A Political Display and Symbolic Reasoning of Budgeting: Organizational Control Systems in an Indonesian Higher Education Institution

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Abstract: This study examines the impact of the paternalistic managerial style of Javanese culture in an Indonesian higher education institution on the role budgeting used within the organization. This is an ethnographic case study in which the researcher is part of the case being studied as an academic and administrative staff member. An historical analysis is performed by confirmation of other organizational participants’ understanding about the school’s control system through interviews. To provide official organizational and descriptive historical contexts of the case and to make available the powerful link between what people say and what they actually do, documents and archival records are also used. Instead of formal organizational structures being adopted, informal relationships, paternalistic management and physical control dominate everyday managerial practices in the school. Budgeting facilitates a political deal among the school’s stakeholders. It functions as a rationalized myth to the process and a symbolic reason to display that managerial conduct is financially responsible – not merely an efficiency measurement.

Keywords: accounting, informal and physical control, Javanese culture, ethnographic case study, Indonesia.

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1. Introduction

An organizational control system closely relates to interaction between the structure as a socially constructed institutional realm and the agency as the realm of action (Burns and Scapens, 2000). The action of control system as used here refers to “all organizational arrangements, formal and informal, designed to accomplish organizational objectives” (Ansari and Bell, 1991). The formal control system – refers to rules, standard operating procedures, organizational structures, job descriptions, budgets, accounting measurements and performance evaluation systems – is driven by the technical-rational view that originates from environmental determinism, economic efficiency and rationality. Accounting becomes the key mediator for many of these activities – its role in the organizational control system, however, cannot be separated from the societal and cultural contexts that frame and mediate the role.

The control system is also formed and shaped by the informal system that emanates from the societal, cultural and political environments in which the system operates. Given the interaction among interest groups and individuals inside the organization, the technical rationality can only be effectively achieved through negotiation – political rationality – that mediates among conflicting parties pursuing their own interests, because “each interest group in an organization pursues its own ends in accordance with its own rationality…and its own control capabilities” (Dermer and Lucas, 1986). A stable order of organizational control system therefore inevitably needs sharing of power even though only the formal system associated with senior management interests is publicly acknowledged. In a broader view, the control system needs to focus on management, stakeholders, formal and informal institutions, and patterns of belief or ideologies so that the criteria proposed by the management does not rule out “the possibility that different versions of this order may exist in the minds of other organizational participants” (Dermer, 1988).

Within this perspective, accounting knowledge is being interpreted differently inside and across organizational spaces and times (Quattrone and Hopper, 2001) due to the influence of cultural aspects or political processes (Meyer and Rowan, 1977; Covaleski and Dirsmith, 1988). The cultural and political environments, in which an organization locates, may influence the way accounting operates and functions. It is within this context that as an ethnographic case study, this paper intends to discuss and evaluate how Javanese culture in Indonesia influences and determines the way accounting used, constructed and functioned in an Indonesian private higher education institution, namely Perbanas Business School (PBS) Jakarta. The emphasis is given to the signification of budgeting practices inside the organization.

2. Javanese Culture in Brief

The Javanese that comprise around 40% [1] of the Indonesian population are the largest of Indonesia’s 36 major ethnic groups. As the majority, the influence of the Javanese culture to the Indonesian people in general is inevitable. The culture maintains the mo-
nopoly of power as its most imperative value for a Javanese ruler (Suseno, 1999) – a value that is apparently shared by all ethnic group in Indonesia. The Javanese hierarchical philosophy asserts that people in higher positions should be respected. In response, a leader is responsible for the safety, prosperity and dignity of his or her followers (Suseno, 1999). To the Javanese, a ruler, ideally, has no pamrih – self-interests to be driven by narrow egoistical interests. The power comes from above not from the people. It is essentially absolute power that is not accountable to the people. Power carries its own legitimacy, which, however, will supposedly quickly evaporate if the ruler acts on his/her own pamrih.

The culture heavily emphasizes the concept of rukun that implies harmonious social integration in the sense of obedience to superior (manut), kindness, avoidance of conflict, understanding of others, and empathy (Geertz, 1961; Koentjaraningrat, 1985). These values make Javanese people tend to feel awkward toward their superior or someone whom they respect. They will always keep trying not to bother their superiors. Feeling of sungkan – embarrassed reverence – that is considered as the basic elements of human virtue grows within this kind of circumstance. Geertz (1961) describes rukun as “basic social properties of self-control and avoidance of disapproval”.

The values are reflected in daily activities within the contexts of family, workplace, schools, and even political organizations. The emphasis on social harmony has made the Javanese, according to Geertz (1961), inexpressive since “emotional equilibrium, emotional stasis, is the highest worth, and on the corresponding moral imperative to control one’s impulses, to keep them out of awareness or at least unexpressed, so as not to set up reverberating emotional responses in others”. For that reason, the Javanese always maintain that a decision has to be taken by musyawarah – friendly joint deliberation – in order to achieve mufakat – consensus.

The process to achieve the consensus is centered on orang yang dituakan or a respected old man – a terminology that has apparently been taken and translated from the Javanese terminology sesepuh – paternalistic and hierarchical structure of society. The sesepuh has an important role within Javanese especially and Indonesian people generally in creating a family feeling within society and organizations. He/she is perceived as a source of knowledge as well as morale that Indonesians in general usually call guru or teachers. For Indonesians, respecting a teacher is just below respect for their own parents. It is not surprising that Indonesians call their teacher bapak or ibu guru [2]. Seen from this perspective, Javanese generally perceive a leader/superior as sesepuh provided that he/she has no pamrih.

