stoeberl, & Baumhart, 2003, Ghauri & Fang, 2001, Graham, 1983, Hendon, 2001). Extant research on East Asian negotiating styles suggest that understanding the scripts and behaviours of indigenous managers will have a positive influence upon the negotiation outcomes (Graham, 1993). Although there have been a number of studies investigating negotiation behaviour in North East Asia, there is a shortage of literature on South East Asia, and specifically Indonesia.

There is a danger that Indonesian negotiation behaviours could be viewed as similar to those of the Chinese and Japanese. Chinese negotiation styles are often assumed to be dominant in many parts of South East Asia, due to the various Chinese Diaspora communities that operate many of the businesses (Hofstede, 2001). The corresponding view is that nations in South East Asia, and Indonesia in particular, are influenced more greatly from a South Asian heritage that is exhibited through the religious traditions and histories of Hinduism, Buddhism and Islam (House, Hanges, Javidan, Dorfman, & Gupta, 2004). These are simplistic views and do not account for the many cultural, religious and geographical differences between North Asia, South and South East Asia, nor the emerging business communities from the 'local' and dominantly Javanese population. Heuer and Cummings (1999) study indicates that as the Indonesian economy has developed, it has started to adopt more 'westernised' management behaviours, which may be a result of the increasing number of western educated Indonesian managers. However, other cultural management studies, such as the IBM study (Hofstede, 2001) and GLOBE (House, Hanges, Javidan, Dorfman, & Gupta, 2004), have found Indonesian cultural orientations to be different from western cultures. There is a significant gap in the literature with regard to studies that focus upon Indonesian business negotiation styles, and it is that gap which is addressed in this study.

Exploring the Javanese Cultural Influence

Indonesian government and business is largely influenced by its cultural heritage and in particular by the pre-Islamic traditions of the Hindu-Buddhist kingdoms of Central Java. The Javanese empire emerged from central Java in the 8th Century near present day Yogyakarta (Seekins, 1993). The pre-colonial Javanese kingdom spread throughout the Indonesian archipelago and absorbed many of the Hindu States that had developed in the previous centuries (Dove, 1985). Eventually the Majapahit kingdom developed a sphere of influence that included parts of Sumatra, the Malay Peninsula, southern Thailand, and the southern Philippines. This kingdom was principally a Hindu-Buddhist kingdom built upon an agricultural economy, and was the dominant political power of the Indonesian archipelago prior to the emergence of the Muslim kingdoms that spread to Central Java in the 16th Century (Dove, 1985). The influence of this Javanese cultural heritage evolved to incorporate the cultural and religious traditions, which regard power as patrimonial, hierarchical, and fixed. This hierarchical and patrimonial power system encouraged rulers to dispense favours in order to validate the kingdom or government (Robertson-Snape, 1999). Political power within the Javanese court was based upon interdependence between subordinate and superiors, which created a network of power built upon personal relationships (Nagtegaal, 1996). Indonesian culture has been largely influenced and shaped by Javanese culture, in part due to the patronage of the Dutch colonialists who adopted the hierarchies and political structures already in place at the time of European arrival in Indonesia.

In the years that followed the Dutch-colonial period, Indonesia has turned back to the traditions of the pre-colonial Indonesia. The Javanese heritage in the pre-colonial period in Indonesia has subsequently re-emerged as a powerful influence upon multiple levels of Indonesian society. This influence and cultural importance has been maintained by the political elite of postcolonial Indonesia, with many of the major political, military and business leaders coming from established Central Javanese families (Robertson-Snape, 1999). The power and influence held by these Javanese families has resulted in MNC ventures in Indonesia adhering to the rules of engagement prescribed by Javanese cultural norms in order to succeed. This study

therefore seeks to identify these indigenous management behaviours that inform decision making in the business negotiation environment in Indonesia, and understand how the Javanese cultural traditions of the past are reflected in Indonesia in the 21st century.