Within this cultural context, decisions tend to be made by a small group of elites and as a result nepotism and the patronage system become important considerations in decision-making processes. A formal accounting framework, accordingly, does not necessarily applied in accordance with accounting textbooks in its actual operation. What would happen to the operation of accounting in organizations where the same style of leadership was exercised? What impact might this have on the role of accounting? This study will argue that the benevolence-obedience ideal of the Javanese culture had weakened the
role of accounting in general, and budgeting in particular, as a planning and controlling device. It was within this context that this paper intends to discuss the role of budgeting in the case of PBS Jakarta Indonesia.

3. Research Method

This is a study in which the researcher involved into the case as a managerial as well as academic staff member for a long period of time since 1987. The direct involvement of the researcher as employee into the case being studied reflected his role as total immersion and “going native” (Hammersley and Atkinson, 1995). The researcher’s own biography, therefore, shaped the research so that “audiences can more fully understand the researcher’s interpretation of text data” (Sword, 1999). The research process is taking place in its natural context/real-world setting in which the face to face interactions took place in everyday working activities that did not involve an artificial intervention to determine the result.

To avoid ethical problems (Vinten, 1994) in the data collection, the study was undertaken in an overt way. The researcher negotiated in advance with the management of the school and employees about his intention of conducting research in this institution. This close and continuous interaction between the researcher and the case being studied inevitably influence and structure research process and its outcomes (Mruck and Breuer, 2003). Therefore, this natural subjectivity, definitely, will shape the research (Marshall and Rossman, 1995) as the strength of this study is rested on understanding and empathy for the research participants to gain entry into their world and also that the researcher’s insights will help to describe the complex social system being studied.

Twelve academic as well as administrative/managerial staff members were interviewed in their work premises; they lasted between one and three hours and were taped and transcribed verbatim. To reconstruct participant stories about life in their work, the interviews were mostly unstructured and conventional. The selection also represented different hierarchical levels and backgrounds of managers that held the position during the period of 1987 to 1999 and some of them still hold those managerial positions up till now. The interviews were directed to collect evidence from the managers’ experience points of view. Follow-up issues arose subsequent to the main interviews which needed additional detail and clarification and were sought into informal surroundings without being taped.

Due to the benevolence-obedience relationship of the Javanese cultural contexts adopted, an informal and on-going basis of conversation was considered the most suitable form of interviews for administrative staff members to make them feel free to express their experiences. All of the interviews took place in daily interactions while the researcher was undertaking his activities in the PBS Jakarta. On average it took one hour and thirty minutes per interview even though the longest could last for five hours. In order not to obstruct the dialogue, to these staff members, however, the interviews were not tape-recorded.
The tape-recorded interviews were transcribed and analyzed individually manually. Tracing voices through individual interview transcripts in order to maintain the differences and contextual situation that existed among respondents was carried out during the analysis. This is conducted to avoid data analysis simply confirming what the researcher already knows (Doucet and Mauthner, 2001).

Other sources of evidence in the forms of documents and archives were used as well (Yin, 1994; Tellis, 1997) to enrich data collected from interviews and subjective experience of the researcher. The data used ranges from statistical and administrative documents to financial statements and budget reports. The use of documents is important to corroborate and augment evidence from other sources (Yin, 1994). In case the documentary evidence contradicts others, further examination into the topic is needed. It is highly likely that the documentary evidence may contradict rather than corroborate the other sources of evidence.

4. A Brief Story of PBS Jakarta

On 19 February 1969, National Private Banks Association (Perhimpunan Bank-Bank Umum Nasional and known by its acronym as Perbanas) established a Foundation of Perbanas’ Education known as Yayasan Pendidikan Perbanas (YPP). At the same time, Academy of Banking (Akademi Ilmu Perbankan Perbanas, known by its acronym as AIP) was established. It was the origin of Sekolah Tinggi Ilmu Ekonomi Perbanas (PBS) Jakarta in 1985.

On 11 October 1974 the YPP reshuffled the personnel of the board by appointing two new entrants that were assigned as head and treasurer of the YPP. The reshuffle was intended to rescue the institution from the brink of collapse. One of the new entrants was TS who later became the most influential person within the PBS Jakarta for nearly two decades. He was appointed as treasurer of the YPP and vice director of the AIP respectively. The direct involvement of TS in the management of the YPP and the AIP boosted the development of the AIP rapidly. The year of 1974 accordingly became the starting point for the recovery and development of the institution to become a respected private higher business school institution in Indonesia.

The accumulation of power in the hands of TS resulted in his domination inside the school was inevitable. He had built his domination from the beginning of his involvement with the school by actively involving in the organizational committee of the Perbanas, as the owner of the PBS Jakarta since 1974, as vice secretary general (1974-1982), head of organizational affairs (1982-1985), head of research-development and education (1985 – 1988), secretary general (1988-1994), vice general head (1994-1997).

He was also involved directly with the YPP as treasurer of the YPP from 1974 when he was appointed as vice-director of the AIP until 1993, secretary (1993- 1995), and executive officer of the YPP (1995-1999). The executive officer was a new position he created when he did not have direct control over the foundation any longer since he had been replaced from his last position as secretary to become the vice head of YPP. Besides
he had been forced by government regulation [3] to give up his position as the school head. By creating this new position, he regained his power over the YPP and the school. He was the only member of the YPP who was directly involved in daily managerial decision making concerning school affairs.

From the beginning of his involvement, TS simultaneously held three positions in the Perbanas, the YPP, and the school. He was appointed as the director of AAP in 1982. Since that time the concentration of power with him was completely established. Accordingly, the control mechanism was placed solely upon him. The position as treasurer of the YPP gave him an opportunity in dealing with funding of the school’s development since he did not need the approval from the YPP as the owners’ representative.

The steady growth of students enrolled and the starting point of the physical development of the institution characterized this period. The AAP moved to its own campus with the first two and three story buildings in 1983. A five-story building dedicated in 1985 then followed it [4]. To anticipate further development of the institution, on 2 May 1985, the management decided to change the AAP to become Sekolah Tinggi Ilmu Ekonomi Perbanas (PBS) Jakarta in which TS was appointed as the school head with his older brother, S, as vice-head of Student Affairs [5]. The school conducted two undergraduate programs in financial management and accounting and two non-degree granting programs in banking management and accounting equal to a polytechnic program.

The easing of restrictions on the establishment of new private banks in October 1988 and the opening of new branches of existing banks combined to greatly increase the number of private banks [6] (Hendrobudiyanto, 1994). This situation had created job opportunities within the banking area. The shortage of staff with banking and managerial skill boosted rapidly the development of the school intake in the 1980s. It was characterized by the expansion of the building facilities and the increasing number of students enrolled from around 1,000 students in the beginning of 1980 to 10,702 students in the 1997 [7].

As a Javanese, TS intentionally institutionalized a culture that had an affinity to Javanese culture into the school. He introduced the concept of paguyuban – an organization based on ascribed status. This concept views social relationship between individuals based on common feeling, kinship or membership in community (Usman, 2001). As a paguyuban, the working relationships between him and the school’s staff members were dominated primarily by a strong sense of common identity, close personal relationships, and an attachment to traditional and sentimental concern inspired by the spirit of paternalism.

Within this historical context, the feeling of sungkan among staff toward TS was growing as he was the most significant and senior figure within the school. Respecting, relying on and trusting in the superior is seen as etiquette in human relations especially within the priayyi – Javanese traditional legitimate elites or high-class society that comprised civil servants, intellectuals and aristocracy (Koentjaraningrat, 1957) - in order not to break the concept of rukun - harmonious social integration.
5. Informal Authorities and Cultural Dimension of Control System

Formal authority in an organization is generally represented and captured by its organizational chart as it represents “the official system of accountability, control and influence and is based on scalar principles of authority” (Abernethy and Vagnoni, 2004). The organizational chart institutionalized and rationalized the arrangement of the division of labour inside an organization. This concept of modern bureaucratic organization places its operation on the division of labour and is carried out through non-overlapping functional divisions, “a hierarchy of coordination and control and with procedures and rules of action that guarantees formalized and impersonal relationships among its members” (Molina, 2001). The relationship between individuals and authority is formal and impersonal (DiPadova, 1996).

Informal authority, in contrast, is embedded within common values, beliefs and even traditions that direct group members’ behaviour (Falkenberg and Herremans, 1995). This relates to the power and influence of dominant coalition that can be an individual or group of individuals that are able to influence decisions and activities inside an organization without sanction by the formal authority of the system (Abernethy and Vagnoni, 2004). While the formal authority intensifies the effects of domination in the form of legitimized power (Morgan, 1997), the informal authority is reflected in a set of legitimating ideas that becomes the other requisite of a system of domination (Weiss, 1983).

In the PBS Jakarta, formal and informal authority rested on the school head [8]. It was relatively difficult to differentiate between the two as the school head could easily over-ride the formal authority. As a result, the power structure as represented in the formal positions of the organizational chart (Morgan, 1997) lost its credibility in front of subordinates. It was quite common the subordinates bypassed the authority of their superiors as prescribed in the formal organizational structure because the school head asked them to do so – managerial practices that placed the relationship between staff and the school head as the authoritative individual inside the school on a more personal than formal level.

The relation between the school head and the staff was dominated by patronage relationship. This pattern had culturally and politically pushed the staff to comply only with the will and instruction from the school head. The role of the informal authority inside the PBS Jakarta was reflexively inherent within the Javanese culture adopted that was used to encourage the position of the school head as a father with an authoritative power beyond the described formal authority - a socially constructed form of rationality (Garfinkel, 1967; see also Thompson, 1980 for organizational rationality). The unlimited power that was held by the school head was socially constructed and justified within the perspective of the Javanese cultural concept of power. The authority was socially constructed in accordance with the Javanese value systems and cultural preferences that were widely practiced by Indonesian society.

As a social world, new entrants inside the school took the paternalistic managerial practice for granted and regarded it as natural and legitimate. The success of the school head reproduced the paternalistic values and preferences in the school facilitated social
cohesion, work and workplace commitment, reduced opposition and conflict and enhanced the emphasis on harmony and consensus. Systematic efforts were carried out to establish a paternalistic world-view among staff members to be transformed into a convention - an interpretive scheme - that gave meaning and interpretation to actions. Giddens (1976) refers to this process as signification. The cultural meaning was managed in the everyday leadership (Alvesson, 1996) of the school head in which he placed his role as a father to all staff. This day-to-day taken for granted nature of organizational life displayed the school head’s power.