Applying a Postcolonial Theoretical Lens

Postcolonial theory emerged from the political and social sciences and relatively recently has entered the business academe. It is established around the historical context of the transfer of power from the colonial rulers to the colonised people (Childs & Williams, 1997). The colonial tradition seeks a universal approach to explanation, which is at odds with the cultural minorities of the postcolonial world. These cultural minorities view universalism as an inadequate reflection of the cultural traditions that inform their unique perspectives (McLennan, 2003). Western imperialism reflects the western tradition built upon the intellectual, cultural and institutional structures that influence the globalised world in the 21st Century (Kapoor, 2002, Kumar, 2000, Mukherjee, 1991). This perspective pervades the academic tradition and consequently informs our understanding of the behaviours and actions of people from cultures outside of the western cultural tradition. Western orientated management research and findings are widespread, often applied to the detriment of emerging non-western ideals (Jack & Westwood, 2006). Postcolonial theory therefore provides a useful lens through which to undertake research into indigenous management behaviours in a non-western environmental context, while breaking down the ethnocentric essentialism that pervades western academic theory (McLennan, 2003). Postcolonial theory allows the researcher to discover and rediscover the indigenous theories, histories and practices that inform today's indigenous management practices in the postcolonial world (Childs & Williams, 1997).

Through use of a postcolonial lens the researcher can deconstruct meanings embedded in the phenomena through an understanding of the cultural contexts that form the

basis of behaviour (Hickling-Hudson, 1998). Indeed the researcher can identify and differentiate the identities and influences of the coloniser and the colonised in a particular environmental context, such as management behaviours (Childs & Williams, 1997, Schueller, 2003). Postcolonial theory therefore allows the interpretation of actions, behaviours and events through a non-western lens. The researcher can consequently take a fresh perspective of the eastern phenomena, unencumbered by colonial or "western "ideology (Kapoor, 2002, Mukherjee, 1991), while offering theoretical insights into the Eurocentric and western perspectives that dominate the business literature (Carter, 2004).

The cultural traditions of the Javanese empire, and its subsequent re-emergence in 21st century Indonesia, provide a compelling rationale for applying Postcolonial theory to this study. The historical context of the Dutch colonial period and pre-colonial Javanese period provide contrasting traditions that can be identified in the modern behaviours of Indonesian business people. It is through the Postcolonial lens that we can appreciate the cultural heritage of these behaviours, and seek to identify the unique indigenous management practices that inform business engagements in Indonesia. Additionally, the application of a postcolonial lens allows the researcher to observe and analyse the influence of the Javanese cultural traditions upon indigenous management behaviours and explore the impact and influence of these practices upon MNC negotiations in Indonesia.

Methodology

This exploratory study has been undertaken using an inductive methodological perspective, which Yin (2003) suggests is particularly useful in the investigation of an unknown phenomenon. Most research in the area of international business negotiation has utilised qualitative elements in the research design (Agndal, 2007), with studies incorporating interviews (Osman-Gani & Joo-Senq, 2002). Qualitative methods have for a long time been employed in business and management research, particularly when the study has sought to provide insights into the reasons behind particular phenomena (Cassell, Symon, Buehring, & Johnson, 2006). The qualitative approach

employed by this study is advocated by Ghauri and Grønhaug (2005), who suggest exploratory research is best undertaken in a less structured manner; observing, analysing experiences and developing explanations. There are many advantages to qualitative methodologies being employed in the field of international business, and particularly when the phenomena in question are embedded in a cross-cultural context. Qualitative methods allow the researcher to develop a greater understanding of phenomena through not imposing potentially ethnocentric and culturally based assumptions on the data collection method or instrument (Goodyear, 1982, Osland & Osland, 2001). In some culturally specific cases there is often the need to engage in face to face communication in order to develop trust, and subsequently gain the active and data rich cooperation of a key informant (Marschan-Piekkari & Welsch, 2004). This is particularly the case when key informants are members of powerful elites, and there is a perceived need to build credibility and trust with the informant before they will be open and honest in their engagement with the researcher (Wai-chung Yeung 2004). Noorderhaven (2004) confirms these assertions by describing how in-depth interviews are particularly useful when the researcher wishes to gain insights into the behaviours of key decision makers in culturally divergent environments. In-depth interviews were used to ensure there was a richness in the data collected, allowing the informants to discuss topics of particular relevance to their experiences, unconstrained by restrictive alternatives (Ghauri & Gronhaug, 2005).