Either consciously or unconsciously, people tend to adjust their behaviour to comply with cultural or societal environments in which they live that lead “to mutually accepted ways of conduct, the meaning of which can sometimes be purely ritualistic” (Grandlund and Lukka, 1998). The government requirement imposed through the Ministry of Education and Culture [9] required the PBS Jakarta to develop the formal organizational structure in accordance with the Government Regulation PP No. 30/1990. Such authority that rests on hierarchical, technical and bureaucratic control does not necessarily and appropriately require individuals inside an organization to believe in or internalize it but merely to conform to it (Ashforth and Mael, 1998). Alas, the paternalistic managerial style adopted had supported the symbolic adoption of the formal organizational structure mandated by the government authority as a ritual.

This leads to malpractice in the formal organizational hierarchy when managerial positions are occupied by staff members who are involved in cronyism and clientele relationship without necessarily having the aptitude for these positions (Gunn, 1995). The promotion of the staff inside the school, for instance, was often based on status instead of productivity/performance. Rewarding cronies and clients – the staff that supported the school head – and punishing enemies – those who were against the school head – was done by exercising his control over the school’s fund. This “carrot” and “stick” approach that was based on a subjective evaluation was disguised by creating a standard form of evaluation to create an illusion that the reward and punishment was “rational” and therefore acceptable. Instead of a formal control structure, the control mechanism relied on the informal control in the hands of the school head as the most dominant figure.

Domination arises from the use of “allocative resources (control over objects or materials) and authoritative resources (command over individuals)” (Manson et al, 2001). In the PBS Jakarta, the authoritative resources took place in the form of the school head’s command over staff members through formal organizational structure and informal structure of paternalism. The formal structure had been exploited to gain the staff’s loyalty by channeling managerial positions and financial access to those who desired to be the school head’s clients. Instead of a formal control system, consequently, the school head played an important role in the organizational control system. The allocative resources that will be narrated in the following section was conducted by controlling financial resources in the form of budget approval in order to strengthen the domination of the school head over the school’s community.
6. Management Budgeting

For staff members, budget was associated with bargaining processes to obtain the money from the school to run their activities or to buy something related to their units. To get the money meant to get authorization from the school head regarding the budget proposal they submitted. They were well aware of the importance of the budget as a medium to get the needed financial support because the school would never give the money to execute programs without a proposal with a budget. Thus, for them, a budget referred to the legitimating process in the form of a financial proposal to be submitted to the institution prior to conducting an activity.

In contrast, the school head interpreted the quantitative budget as a “financial device” to exercise his power regardless of its purpose to create a rational legitimacy to the school’s stakeholders. He held the absolute power/domination to cut or give funding to organizational units that asked for money through a budget proposal. Budget approval was entirely dependent on him. By controlling the money, the school head was able to exercise power in order to modify behaviour of staff members and bring them toward the desired behaviour. Exercising power over resources needs a “continual deployment of either carrot or stick” (Hardy, 1996) mechanism to ensure that the desired behaviour is sustained – a practice that was continuously used by the head of the PBS Jakarta.

The process of budget preparation was closely related to the annual programs of the school. The proposed budget reflected the monies needed to execute the programs that had already been approved during an annual managerial meeting – a meeting that was attended by all managerial staff members, the school head and all school vice-heads. The annual meeting mainly discussed two important issues – evaluation of the previous year’s achievements and discussion of the next year’s programs for every organizational unit. To be approved as the next annual program in the meeting, the proposed programs had to be formally discussed and evaluated by all participants. The programs approved in the meeting by the school head turned out to be the next annual school program.

The school, however, did not have any guideline concerning the determination of budget amounts in which staff members followed their own judgment. The only benchmark available was an informal consensus among staff members regarding routine activities budget that next year’s budget had to be higher than the current budget – a consensus that was apparently and unofficially approved by the school head. The increase was determined merely on individual judgment or intuition of the heads of organizational units or committees. This situation led to the variety of calculation in which certain units or committees determined their budget extremely high while others increased their budgets moderately.

The budget was never discussed in managerial meetings involving middle and lower level managers. Until 1994, organizational units’ involvement was mainly in preparing semester and annual programs for their own units and they proposed a budget only when they needed the money to execute a program. This created an impression and a general perception among staff members that the school had an unlimited amount of money to be
spent. Therefore, the budgeting discourse was nothing to do with the notion of efficiency and performance measurement. Rather, the school annual budget was simply used as planning for cash flows.

To the staff members, the only relevant issue was how much money they could get from the institution to execute their program. They never knew the financial position of the school. The staff always thought that the school had an unlimited fund to be spent as the school head always emphasized his commitment to the development of the school. This perception was intensified by the fact that either in managerial meetings or in annual managerial meetings to prepare annual programs, the school head never discussed the budget – that meant that the school never had financial problems. In many occasions, he intentionally stated in front of staff members not to hesitate to ask for money to execute their program if they needed – an impression that the school was fully committed to financially support all the programs.

Starting from 1995, the school head asked organizational units to prepare annual budget. The process of budget preparation started when the organizational units prepared its annual budget. Therefore, all unit activities had to rely on their annual budget. Each organizational unit then submitted the annual budget to the Treasury unit. The Treasury unit compiled and reformulated the budgets to be discussed with the school head and his vice-heads. Alas, the unit heads were not involved in discussing the final annual budget because at this stage their involvement had been taken over by their superiors (school vice-heads).

It was at this level that the whole proposed annual budget would be evaluated. The school head held a central role in the evaluation process. The focus of discussion, according to ex vice treasury [10], was more on the total funds needed rather than on the detail of the budget. Budget revision would never be informed to the organizational units any longer. The revised proposed budget that had been approved by the school head was then submitted to the YPP to get an approval as an official annual budget. This would be used by the YPP and the management of the school in realizing the money needed to run the school for the whole year. Since the school head was also the treasurer of the YPP, the approval mechanism was mostly symbolic and ceremonial.

This change in the budgeting mechanism, however, did not have any impact on shifting the power over resources and fund allocations from the school head to the organizational unit heads and committees. The pattern of realization remained unaffected. To get realization, each unit or committee had to submit the budget for the activity that would be conducted to the Treasury unit [11]. The treasurer then passed the proposal to the vice-head of Finance and General Affairs [12], the person in-charge of evaluating the proposal. The result of the evaluation would be submitted to the school head to get approval. Even though the realization was mostly less than the amount asked in the budget proposed, the budget of routine activities was always accepted whereas the budget for non-routine activities might be rejected.

At this stage, a personal relationship played its role in accelerating and influencing the school head’s approval. It was important, for instance, to informally convince the school
head about the importance of the activity to be conducted – the importance of the money needed – if the activity was not stated in the annual program. The likelihood that not all amounts of the proposed budget would automatically be approved even though it referred to the annual budget for the case of 1995 and after [13] had necessitated the staff members to rely on personal and direct relations with the school head. The informal mechanism was more effective than the formal mechanism in this paternalistic environment.

The pattern of approval therefore influenced the behaviour of unit heads or committee members. The common practice in preparing the budget higher than what was actually needed had defined how members of the school perceived, thought and acted in this environment. This budget culture was invented and developed by the staff out of their experience in dealing with the school head. The staff to get as much funds as possible from the school had used it. On the other hand, the school head perceived that all staff members had the tendency to inflate the budget. Therefore, it was highly likely that the realized budget would always be cut down.

Close personal relations between the school head and certain staff also tended to infringe on the formal disciplinary budget mechanism. It was often that new activities and budgets outside the annual budget were emerged either from the school head or from staff initiatives. The domination of the school head and the paternalism adopted made this practice possible and common especially when the initiative came from him. In case the initiatives came from subordinates/staff members, bargaining and power processes between the two took place. In return for the approval, the subordinates gave their support or at least did not openly criticize the status quo. Personal channeling to the school head, accordingly, was an advantage for both sides.

The staff that did not have direct personal contact or the courage to directly approach the school head personally often persuaded his trusted staff to serve as intermediaries. Given their special relationship to the school head, these trusted staff members might be able to influence the decision. As intermediaries, they played between the school head, as the higher placed person, and the staff who were seeking help and who occasionally became their clients. Flap (1990) calls these go-betweens that operate with resources of other persons brokers. As the brokers, they functioned as the school head’s clients and sometimes became the patron of the staff who needed their intermediary assistance as well – which lengthened the chain of bureaucracy inside the school.

This kind of person played an important role in the chain of bureaucracy of the school and became part of the bureaucracy itself regardless of their managerial position. Having direct access to the school head, made them able to bypass the chain of command beyond the formal organizational chart. To a certain degree, the school head also relied on these staff to collect information – a reliance that often influenced the view of the school head in making decisions. Many staff members took advantages of this situation for their own benefits.

This situation, in particular, extensively took place during the time S held the position of the school head. S’ special assistant, was believed by the majority of the staff members to have a considerable influence that went beyond his formal status. He was able to exert a
major impact on the way S viewed the reality of a given situation. This was done either by filtering staff members that were given access to S or by managing information in a way that highlighted or downplayed the importance of activities elsewhere in the school. This perception was confirmed by S himself when he repeatedly stated that his special assistant [14], evaluated all budget proposals prior to their reaching his desk.

The school head, nevertheless, was still within the specific criteria of the decision model using the approval of the budget proposals that emerged from the political bargaining. He was the only person who determined and accordingly knew the strategies to develop the school. Staff members who had an idea to be realized into an activity simply submitted a proposal including its budget to the school head and discussed it personally with him. Whenever they submitted budget proposals asking for money to run their activities, he would approve them if these were in line with his criteria and plan to develop the school. Of course, he did this also on purpose to gain staff loyalty. Disloyal staff members often had difficulty in obtaining his approval.

In line with Meyer’s (1984) idea, the proposed budget ritual was used as an instrumental mode to rationalize a decision that was made by the school head. Conflict and disagreements among staff and the school head regarding the proposal were, consequently, resolved by exploiting the terminology of sustaining school development as the symbolic mode. Instead of promoting efficiency, budgeting, in this case, had become a political device for bargaining by both sides. For the school head, it became an important instrument to enhance the staff’s loyalty. For the staff members, it symbolized managerial support that was given by the school head in the form of access to the financial resources.

Thus, unlike Collier’s (2001) study of West Mercia Constabulary in which budgets were delegated and “resulted in a shift in ‘power over’ from Headquarters to divisions”, in the PBS Jakarta, the budget mechanism reinforced the power of the school head over the staff members and organizational units. Decentralizing the budget preparation to the organizational units was symbolic as there was no guarantee that the budget could be realized. Instead of handing his power over financial affairs to the units, the school head used the budget to demonstrate his power to all staff members that he was the only person who had “the final say” about the amount of money that would be allocated to the organizational units or committees.

7. Budget Approval as a Political Deal and Rationalized Myth

The PBS Jakarta had no formal written procedures and documentations regarding financial control mechanisms because the school head directly conducted financial control. There were informal practices revealed as common procedures in the budgeting mechanisms that involved a unit or a committee that needed money to execute its activity by proposing the budget; vice-heads that usually supported and endorsed their subordinates’ proposal; the school head that approved the budget; and treasurer that realized the budget based on the school head’s approval. The school head held a decisive authority to accept or reject the proposed budget. If the proposal were accepted, it would be cashed
through the treasurer. It was, then, that the treasurer would deal with all matters regarding
the responsibility of the disbursement [15].