Exploration of Indonesian management behaviours was conducted through primary and secondary data sources, in a structured approach to data collection. Primary data was attained through in-depth interviews of key informants with lived in experience of Indonesian management behaviours. Experienced negotiators were contacted through a non-probability approach using both a targeted 'snowballing' or network chain referral sampling method (Neuman, 2006), and purposive sampling method (Glesne, 1999). Purposive sampling is to purposefully select individuals that will best suit the particular research question (Creswell, 2003); in this case Indonesian managers, or international managers with business experience in Indonesia. The targeted 'snowballing' method was conducted via referral from a series of professional contacts within the international business community. Management behaviours were explored through conducting 55, hour-long semi-structured in-depth interviews.

Informants were sought from a variety of industrial backgrounds, as well as from the senior management positions within organisations experienced in the Indonesian market, so as to reflect the diversity of the Indonesian economic and business environment (Table 1).

Table 1: Key Informants

Key informant Characteristics	Number
<i>Position</i>	
Senior Executive	37
Senior Manager	10
Middle Manager	8
<i>Nationality</i>	
Indonesian	26
Non-Indonesian (Australian, Singaporean, Chinese, Dutch and English)	29
<i>Industry</i>	
Mining	12
Engineering and Construction	6
Agribusiness	8
Banking and Finance	5
Health	5
Manufacturing	8
Legal Services	3
Other	6

Both experienced Indonesian managers and international managers were interviewed as ‘key informants’ of Indonesian management behaviours (Glesne, 1999). These informants were interviewed until saturation was achieved upon interviewing a total of 55 managers comprising 26 Indonesian managers and 29 non-Indonesian managers. Responses from this specialised group of key informants have provided a variety of perspectives on the Indonesian negotiation style. Additionally, the informants were drawn from an assortment of organisations and different cultural backgrounds, which increases the credibility and trustworthiness of the study (Shank, 2006).

Semi-structured in-depth interviews were undertaken as part of the research design in order to maintain a focus upon the core topic of negotiations in the context of Indonesia, while maintaining an open ended style of question to allow for unexpected responses, experiences and perspectives to be discussed by the key informant (Ghauri & Gronhaug, 2005). The semi-structured interview approach was additionally designed to ensure a level of uniformity was maintained across the key informant questioning to allow for comparison of responses. The initial interview process involved an introduction of the researcher to the participant, outlining the study in broad terms – “the study of Indonesian business negotiations and the processes and behaviours that influence them”, and providing some background information to the participant about the researcher, including qualifications and business experience. This was done to build trust, and establish the researcher as an insider within the Indonesian business community (both Indonesian based and Non-Indonesian based). The structured questions informing the interview included as follows:

- Can you describe your experience of business in Indonesia?
- How important are relationships to business in Indonesia?
- What are the key components that contribute to success in business engagements in Indonesia?
- Do you think cultural differences have an influence upon the negotiations?