An approved budget to be realized by the Treasury unit was treated as a “ceiling
budget” by the school. When the school head approved the unit or committee’s budget
proposal, the most part of the controlling purpose of the expenditure was accomplished.
Failing to spend all the money was often seen as an inability of the organizational units or
committees to predict their cash flows and to prepare a good budget. This assessment
apparently contributed to the common behaviour among staff members to always spend
all the money received. Otherwise, it was likely that next year’s budget approval would be
reduced by the school head.

The approval reflected the individual judgment of the school head about the appropriate-
ness of the money required for all activities. The bargaining position of staff members
who proposed the budget and their position toward the school head – being opponents or
supporters – also influenced the head’s approval. After the budget proposal was ap-
proved, further control of the use of the money was unnecessary.

Unlike tight budgetary control that evaluates a manager’s performance on his/her abil-
ity to attain budgetary objective (Anthony and Govindarajan, 1998), the PBS Jakarta placed
greater importance on more informal patterns of budget-related communication, simplicity
of budgeting system and low participation in the budget-related activities by subordinates/
staff members. The Pattern of budget approval often displayed political interactions that
took place inside the school and the level of conflict that might occur between the school
head as an authorized power holder and the staff members who proposed the budget.

Budget, in that case, reflected the bargaining position between staff members and the
school head. It was reflecting the political process in the form of informal negotiation
between the two sides that dominated decision-making processes. The budget entailed a
connection between accounting information in it and the employment relationship (Hopwood,
1987). Since the money would never be given in accordance with the figures mentioned
in the budget, a negotiation process was taking place. The money they received was
dependent on the result of negotiation. Personal relations played an important role in the
process of negotiation. It was quite often that activities that were not mentioned and
nominated in the program and consequently no budget assigned available for those activi-
ties emerged and approved by the school head.

The school head utilized the budget approval as an instrument to gain staff’s loyalty
and support [16]. Taking Morgan’s (1997) idea into consideration, power that was held by
the school head, was built from variety of sources - formal authority and organizational
structure; control of funds, decision processes, information, organizational boundaries,
informal organization and counter-organizations; rules, and regulations; ability to cope
with uncertainty; interpersonal alliances and networks; symbolism and management of
meaning; and the power that the school head already had. The budget approval, to a
certain degree, reflected the exercise all of these sources of power to create the staff’s
dependence on him personally.
Despite the political deal, the budget approval had also been used to demonstrate the rationality of the decision that had been made. Borrowing Said’s (1978) idea of orientalism into consideration, the perception of Western hegemony within the Indonesian society takes place when most westerners’ managerial concepts and practices have always been placed in a position of superiority. The rationality of the budget within the PBS Jakarta, at a certain point, needed to be seen from this perspective also when the school’s society perceived that all Western accounting concepts and practices were an important symbol of modernization. The budget mechanism was used to justify the “rationality” of money distribution to organizational units inside the school. Myth making of rationality took place when political negotiations between the school head and staff symbolically used the budget.

It became a spoken language as “the main symbolic offering of culture” (Bate, 1984) that characterized ceremony of the daily managerial practices. The school head used the ceremony in the forms of budgeting discourse to maintain the existing status quo and to exert his cultural point of view of domination. This phenomenon was in line with Handy’s (1978) idea of power and role culture. The power culture was revealed by the concentration and mobilization of power that Hardy (1996) describes as power over resources, decision-making and meaning in the hands of the school head. This process was backed up by the role culture in the form of a strong leadership style that was demonstrated by the school head.

The organizational interpretive scheme rested on the school head, since, he, himself, was always associated with the PBS Jakarta. A rational action was largely determined by the legitimation of authority in the school that according to Weber “was primarily a matter of locating the actor exercising authority within a preexisting symbolic order”. Budgeting fulfilled the requirement of the symbolic order in which it was seen as a structure and procedures that were independent from the authority relation and organization.

Such structure and procedures represented a myth of objective criteria of evaluation of the institutional environment (Meyer and Rowan, 1977) and “aura of rational goal-oriented action” (Czarniawska-Joerges and Jacobsson, 1989). The head of the PBS Jakarta utilized the myth to control access over financial resources to maintain social cohesion and to reduce staff resistance. Budgeting was dependent on the power structures in the school that was dominated by the school head and “negotiation processes” that acknowledged “conflicting values and the distribution of scarce resources” (Rahaman and Lawrence, 2001). The budgeting, for that reason, is often perceived as “a ritual of reason” (Czarniawska-Joerges and Jacobsson, 1989).

8. Physical Control and Performance Evaluation

Soon after accomplishing an activity, organizational units had to prepare and submit a cash outflows report concerning the use of the received money for the activity to the treasurer as a necessary condition for the school to approve the unit’s next budget. The report had to be accompanied by all its transactional evidence. Otherwise, their next
budget proposal would never be processed and realized. The treasurer was vastly concerned with the report because the YPP maintained that the school had to submit a monthly expenditure report whenever the school asked for monthly realization of the school budget. Submitting the report on a timely basis would help the school get the money from the YPP promptly.

The report was not intended to measure efficiency or financial performance of organizational units in conducting their activity. Such report demonstrated the conformity of the school head with the institutionalized rules adopted – control systems, policies and procedures – to gain the Perbanas continuing support as the owner of the school. For the YPP, the report actually functioned as a ceremony in front of the owner to realize the school budget proposal because the school head played an important role in authorizing the school budget approval in his capacity as treasurer (1974-1993), as secretary (1993-1995) and as executive officer (1995-1999) of the YPP. Due to the lack of knowledge in handling higher educational institutions most committee members of the YPP and Perbanas handed their authority over to the school head to manage all financial issues of the school.

The report was an important step to fulfil the requirement asked by the YPP to get realization of the monthly school budget. Given the fact that the school head had conducted his financial control during the process of approval to the budget realization, it was not surprising that the school head was more concerned with physical than financial considerations in judging subordinates’ performance. To the school head, a responsible staff member was one who successfully completed the activity assigned as mentioned in the program with the given money.

This control process represented symbolic power and symbolic action respectively. As the symbolic power, the physical achievement had systematically been established as a particular set of values among staff by the school head to become the performance discourse in controlling an organizational unit’s activity. Such power “is particularly salient, compared to technical and bureaucratic means of control” (Alvesson, 1996) As the symbolic action, it became a part of everyday leadership inside the school in which control rested on the meanings and ideas that the school head wanted and the staff accepted – physical control discourse.

The controlling mechanisms was conducted by moving directly into the “field” to confirm that the activity had been done properly and completed. The emphasis on physical control was directed to get an answer to the question of “was the activity done or was there any physical result of the activity?” Such control was more “real” than financial control to speed up the development of the school. Besides, the financial control had already been completed after the unit’s budget was realized. The school head had considered the efficiency criteria according to his own view before approving the budget proposal so that he let the practice of marking up of expenditures to take place – common practices that were indirectly endorsed by the school head through his budget approval. He did that because, first, the marking up was still under his tolerable efficiency criteria; and second, he intended to gain staff support.

The emphasis on physical development apparently made the school head rely heavily on the physical attributes to judge performance. This practice was intentionally adopted to
distract certain critical staff members from scrutinizing the school’s financial affairs. It was also intended to avoid humiliation of staff members who were involved in the practice of exaggerating expenditures. This understandably strengthened a mutual feeling of a father and children relationship between the school head and the staff members in the paternalistic managerial style adopted. In return, they would likely give their support to the school head to maintain and boost his power.

The emphasis on physical achievements was apparently similar to the UK case of the NHS prior the introduction of accounting reforms that were adopted from private business sectors. Cash surplus, in the NHS, in which a unit organization “had not spent all of the money it had been allocated … was generally held to be an undesirable outcome” (Mellet and Williams, 1997). The most important consideration for the NHS was to maintain the quality of health care services to patients. This also took place in the PBS Jakarta in which organizational units had a tendency to spend all the money that had been allocated to the units because failing to do that would likely reduce their next budget realization.

Unlike the NHS in which the idea of profit or cash surplus was absent from its objectives, at the organizational level in the PBS Jakarta, the school head often mentioned this financial discourse verbally in front of staff members. He repeatedly and intentionally announced the cash surplus at least at the end of every semester in front of regular general staff meetings to display his achievement in accumulating funds for the school development despite his physical achievement. However, managerial staff members had little idea about the actual amount of the school’s cash surplus, as internal reports or financial statements were never distributed to them.

The daily managerial practices, in which the school head directly exercised financial control through the budget approval, simultaneously fulfilled two objectives. First, the school head could maintain and control cash surplus accumulation. Consequently, the tendency of an organizational unit to disburse all the money received from the school was justified and appropriate because the budget realization meant that the money allocated had already been treated as an expense – an expense that from the school head’s point of view would not jeopardize the annual cash surplus of the entire organization. Second, it was politically motivated with the intention to control and manage staff behavior.

Indeed, financial issues were certainly considered in making any decision to the extent that it was related to the approval of budget proposal by the school head as he centrally managed the financial affairs of the school. This consideration took place especially during S’s tenure as the school head. S, who was financially dependent on TS, often asked the treasurer about the availability of cash to finance a proposed activity or to create a new activity that was not mentioned in the annual program in order not to sacrifice important routine activities. Instead of efficiency-oriented measurement of the organizational units, financial consideration was conducted prior to budget realization to maintain cash flows.

Management discussions within the school and with the school head mostly dealt with non-financial aspects. Financial figures were irrelevant and only the school head, his vice-
heads and the treasurer were concerned with such issues. Consequently, the school never used the accounting information as an important factor to judge and measure performance of the staff. The school head defined performance measurements of subordinates by designing physical achievements as the performance indicators. Such indicators were institutionally defined as the institutional factors that determined the interests being pursued by the school head – physical development.

Unlike the unit financial/expenditure report that had to be conducted soon after the unit completed an activity, each organizational unit had to submit a formal report containing its program achievement (physical performance) annually. In the annual managerial meeting, this report would be ceremonially discussed and evaluated. The evaluation result was neither necessarily used as considerations to improve the following annual program nor to evaluate staff performance. Since the school did not have any standardized reporting formats, the report varied among the organizational units. In general, it usually consisted of information about the name of activity, percent of completion of the activity, and explanatory columns.

Even though the emphasis was placed on the physical control, a formal physical report was only submitted annually for the purpose of the annual managerial meeting. It was because the school head informally knew all activities that took place in the school through his daily supervision and direct observation in the field. Verbal reports were highly emphasized. These became routines and institutionalized practices of the dominant reporting discourse in daily managerial control. In the paternalistic managerial environment of the PBS Jakarta, this mode of control effectively enhanced staff performance as it was used to evaluate as well as to stimulate performance. Therefore, the formal physical/activity report was only to fulfill the requirement of the formal organizational structure.