The questions asked were not highly structured, which allowed for divergent responses, unexpected by the researcher. Participants were mined by the researcher through probe questioning until the vein of knowledge was exhausted. At that point the interviewer would move onto the next structured interview question. The study employed a constructivist approach to thematic analysis, which allowed for the emergent categories, themes and patterns to be placed in the Indonesian negotiation context experienced by the Indonesian and non-Indonesian managers. Interview transcripts and responses were analysed using thematic analysis through coding the responses via open coding, axial coding, and selective coding (Corbin & Strauss, 2008). This categorisation provides a clear and structured process for analysing data and developing theory. Analysis occurred through breaking down the responses and

observation notes into the raw data, utilising coding techniques to identify where common patterns, themes (Shank, 2006), and categories emerged; a process described by Corbin and Strauss (2008) as open coding. This analysis enables the identification of key themes, patterns and relationships (Parker, 2008), in order to build a picture of the strategies, behaviours and styles of Indonesian business negotiators. Data collection continued until saturation in the data was achieved, and the categories, themes and patterns began to emerge from the open coding of responses (Saldana, 2009). The next phase of analysis entailed the axial coding of data to build theoretical relationships from raw data contained within the coded categories identified during open coding (Neuman, 2006). Axial coding is an advanced stage of the coding process where analyses are built intensively around specific categories and involves rebuilding the data to make connections between the categories and sub categories already developed (Corbin & Strauss, 2008). Each of the identified categories were recorded in an index matrix using computer spreadsheet software, transferred from the original source data (Miles & Hubermann, 1994). The matrix was then cross indexed to a category control register, and to the original source data, so that a multidirectional path of all coding, categories, and original source data could be developed (Parker, 2008). Development of the core related categories and concepts allows for the next important phase of coding analysis, described by Holton (2007) as selective coding.

Selective coding is the process of refining the coding analysis of categories, concepts and themes into selective or defined areas of analysis (Holton, 2007). The categories were developed inductively around the overall responses of the negotiator (Pettigrew, 1997). Reflections and categories identified from the data were recorded in a category control register, and cross indexed to the participants' interview transcript, a process advocated by Parker (2008). Comparison of the categories was then conducted, developing new refined categories using data coded under a specific category, then compared and contrasted with data previously coded under that category. This allowed for greater consolidation and further strengthening of the emergent categories (Miles & Hubermann, 1994), which has resulted in the identification of two principal findings.

Findings

The emergent findings reflect a style of behaviour consistent across responses from key informants in the Indonesian business community. Crucially these findings were unconstrained by industry or profession and the emergent findings were identified consistently across responses as crucial components of the Indonesian negotiation process. A unique style of management behaviour is identified, which contrasts with the accepted 'western' approach to business, and this indigenous Indonesian management behaviour can be characterised by two key findings; Parantara, and the Indonesian relationship building process. Awareness, acceptance and management of these unique Indonesian management styles are crucial to management success in Indonesia. In many cases, western managers have experienced negotiation failure as a consequence of misunderstanding the indigenous management practices that are a necessity in the Indonesian business context.

Parantara

Indonesian and international managers independently identified the importance of employment of third party agents to facilitate deals at the negotiating table in Indonesia. These third party agents are referred to in Javanese (an Indonesian dialect commonly used amongst the business and government elite) as Parantara or 'the bridge', and act as a conduit between the negotiating parties behind or parallel to face to face negotiations. The importance of the Parantara to successful business negotiations cannot be overstated, and was described by one highly experienced Indonesian manager as "*fundamental to the conduct of business the Javanese way*". The role of the Parantara changes during the many phases of the negotiation process. During the pre-negotiation phase, the Parantara is used to sound out potential partners and make appropriate approaches and subsequent introductions on behalf of one party. One international manager made the point that "*without proper introductions you can't get through the door*" in the Indonesian business community, while a senior Indonesian executive described how appointing a Parantara was crucial for MNC's if they are to succeed in the Indonesian market:

“The easiest way for foreign companies...from the west to access business in Indonesia, is appoint a local agent. The local agent will use his relationship with the network to help you get a licence, to get support from the community”

In the early stages of the negotiation the Parantara is the conduit that builds the bridge of communication between the two parties. This conduit allows information and dissonant discussion points to be passed between the two main parties through back channels in order to maintain harmonious face to face negotiations. An important characteristic of the Parantara is to act on behalf of both parties to assist in creating a successful and lasting outcome for both the negotiating parties. Often through managing their already existing professional networks, the Parantara helps to short circuit the relationship building phase, and can aid in developing a business deal in a more succinct manner, than otherwise might be the case.