**9. Concluding Remarks**

Despite the fact that the budget is often portrayed as providing information for management planning and control (Burns and Scapens, 2000), the case of the PBS Jakarta indicates differently. The school head used the budget as an accepted symbol to rationalize the power interaction between various interests groups within the school. As a consequence, it turned into a political arena and a rationalized myth to mediate a political and financial bargaining between both sides - the school head and staff members in the form of budget approval. It also symbolized the “rationality” of relationship between the management of the school and the YPP in which the school head held the dominant power in the school and the YPP at the same time.

Patronage alignments as ostensibly manifested in familial metaphors for the school, had intentionally reduced the role of budget to represent a symbol of reason for the school head’s managerial conduct. The alignments made the patron – in this case the school head – serve the needs of staff members and students as his clients in return for their strong support and loyalty. The school head, by design, turned out to be the sole power holder and authority in the school for years.
Therefore, the role of the budget, in general, was never intended to be an “emerging dominance of a regime of calculability” (Hooper and Pratt, 1993). The school’s planning of cash flows that apparently relied on the budget and reports of the use of the money, in fact, was also used to symbolize the school head’s compliance with the technical-rational means of modern managerial conduct. The school head’s accountability was akin to Sinclair’s (1995) description of personal accountability that was enforced by psychological control in which the Perbanas placed its trust in him. It was also reinforced by organizational culture that placed physical development of the school as performance discourses.

Notes

1. The 1980 census data showed that 40 per cent of the Indonesians speak Javanese at home and 58 per cent living in Java speak this language.
2. *Bapak* is father while *ibu* is mother
3. According to the Government Regulation PP No. 3/1988 concerning higher education institution, maximum period to hold a position of Head of a college higher education as the PBS Jakarta is two periods respectively. This persisted under the Government Regulation PP No. 30/1990 and PP No. 60/1999.
4. Currently, the school has seven buildings that comprise the first three buildings mentioned and a seven story, an eight story and a nine story buildings that were built and completed in 1987, 1992, and 1996 and a three story building dedicated to the Foundation’s office.
5. Government Regulation PP No. 3/1988 that shortly replaced by the PP No. 30/1990 mentions that top management of college of higher education like Perbanas Business School Jakarta is consisted of a school head assisted by three vice-heads – Academic Affairs, Finance and General Affairs, and Student Affairs.
6. In 1995, S replaced TS as head of school. In this study, the head of the school refers to TS. Otherwise, it will explicitly mention the name, for example, S.
7. Banking reforms were beginning in 1983 to remove most controls of interest rates, entry, credit allocation and lowered reserve requirements (Pincus and Ramli, 1998).
8. Albeit the school head was not the owner of the school, his role in making the institution since the 1974, made people supposed that the PBS Jakarta was identical with him as he intentionally built that image. He could easily build this image as it was him who almost single handedly built the school from the scratch to become one among the most prestigious private business school in Indonesia.
9. Higher education institutions in Indonesia are highly regulated. Government intervention is done through bureaucratization and other forms of standardization of the higher education institution introduced by the government via Directorate General of Higher Education (DGHE) – Ministry of Education and Culture the Republic of Indonesia by promulgating government regulations, Minister’s decrees, and Director General’s decisions.
10. It was Sdk – ex vice treasurer – who introduced the budgeting mechanism by involving each unit of organization to prepare its annual budget. TS’ approval to such mechanism was undoubtedly driven by the fact that he no longer held the managerial position as the school head. By accepting this mechanism, he could maintain his control over the school and could easily monitor financial affairs of the school through his position as executive officer of the YPP that dealt directly with the management of the school - in this case with the school head, vice-heads, treasurer and vice-treasurer. Sdk was the second accountant who held the managerial position in the Treasury unit that traditionally was always held by the school head’s trusted staff. Apparently, his long time position as vice-treasurer – in fact he was never promoted to be a treasurer until he resigned due to illness – was related to the fact that the school head never fully trusted him.

11. Prior to the involvement of organizational units preparing their annual budget in 1995, the units’ involvement in the budget process was limited in proposing a budget for an activity before conducting the activity stated in the programs. For the staff, therefore, a budget was always associated with and interpreted in this way.

12. The school head usually handled the budget proposal for activities that were conducted under adhocracies/committees directly.

13. From October 1995 to 1999, TS’s older brother S headed the school. The real power holder, however, did not change as TS was named as executive officer of the YPP, a new position he created that gave him a power to directly intervene and be involved in the daily supervisory activities of the school.

14. The special assistant played an important role for most staff in dealing with S. For most staff members, convincing him was very important if they wanted their budget proposal to get approval.

15. After completing the activity, the organizational unit or the committee had to submit a cash outflows report to the treasurer regarding the use of the money. As will be explained later, the report was not intended for performance evaluation of the units or committees. The report had to be backed up by its transactional evidence to display that it was technically acceptable. In fact, it was common practices as it also occurred at the macro society level that transactional evidence – either internal or external – were subject to manipulation and could be arranged.

16. As the school head, S clearly stated in front of his vice-heads that he would never approve a budget that was proposed by subordinates whom he branded as opponent to his authority. This statement was then passed on by the school vice-head of Academic Affairs to all managerial staff members under his coordination in a monthly meeting in which the researcher was part of.

References


Singapore: Institute of Southeast Asian Studies and Australian National University.