“I’ve got a really good friend who’s a really good friend of the guy I’ve got to get to, so I’m going to go through him to get the deal....If I just rang him up he might see me, but it will take a long time to establish a relationship.”

As the negotiation process progresses from pre-negotiation to face-to-face meetings there are often issues that need to be resolved in order for the negotiation to progress to a new level. During this process when issues of conflict arise, it is important to be conscious of the Indonesian imperative to maintain harmony, which often means issues of conflict should not be raised during formal face to face negotiations. Raising issues that may disrupt the harmony of the relationship would be detrimental to the long-term success of the negotiation or the future partnership. Therefore, it is necessary to utilise the Parantara to conduct informal negotiations. Issues of conflict are discussed with the Parantara who is able to transmit the concern to the other party in a manner that allows for the issue to be resolved in a considered and respectful manner without upsetting either party. Additionally, this process ensures that negativity does not pervade the relationship, which would impact upon the harmony. One Indonesian businessman who often acts as Parantara explained:

“Parantara is used to get a message to the other partner through back channels or behind the negotiations unofficially. This needs to be done to ensure that it is not seen that you are telling your partner what to do. It helps

to create harmony in the relationship as the 'bridge' can suggest a compromise solution that is palatable to both parties. It will be a way of massaging a situation, or problem.”

The Parantara does not generally engage in the face to face negotiations and remains unseen in the background, although they are nearly always not far from the bargaining table. An Australian manager with over 30 years of experience with business in Indonesia described how integral the Parantara is to a successful business outcome in the following way.

“They might be third parties, but they’re certainly networked into a process, they’ll insert themselves in the process and they may or may not be at the table but they’ll be certainly influencing what goes on at the table.”

As the Parantara rarely forms part of the deal or partnership itself, this separation from the negotiated deal allows the Parantara to maintain ‘neutrality’ between the negotiating parties. Maintaining this neutrality is the key to the success of Parantara in forging successful business negotiations in Indonesia. Additionally, in many cases the Parantara is a conduit which facilitates business in ways that MNC’s may not want to acknowledge formally, as such the Parantara is always held at arm’s length to smooth through corruption incidents that arise from time to time when conducting business in Indonesia. As such the Parantara is employed as a risk management tool to mediate the political and corruption risks that can confront MNC’s in emerging economies such as Indonesia.

“Bribery and corruption is an everyday situation in Indonesia and needs to be managed as part of your entry strategy into the Indonesian market. Often this is dealt with through agents, who would be the corruption conduit and keep the foreign company cocooned from the impact of corruption.”

Relationship Building in an Indonesian Negotiation Context

International and Indonesian managers alike describe the negotiation process as moving from a task orientation towards a relationship building orientation. The negotiation process is long and time consuming, while trust is developed in the company, product, and technical competency, before moving onto development of interpersonal trust that is formed between executives at the bargaining table. Many

international managers interviewed described the experience of delayed negotiations that seem tedious in the western business tradition.

“It’s a long and protracted process. It requires you to use a lot of patience because Indonesians don’t tend to rush in making a business decision and depending upon the context by which you are meeting with this person, it can be initially more about forming relationships rather than closing business deals and its making yourself acquainted with that person and often personalising the relationships and that may mean meeting their family.”

Initial meetings are often conducted with technocrats and lower level managers who negotiate specific technical requirements for both the Indonesian and International parties. These technical or task orientations of early stages of negotiations appear similar to western business environments, where price, quality, and quantity discussions are paramount during business negotiations. However, in the Indonesian business context this is only part of the bargaining process, and comprises the preconditioning phase prior to senior executives entering negotiations. One Indonesian senior executive described the reasons for this task orientation during the initial meetings as occurring because:

“It is what they want! It does not matter. It is not important until I am in the meeting, this is when it.... (the) real negotiations start.”

Managers in this study describe how this initial task orientation can be ascribed to the need to maintain harmony during negotiations. The Indonesian manager will often allow the negotiations to run to a format initially familiar to the western negotiator before it changes, and returns to familiar ground for the Indonesian negotiator. This knowledge of negotiation processes, and task orientations have been learnt by Indonesian managers through training abroad at universities in North America, Europe and Australia. However, it would be folly to assume that satisfying the requirements of the task components at the negotiation table would constitute a successful negotiation, as the bargaining is only in the early stages.

“Technical people are just to find out whether you are serious or not. Once this component is done then, it is done. After this point the manager will be making the decision and it will be about the relationship not the product.”

Once the initial meetings have been conducted with the technocrats, and preconditioning has been achieved, senior executives, or the decision makers enter the negotiation. At this stage the negotiation atmospherics change to reflect an interpersonal trust and relationship building focus. In addition to the change in the negotiation team composition, there is often a change in the meeting environment, as face to face negotiations move to informal environments such as restaurants and hotel lobbies, or as an international manager described *“there’s definitely a movement from more formal to less formal”*. If the negotiation is moving towards a successful outcome then it is likely the meeting environment will change to further informal environments and possibly result in a meeting with the family.

“Relationship is built over more social occasions where you know you could meet in the office but they you know later you’d probably go out and have a dinner together and then as you get to know them more it eventually gets to the point where they’d extend an invitation to come to the family.”

At this stage in the negotiation process, if you get to meet the family, then high levels of interpersonal trust have been developed, and the relationship will be solidifying. Gaining family or community trust and approval is critical to achieving a successful negotiation outcome. International and Indonesian managers described deals failing at this point due to ‘bad feelings’ amongst family members: *“In many cases the deal hasn’t been done because of the wife”*. At all stages of this Indonesian negotiation process, whether during the early stages where the task focus is paramount, or at the latter stages where informal meetings are much more relationship orientated, it is important to always respect the “Javanese Way”, maintain the harmony in the business relationship, and ensure interpersonal trust is high. Failure to develop the relationship during the various stages of the negotiation, or failure to enter discussions with patience will ultimately lead to negotiation failure.

“You can’t just roll up and put a deal on the table. I still see it where you will have a table of Americans sitting next to you dealing with a couple of Indonesians and its all “wham bam, thank you mam” sort of stuff and you can see the Indonesians feeling quite uncomfortable and doing their best not to appear to be uncomfortable or offended by the approach. But you know it’s going absolutely nowhere.”

Discussion

This study has sought to identify a definable Indonesian indigenous management style during international business negotiations; secondly, to explore how the relationship building process operates; and thirdly, to consider the implications for new MNC investments. The key findings of this study have demonstrated a distinct Indonesian indigenous management style that can influence MNC negotiations in the Indonesian business environment. Maintenance and development of harmonious relationships between negotiation parties have been identified as critical to successful business engagements in Indonesia, and this relationship building process is grounded in the pre-colonial Javanese court traditions prior to the Dutch colonial period between the 17th and mid 20th centuries. In postcolonial Indonesia of the 21st century, there is a renewed focus upon an independent, national identity, free from the western influence of Dutch colonialism. This nationalistic identification has seen many of the pre-colonial Javanese cultural behaviours re-emerge in the postcolonial period in Indonesia, such as the importance placed on relationship building and the institution of third party agents or Parantara. Re-emergence of these Javanese cultural protocols have been driven by the dominant political, governmental, and business elites, which in many cases identify themselves with the Javanese culture as part of their national identity. As a consequence, MNCs looking to invest in the Indonesian market need to understand and manage these renewed indigenous Indonesian management behaviours if they are to achieve successful investment outcomes.

The Parantara is identified as an essential third party agent during international business negotiations, used to isolate MNC's and their investments from corrupt and unethical practices, and is indicative of how indigenous Indonesian management practices have influenced the success of MNC engagements in Indonesia. Employment of the Parantara as a backchannel conduit to alleviate issues of dissonance and conflict is seen as a critical success factor for international business negotiations in Indonesia. This further demonstrates the need for harmony, and its influence upon the business environment in Indonesia. Use of Parantara as an aid to

business communication is essential to the successful conduct of business in Indonesia. As such it is imperative for international managers to maintain professional networks within Indonesia in order to identify trusted and skilled Parantaras who can formulate introductions, while maintaining harmonious business relationship between the key negotiation participants.

The Parantara is a characteristic of postcolonial Indonesia that has re-discovered the cultural norms of the pre-colonial Javanese court that favoured relationships, networks, and a system of favours and rewards (Robertson-Snape, 1999). Utilising agents to further business relationships and aid negotiations is not a uniquely Indonesian experience. It is also a common experience in other parts of Asia, in particular China with the use of the Zhongjian Ren or the Intermediary (Graham & Lam, 2003). It could be argued that this is an example of Indonesia experiencing a new Chinese colonialism, which has pervaded management practice. However, there are distinctive differences between the Zhongjian Ren and the Parantara in their level of involvement in the negotiated deal. The Zhongjian Ren will often be a part of the deal, as a partner, stakeholder or direct benefactor of any business agreement. Whereas the Parantara is bound by the cultural traditions of the Javanese court system. The distinction in the Indonesian context is that the Parantara is more of a broker, who operates in the background, for the betterment of both parties and who is rewarded by 'tribute' or reward for success.

The postcolonial business environment in Indonesia is most clearly expressed through the finding of a unique relationship building process in the Indonesian business context. It is important to consider that just as business engagements in China and Japan are built around strong relationships, this is also the case in Indonesia, irrespective of the technical orientation of the initial meetings. Ultimately, the strength of inter-personal relationships between Indonesian and non-Indonesian negotiators and managers will determine the success of MNC negotiations. However, a key distinction of the Indonesian relationship building process to the process in East Asia, is the orientation towards task and technical components during early stages of negotiations. This initial task orientation during negotiations is a demonstration of contemporary western management practices, which have pervaded Indonesian management practices. In the Indonesian context, a unique style of relationship

building has emerged, incorporating a fusion of Javanese and western management practices. This fusion incorporates the expected norms of the 'Western' business culture, while maintaining the instinctive components of Javanese relationship building. This adaption is a characterisation of the Javanese need for harmonious engagements, where 'construction' of normality and therefore comfort for the guest, or in this case, 'western' manager is paramount. However this comfort inducing behaviour is not indicative of the decision making process, and consequently the 'western' manager needs to acknowledge the preconditioning task components of the early stages of the negotiation process, may not be fundamental to the success of MNC negotiations, and subsequently engagements in the Indonesian market.

Concluding Comments

MNC managers need to develop an understanding of the indigenous Indonesian management behaviours if they are to finalise successful engagements in the coming years. This knowledge will provide international managers with a greater understanding of the rationale underpinning this unique negotiation style, and business culture, subsequently leading to greater successful MNC negotiations in the Indonesian market. The key findings from this study demonstrate that Indonesia should be viewed as unique in Asia, not merely as a proxy culture for their North East Asian neighbours. The importance of Parantara in maintaining harmony between the negotiation parties, and the identification of a unique relationship building process, demonstrate the indigenous management practices influential to international business engagements in Indonesia. These findings explain Indonesian management behaviour, and assist international managers to appreciate this unique negotiation process in an Indonesian context. Through the contribution of this research it is hoped that international managers will find the negotiation process in Indonesia increasingly understandable and consequently experience greater successful MNC investment outcomes.

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